

**Summary**

**When the Worst Happens  
Estate Planning Should Account for Government Benefits**

**by**

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Exceptions to every rule – every entitlement –

All benefits depend on the status of the individual

## BENEFITS ADMINISTERED BY THE DEPARTMENT OF DEFENSE AND DOT

### Identification Cards

- ID cards serve as proof that individual has some official affiliation with the military services. The card comes in different colors and the color depends on your status with a military service. A reservist called to active duty for 31 days or more, receives a tan ID.

### Military Pay & Allowances

- Pay, allowances, benefits and entitlements depend on a member's rank, length of service, dependent status, and the type of orders the member is serving under. No allowances for reservists – unless on AD.
- A member on active duty is entitled to basic pay based on a 30-day monthly rate with pay periods twice each month. Inactive Duty Training (IDT) Pay (drill pay).

### Retirement Pay

- Monthly pay based on rank and years of service – 20 years generally equates to 50% base pay – maximum retirement by law is 75%.
- Reservists who do not complete 20 ad years but rather 20 good years are entitled to retirement pay and full benefits at the age of 60.

### Medical Retirement Pay

- When a service member is severely injured or becomes medically unfit for duty, a medical board is convened. For medical retirement, members – including reservists - must be rated as 30% or more - permanently disabled - under the VASRD.

### Separation Pay and Transition Benefits

- When a service member is injured or becomes medically unfit for continued duty, a medical board may be convened. If a reservist is rated 0, 10, or 20% disabled and has less than twenty years of service, he/she is separated with severance pay, & may be entitled to transition benefits due to being involuntarily separated.
- Severance pay computation: multiply monthly base pay by two (2); and then multiple that number by the members' years of service (not to exceed 12 years of service).

### Survivor Benefit Plan (SBP) \*

- Spouse and/or child SBP coverage is automatic for all active duty members once they complete 20 years of active duty and qualify for retirement. This is a gratuitous benefit that does not cost the active duty member anything. The SBP annuity immediately payable is 55 percent of the retired pay entitlement the member would receive if retired for years of service on the date of death.
- The Survivor Benefit Plan (SBP) is an income maintenance program for the surviving dependents of deceased service members
- If there is no surviving spouse, or the surviving spouse subsequently dies, the full SBP annuity is payable to all eligible children in equal shares.
- The SBP acts in conjunction with two other federally subsidized retirement/survivor programs--Social Security and Dependency Indemnity Compensation (DIC).

### Thrift Savings Plan

- A new benefit - The Thrift Savings Plan (TSP) is an optional retirement investment plan that has been available to civilian government workers since 1987. In 2000, Congress extended the TSP to include service members.
- The TSP only provides matching funds for service members in critical specialties as determined by the Secretary of Transportation. TSP contributions are tax-deferred, therefore service members do not pay federal or state income taxes on contributions or earnings.

### Medical/Dental/TRICARE

- Reservists activated for 31 days or more will be enrolled in TRICARE Prime; care will be provided at military treatment facilities, or at an authorized TRICARE provider for members assigned in remote areas.
- Families of reservists who are called to active duty for 179 days or more may also choose to enroll in TRICARE Prime, if they live where it's available.

### Legal Assistance

- Reservists and AD personnel and dependents – and retirees and their dependents are entitled to LA – provided based in an instruction – and is often limited to POAs, Wills, landlord and tenant issues, domestic relations, separation agreements, taxes,. Generally no in court representation – and only a limited number of units provide assistance with estate planning.
- For reservists – LA is especially helpful in enforcing the provisions of the SSCRA – and conceivably helping a reservist with Services Reemployment and Employment Rights Act.

## BENEFITS ADMINISTERED BY THE DEPARTMENT OF VETERANS AFFAIRS

### Serviceman's Group Life Insurance (SGLI) and Veterans Group Life Insurance (VGLI)

- SGLI program provides low cost group life insurance protection to active duty members and reservists, and is available in \$10,000 increments up to the maximum of \$250,000. Every active duty service member is automatically covered (unless specifically declined) by SGLI with a death benefit of up to \$250,000 while on active duty and for 120 days after separation from the service.
- A reservist who is called to active duty upon mobilization shall receive automatically, SGLI coverage at the maximum coverage amount effective on the date of mobilization. The benefit is payable to the beneficiary in a lump sum or in 36 monthly installments.
- The Veterans Opportunity Act of 2001 extends life insurance coverage to spouses and eligible children, and the coverage becomes effective Nov. 1, 2001. Action is only required if the SGLI member decides not to participate, or to enroll the spouse at an amount less than the maximum.
- Once coverage has been reduced or denied, in order to later obtain or increase the coverage, medical questions must be answered and proof of good health may be required.
- Coverage for spouses may be purchased in increments of \$10,000 up to a maximum of \$100,000. However, spouse coverage cannot exceed the level of the member's SGLI coverage.
- Each dependent child of eligible members will automatically be insured for \$10,000, regardless of whether the spouse is covered. Children will be covered to age 18, or up to age 23 if a child is attending a recognized educational institution. \$10,000 coverage for children is free and cannot be changed or denied.
- To be eligible for basic Service-Disabled Veterans Insurance (S-DVI), a veteran must have been released from active duty under other than dishonorable conditions on or after April 25, 1951. He/she must have received a rating for a service-connected disability and must be in good health except for any service-connected conditions. Application must be made within two years of the granting of service-connection for a disability.
- Your spouse may elect to convert his or her coverage to a commercial policy with a participating company within 120 days following one of the events listed above. The Office of Service members' Group of Life Insurance (OSGLI) will provide you with conversion information and a list of participating companies after November 1, 2001.

### Veterans Administration (VA) Disability Compensation

- Any reservist who is separated or retired from the service for medical reasons may file a claim with the VA for service-connected disability compensation. Paid according to a schedule. Service connection basically means that a particular injury or disease resulting

in disability was incurred coincident with service in the Armed Forces, or if preexisting such service, was aggravated therein. VA disability compensation varies with the degree of disability and the number of dependents and is paid monthly.

- The benefits are not subject to federal or state income tax. Retired members who receive disability compensation from the VA are currently required to waive military retired pay equal to the amount of VA compensation received.
- If the amount of VA compensation exceeds retired pay, retired pay will be waived as a whole.

#### Dependency and Indemnity Compensation (DIC)

- Objective is to compensate surviving spouses, children and parents on a monthly basis for the death of any veteran who died because of a service-connected disability, or while in the active military service. Fixed sum., tax-free benefit administered by the VA. DIC is currently \$911 for the surviving spouse and \$229 per dependent child (more for children of a single parent).

#### Education

- Many program administered by the VA – and clearly some administered by the services. **Montgomery GI Bill** - The MGIB program provides up to 36 months of education benefits. This benefit may be used for degree and certificate programs, flight training, apprenticeship/on-the-job training and correspondence courses. Remedial, deficiency, and refresher courses may be approved under certain circumstances. Generally, benefits are payable for 10 years following your release from active duty.
- **Vocational program** – 20% qualify – approved. Pay tuition and living allowance. Tax free.
- **Survivors' and Dependents' Educational Assistance Program** (DEA) provides education and training opportunities to eligible dependents of veterans who are permanently and totally disabled due to a service-related condition, or who died while on active duty or as a result of a service related condition. The program offers up to 45 months of education benefits. Tax free educational benefits for surviving dependents. Currently, the spouse receives \$485 per month for 45 months to be used for their own education during a 10-year period. Eligible children, from 18-26 years (even if married) would receive the same amount of educational benefits.
- **Bill pending** - Reservists in the middle of their terms who are called to active service - The school must immediately submit a VA Form 22-1999b. Activated reservists should ensure that the certifying officials include two very important things: The last date of attendance and in the remarks section state Student Called Back To Service, or something to that effect.

#### Military Burial Benefits and Death Gratuity

- Free burial – with a headstone – VA National Cemetery – perpetual care –
- Some restrictions – some additional benefits – depending on the status
- If a service member dies on active duty, or within 120 days of retirement as a result of a service-connected disability, the beneficiary will receive up to \$6,000 death gratuity.

- When a member dies on active duty as opposed to being medically retired, the military services may allow the deceased's dependents to continue to occupy military housing for 180 days. Dependents not in military housing continue to receive Basic Allowance for Housing (BAH) for 180 days following death.

### Social Security

The earnings for active duty military service or active duty training have been covered under Social Security since 1957. Inactive duty service in the armed forces reserves (such as weekend drills) has been covered by Social Security since 1988. No offset with VA disability pay and retirement pay.

\*SBP annuity is reduced dollar-per-dollar by Dependency and Indemnity Compensation (DIC) payable by the Department of Veterans Affairs (VA) because of death while on active duty unless a determination of misconduct is made. SBP is often elected for children only (not the spouse) because DIC has no offsetting impact on the child's SBP receipt.