

MQFP® Study Guide 2.5: Reserve Retirement Planning

Learning Objectives:

2.5 Reserve Retirement Planning

a. Contrast the Reserve and Guard pension plan to the active-duty pension

The primary difference between active duty military pensions and pensions for Guard and Reserve members lies in their eligibility criteria, accrual, and activation periods:

Active Duty Military Pension:

Eligibility: Active duty servicemembers become eligible for retirement benefits after completing 20 years of active service.

Accrual: Retirement benefits are based on a calculation involving the average of the highest 36 months of basic pay multiplied by a percentage based on years of service.

Activation: Continuous active duty service is required to qualify for this pension.

Guard and Reserve Military Pension:

Eligibility: Guard and Reserve members become eligible for retirement benefits upon reaching the age of 60, regardless of their years of service. There are some exceptions based on certain types of active duty service and deployments.

Accrual: Retirement benefits are based on a point system where members accumulate points for each year of service, drill weekends, and active duty deployments. These points are factored into the retirement pay calculation.

Activation: Members can accrue points toward retirement through a combination of inactive and active duty service, including monthly drills, annual training, and deployments.

In summary, the key distinctions involve the eligibility criteria, the method of calculating retirement benefits, and the requirements for continuous active duty service for the respective pensions - 20 years of active duty service for the active-duty pension and a combination of points accrued from various types of service for the Guard and Reserve pension.

Exercise 1: Pension Plan Comparison

Compare and contrast the Reserve and Guard pension plan to the active-duty pension. Consider factors such as eligibility requirements, accrual rates, retirement age, and calculation methods for both plans.

b. Identify strategies and opportunities for increasing retirement savings between TSP and civilian retirement plans

Maximize total annual contributions to TSP and civilian retirement plans within the IRS allowed annual contribution limit

Include the maximum catch up contribution to your regular contributions if you are age 50 or older. Also consider making contributions from periodic bonuses

Consider making maximum contributions to an IRA in addition to your employee retirement account

Make sure your investments are diverse and are following the appropriate risk target. Check with a financial planner if you need guidance

Exercise 2: Retirement Savings Strategies

Identify and explain various strategies and opportunities for Reserve and Guard members to increase their retirement savings, including maximizing contributions to the Thrift Savings Plan (TSP) and utilizing civilian retirement plans, such as 401(k)s or Individual Retirement Accounts (IRA).

c. Explain the key differences between SBP and RCSBP

The Survivor Benefit Plan (SBP) provides a monthly payment to the surviving spouse or eligible beneficiaries of a military member upon the member's death. The plan is available to both active duty and reserve component members, but there are differences between the Active Duty Military Survivor Benefit Plan (AD-SBP) and the Reserve Component Survivor Benefit Plan (RC-SBP):

Eligibility:

AD-SBP: Available to active duty service members.

RC-SBP: Available to members of the Reserve Component, including National Guard and Reserve members.

Cost:

AD-SBP: The cost is based on a percentage of the retired pay, usually 6.5% of the base amount. The cost is automatically deducted from the member's retired pay.

RC-SBP: Reserve members can choose to participate in the plan, and the cost is based on a premium, which varies depending on the coverage level chosen.

Coverage and Benefits:

AD-SBP: Provides a full coverage benefit equal to 55% of the member's retired pay to the surviving spouse or eligible beneficiaries.

RC-SBP: Offers different coverage options (full or lesser coverage), allowing beneficiaries to receive a portion (or lesser percentage) of the member's retired pay.

Commencement of Payments:

AD-SBP: Payments begin immediately upon the death of the active duty service member.

RC-SBP: Payments usually start when the member would have become eligible for retired pay, usually upon reaching 60 years old, unless the member dies on active duty.

Flexibility:

AD-SBP: Generally less flexible, as it's a standard program with fixed coverage and costs.

RC-SBP: Offers more flexibility in choosing coverage levels and payment options, allowing members to tailor the plan to their needs.

Cost-of-Living Adjustments (COLA):

AD-SBP: Receives annual COLA adjustments to account for inflation.

RC-SBP: Payments may or may not receive COLA adjustments, depending on the coverage option chosen.

Exercise 3: SBP and RCSBP Comparison

Describe the key differences between the Survivor Benefit Plan (SBP) and the Reserve Component Survivor Benefit Plan (RCSBP), including eligibility, cost, coverage options, and benefits for survivors.

Quiz: (True or False)

1. The Reserve pension plan provides the same retirement benefits as the active-duty pension plan.
 - a) True
 - b) False

2. Reserve and Guard members cannot contribute to the Thrift Savings Plan (TSP) for retirement savings.
 - a) True
 - b) False

3. The RCSBP provides survivor benefits only for surviving spouses of Reserve and Guard members.
 - a) True
 - b) False

4. Reserve and Guard members can participate in both the SBP and the RCSBP at the same time.
 - a) True
 - b) False

References:

- Retirement and Separation, National Guard Bureau: <https://www.nationalguard.mil/Leadership/Joint-Staff/J1-Manpower-Personnel/NGB-J1-MANPOWER-PERSONNEL-DIVISION/Retirement-and-Separation/>

- Thrift Savings Plan (TSP), Federal Retirement Thrift Investment Board: <https://www.tsp.gov/>
- Survivor Benefit Plan (SBP), Defense Finance and Accounting Service (DFAS):
<https://www.dfas.mil/retiredmilitary/provide/sbp.html>
- Reserve Component Survivor Benefit Plan (RCSBP), Defense Finance and Accounting Service (DFAS):
<https://www.dfas.mil/retiredmilitary/provide/rcsbp.html>

*Answer Key can be found at: <https://mqfp.org/study-guides/8> *