

MQFP® Study Guide 4.4: Survivors

Learning Objectives:

4.4 Survivors

a. Describe the key characteristics of the Survivor Benefit Plan and how they impact an estate or financial plan.

SBP is a life insurance annuity program designed to provide a portion of the retired servicemember's retired pay to eligible survivors upon the member's death. The annuity is adjusted for cost of living increases. While the impact to the survivor is positive, the premiums decrease the amount of money available while the retiree is alive.

Exercise 1: Survivor Benefit Plan (SBP) Overview

Describe the key characteristics of the Survivor Benefit Plan (SBP), including eligibility, coverage options, cost, and its impact on an estate or financial plan.

b. Describe the key characteristics of Dependency and Indemnity Compensation (DIC)

- DIC is a tax-free monetary benefit provided to eligible survivors of veterans or service members who died as a result of a service-related injury or disease.
- Surviving spouses, children, and dependent parents may be eligible for DIC. Eligibility is typically based on the cause of the veteran's death and the survivor's relationship to the deceased veteran.
- DIC is granted when the veteran's death is determined to be service-connected. This means that the death resulted from an injury or disease incurred or aggravated during active military service.
- Certain conditions may be presumed to be service-connected, simplifying the process for survivors to establish eligibility for DIC. For example, conditions such as certain cancers associated with Agent Orange exposure in Vietnam are presumed to be service-connected.
- Surviving spouses must meet certain criteria, such as not remarrying before the age of 57, to maintain eligibility for DIC. Eligible children must be unmarried, under a certain age, and attending school.
- DIC may include additional allowances for eligible children, including an increased monthly benefit for each child, a transitional benefit for surviving spouses with children, and special benefits for helpless or disabled children.
- DIC benefits are generally paid from the date of the veteran's death or the date the survivor became eligible, whichever is later. In some cases, benefits may be retroactive based on the date of the veteran's claim.
- The amount of DIC compensation varies based on the survivor's relationship to the deceased veteran and whether the survivor is entitled to additional benefits for dependent children.

- DIC benefits are subject to annual cost-of-living adjustments to account for inflation and changes in the cost of living.
- DIC benefits do not affect other VA benefits received by the surviving family members, such as education benefits or home loan guarantees.

Exercise 2: Dependency and Indemnity Compensation (DIC) Overview

Describe the key characteristics of Dependency and Indemnity Compensation (DIC), including eligibility criteria, benefit amounts, and the relationship to service-connected deaths.

c. List the additional benefits available to survivors of active duty deaths

Death Gratuity:

- a one-time, tax-free payment made to eligible survivors of military service members who die while on active duty or within 120 days of separation from active duty.

TRICARE Benefits:

- Survivors may be eligible for TRICARE benefits, the military healthcare program. The specific coverage depends on the survivor's relationship to the deceased service member and other factors.

Education Assistance - Survivors' and Dependents' Educational Assistance (DEA):

- DEA provides education and training opportunities to eligible survivors of veterans who died or are permanently and totally disabled as a result of a service-connected condition

Exercise 3: Additional Benefits for Survivors

List and describe the additional benefits available to survivors of active duty deaths, such as Death Gratuity, TRICARE benefits, education assistance, and housing support.

d. Explain how TRICARE works for active duty and retiree survivors

Exercise 4: TRICARE for Survivors

Active Duty Survivors:

Eligibility Criteria:

- **Surviving Spouse:** The surviving spouse of an active duty service member who died on active duty or within 120 days of separation from active duty is eligible.
- **Dependent Children:** Unmarried dependent children of the deceased service member may be eligible until age 21 (or 23 if a full-time student).

Enrollment Procedures:

- Active duty survivors are automatically enrolled in TRICARE as part of their survivor benefits. There is no need for a separate enrollment process.

Healthcare Options:

TRICARE Prime: This is a managed care option. Active duty survivors are automatically enrolled in TRICARE Prime and can receive care from military hospitals and clinics or designated network providers.

TRICARE Select: Active duty survivors can also choose to use TRICARE Select, a preferred provider option. This allows them to see any TRICARE-authorized provider.

TRICARE for Life (TFL): If the active duty survivor is eligible for Medicare, they may also qualify for TRICARE for Life, which acts as a supplement to Medicare coverage.

Retiree Survivors:

Eligibility Criteria:

- **Surviving Spouse:** The surviving spouse of a military retiree who elected Survivor Benefit Plan (SBP) coverage is eligible.
- **Dependent Children:** Unmarried dependent children of the deceased retiree may be eligible until age 21 (or 23 if a full-time student).

Enrollment Procedures:

- Retiree survivors must enroll in TRICARE. Enrollment can be done online or by mail.

Healthcare Options:

TRICARE Prime: Retiree survivors can enroll in TRICARE Prime, the managed care option. This option may require enrollment fees and has network restrictions.

TRICARE Select: Retiree survivors can also choose TRICARE Select, which provides more flexibility in choosing healthcare providers. This option has cost-sharing requirements.

TRICARE for Life (TFL): Similar to active duty survivors, retiree survivors eligible for Medicare may enroll in TRICARE for Life, which supplements Medicare coverage.

Explain how TRICARE works for active duty and retiree survivors, including eligibility criteria, enrollment procedures, and available healthcare options.

e. Compare the Fry Scholarship to Dependents Education Assistance benefits

Eligibility:

- **Fry Scholarship:** For survivors of service members who died in the line of duty on or after September 11, 2001.

- DEA: For survivors of veterans with a service-connected disability rating of at least 100% or who died as a result of a service-connected condition.

Coverage:

- Fry Scholarship: Covers in-state tuition and fees at public institutions, with additional benefits for private or foreign institutions.
- DEA: Provides a monthly allowance for various types of educational and training programs.

Educational Assistance Programs:

- Fry Scholarship: Eligible for Post-9/11 GI Bill educational assistance programs.
- DEA: Not eligible for the Transfer of Entitlement option.

Exercise 5: Education Benefits Comparison

Compare the Fry Scholarship and Dependents Education Assistance benefits in terms of eligibility criteria, coverage, and educational assistance programs.

f. Explain the Veterans Administration Survivors Pension

A VA Survivors Pension offers monthly payments to qualified surviving spouses and unmarried dependent children of wartime Veterans who meet certain income and net worth limits set by Congress.

Exercise 6: Veterans Administration Survivors Pension

Explain the Veterans Administration Survivors Pension, including eligibility requirements, benefit amounts, and the application process.

g. Identify various state benefits for survivors

Benefits vary widely but the following are some examples:

- Education Benefits:
 - College tuition waivers or discounts.
 - State-sponsored scholarships for survivors pursuing higher education.
- Employment Assistance:
 - Priority hiring consideration for surviving spouses in state government employment.
- Financial Assistance:
 - Property tax exemptions or reductions for survivors.
 - Financial aid programs or grants for survivors facing economic challenges.
- Healthcare Benefits:
 - State veterans homes providing long-term care or assisted living.
 - Healthcare programs or assistance for survivors not eligible for federal programs.
- License and Fee Waivers:
 - Exemptions or discounts on vehicle registration and driver's license fees.

- Free or discounted hunting and fishing licenses for survivors.

Exercise 7: State Benefits for Survivors

Identify and list various state benefits available to survivors, such as financial assistance, property tax exemptions, and education benefits.

h. Describe the HEART Act

Here are key aspects of the HEART Act:

Extension of Filing Deadlines:

- The HEART Act extended the deadlines for filing tax returns, paying taxes, and performing certain other time-sensitive acts for military members serving in a combat zone.

Tax Exclusion for Combat Pay:

- It allowed military service members to exclude combat pay from their gross income for tax purposes. Combat pay is compensation received for active service in a designated combat zone.

Death Gratuity Exclusion:

- The Act excluded the military death gratuity from taxable income. The death gratuity is a one-time, tax-free payment made to survivors of service members who die while on active duty.

Survivor and Education Benefits:

- The HEART Act expanded survivor and education benefits for military families. It included provisions related to the transferability of Post-9/11 GI Bill benefits to family members.

Reservist Distributions:

- The Act provided penalty-free withdrawals from retirement plans for reservists who were called to active duty.

Mortgage Debt Relief:

- It included provisions related to mortgage debt forgiveness for military homeowners, providing relief from tax liability on forgiven mortgage debt in certain situations.

Uniformed Services Employment and Reemployment Rights Act (USERRA) Protections:

- The HEART Act enhanced protections for members of the uniformed services regarding reemployment rights after returning from active duty.

Extension of Certain Tax Benefits:

- It extended certain tax benefits, such as the maximum credit for employer differential wage payments made to activated military reservists.

Exercise 8: HEART Act Overview

Describe the provisions and benefits of the Heroes Earnings Assistance and Relief Tax (HEART) Act for survivors of deceased service members.

i. List the options for investing SGLI and Death Gratuity proceeds

Roth IRA Contribution Benefit:

- Removes the yearly cap on Roth IRA contributions, raising it from \$5,500 to \$500,000 during the year of death gratuity and SGLI benefit dispersal.
- Enables young surviving spouses to fully fund their Roth IRA at a young age without additional yearly contributions.
- Provides tax advantages as death gratuity and SGLI benefits are not taxed during the initial payout or upon capital gains realization.
- Facilitates accumulation of interest on funds that would have otherwise been taxable.

Coverdell Education Account Contribution Benefit:

- Similar to the Roth IRA benefit but earmarked for educational expenses instead of retirement funding.
- Offers tax-free benefits on the initial payout and future gains realization for education-related expenses.

Exercise 9: Investing SGLI and Death Gratuity Proceeds

List the options for investing Service Members' Group Life Insurance (SGLI) and Death Gratuity proceeds, including financial planning considerations for survivors.

Quiz: (True or False)

1. The Survivor Benefit Plan (SBP) is automatically provided to all service members.

a) True

b) False

2. Dependency and Indemnity Compensation (DIC) is a needs-based benefit available to survivors of deceased veterans.

a) True

b) False

3. TRICARE benefits are only available to active duty service members and military retirees.

- a) True
- b) False

References:

- Survivor Benefit Plan (SBP), Defense Finance and Accounting Service:

<https://www.dfas.mil/retiredmilitary/survivors/SBP.html>

- Dependency and Indemnity Compensation (DIC), U.S. Department of Veterans Affairs:

<https://www.va.gov/disability/dependency-indemnity-compensation/>

- TRICARE for Survivors, TRICARE:

<https://tricare.mil/LifeEvents/Loss/AdultChildren/ChildrenLossAfterEligibility>

- Fry Scholarship, U.S. Department of Veterans Affairs: <https://www.va.gov/education/survivor-dependent-benefits/fry-scholarship/>

- Dependents Education Assistance (DEA), U.S. Department of Veterans Affairs:

<https://www.va.gov/education/survivor-dependent-benefits/dependents-education-assistance/>

- Veterans Administration Survivors Pension, U.S. Department of Veterans Affairs:

<https://www.va.gov/pension/survivors-pension/>

- State Benefits for Survivors, National Association of State Directors of Veterans Affairs:

<https://www.nasdva.us/va-benefits/survivors/>

- Heroes Earnings Assistance and Relief Tax (HEART) Act, Internal Revenue Service:

<https://www.irs.gov/newsroom/heroes-earnings-assistance-and-relief-tax-act-of-2008>

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