

# SURVIVORS OF DECEASED MILITARY MEMBERS



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The following programs are available to the survivors of deceased active-duty and retired military members.

- Dependency and Indemnification Compensation (DIC)
- Social Security Survivor's Benefits for Deceased Military Members
- Survivor Benefit Plan (SBP)

## **DEPENDENCY AND INDEMNITY COMPENSATION (DIC)**

Monthly DIC payments are available if a member dies while on active duty and in the line of duty or dies after separation or retirement from a service-connected injury or disability. These benefits are not tied to an automatic cost of living adjustment (COLA), but require an act of Congress to be changed.

When do beneficiaries become eligible for DIC?

- If the service member dies in the line of duty as determined by the VA;
- If the service member dies of a service connected disability (again determined by the VA); or
- If the service member dies from non-service related injuries but was receiving or was entitled to receive VA Compensation for service-connected disability rated at total disability for at least 10 years right before death, since release from active duty and at least five years before death, or for at least one year before death if the member was a former POW who died after 30 September, 1999.

All determinations of the VA are subject to judicial review by the Court of Veterans Appeals.

Who are eligible beneficiaries?

- A surviving spouse who validly married the veteran before January 1, 1957, or was married to a service member who died on active duty, or married the veteran within 15 years of discharge from the period of military service in which the disease or injury that caused the veteran's death began or was aggravated,
- A surviving spouse who has been married for at least 1 year upon the death of service-member or married for a period of time if a child is born of the marriage or before the marriage;
- A surviving spouse who remarried on or after 16 December 2003 and has reached the age of 57;

- Surviving children who are unmarried and under 18 years old; or unmarried and between the age of 18 through 23 years old who are attending a VA approved educational institution; or disabled children who become disabled prior to age 18
- Surviving Parents (subject to income limitations)

DIC payments are NOT taxable income to beneficiaries, nor is the present value of DIC includable in the deceased service-member's estate for estate tax purposes.

## **SOCIAL SECURITY SURVIVOR'S BENEFITS**

How do I become eligible for Social Security Survivor Benefits?

Eligibility is based on the "earning" of Social Security Credits.

- From 1957 to 1977, military personnel are credited with an additional \$300 in earnings for each calendar quarter you earned basic pay
- Beginning in 1978 through 2001, you are credited with an additional \$100 for every \$300 in active duty basic pay (with a \$1,200 cap)
- After 2001, no additional credits are earned, however normal credits for each quarter of work continue to be earned – one quarter is earned for every \$1,050 in 2008
- A maximum of four quarters can be earned each year

How are Social Security Survivor Benefits calculated?

All Social Security benefits are based on an individual's Primary Insurance Amount (PIA) which is in turn based on his Average Indexed Monthly Earnings. In other words, the more paid in, the higher the benefits will be.

- The Social Security Administration can tell you exactly what your PIA is and what your benefits will be on the SSA Form 7004. Call 1-800-772-1213.
- Most service members have a PIA of approximately 40% of their base pay (senior officers about 30% of bases pay, junior enlisted about 50% of base pay)

When will my Social Security benefits begin:

Social Security benefits **MUST** be applied for - they do not start automatically and will not be paid retroactively.

What benefits are available upon retirement?

Retirement benefits may begin as early as age 62, but deferring retirement benefits until age 67 results in higher monthly payments.

Are there any circumstances in which my benefits can be reduced?

Benefits will be reduced when earned income exceeds certain thresholds:

- Recipient under age 67 - benefits reduced \$1 for every \$2 earned above \$8,040
- Recipient age 67 through 69 - benefits reduced \$1 for every \$3 earned above \$11,160
- Recipient age 70 or over - No reduction

**NOTE: DIC, retired pay, and SBP are not earned income for purposes of determining the above thresholds.**

Social Security Benefits are taxable.

Note: DIC payments are not included in figuring modified AGI; SBP and other retirement pay is included.

## **SURVIVOR BENEFIT PLAN**

The Survivor Benefit Plan (SBP) provides an annuity for survivors of participating retired members of the armed forces and for survivors of those who die on active duty while eligible to retire (over 20 years active service). Eligible survivors will receive as much as 55% of the member's retired pay on the date of the member's death. After 30 years of payments, upon reaching age 70 no premium will need to be paid.

Who is eligible for SBP?

- While on active duty, the survivors are covered at the maximum level at no cost to the member. After retirement, participation is voluntary. However, the option to opt out of SPB belongs to the member's eligible spouse. (Spouse must give written concurrence for anything but maximum participation)
- The change placing the option for SBP participation on the eligible spouse affects members whose retirement date is on or after 1 Mar 86. At the member's retirement, maximum spousal coverage (55% of retired pay for an eligible spouse) will be established unless the eligible spouse has agreed, in writing, to less than maximum coverage. Under this provision, if the member wants to decline SBP or elect reduced or child only coverage, the spouse must concur. The only exception occurs in those cases where the member can establish, to the satisfaction of the Secretary of the Air Force, that the spouse's whereabouts cannot be determined or, due to exceptional circumstances, that spousal consent would be inappropriate
- An election to participate in SBP, once made, is generally irrevocable

How are SBP premiums and annuity payments treated for tax purposes?

Premiums are paid in the form of a reduction in retired pay thus reducing taxable income. (I.R.C. 122). For example, a member in the 28% tax bracket whose SBP premium is \$100 has an actual cost of only \$72. This is because if he weren't enrolled in SBP he would only get to keep \$72 of the \$100 since he would have to pay \$28 in income tax. This is an important consideration when comparing costs of commercial products which must be purchased with after-tax dollars. Thus, when figuring the actual cost of SBP, one must always reduce the premium by one's marginal tax bracket. SBP annuity payments are taxable income to beneficiaries. (I.R.C. 72(a)(n)).

*Sources:*

*Survivor benefit information can change. Please consult some of the sources below for more information.*

*<http://www.military.com/benefits/survivor-benefits/the-survivor-benefit-plan-explained.html>*

*<http://www.military.com/benefits/survivor-benefits/dependency-and-indemnity-compensation.html>*

*<http://www.ssa.gov/pubs/10084.html>*

*The information provided in this document is meant for the sole use of Active Duty service members, retirees, and their families. The information is general in nature and meant only to provide a brief overview of various legal matters. Rights and responsibilities vary widely according to the facts and circumstances in each case. Laws can vary across states, services, and civilian jurisdictions. Do not rely upon the general restatements of background information presented here without discussing your specific situation with a legal professional.*