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FINANCIAL READINESS FOR LIFE

LIFE INSURANCE

WHY LIFE INSURANCE?

Most people don't like to talk about life insurance. We don't like to contemplate our own death, or that of our loved ones. In general, insurance helps protect us from significant monetary loss in case of emergency. When someone dies, life insurance provides funds to help pay costs related to funeral expenses, loss of income, rent or mortgage payments, paying debts or taxes, day care, college expenses, etc.

Why not use my investments?

Many people figure they'll just save and invest enough to cover their expenses if they die. While a fortunate few may be able to do that, it doesn't work for most people. Some may die early in life before their savings and investments have had time to accumulate sufficient funds. Others may die later in life, but even after death the need for funds for income and payment of taxes continues. If we depend on our savings and investments, there is no guarantee that the economy will thrive and that the stock market will be "up" when we die. A properly structured life insurance policy generally costs much less than the benefits derived. By the way, even millionaires buy life insurance.

When choosing insurance, it's not that one type is necessarily better than another—it's a matter of matching the type of coverage to the needs. You want to make sure you have the coverage in place when it's needed, and that you get what you pay for. You may find a combination of types is the best fit.

HOW DOES LIFE INSURANCE WORK?

Every life insurance policy requires an owner, an insured, and at least one beneficiary. The policyowner/policyholder owns and makes decisions concerning the policy, designates the beneficiary of the benefits, and usually pays the premiums. There is a difference between the policyowner and the insured, upon whose life the policy is based, although they are often the same person. For example, if Joe buys a policy on his own life, he is both the owner and the insured. But if Jane, his wife, buys a policy on Joe's life, she is the owner and he is the insured. The policyowner is the guarantor and will usually be the person to pay for the policy. Most

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companies allow the payer and owner to be different, e. g., a grandparent paying premiums for a policy, owned by a child, to insure a grandchild.

The insured is a participant in the contract, but not necessarily a party to it. The insured may be same as the policyowner, but not necessarily. Benefits are paid upon this person's death.

In cases where the policyowner is not the insured, insurance companies have sought to limit policy purchases to those with an insurable interest in the insured. For life insurance policies, close family members and business partners will usually be found to have an insurable interest. The purchaser must usually demonstrate that they will actually suffer some kind of loss if the insured dies. This prevents people from benefiting from the purchase of purely speculative policies on people they expect to die. With no insurable interest requirement, the risk that a purchaser could murder the insured for insurance proceeds would be greater.

The beneficiary receives the policy proceeds upon the insured person's death. The owner designates the beneficiary, but the beneficiary is not a party to the policy. The owner can change the beneficiary unless the policy has an irrevocable beneficiary designation. If a policy has an irrevocable beneficiary, any beneficiary changes, policy assignments, or cash value loans would require the agreement of the original beneficiary. There can be multiple beneficiaries. Designated beneficiaries must have an insurable interest in the insured's death.

You must name a beneficiary on your insurance policy, regardless of what is stated in your will. You can name multiple primary beneficiaries, who will be first in line to share the proceeds. Contingent beneficiaries receive the benefits if the primary beneficiaries are not living.

The proceeds of a life insurance policy bypass the will (and probate) and will be paid directly to the listed beneficiary. If no beneficiary is named, the proceeds will be paid to the estate.

COVERAGE FOR FAMILY MEMBERS AND DEPENDENTS

Should you purchase life insurance on your spouse or children? After all, they are probably not supporting the family.

If the family is dependent on a spouse's income or services, such as childcare, it is wise to insure the value of the contribution that spouse makes to the family. Enough insurance should be purchased to cover the income and/or the cost of services that would be lost in the event of the spouse's death, such as day care, home care, meals, and whatever other contributions the spouse makes to the family. At an absolute minimum, the expenses of a funeral or cremation should be provided for.

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For children, a small amount of insurance may be recommended to provide for funeral or cremation expenses. A very good reason to purchase insurance on children is that it guarantees their insurability for a later date so your children can insure themselves when they are old enough, regardless of their insurability. If for some reason your child becomes uninsurable as an adult, (e.g., they are diagnosed with medical conditions that make them uninsurable) the policy purchased as a child should remain in force and be available to a designated beneficiary. Children's policies are usually very affordable and do not require a medical exam.

HOW MUCH COVERAGE DO I NEED?

There is no "one-size-fits-all" answer for how much life insurance coverage a family needs. Several factors must be considered to determine how much life insurance is needed:

- Burial or cremation costs
- Potential debts due at time of death
- Paying off a mortgage
- Compensation for loss of income
- Other expenses, such as childcare, college expenses, etc.
- Other life insurance or death benefits available

Another important consideration is how much the family can afford to pay in premiums. For example, there may be needs that would best be covered with permanent insurance, but the budget does not allow for that amount of permanent insurance yet. In that case, an insurance professional might recommend term insurance, or a combination of term and permanent insurance, to cover the needs, at least temporarily. Later, when more permanent coverage can be afforded, the temporary coverage could be converted to permanent insurance with no additional health questions.

INSURANCE PREMIUMS AND INSURABILITY

Life insurance premiums are typically based on:

- The type of insurance. Permanent insurance is initially more expensive because some of the premium goes into the reserve fund. While term starts out cheaper, it gets much more expensive at higher ages until it is often unaffordable.
- The amount of insurance coverage.
- The statistical probability of the insured's death occurring while the policy is in effect due to age, high-risk career, high-risk hobbies, high-risk health habits, etc.
- Depending on the provider, the policyowner may have the option to pay annually, semiannually, quarterly, monthly, or biweekly. Some companies will allow an automatic bank draft to pay the premium. For most companies the annual premium is the base from which other premiums are calculated. Semiannual and quarterly premiums may be more than one-half or one-quarter of the annual premium to compensate for the fact that the company does not receive the entire year's premium up front. However, in most cases

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monthly premiums paid automatically by bank draft are actually one-twelfth of the annual premium because of the cost savings the automatic payment provides to the insurance company.

- Your credit score may also be considered, because if you have a low credit rating the insurance company may doubt your ability to pay the long-term costs.

Insurance companies consider many factors to determine whether an individual is insurable. However, some factors that may make a person uninsurable with one provider may cause another provider simply to charge extra for the coverage.

Insurability can be affected by the following:
- Hazardous vocation such as aviation
- Hazardous avocations or hobbies such as skydiving, scuba diving, or racing automobiles or motorcycles
- Personal health
- Family health history
- Personal habits such as smoking, drinking, or drug use
- Travel plans, for example, to countries deemed dangerous
- Driving habits, for example, DUIs or tickets
- Military service

If a person has any of the above factors and is considering a life insurance policy, it may be a good idea to compare different providers or talk to an insurance professional who is familiar with more than one insurance provider.

TYPES OF INSURANCE COVERAGE

There are two basic types of insurance coverage: temporary (term) insurance and permanent insurance. It's recommended that you purchase temporary coverage for temporary needs such as mortgage or rental payments, college expenses for children, debts, and daycare, and permanent insurance for those needs that will always be there, such as replacement income or final expenses.

Temporary/Term Insurance

Temporary insurance does not accumulate reserves. If the owner tries to keep the coverage level, the premium will eventually exceed what the owner is willing and able to pay. Conversely, if the premium is held steady, the coverage will eventually have to decline. Term insurance will expire at a predetermined time. The time frame could be as short as one year, for a specific length of time such as 10 or 20 years, or to a specified age. Because it is designed to expire, the premiums only support the policy; there is no reserve or cash value. Therefore, the longer the specified time period, the higher the premium must be.

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There are two types of temporary insurance: level (coverage) term and decreasing (coverage) term.

- Level term provides a death benefit that is level for a specified period, for example 5 years, to age 50, etc. The premium is generally required and level for this period. At the end of the period, the owner may have the option to obtain more temporary coverage for another specified period with a lower death benefit or higher premium, or to convert part or all of the coverage to permanent insurance.
- Decreasing term provides a death benefit that decreases over the specified time period. The premium is generally required and level. Often the coverage is specified to last until the insured reaches a specified age, such as 65, 80, etc.

A common source of term insurance is "group" term, often offered by employers, unions, credit providers, and other organizations, which contract with an insurance company to provide the insurance. As long as you are a member of the group, you are eligible to purchase the insurance. When you leave the group, your insurance will usually expire.

Term insurance is often sold as renewable, which means you are guaranteed to be able to purchase additional coverage with no evidence of insurability when the insurance expires, if you can afford the new premium. Some term insurance may also be sold with an adjustable premium, which means the insurance may be initially offered at lower-than-usual rates, but it can be increased by the insurance company as needed to keep up the coverage. Term policies are often convertible, which means you can convert the term insurance to permanent insurance during specific periods with no insurability questions and based on your age as of the conversion date.

Permanent Insurance

Permanent insurance has a required premium (generally to age 95 or 100) to assure adequate reserves are built up to provide lifetime coverage. The premium usually remains level over the life of the policy, although there may be a required modification at some future date. The premium payment period is normally for the life of the policy; a shorter payment period would require the premium to be higher. Premiums for permanent insurance are initially higher than those for temporary insurance because some portion is held in reserve to supplement the premiums in the insured's later years. Permanent insurance generally has a cash value, which is the insured's portion of the reserves held by the company. Although the cash value will be returned to you if you cancel the policy, it is not a good idea to think of it as a savings or investment plan because the interest rate is set intentionally low. Though this type of insurance is usually recommended to provide for needs that will never go away, such as funeral costs for example, it may not be affordable for everyone.

While there are many varieties of permanent life insurance, the most common are traditional whole life, interest-sensitive whole life, and variable life.

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Traditional Whole Life

Traditional whole life policies are based on long-term estimates of expense, interest, and mortality. Premiums, death benefits, and cash values are stated in the policy. There are two types of traditional whole life: participating whole life and non-participating whole life.

- Participating whole life
  Participating whole life is a type of permanent insurance in which non-guaranteed rebates, called "dividends" by insurance companies, from surplus premiums may be distributed to policyowners. These are not a return on investment but are a return to you of excess premiums you have paid. Hence, you do not pay tax on these distributions. These rebates can be paid in cash, used to pay some of the premium, left to accumulate, or used to purchase additional coverage. The premium and death benefit both remain level during the premium payment period. This type of policy has a cash value with guaranteed increasing amounts over the life of the policy.

- Non-participating whole life
  Premiums for this type of insurance are generally lower than for participating whole life insurance so rebates ("dividends") are not paid to the policyowner. Non-participating whole life insurance has a required premium which generally remains level during the premium payment period. The death benefit also generally remains level. There is a cash value guaranteed to increase over the life of the policy.

Interest-sensitive Whole Life

Interest-sensitive whole life is a permanent insurance policy whose minimum cash value is guaranteed. The cash value may increase depending on the interest earned. Premiums are usually level but may vary depending on the performance of the underlying interest-bearing vehicle. This type of insurance is usually sold with an "illustration" that predicts how the coverage and cash value should react to market movements. When reviewing an insurance illustration pay close attention to the assumptions behind the calculations. With interest-sensitive whole life, cash value and premium could change if interest accrued in the policy by the insurance company is not sufficient to maintain the policy. There are two types of interest-sensitive whole life policies: adjustable life and universal life, also known as flexible premium adjustable life.

- In an adjustable life policy, the premium can be adjusted but changes must be coordinated with the company. The amount of coverage and the selected premium will determine how long the coverage will be guaranteed to last. The owner usually can renegotiate the premium in the future. After each change the company will reissue the policy to show the effect of the new premium on the length of coverage. The owner may also decrease or increase the death benefit. Changes in the death benefit must also be coordinated with the company, and any increase requires proof of insurability. Adjustable life is frequently designed to pay "dividends" that can be used to extend the period of coverage. Any cash value in the policy is affected by premium and death benefit adjustments and other factors.
- Universal life allows the owner to determine how much premium to pay. If a person has unexpected financial difficulties, the payment can be deferred or decreased; no coordination

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with the company is required. Although flexibility is an advantage, deferment of payments will likely affect how long the policy will last. The owner will not know exactly when the coverage may expire unless he or she requests a "re-illustration" of the policy. This type of policy also features an adjustable death benefit, as does the adjustable life policy. The cash value is affected by changes in premiums, death benefit, interest rate, and other factors.

Variable Life

Variable life is similar to interest-sensitive life, but with an investment component replacing the bank interest. The reserves in variable life insurance are invested in riskier investments than other permanent life insurance use, providing the potential for better growth than other policies. Unfortunately, the reserves are also more vulnerable to negative market fluctuations and may fall faster than other polices. Therefore, many elements of variable policies are not guaranteed. Premiums in a variable life policy are required and may be level or subject to increase at a later date if required to maintain the policy.

Another form of variable life is variable universal life. In variable universal life a separate investment account, subject to stock market fluctuations, supports the policy. As in a universal life policy, the flexible premium involved can be either an advantage or a danger. In addition, there is no minimum guaranteed rate of return for the cash value since it is subject to investment market fluctuations. The death benefit is adjustable, as in universal life.

RIDERS

Many insurance policies have "riders," or optional features that can be purchased for an additional fee as part of the policy. Some typical riders are:

- **Waiver of premium rider** waives the requirement for premiums to be paid while the insured is disabled and incapable of paying them. The definition of disability and allowable time frame for WP to be in force depends upon the insurance company, and waiver of premium riders usually expire at a certain age.
- **Disability income rider** provides waiver of premium and a supplementary income if the insured becomes totally disabled.
- **Options to Purchase Additional Insurance (OPAI) or Guaranteed Insurance Options (GIO)** give the insured the guaranteed option to purchase additional coverage of the same type as the base policy at certain times without health questions. They usually provide for open periods every 3 years from ages 25 to 40 and upon special events like marriage, birth or adoption of a child, etc.
- **Term rider** allows for term coverage to be added to a base permanent policy. Provides additional temporary coverage at a lower cost that is usually convertible to whole life.
- **Family coverage rider** allows for additional coverage to be purchased on your spouse and/or children without additional health questions. Coverage for future children is usually guaranteed.
- **Accelerated death benefit rider** allows for payment for some of the benefit when the insured is diagnosed with certain serious or chronic diseases.
- **Accidental death benefit rider** means the insurer will pay additional funds, often "double indemnity" or twice the amount, if death is caused by certain specific accidental causes.

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- **Long-term care rider** is a variation of the accelerated death benefit rider that allows for benefits to be paid to cover long-term care expenses.
- **Cost of living rider** provides additional term insurance calculated to supplement the base policy to keep up with inflation.

CANCELLATION OF LIFE INSURANCE POLICY

People are sometimes tempted to cancel a life insurance policy when money is short. Before canceling a policy, it is a good idea to understand what the process involves and options available.

A policyholder who intends to cancel a policy should send written notification to the insurance company, and the insurance company may require you to complete a company-specific surrender form. In most cases if you just quit paying premiums the insurance companies are required by law to do what they can to keep the policy from lapsing inadvertently. To meet this obligation, many policies include a non-forfeiture provision that allows premium payments to be taken from the cash value if there is no payment or communication from the policyowner. These premium payments would continue until the cash value is depleted, and at that time the policy would be automatically canceled. Non-forfeiture provisions vary from one contract to another. If you miss a payment, consult your insurance provider to discuss the options.

Non-forfeiture features can be used to keep policies from lapsing (being canceled) if you are no longer able or willing to pay the premiums. However, these options only exist for permanent insurance. Nothing is received back when canceling a policy with no cash value; the coverage just stops.

Some non-forfeiture features are:

- **APL (Automatic Premium Loan)** uses cash value in the policy to pay for missed premiums. If the policyholder still does not pay premiums after the cash value has been exhausted, the policy will lapse.
- **Extended term coverage** uses cash value available in the policy to purchase term coverage for the full amount of the base policy. The length of coverage will depend on how much cash value is available. No more premiums will be due.
- **Reduced paid-up coverage** uses cash value available in the policy to purchase permanent coverage with a lower death benefit than the original policy. This will replace the existing policy and no more premiums will be due.
- Another possibility may be available if the reason for canceling is financial difficulties. Some policies allow a **policy loan** to be taken against the cash value. This can later be repaid at a low interest rate; however, a policy loan is generally only recommended after other options have been exhausted, for example cutting costs in other areas, using available savings, or taking a loan at a bank or credit union. If the insured dies with an outstanding policy loan, the amount due will be recouped before the policy is paid out.
- In an extreme case a policyowner can **cancel the policy** and take the cash value.

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MILITARY LIFE INSURANCE PROGRAMS

The government has some excellent life insurance programs for military service members, their families, and veterans.

Servicemembers' Group Life Insurance (SGLI)

SGLI is a program of low-cost group life insurance for active duty service members, ready reservists, members of the National Guard, members of the Commissioned Corps of the National Oceanic and Atmospheric Administration and the Public Health Service, cadets and midshipmen of the four service academies, and members of the Reserve Officer Training Corps.

Section 109 of the HEART (Heroes Earnings Assistance and Relief Tax) Act, Public law 110-245, 6/17/08, allows survivors to contribute military Death Gratuity and SGLI proceeds into a Roth IRA within one year of receipt of the proceeds. These accounts grow tax-free, including when they are withdrawn or passed to beneficiaries. Withdrawals are allowed, tax-free and without penalty, at any time up to the amount of the initial investment. SGLI and Death Gratuity proceeds may also be deposited into Coverdell Education Savings Accounts (ESAs).

Premiums for SGLI are highly subsidized by the government and there's no extra charge based on health, smoking, or gender. Eligible service members can purchase up to $400,000 of SGLI at extremely reasonable rates. SGLI coverage is available in $50,000 increments up to a maximum of $400,000, at a cost of $0.06 per month per $1,000 of coverage. It's hard to beat $25 per month for $400,000 of insurance, especially in a high-risk occupation like the military. The SGLI premium includes the mandatory charge of $1.00 per month for Traumatic Injury Protection insurance (TSGLI).

SGLI is a classic example of group term insurance. When you leave the service, you receive free coverage until 120 days from your date of separation. After that you are no longer eligible for it, except those who are totally disabled at separation receive 2 years' more SGLI.

Even if SGLI may not cover the full needs of beneficiaries, taking it is an extremely smart financial decision.

Traumatic Injury Protection Insurance (TSGLI)

Traumatic Injury Protection (TSGLI) provides automatic traumatic injury coverage to service members covered by SGLI. It provides short-term financial assistance to severely injured service members and veterans to assist them in their recovery from traumatic injuries. TSGLI is not only for combat injuries but provides coverage for injuries incurred on or off duty.

If you are automatically insured under full-time SGLI, then you are automatically covered by TSGLI. TSGLI coverage applies to active duty members, reservists, National Guard members, funeral honors duty and one-day muster duty.

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To be eligible for payment of TSGLI, you must meet all of the following requirements:

- You must be insured by SGLI when you experience a traumatic injury
- You must incur a scheduled (from the list of certain specific injuries) loss, and that loss must be a direct result of a traumatic injury
- You must have suffered the traumatic injury before midnight of the day that you separate from the uniformed services
- You must suffer a scheduled loss within two years (730 days) of the traumatic injury
- You must survive for a period of not less than seven full days from the date of the traumatic injury. The seven-day period begins on the date and time of the traumatic injury, as measured by Zulu (Greenwich Meridian) time and ends 168 full hours later.

Family Servicemembers' Group Life Insurance (FSGLI)

Family Servicemembers' Group Life Insurance (FSGLI) provides term life insurance coverage to spouses and dependent children of those covered by SGLI. If otherwise eligible, the spouse may be covered by FSGLI whether or not on active duty, retired, or a civilian.

FSGLI is issued in multiples of $10,000 up to $100,000, but a spouse cannot get more FSGLI than the amount of the servicemember's SGLI coverage. A spouse who is also a member of a uniformed service may be covered by FSGLI if you apply for it. The cost for FSGLI depends on the spouse's age. FSGLI is renewable term, and the premium increases every 5 years. A 30-year-old spouse will pay $4.50 per month for $100,000 of coverage; the premium for that same person will increase to $17 per month for the same coverage at age 50, and $45 per month at age 60!

Coverage for children is provided at no charge until age 18, and beyond if the child is a full-time student or becomes permanently and totally disabled and is incapable of self-support before age 18. Dependent children can be insured for up to $10,000.

After Leaving the Service

When you leave the service, SGLI and FSGLI are no longer available to you or your family and you must decide how to replace them. FSGLI is also not available to those insured under VGLI. Service members with SGLI have two options for military-associate life insurance upon release from service: convert it to a permanent plan of insurance with one of the participating commercial insurance companies, or convert their full-time SGLI coverage to term insurance under the Veterans' Group Life Insurance program (VGLI).

If you are totally disabled (unable to work) at the time of separation, you can apply for the SGLI Disability Extension, which provides free coverage for up to two years from the date of separation. This extension of SGLI is not automatic and you must apply for it. At the end of the extension period, you automatically become eligible for VGLI, but you will have to pay for it.

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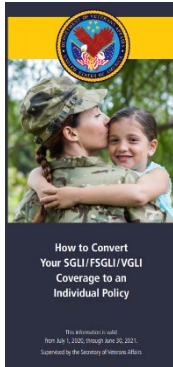
Commercial Policy



Servicemembers may convert their SGLI and VGLI coverage to a commercial policy at standard premium rates, without being required to provide proof of good health. The conversion policy must be a permanent policy, such as a whole life policy. In addition, supplementary policy benefits such as Accidental Death and Dismemberment or Waiver of Premium for Disability are not considered part of the conversion policy. If you are uninsurable or you have FSGLI on an uninsurable spouse, check the rules about converting to permanent coverage before you leave active service.

Spouses may also convert FSGLI coverage at certain times to a commercial policy at standard premium rates without providing proof of good health. The commercial policy must be permanent insurance.

An application to convert FSGLI to an individual commercial policy at standard rates without proving good health must be made within 120 days from the date of:

- service member’s separation from the service
- service member's divorce from current spouse
- service member's written election to terminate Spousal SGLI coverage
- service member’s written election to terminate SGLI coverage
- service member's death.

There are currently 12 companies in the U.S. that will convert SGLI, FSGLI, and VGLI to individual policies. Keep in mind, however, that if you are in good health you may be able to purchase the same amount of coverage with a different company at a lower cost without going through the conversion process. VGLI and the conversion options are primarily for those who cannot obtain cost-effective life insurance because of health or other concerns. You should consult with a financial professional or insurance company agent to find the best plan for your situation.

Veterans’ Group Life Insurance (VGLI)

VGLI is a program of post-separation insurance that allows servicemembers to convert their SGLI coverage to renewable term insurance. Members with full-time SGLI coverage are eligible for VGLI upon release from service.

You are eligible to apply for VGLI if you had SGLI and are within 1 year and 120 days of the following events:

- release from active duty or active duty for training under a call or order to duty that does not specify a period of less than 31 days.
- separation, retirement, or release from assignment from the Ready Reserve/National Guard.
- assignment to the Individual Ready Reserve (IRR) of a branch of service or to the Inactive National Guard (ING). This includes members of the United States Public Health Service Inactive Reserve Corps (IRC).
- placement on the Temporary Disability Retirement List (TDRL)

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Veterans who submit their application within 240 days of discharge do not need to submit evidence of good health, while those who apply more than 240 days after discharge are required to answer questions about their health.

You are also eligible to apply for VGLI if you had part-time SGLI and while performing duty suffered an injury or disability that rendered you uninsurable at standard premium rates. This includes travel directly to and from duty.

VGLI is issued in multiples of $10,000 up to $400,000, but a member cannot initially get more VGLI than the amount of their SGLI coverage. VGLI policyholders under age 60 with less than $400,000 coverage can purchase up to $25,000 of additional coverage on each five-year anniversary of their policy, up to the maximum $400,000. No medical underwriting is required to acquire the additional coverage.

VGLI is renewable term insurance. The premium is based on age and increases every 5 years, resulting in the cost for VGLI being very high during the later years. For example, consider a 29-year old paying $28 per month for $400,000 of VGLI coverage. That same person would pay $588 per month for the same coverage at age 65, $1,712 per month at age 75, and $1,800 per month at the age of 80 and above.

Accelerated Benefit Option

The Accelerated Benefit Option gives terminally ill SGLI, FSGLI, and VGLI policyholders access to their policy's death benefits before they die. The member may receive a portion of the face value of the insurance in a lump sum payment. A member is eligible to receive an Accelerated Benefit if he/she or a covered spouse has a valid written prognosis from a physician of 9 months or less to live. Only the insured member may apply for an Accelerated Benefit; no one else can apply on the member's behalf. In the case of a terminally ill spouse, only the member may apply for accelerated benefits.

The amount of Accelerated Benefit available to a member is up to 50% of the face value of the member's insurance coverage. If a member elects less than the maximum, the amount requested must be in increments of $5,000. The remaining portion of the face value of insurance not paid in a lump sum as an accelerated benefit is payable to the member's designated beneficiary or beneficiaries upon his or her death. In the case of a terminally ill spouse, the remainder of the insurance is payable to the member upon the spouse's death.

Survivor Benefit Plan (SBP)

For those concerned about providing income for their survivors and beneficiaries upon their death after retirement, the military provides the Survivor Benefit Plan, which complements the survivor benefits of Social Security. SBP provides retirees an opportunity to leave a portion of their retired pay to their survivors at a reasonable cost. Without SBP, survivors of deceased

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retirees would not receive any money from the service, except for of any final pay that may be paid to a designated beneficiary.

All active duty members with an eligible beneficiary are automatically enrolled in SBP at the maximum level at no cost to the member. Upon retirement, members are automatically enrolled in SBP and must pay the premium out of retired pay, unless the member submits a request for reduced or no coverage and the spouse submits a signed, notarized concurrence.

SBP allows a retirement member to guarantee up to 55% of their retired pay to a spouse or former spouse, children, or a Natural Interest Person.

SUMMARY

Life insurance is an essential part of a family's financial plan, and even unmarried persons should make sure they prepare for it in their later lives. The military services have some very comprehensive and inexpensive programs, but both military and non-military members must ensure they understand it and incorporate it into their civilian lives.

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