

Alternate Options to the Survivor Benefit Plan: Important Considerations for U.S. Veterans

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Abstract

A previous study¹ and the DoD Office of the Actuary² show that the military retiree life insurance product, the Survivor Benefit Plan (SBP), has a positive expected return and, therefore, encourage enrollment as the default choice for retirees. For several reasons, we caution against enrollment before considering multiple key factors and alternatives. Military retirees need to understand the skewness of insurance returns as well as the composition of the insurance pool the Survivor Benefit Plan offers. We show that actuarially correct life expectancy, moral hazard, taxes, and specific financial needs all play important roles when choosing whether to enroll. We offer a competitive alternative to the SBP.

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