American Armed Forces Mutual Aid Association:

- Founded in 1879
- Non-profit, tax-exempt, member owned mutual association
- Open to all branches of the U.S. Armed Forces
- Over 90,000 members; over 2,000 flag officers

http://www.aafmaa.com/
OUR VISION: to ensure the financial security and independence of members of the American Armed Forces community.

OUR MISSION: to be the premier provider of insurance, financial and survivor services to the American Armed Forces community.

OUR VALUES:

- Loyalty
- Empathy
- Responsiveness
- Spirit of Collaboration
- Innovation
Agenda

- In the Service
- On Deployment
- At Retirement
  - VA Benefits
  - Life Insurance (VGLI)
- At Death (including Burial)
- Health Care Coverage
- Paying for College
In the Service

Regular Military Compensation*

<table>
<thead>
<tr>
<th>Rank</th>
<th>Years</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGT (E-5, 10 years)</td>
<td>$63,697</td>
<td></td>
</tr>
<tr>
<td>CMSgt (E-9, 24 years)</td>
<td>$108,429</td>
<td></td>
</tr>
<tr>
<td>Capt. (O-3, 6 years)</td>
<td>$96,016</td>
<td></td>
</tr>
<tr>
<td>Cmdr (O-5, 18 years)</td>
<td>$141,564</td>
<td></td>
</tr>
</tbody>
</table>

*Base Pay + BAS, BAH, tax advantage

Well Deserved for Your Service

Plus:

- Medical
- Retirement
- Education/Training
- 30 days paid leave
- Special Pays
- Moving Pay
- Commissary/PX
- Morale/Welfare
What to do with it?

- Operate Debt Free
- Develop Long Term Plan:
  - Home buying?? **VA Loan** *(0% down; 2.15% orig. fee)*
  - School: Self, Spouse, Children
- Retirement:
  - Fund Spouse 401k plan
  - Fund Roth IRA for you and spouse
  - Fund Thrift Savings Plan (TSP)

For More Info on Saving for Retirement: Listen to 12 Sep 2014 Webinar

Use the Opportunities for Financial Well Being
Manage Risk – Life Insurance

**Current “Standard:”**
- **SGLI**: Life Insurance for $400,000: $26/month
- **TSGLI**: Traumatic Injury up to $100,000: $1/month
- **FSGLI**: Spouse for $100,000: $5/month

Total: $32/month ($27/mo. if single)

**Better Option:**
- **AAFMAA Level Term 1**: For $400,000: $19/month
- **SGLI**: $100,000: $6.50/month
- **TSGLI**: Traumatic Injury up to $100,000: $1/month
- **FSGLI**: Spouse for $100,000: $5/month

Total: $31.50/month ($26.50/mo. if single)

- $100,000 more protection
- AAFMAA Survivor Assistance
- Stays after Military
On Deployments

- Save!!
- Reduce expenses wherever possible (rent, car, utilities, etc.)
- Use Savings Deposit Program (SDP)
  Deposit $10,000 to earn 10%/year—a free 1,000!
  See www.DFAS.mil

**Example: Afghanistan**

**Deployment Pay:**
- Hardship Pay $100
- Hostile Fire/Danger Pay $225
- Family Separation $250
- Tax Exemption up to $1,300

**Total:** $575 – $1,875 Per month!
At Retirement – Five Decisions

1. Survivor Benefit Plan to replace retired pay
2. Life Insurance to replace SGLI
3. VA Disability Determination and Payments
4. Medical Insurance to replace military medical
5. Dental Insurance to replace military dental
Retirement and Survivor Benefit Plan (SBP)

Lifetime Annuity

COLA

Insurable Interest 6.5%

Survivors

Family

Subsidized benefit

Spouse Retirement benefit 55%

Spouse concurrence

Beneficiaries

Pre-tax premium

Child only

Life Expectancy

AAFMMAA

135 YEARS
Military Retirement Basics

Total Retirement Pay:
2.5% * Years *
Highest salary (< 8 Sep 1980)
High-3 salary (Sep 1980-July 1986)
High-3 or REDUX (> 31 July 1986)

Cost of Living Increases:
Previously: COLA = Inflation
2013 Bipartisan Budget Act:
- Inflation minus 1% until 62
- “Catch Up” at age 62
- Full COLA from 62 onward

Example of New Law
Assume a 47 year old LTC at 24 Years retires this year; Inflation = 3%

Retirement today = $5,205 per month
Retired pay increases only 2% per year for 15 years until age 62
Age 62 retired pay = $7,005 ~ $1,100 behind inflation per month
At age 62, retired pay would “catch up” to $8,109 and then get full COLA
Survivor Benefit Plan (SBP) -- Basics

Total Retirement Pay:
2.5% * Years *
Highest salary (< 8 Sep 1980)
High-3 salary (Sep 1980-July 1986)
High-3 or REDUX (> 31 July 1986)

After you die, retirement pay stops for your spouse, but you can continue 55% of retirement pay by paying a premium of 6.5 percent of your retired pay (using pre-tax dollars)

Cost to have retired pay continue for spouse

See: DoD SBP website
SBP Calculations  (Spouse + Child)

- Cost: 6.5% + child premium

**Example:** LTC with 24 years of service

SBP Base Amount = $5,205  (per month)

Retiree 47, Spouse 45, Youngest Child 13

Cost: $338.35 + $0.62 = $338.95

Benefit: 55% ($2,863)

- Spouse receives payment for life
- Shared among all eligible children
- If spouse dies, children receive payment until 18 or 22

Is it worth $338/month for spouse to receive $2,863/month after service members death?
Survivor Benefit Plan – Considerations

+ COLA adjusted growth
+ Government subsidized
+ Paid with pre-tax dollars
+ No evidence of insurability
+ Paid up after 30 years
+ Spouse Age – not considered

- No return if spouse dies first
- No cash value
- Benefit is taxable
- No residual estate
- Spouse payment ends if remarried before age 55

~ Must get spouse concurrence to take less than maximum

~ Permanent choice (can disenroll at 24-36 months)
SBP vs. Life Insurance

SBP
- Lifetime, monthly, COLA adjusted benefit
- Pre-tax premiums
- Fixed beneficiary(ies)
- Age, health, lifestyle NOT considered

Insurance
- Fixed sum benefit
- No tax break on premiums
- May change beneficiaries anytime and have remaining estate
- Eligibility based on health, age, lifestyle

See: DoD Actuary SBP Comparison
Survivor Benefit Plan -- Variations

- **“Base Amount”:**
  - $300 ← Full Retired Pay

- **Designated Payees:**
  - Spouse Only
  - Children Only (until 18 or 22)
  - Spouse & Children (until 18 or 22)
  - Former Spouse & Children
  - “Future” Spouse or Children: Can start/change/restart
  - If single, can be someone with “insurable interest” (more costly)
### SBP – Reserve Component Options

<table>
<thead>
<tr>
<th>Options</th>
<th>Member Dies Before Reaching Age 60</th>
<th>Member Dies After Reaching Age 60</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) Member waits to age 60 to make election</td>
<td>No survivor benefit, however, the surviving spouse (dependent) is eligible for medical benefits. Eligibility begins on the date the member would have turned 60.</td>
<td>55% of the elected base amount.</td>
</tr>
<tr>
<td>(B) Survivor annuity deferred to age 60 or date of death, whichever is later</td>
<td>55% of what retired pay would have been at age 60 reduced by actuarial charge, plus medical care to include TRICARE</td>
<td>55% of the elected base amount reduced by actuarial charge</td>
</tr>
<tr>
<td>(C) Survivor annuity beginning at time of death</td>
<td>55% of what retired pay would have been at time of death reduced by actuarial charge, plus medical care to include TRICARE</td>
<td>55% of the retired pay reduced by actuarial charge</td>
</tr>
</tbody>
</table>
Life Insurance

Life Insurance Policy

[Image of a grim reaper and two people looking at a life insurance policy]
Veterans Group Life Insurance (VGLI)

- Term/Temporary Life Insurance Policy
- Maximum coverage $400,000 (like SGLI)
  - Available in increments of $10,000
  - Accelerated death benefit option (50% of death benefit paid if terminally ill)
  - Convertible to permanent (whole life) commercial policy
  - Renewable at 5-year intervals
  - No proof of medical insurability if elected within 120 days of separation/retirement
- Have one year and 120 days to elect VGLI coverage (but do it in first 120 days!)
# VGLI Rates - $400,000 Coverage

<table>
<thead>
<tr>
<th>Age</th>
<th>Monthly Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current SGLI Premium</td>
<td>$26.00</td>
</tr>
<tr>
<td>40 – 44</td>
<td>$68.00</td>
</tr>
<tr>
<td>45 – 49</td>
<td>$88.00</td>
</tr>
<tr>
<td>50 – 54</td>
<td>$144.00</td>
</tr>
<tr>
<td>55 – 59</td>
<td>$268.00</td>
</tr>
<tr>
<td>60 – 64</td>
<td>$432.00</td>
</tr>
<tr>
<td>65 – 69</td>
<td>$600.00</td>
</tr>
<tr>
<td>70 – 74</td>
<td>$900.00</td>
</tr>
<tr>
<td>75+</td>
<td>$1,800.00</td>
</tr>
</tbody>
</table>
Age, Conditions affect Rates

Assumption: $400,000 Term Insurance for non-smoking 53 year old male with a 20 year level term—varying AAFMAA rate classes

<table>
<thead>
<tr>
<th>Age Range</th>
<th>VGLI</th>
<th>Super Select</th>
<th>Select</th>
<th>Standard</th>
<th>Class 1</th>
<th>Class 2</th>
<th>USAA LT V</th>
</tr>
</thead>
<tbody>
<tr>
<td>50 – 54</td>
<td>$144</td>
<td>$79.80</td>
<td>$95.00</td>
<td>$155.00</td>
<td>$232.50</td>
<td>$310.00</td>
<td>$196.15</td>
</tr>
<tr>
<td>55 – 59</td>
<td>$268</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>60 – 64</td>
<td>$432</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>65 – 69</td>
<td>$600</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>70 – 74</td>
<td>$900</td>
<td>$79.80</td>
<td>$95.00</td>
<td>$155.00</td>
<td>$232.50</td>
<td>$310.00</td>
<td>$196.15</td>
</tr>
</tbody>
</table>

Smoker Rates | n/a | $296.60 | $419.40 | $629.10 | $838.80 | $510.13
VA sees sharp rise in apnea cases

By Tom Vanden Brook, USA TODAY

WASHINGTON — The number of veterans receiving disability benefits for a sleeping disorder has increased 61% in the past two years and now costs taxpayers more than $500 million per year, according to Veterans Affairs data released to USA TODAY.

More than 63,000 veterans receive benefits for sleep apnea, a disorder that causes a sleeping person to gasp for breath and awaken frequently. It is linked to problems ranging from daytime drowsiness to heart disease. The top risk factor for contracting the disorder appears to be obesity, though a sleep expert at the VA and a veteran's advocacy organization cite troops' exposure to dust and smoke in places such as Afghanistan and Iraq as contributing factors.
Why is VA Disability Rating Important?

- Forces you to document your medical history
- Gives you priority in VA system
- Helps prove service connection if condition worsens
- Provides tax free VA compensation
- Can provide additional pay for:
  - Combat Related Disability or
  - Concurrent Receipt for over 50% disability
- Supports service-connected death claim
Vietnam Agent Orange
Presumptive Conditions

- Acute and Subacute Peripheral Neuropathy
- Non-Hodgkin’s Lymphoma
- AL Amyloidosis Parkinson’s Disease
- Chloracne (or Similar Acneform Disease)
- Porphyria Cutanea Tarda
- Chronic B-cell Leukemias
- Diabetes Mellitus (Type 2)
- Hodgkin’s Disease
- Ischemic Heart Disease
- Soft Tissue Sarcoma (other than Osteosarcoma, Chondrosarcoma, Kaposi’s sarcoma, or Mesothelioma)

- Multiple Myeloma
- Non-Hodgkin’s Lymphoma
- Parkinson’s Disease
- Porphyria Cutanea Tarda
- Prostate Cancer
- Respiratory Cancers

See the AAFMAA “Agent Orange” Webinar on 14 November 2013 -- Link
Gulf War Syndrome Illnesses

- If you were in Desert Shield, the following conditions, if they are or become chronic, are presumed to be service-connected:
  - Fatigue
  - Chronic Fatigue Syndrome
  - Headache
  - Neurological symptoms
  - Sleep disturbance
  - Gastrointestinal symptoms
  - Irritable Bowel Syndrome
  - Abnormal weight loss
  - Signs/symptoms involving skin
  - Muscle/joint pain
  - Neuropsychological symptoms
  - Symptoms involving respiratory systems
  - Cardiovascular symptoms
  - Menstrual disorders

- Must be chronic condition (> 6 months) and during Gulf War or NLT 31 Dec 16; see [VA Gulf War website](https://www.va.gov/gulfwar) for more details
## VA Compensation

### For Service-Connected Disabilities

<table>
<thead>
<tr>
<th>Percentage</th>
<th>single</th>
<th>with spouse</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>$131</td>
<td>$131</td>
</tr>
<tr>
<td>20%</td>
<td>$259</td>
<td>$259</td>
</tr>
<tr>
<td>30%</td>
<td>$401</td>
<td>$449</td>
</tr>
<tr>
<td>40%</td>
<td>$578</td>
<td>$641</td>
</tr>
<tr>
<td>50%</td>
<td>$822</td>
<td>$902</td>
</tr>
<tr>
<td>60%</td>
<td>$1,041</td>
<td>$1,137</td>
</tr>
<tr>
<td>70%</td>
<td>$1,312</td>
<td>$1,424</td>
</tr>
<tr>
<td>80%</td>
<td>$1,526</td>
<td>$1,653</td>
</tr>
<tr>
<td>90%</td>
<td>$1,714</td>
<td>$1,858</td>
</tr>
<tr>
<td>100%</td>
<td>$2,858</td>
<td>$3,017</td>
</tr>
</tbody>
</table>
# VA Disability and Retired Pay

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retired Pay (LTC @ 30 yrs)</td>
<td>$5,205</td>
</tr>
<tr>
<td>VA Disability (assume 30%)*</td>
<td>- 449</td>
</tr>
<tr>
<td>DFAS (Taxable Pay)</td>
<td>$4,756</td>
</tr>
<tr>
<td>VA (non-taxable pay)</td>
<td>+ 449</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5,205</strong></td>
</tr>
</tbody>
</table>

**Benefit of VA Disability**

- 15% Marginal Tax ($449 X .15) = $67.35
- 28% Marginal Tax ($449 X .28) = $125.72
- 31% Marginal Tax ($449 X .31) = $139.19

*If ≥ 50% or combat related ➔ VA Pay is additive
Benefits at Death
Benefits at Death

- **Active duty** → $100,000 death gratuity

- **Service-connected illness:**
  - Refund of all SBP payments (if SBP selected)
  - Portion of widow’s retired pay tax free ($1,215/mo.)
  - VA Burial Benefit of $2,000

  ➔ Surviving spouse must apply to VA

  ➔ Cause of death on death certificate is critical for service connection

- **No service connection** → no VA compensation
Burial Benefits

- Gravesite in National Cemetery
- Expenses: $2,000 if service related; Otherwise $300; plus $700 if not buried in national cemetery
- Headstone: Standard government headstone
- Burial Flag and Memorial Certificate(s)
- Spouse or minor children may also be buried in a National Cemetery

See: VA Burial Benefits
Health Insurance

• Medical
• Dental

TRICARE Retiree Dental Program
# TRICARE for Retirees

<table>
<thead>
<tr>
<th></th>
<th>TRICARE Prime</th>
<th>TRICARE Standard and Extra</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is it?</strong></td>
<td>Managed Care Option</td>
<td>Fee-for-service</td>
</tr>
<tr>
<td><strong>Who do you see?</strong></td>
<td>Works through PCM (like active duty); no claims; referrals to specialists; In specified areas</td>
<td>Any authorized provider; you or provider submit claim form; referrals not required; authorization required for some procedures</td>
</tr>
<tr>
<td><strong>Enrollment and Fixed costs</strong></td>
<td>Enrollment required $273.84/individual $547.68 /family</td>
<td>No enrollment fee. Deductible required: $150/person $300/family</td>
</tr>
<tr>
<td><strong>Variable Costs</strong></td>
<td>$0 preventative services $12/visit for PCM/referrals $20/ambulance $30/emergency room $40/behavior health $11/day in hospital</td>
<td>20% of “Extra” in network provider 25% of “Standard” non-network 25% or 20% /ambulance 25% or 20% /emergency room 25% or 20% /behavioral health $250 or 25%/day in-network hospital $698 or 25%/day non-network hospital</td>
</tr>
<tr>
<td><strong>Pharmacy</strong></td>
<td>$0 - $17/medicine</td>
<td>$0 - $17/medicine [same]</td>
</tr>
<tr>
<td><strong>Catastrophic Cap</strong></td>
<td>$3,000/family per year</td>
<td>$3,000/family per year [same]</td>
</tr>
</tbody>
</table>

See: [www.tricare.mil](http://www.tricare.mil)
Other TRICARE Variants

- TRICARE Young Adult (children 23 to 26)
- TRICARE Prime (or Standard) Overseas
- TRICARE Prime Remote

- US Family Health Care Plan (6 locations)

- TRICARE for Life (at age 65 with Medicare)
TRICARE Retiree Dental Program

- Retiree monthly premium:

<table>
<thead>
<tr>
<th>State</th>
<th>Single</th>
<th>Couple</th>
<th>Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>NY</td>
<td>$29</td>
<td>$58</td>
<td>$106</td>
</tr>
<tr>
<td>VA</td>
<td>$37</td>
<td>$72</td>
<td>$132</td>
</tr>
<tr>
<td>NC</td>
<td>$29</td>
<td>$58</td>
<td>$106</td>
</tr>
<tr>
<td>TX</td>
<td>$29</td>
<td>$58</td>
<td>$106</td>
</tr>
<tr>
<td>CO</td>
<td>$34</td>
<td>$66</td>
<td>$119</td>
</tr>
<tr>
<td>CA</td>
<td>$37</td>
<td>$72</td>
<td>$132</td>
</tr>
</tbody>
</table>

- Shop on internet to find other coverage that may be more appropriate and less expensive.

- Active Duty Premium = $11 single, $33 family

- Diagnostic/Preventative (exams/cleaning) 100%
- Basic Restorative (fillings) 80%
- Major Dental Care (Root canal, etc.) 60%
- Emergency (minor pain) 80%
- Dental Accident Coverage 100%
- Crowns, Bridges, Dentures, Implants 50%
- Orthodontics 50%

- Annual Deductible
  - $50 person
  - $150 family

- Annual Maximum (per person, per benefit year) $1200

- Orthodontic Maximum (per person, per lifetime) $1500

- Dental Accident Maximum (per person, per benefit year) $1000

See: [www.trdp.org](http://www.trdp.org)
Paying for College
Eligible: after serving 36 months (after duty service obligations)

Entitlement: 36 months of payment (4 x 9-month school years)

Pays:
- All tuition/fees for in-state public or $18,077 at private
  - Yellow Ribbon program can supplement private school costs
- Monthly Housing Allowance (~BAH for E-5)
- Books/Supplies stipend of $1,000

Can transfer benefits to spouse/children— if you agree to serve 4 more years
- Can divide months among children
- School officials can help with coordination

See: [VA Post 9/11 GI Bill](https://www.va.gov/gibill/)
We have covered:

- In the Service
- On Deployment
- At Retirement
  - VA Benefits
  - Life Insurance (VGLI)
- At Death (including Burial)
- Health Care Coverage
- Paying for College
More Questions?

Survivor Benefit Plan (SBP)
http://militarypay.defense.gov/survivor/sbp/index.html

SBP vs. Insurance
http://actuary.defense.gov/

Veterans Administration
1-800-827-1000
www.va.gov

Retired Pay (DFAS – Cleveland)
1-800-321-1080
http://www.dfas.mil/retiredmilitary.html

BG (Ret.) Mike Meese
mmeese@AAFMAA.com
(703) 707-4602