



“CSRS and FERS Retirement Election: Survivor Benefit Plan (SBP) versus a privately-purchased Life Insurance”

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One of the most frequent questions we receive is about alternatives to the Spousal Survivor Benefit Plan (SBP) under the Federal Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS).

Insurance expert, Evan Belaga CLU, ChFC, CFP offers a concise explanation and the following example:

Let’s assume that the retirement income for a retiring federal employee is \$80,000 per year. At the retired federal employee’s death, according to the Survivor Benefit Plan (SBP), their spouse could be eligible for an income stream of \$40,000 per year which is equal to 50% of the retiree’s \$80,000 retirement income.

The cost for this SBP election is approximately 10% of the retiree’s \$80,000 retirement income or \$8,000 per year as long as you are both alive. The biggest shortfall with the SBP election can be illustrated in the following example: over 20 years in retirement, you would have paid in \$8,000 per year for 20 years or \$160,000, not including COLAs, into the SBP program. Once you are in retirement and your spouse predeceases you, all of the benefits will be forfeited, as no other beneficiary, except a new spouse, will be eligible to receive the SBP proceeds

If the retiring federal employee instead chose to insure themselves with a privately purchased \$1 million life insurance policy, at their death, their spouse would have received a lump sum of \$1 million. If invested at 4%, would generate the same on-going income stream of \$40,000 per year for life plus the \$1 million death benefit principal would still be intact to pass onto your heirs (children, grand children etc.) at the surviving spouse’s subsequent death.

Below is a sample of the most competitive \$1 million life insurance policy’s available in the marketplace at various ages assuming preferred health:

sex / age	premium to insure thru age 85	premium to insure thru age 90
female age 50	\$4,490 per year	\$5,137 per year
male age 50	\$5,753 per year	\$6,552 per year
female age 55	\$5,696 per year	\$6,546 per year
male age 55	\$7,263 per year	\$8,370 per year
female age 60	\$8,117 per year	\$8,681 per year
male age 60	\$9,410 per year	\$10,964 per year

*all life insurance carriers quoted are A+ rated, premiums can be paid monthly, quarterly, semi- or annually.

To request a personalized illustration or to discuss your particular situation, please contact:

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