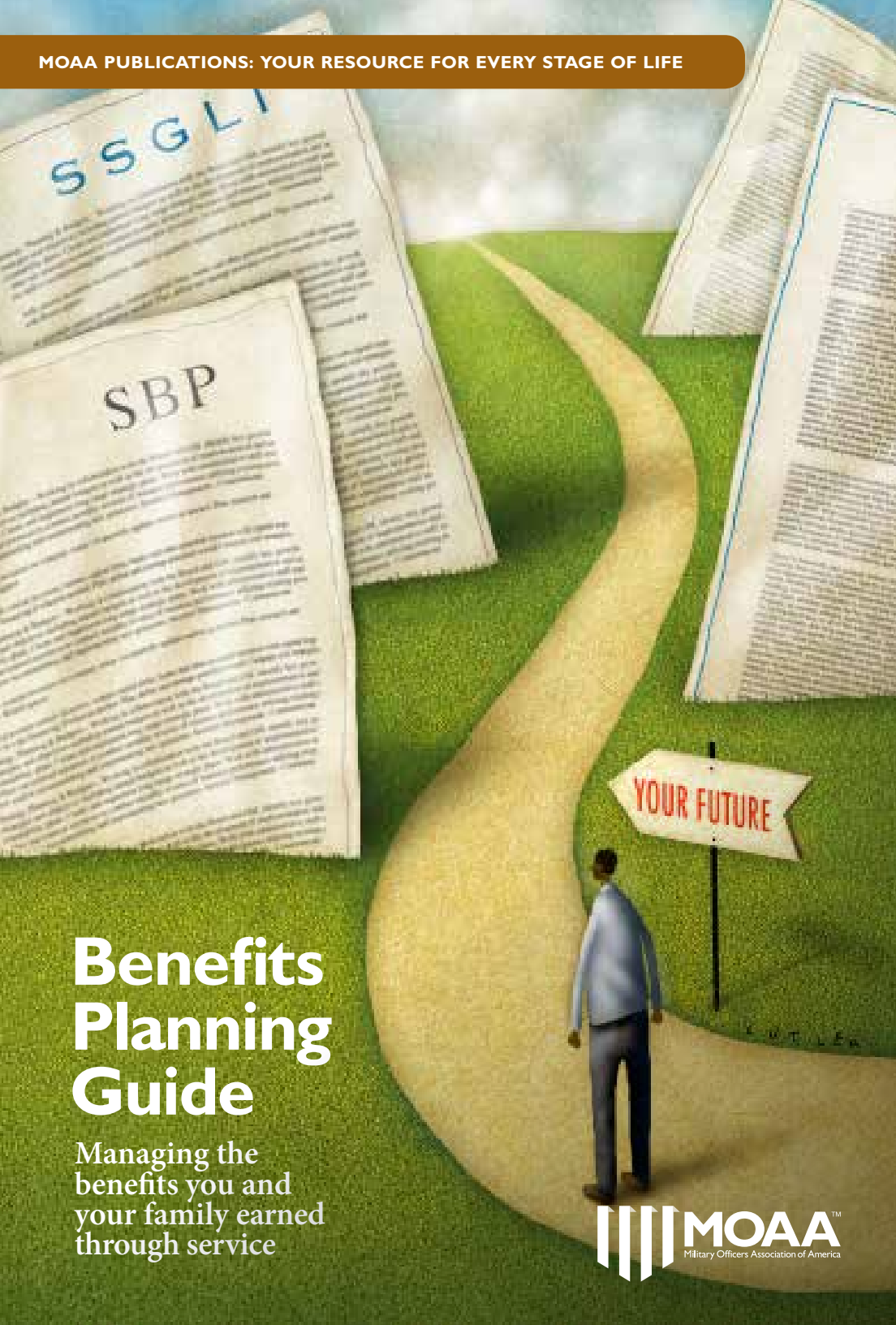


MOAA PUBLICATIONS: YOUR RESOURCE FOR EVERY STAGE OF LIFE



# Benefits Planning Guide

Managing the  
benefits you and  
your family earned  
through service



## Benefits Planning Guide

Your career and personal life consume your days. Still, there are critical responsibilities regarding your service benefits that demand a part of your attention. MOAA wants to help by making it easier for you to understand some of these essential benefit programs that affect your life so you can get back to the things you want to do. We hope you find this booklet a valuable reference.

If you have questions, call (800) 234-MOAA (6622) or email [beninfo@moaa.org](mailto:beninfo@moaa.org) to speak with a benefits and finance expert at MOAA.

Also check out our *Financial Planning Guide* regarding important financial issues in your life.

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# Introduction

As benefit and financial counselors at MOAA headquarters, we work with thousands of servicemembers each year. This provides us with opportunities to witness how people interact with the services and with veteran and financial organizations.

This guide shares our expertise and experiences in service and veterans' benefit issues most frequently raised by our members and the participants in our MOAA-conducted classes. We aim to go beyond the basic public information found online or provided by service personnel staff. We include insight into uncommon or “read-between-the-lines” situations people experience in real life. We explain complex and personal circumstances by describing what works for most people. A unique situation might require a conversation.

You also can turn to MOAA to answer your questions and act as your unbiased second opinion on any military benefit or general financial question you might have.

To join MOAA or our partner organization, Voices for America's Troops, call the MOAA Member Service Center at (800) 234-MOAA (6622) or go to [www.moaa.org/join](http://www.moaa.org/join).

Voices for America's Troops is open to anyone ineligible for MOAA membership — civilians and enlisted veterans and servicemembers — wanting to help MOAA in its advocacy mission on Capitol Hill to support servicemembers and veterans and their families. To join, visit [www.voicesfortroops.org](http://www.voicesfortroops.org). Annual membership is inexpensive, and your support is invaluable.



**Contact MOAA**  
about benefits and  
financial information.

- Email [beninfo@moaa.org](mailto:beninfo@moaa.org).
- Visit the MOAA website at [www.moaa.org/benefitsinfo](http://www.moaa.org/benefitsinfo).
- Call the MOAA Member Service Center at (800) 234-MOAA (6622).
- Mail MOAA  
Transition Center  
201 N. Washington St.  
Alexandria, VA 22314

# Chapter 1

## Post-9/11 GI Bill

Understanding the Post-9/11 GI Bill can be a challenge. Here are our answers to frequently asked questions.

To learn more, visit [www.benefits.va.gov/gibill/post911\\_gibill.asp](http://www.benefits.va.gov/gibill/post911_gibill.asp). This VA site provides general information and insight into participating schools, comparisons among various VA education programs, benefit calculators, and the value of the separate benefits. It also has the most up-to-date information available.

### ELIGIBILITY FOR SERVICE ACADEMY AND ROTC SCHOLARSHIP GRADUATES

You are eligible for the Post-9/11 GI Bill, but your service time used to qualify for the GI bill does not start counting until you finish serving your initial commissioning service commitment.

### TRANSFER ISSUES

Of all the concerns surrounding the Post-9/11 GI Bill, the most common questions relate to the transfer option. This is valuable for those with higher education costs on the horizon for dependents. It can make the difference between huge education debts or none for most members. (See [www.benefits.va.gov/gibill/post911\\_transfer.asp](http://www.benefits.va.gov/gibill/post911_transfer.asp).)

**The service commitment.** The transfer option is under the control of DoD by law. DoD has decided to use the transfer option as a retention tool. If you aren't in the service any longer, you can't transfer the benefit.

The retention part of the transfer option makes sure you serve four years *from the time of the transfer*. Don't wait to transfer until you are about to separate or retire. Transfer at least one month of benefits to your dependents as soon as possible to start the service commitment clock counting down on your four-year commitment. You are levied with only one service commitment, which starts with your first transfer to a dependent.

**Managing the benefit.** Once benefits are transferred, you can manage the benefit as you need to meet your personal plans. You can add months to the established beneficiaries, move months to someone else who already is identified as a beneficiary, or subtract months from the beneficiaries. As



long as you still are serving, you can add new beneficiaries. After separation from the service, no new dependents can be added.

**Servicemember owns the benefit.** The servicemember maintains total control over the benefit, including who uses it and how much of it they use. The Post-9/11 GI Bill benefit is not subject to the division of property or benefits as the result of divorce.

**Loss of other VA education benefits.** The transfer of the Post-9/11 GI Bill benefit to a dependent revokes your ability to use other VA education benefits. During the online transfer process, you are told you will lose your use of other education benefits. This could be a reason not to transfer your benefit, if you determine another education program offers you better benefits you intend to use yourself.

**Months of benefit.** Before you transfer education benefits, you need to note how many months of benefit you have under your old VA education plan. This is critical because this number will become the number of months you are limited to under the Post-9/11 GI Bill after benefits are transferred. If you've used benefits from your old plan, be careful with your transfer option.

All VA education programs and benefits are limited to 36 months of total benefit, with a few exceptions. If you've used 12 months of the Montgomery GI Bill, upon transfer to the Post-9/11 GI Bill, you will have 24 months of remaining Post-9/11 GI Bill eligibility. If you have seven months remaining on your Montgomery GI Bill, determine whether you want only seven months of your Post-9/11 GI Bill benefit. One exception to the 36-month limit is if you have used all 36 months of your old education entitlement, you can receive an additional 12 months of Post-9/11 GI Bill eligibility upon transfer.

## THE BENEFIT AMOUNT

The Post-9/11 GI Bill benefit amount is determined by the tuition and fees charged at the *in-state level per the program being pursued*.

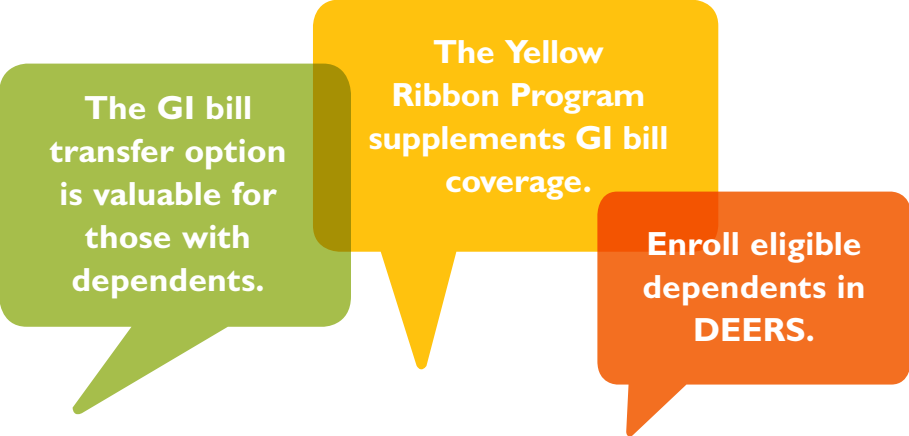
The good news on the benefit amount is the rate paid is per the program being pursued, so the GI bill will pay the in-state rate for university work at the undergraduate, graduate, or professional levels. Also, in order for the VA to pay education benefits to schools, the school must charge in-state rates to veterans and their dependents. Most states now charge in-state rates for all veterans and dependents, regardless of the veteran's or dependent's actual home state. For more information, visit [www.benefits.va.gov/gibill/post911\\_residentraterequirements.asp](http://www.benefits.va.gov/gibill/post911_residentraterequirements.asp).

The Post-9/11 GI Bill pays the *net* amount for in-state tuition and fees. The net amount is defined as:

- **U.S. Public Schools:** The actual *net cost* for in-state tuition and fees after the application of any waiver, scholarship, aid, or assistance [other than loans and funds under section 401(b) of the Higher Education Act of 1965], provided directly to the institution and specifically designated for the sole purpose of defraying tuition and fees.
- **Private and Foreign Schools:** The lesser of the actual *net cost* for tuition and fees after the application of any waiver, scholarship, aid, or assistance [other than loans and funds under section 401(b) of the Higher Education Act of 1965], provided directly to the institution and specifically designated for the sole purpose of defraying tuition and fees, *or* the tuition cap amount for the GI bill for the academic year.

Law and the VA define the term “net cost” as the residual costs after any other financial assistance received that is *paid directly to the school to specifically pay for tuition and fees*. These forms of financial aid are subtracted from the school's gross tuition and fees, and the Post-9/11 GI Bill pays the remainder. Do not subtract from the gross tuition and fee charges any loans, Pell Grants, or other financial assistance *paid to the student* and used for any costs associated with attending school (i.e., money from a 529 plan or a general scholarship whose money is not designated specifically for tuition and fees).





**The GI bill transfer option is valuable for those with dependents.**

**The Yellow Ribbon Program supplements GI bill coverage.**

**Enroll eligible dependents in DEERS.**

## **THE YELLOW RIBBON PROGRAM**

When a school participates in the Yellow Ribbon (YR) program, GI bill benefits can exceed the tuition and fee limitations established at most private universities. YR is a contract between the school and the VA that states the school and the VA will split tuition and fee costs that exceed the Post-9/11 GI Bill normal tuition and fee caps. This exceeded amount usually occurs when the student attends a private school that charges more than the amount currently allowed under normal Post-9/11 GI Bill rules. Some considerations to keep in mind:

- The school as a whole or the specific program in which you are enrolled must be designated as a YR participant.
- Each school limits the number of YR participants, and getting a position is first-come, first-served.
- Active duty members and their spouses are not eligible for the YR program. However, children of active duty members are.
- For a servicemember, spouse, or children to be eligible for YR, the servicemember must qualify for the Post-9/11 GI Bill at the 100-percent rate due to the amount of qualified service years.

Visit [www.benefits.va.gov/gibill/yellow\\_ribbon.asp](http://www.benefits.va.gov/gibill/yellow_ribbon.asp) for a list of YR schools and programs. Call a school to verify its YR status.

## **DEERS ENROLLMENT**

To transfer the Post-9/11 GI Bill benefit to dependents, they must be in the Defense Enrollment Eligibility Reporting System (DEERS). Given the chance of mistakes when dependents age out of the DEERS system, make doubly sure they will stay in the system as they go into college. Start reviewing and confirming DEERS enrollment when your children turn 17.

A child's subsequent marriage will not affect his or her eligibility to receive the Post-9/11 GI Bill benefit.

# Chapter 2

## Payback of Separation Pay From Retirement Pay

Did you take separation pay as you separated or were released from the military? The separation pay programs go by many names:

- Readjustment Pay
- Non-Disability Severance Pay
- Separation Pay
- Disability Severance Pay
- Voluntary Separation Incentive
- Special Separation Benefit
- Voluntary Separation Pay

The specific rules that apply to each program might vary, but they all have one thing in common: Should you continue to serve in the Guard or Reserve after you separate and later become retirement eligible, you will pay back your original separation pay.

Separation payments are considered a form of retired pay. Your amount of pay was based on your years of service. When you eventually earned longevity retired pay from additional Guard or Reserve service, your retired pay was calculated using the same service years for which you already were paid. You can't be paid twice for the same service time, so your separation pay is recouped out of retired pay or from VA disability compensation.

While the term "recoupment" is used, your separation pay actually is withheld from your retired pay until it's paid back. Think of your separation pay as an advance on your eventual retired pay. When you receive retired pay, your pay agent withholds pay until your advance has been recouped. If the recoupment is withheld from taxable retired pay, the gross amount of separation pay is withheld. If the recoupment is withheld from tax-free VA compensation, your net, after-tax, amount of separation pay is withheld.

This tax situation is confusing, but a servicemember is not double-taxed as some commonly think. You were paid taxable income upon separation, and you paid taxes as anyone does upon receiving income. The recoupment (withholding), on the other hand, is not a taxable event. Remember, the recoupment is about having pay withheld; nothing is being taken back, and there is no exchange of money. Not being paid is not a taxable or a tax refundable event.



## MORE INFORMATION



Learn about “recoupment” of separation pay.

- DoD Financial Management Regulation: <http://1.usa.gov/1sFhliB> (chapter 4)
- Defense Finance and Accounting Service: <http://bit.ly/1yOlwW3>

# Chapter 3

## Should You Enroll in SBP?

The following will help define the issues that should drive you to a clear Survivor Benefit Plan (SBP) choice for you and your family. However, as with any financial product, there is no definitive answer or perfect product.

**First, the basics.** SBP provides your survivor a benefit of 55 percent of your base amount. We assume your base amount will be your entire retirement paycheck amount, but you have a choice. You may select, with the approval of your spouse, a base amount of coverage from \$300 a month up to the full amount of your retirement check. Your premium is 6.5 percent of your base amount. As your retired pay increases with annual COLAs, so does your SBP premium because the premium is a percentage of your pay.

For example: Your retirement check is \$2,500 a month. If you elect to cover the full amount under SBP, this becomes your base amount. Your premium will be \$162.50 (6.5 percent of base amount). Upon your death, your spouse will get \$1,375 a month for life, with annual COLAs. The benefit payments are suspended if the survivor is remarried prior to age 55 and start again should the remarriage end.

SBP beneficiary payments can be paid to a special needs trust (SNT) for the lifetime of an incapacitated dependent child. Beneficiary payments to an SBP SNT do not count against the child's other state or federal financial needs-based programs. See information about this option on your pay agency's website or visit the Defense Finance and Accounting Service website at [www.dfas.mil/retiredmilitary/provide/sbp/snt.html](http://www.dfas.mil/retiredmilitary/provide/sbp/snt.html).

That's the basics — now for the options.

**The choice isn't between SBP or life insurance.** The choice is SBP and life insurance versus life insurance alone. You're going to need life insurance regardless of your SBP choice. It is possible that 55 percent of your retirement pay will not come close to your family's current standard of living. If you still are working at the time of your death, you will need to replace two incomes: your job and service retired pay. Projecting into the future when you actually are retired, you will be replacing income from your service retired pay, a piece of Social Security, and possibly a part-time job. That means you will need life insurance to supplement the

## MORE INFORMATION



Check out *Survivor Benefit Plan: Security for Your Survivors and Help Your Survivors Now: A Guide to Planning Ahead*.

- Call (800) 234-MOAA (6622) to request a copy.
- Or visit [www.moaa.org/publications](http://www.moaa.org/publications).



SBP payments. The extra life insurance will cover debts and/or provide an investment that can generate additional income. Does your spouse earn a paycheck? If so, that probably minimizes the need for either SBP or some life insurance.

***SBP is dirt simple; life insurance isn't.*** It's tough to put a price on simplicity, but it is definitely valuable. When a servicemember dies, the survivor notifies the proper pay agent and the payments begin. Payments roll in every month and can be increased by annual COLAs. These regular and consistent payments are a source of comfort to a survivor. Life insurance is complex and requires projections that might or might not come true. Consider the following:

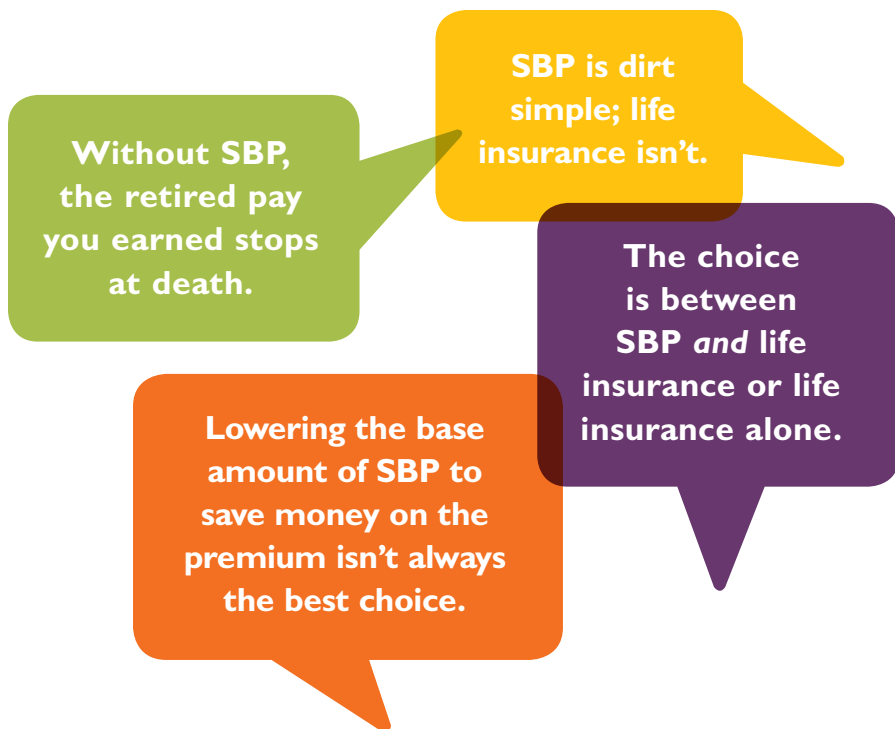
How much insurance do you need now? How much might you need in 10, 15, or 20 years? If you buy more later, it will cost you. Bad things happen as we age. If you have to buy more, will you even qualify based on your most recent health checkup? What type of insurance best serves your needs? After you die, what becomes of the huge lump sum? Is your spouse ready and able to manage a huge portfolio and make it last for decades? Will you use an immediate annuity to create a lifetime income with the life insurance proceeds? Who can you trust to manage the money for your family after you're gone?

**Some lower their base amount to decrease the premium.** Sure, you can do this. However, it's not about you and your premiums. It's about your survivors and the amount you leave them. At some point, lowering the base amount to save on the premium makes the actual survivor benefit virtually worthless. A base amount of \$500 gets the survivor \$275 a month. The survivor benefit should drive the base amount decision, not the premium. Keep in mind, the premium comes out of gross pay, before taxes, so your take-home pay is not reduced \$1 for \$1 because of the premium amount. The SBP premium reduces your tax burden, so a 20-percent income tax rate is like getting SBP at a 20-percent premium discount.

**Social Security might not be available.** Social Security survivor benefits aren't automatic for every survivor. A survivor with dependent children can collect benefits for children until they turn 16. If there are no children, the survivor must wait until age 60 to start survivor benefits. A survivor could start receiving benefits because of young children and stop receiving the payments after the children age out of the program. The survivor will go without benefits once the children age out of the program until the survivor turns 60. This hole in Social Security coverage might cause a significant gap in your financial plan.



Without SBP, retired pay stops when you die. SBP can ensure your service continues to pay your survivor when you are gone. Your spouse paid for your service, too. Many would argue the pay should continue because two people earned it.



***You earned that service retired pay.*** Without SBP, retired pay stops when you die. SBP can ensure your service continues to pay your survivor after you are gone. Your spouse also paid for your service, perhaps with a lost career and stress and by managing a household and taking care of children, allowing you to keep your mind on the mission. Many would argue the pay should continue because two people earned it.

***How much life insurance do you need?*** Do you want coverage for only your debts, for short-term income, or for long-term income needs? There could be possible estate tax issues for some of you.

- If you want your family to be debt-free at your death, add up your debts to get a total amount for life insurance purposes. Include credit cards, loans, your mortgage, children's college funds, money for many expenses, and burial costs. How might this figure change over the years?
- Do you want income for a short period of time? That might be \$40,000 a year for three years. Just do the math.



- Do you want lifetime income? Suppose you want \$40,000 a year with an annual COLA into the distant future. While oversimplified, figure annual income at 4 percent of a lump-sum investment. A \$40,000 annual income would require a \$1,000,000 portfolio. The tricky part is this investment potentially will need to last a long time. It must be properly and carefully managed. Who are you going to trust?

Another lifetime income option is to use life insurance proceeds to purchase an immediate annuity from an insurance company. Using the immediate annuity calculator at [www.moaa.org/calculators](http://www.moaa.org/calculators) can help you determine how much of a lump-sum deposit it would take to create a specific amount of income.





Keep in mind, even the best plans to build assets and wealth can go astray, and at the very least, it takes decades to build real substantial wealth. Money might not buy happiness, but it sure buys simple security with SBP.

***How long will you need life insurance while you're alive?*** The default answer is until you have enough in other assets to meet expenses. Then the life insurance is no longer needed, theoretically. How long will that be? How much do you have in assets now? What's your game plan for reaching the magic amount? How's that game plan working so far with the economy and the markets? What happens if you lose a job for a while? The last thing you want to happen is to have your insurance run out and your investment game plan didn't work out. Guess you'll be working a while longer. How's your health?

***Life insurance is cheaper than SBP.*** That's true, usually. We started with an SBP example of \$2,500 in retired pay creating a \$1,375 benefit check; that's a benefit of \$16,500 a year with an annual COLA increase. Assuming the worst case, if you die young, your assets will have to last for decades. That \$16,500 a year for 30 years would require an investment portfolio of at least \$400,000 if managed properly — without COLA increases. Use the MOAA annuity calculator mentioned on the previous page to run your own numbers. You probably can find \$400,000 in life insurance for less than the cost of \$163 a month in SBP premiums (\$2,500 x 6.5 percent). It all depends on your age, health, type of insurance, and length of insurance coverage and lots of planning, predictions, and investment help.

Consider how your survivors will live financially. The best-case scenario is the retired military spouse dies after the family has built enough wealth to continue at full financial strength. Worst case is death with little or no family assets. Keep in mind, even the best plans to build assets and wealth can go astray, and at the very least, it takes decades to build real substantial wealth. Money might not buy happiness, but it sure buys simple security with SBP.

# Chapter 4

## SGLI to VGLI or Something Else?

Servicemembers separating from the service are given a chance to convert Servicemembers' Group Life Insurance (SGLI) coverage to Veterans' Group Life Insurance (VGLI). The maximum amount of coverage under either policy is \$400,000.

Chances are after separation from the military, you still will need life insurance coverage. If someone who depends on you financially would be in need if you died today, you need coverage.

You have 240 days from separation or retirement to convert from SGLI to VGLI without having to complete the otherwise required health checkup. Depending on your physical condition and health, this could be an important benefit to you. Commercial insurance companies and policies will require a health checkup.

The maximum amount of coverage you are allowed under VGLI is whatever amount of coverage you have in force of SGLI at the time of your separation.

VGLI is not cheap. Technically, VGLI is a form of "annual renewable term" insurance. This means the premium amount goes up as you age. VGLI premiums increase every five years (see [http://benefits.va.gov/insurance/vgli\\_rates\\_new.asp](http://benefits.va.gov/insurance/vgli_rates_new.asp) for current rates). Generally, if your health allows you to buy commercial life insurance, do it. You probably can buy more commercial coverage for less cost.

### MORE INFORMATION



Learn more about the SGLI and VGLI programs.

- SGLI and VGLI programs: <http://benefits.va.gov/insurance/index.asp>.
- Latest information: [http://benefits.va.gov/insurance/vgli\\_rates\\_new.asp](http://benefits.va.gov/insurance/vgli_rates_new.asp).



# Chapter 5

## TRICARE Standard or Prime at Retirement?

Military retirees may choose to use TRICARE Prime, TRICARE Standard, or a commercial health care plan offered by their employer or their spouse's employer.

**Employer health care plans.** Using an employer's plan might make sense if you receive a very generous employer health plan package or you are displeased with military or government health care. If an employer subsidizes a health care plan where the cost to you is low, it might be worth using it. You have to judge the value of the cost versus the quality of the health care the plan allows you.

If your employer offers a health savings account, you are not eligible to participate if you are eligible for TRICARE. Health savings accounts are for people without access to other traditional health care plans. If you are eligible for TRICARE as a retiree, whether you use TRICARE or not, you automatically are covered by TRICARE Standard, and that makes you ineligible for a health savings account. If your family members are covered by TRICARE, they also are ineligible for a health savings account. See IRA publication 969 at [www.irs.gov](http://www.irs.gov) for the details.

**TRICARE Prime.** Under this health maintenance organization (HMO) style of health care coverage, you enroll and pay an annual enrollment fee, plus a small copayment at each doctor visit. You go where TRICARE tells you go, and you have to get permission from your primary care manager to see specialists by referral.

**TRICARE Standard.** This plan is similar to preferred provider organization (PPO) coverage. Military retirees automatically are placed in this program. There is no enrollment process and no enrollment fee. Instead, there is an annual deductible, and after that deductible is met, you share the additional costs at 80 percent/20 percent or 75 percent/25 percent; TRICARE covers the larger percentage. The percentage depends on whether you go to an in-network TRICARE medical facility.

With Standard, you get to choose your own doctor and see any specialist without a referral. This freedom comes at an additional cost: If you go to a doctor who does not accept TRICARE, you'll pay more. So be sure to call your doctors first to ensure they accept TRICARE insurance coverage.



## TRICARE SUPPLEMENT INSURANCE

TRICARE supplement insurance pays any residual costs after TRICARE pays its share of a bill. Supplement insurance does not cover the TRICARE Standard deductible or Prime enrollment fee. Some people like TRICARE supplement insurance because it's uncertain what might fall between the cracks in coverage or how much a final bill might be.

TRICARE coverage has a catastrophic cap of \$3,000. The catastrophic cap is the maximum amount a family will have to pay out-of-pocket per fiscal year (Oct. 1 to Sept. 30) for TRICARE-covered medical services. The cap applies to all covered services: annual deductibles, pharmacy copayments, annual enrollment fees, and other cost shares based on TRICARE-allowable charges. After you meet the catastrophic cap, TRICARE will pay your portion of the TRICARE-allowable amount for all covered services for the rest of the fiscal/enrollment year.

# Chapter 6

## Veterans Service Officers

A veterans service officer (VSO) is a VA-trained and -chartered person who helps veterans file claims and make appeals and answers questions about VA programs. They do not charge for their services, and they help every veteran, regardless of rank, service, or affiliation with their own organization.

VSOs can work for government agencies or private organizations. Be wary of commercial firms that claim to be veterans service organizations. Some might charge for the service and use your personal information to cross-sell you their products. Some commercial firms work in partnership with assisted-living facilities, retirement communities, or nursing homes to tap into VA benefits as revenue.

We recommend you first turn to a VA representative at a VA facility or the county VSOs in your area. County VSOs are state-run, with state employees. County VSOs counsel on both state and federal VA benefits. Veterans tend to forget about their state VA benefits.



To find a county VSO in your area, visit [www.va.gov/statedva.htm](http://www.va.gov/statedva.htm) or [www.nasdva.net](http://www.nasdva.net). Search for other VSOs at [www.va.gov/ogc/apps/accreditation/index.asp](http://www.va.gov/ogc/apps/accreditation/index.asp). Under “Search Recognized VSOs,” enter your ZIP code or state.



# Chapter 7

## VA Disability Benefits

Servicemembers with disability ratings from the VA must understand the VA waiver process and how combined VA disability ratings work.

### VA WAIVER

To receive VA disability compensation, you have to agree to waive your service retired pay up to the amount of your VA compensation. This is known as a VA waiver. The VA waiver amount is indicated on your retiree pay statement and deducted from your service pay.

All or part of this VA waiver amount may be restored by one of the concurrent receipt programs: Concurrent Retirement and Disability Pay or Combat-Related Special Compensation. How the VA waiver and concurrent receipt work together and how they are indicated on your service retired pay statement can be confusing. (See chapter 8, “Concurrent Receipt,” or order or download MOAA’s publication *Concurrent Receipt: Your Guide to CRDP and CRSC* for more detailed explanations.)

### VA DISABILITY COMPENSATION

It’s important a veteran file a disability claim with the VA to link disabilities, diseases, or injuries with service. Establishing a service connection is key to most VA benefits for both a servicemember and his or her survivor. Compensation is payable to any veteran with a service-connected disability rating of 10 percent or more, provided his or her departure from service was under conditions other than dishonorable.

Although there is no time limit for filing a VA claim, it should be done at the time of separation or as soon thereafter as possible. Waiting



People assume when they have several VA disabilities and associated ratings they simply add the ratings together to come up with the combined rating. That is not how it works.



## HELPFUL INFORMATION



The following resources can help you navigate the VA waiver process, figure your combined VA disability rating, and more.

- To locate a VSO to help you with the VA waiver process, visit [www.va.gov/statedva.htm](http://www.va.gov/statedva.htm) or [www.nasdva.net](http://www.nasdva.net).
- To learn more about concurrent receipt, visit MOAA's website at [www.moaa.org/payissues](http://www.moaa.org/payissues) or [www.moaa.org/crdp](http://www.moaa.org/crdp).
- To access the chart used to combine VA disability ratings, visit <http://l.usa.gov/lm62bdj>.

only makes the process more difficult as papers are lost or people you served with who can vouch for events disperse.

To make an application or an appeal, contact a veterans service officer (VSO) or county officer in your state. Veterans service organizations are VA-authorized agencies.

### UNDERSTANDING COMBINED VA DISABILITY RATINGS

People assume when they have several VA disabilities and their associated ratings they simply add the ratings together to come up with the combined rating. That is not how it works.

The VA figures your combined disability rating by calculating first your non-disability rating or, as the VA calls it, your efficiency rating. It works like this: A person with a disability rating of 30 percent is considered 70-percent efficient, or able to function normally.

To combine your ratings, stack your disability ratings from the most severe rating to the least severe. Disability ratings of 70 percent and 40 percent mean you have efficiency ratings of 30 percent and 60 percent.

Multiply the efficiency ratings together to get an 18-percent efficiency rating. Subtract this from 100 percent to get 82 percent. Round up or down to the nearest number divisible by 10 — 80 percent in this case.

If you have more than two ratings, factor each additional rating by multiplying the combined ratings before it. For example, multiply the first two efficiency ratings. Use the result from the first two ratings to multiply by the third efficiency rating. Use the result of the three ratings to multiply by the fourth rating, and so on.

# Chapter 8

## Concurrent Receipt — CRDP and CRSC

Concurrent Retirement and Disability Pay (CRDP) and Combat-Related Special Compensation (CRSC) can be confusing. Several misconceptions routinely pop up in discussions with retired uniformed members. Here is some background on these programs. (It is important to note we take literary license with the legal references to provide a clearer illustration of how things work. This also puts the topics in the context of our discussions with servicemembers.)

Original concurrent receipt law stipulated you cannot be paid twice for the same disability and service years. This law still applies in some cases — more on this point later. If you receive service retired pay and VA compensation, the VA compensation is subtracted from your service retired pay in the form of the VA waiver, or the amount of your service retired pay you waive to receive VA compensation. (Read chapter 7, “VA Disability Benefits,” to learn more.)

MOAA fought for legislation that would stop concurrent receipt laws from denying servicemembers service retired pay that was vested in their years of service. VA compensation should not be deducted from vested service time because service retired pay is for time served and VA compensation is designated specifically as disability compensation. From this lobbying, new concurrent receipt legislation was passed, and CRSC and CRDP were born.

As a result, CRSC and CRDP restore the service retired pay, vested through years of service, that VA compensation denies you. This is a key point of the new concurrent receipt: Concurrent receipt does not restore disability compensation from your service. It restores longevity retired pay. Understanding the nuanced meanings of the terms and concepts in this paragraph is crucial to understanding the new concurrent receipt programs.

Let’s examine some of the most common misunderstandings.

***It’s not a whole other form of additional pay.*** CRSC is a third form of pay, but it is not an amount in addition to service retired pay and VA disability compensation. CRSC is not a new form of pay, a third paycheck if you will, above and beyond any service retired pay and VA



## MORE INFORMATION



Check out *Concurrent Receipt: Your Guide to CRDP and CRSC*.

- Call (800) 234-MOAA (6622) to request a copy.
- Or visit [www.moaa.org/publications](http://www.moaa.org/publications).

compensation amounts. Technically, it comes as a third paycheck, but it is pay that restores service retired pay for all or part of the VA waiver amount being deducted from service pay (the VA waiver remains in your retired pay). CRDP, on the other hand, is not a third form of pay. CRDP is the return of service retired pay by decreasing or eliminating the VA waiver amount in service retired pay.

### ***“I was awarded CRSC. Where is my CRSC retroactive pay?”***

Concurrent receipt is a restoration of service retired pay. To restore service retired pay implies two things. First, you were denied service retired pay (through a VA waiver), so it has to be restored. Second, the

amount being restored can't be greater than the original amount of service retired pay denied. You can't restore what was never denied in the first place. You can't receive CRDP or CRSC retroactive pay unless you were denied service retired pay in the past. This usually comes up when someone has been receiving CRDP for a time and later is awarded CRSC. If you were receiving CRDP, your retired pay already was being restored. The subsequent award of CRSC won't get you back pay unless your CRSC amount restores more than you already were having restored by the CRDP.

***"I'm still docked a portion of my service retired pay."*** Concurrent receipt restores service retired pay, so let's carefully consider that phrase as it pertains to CRSC/CRDP. "Service retired pay" is pay you earned through longevity, or your time served. This is a big issue for servicemembers who were medically retired because they might have a service retired pay amount higher than the amount they earned based on longevity.


For example, a servicemember with a longevity retirement earns retired pay at "years served x 2.5 percent x your base pay at retirement or high-three salaries." However, those medically retired might have a service disability rating (not a VA rating) that makes their retired pay at retirement greater than the amount of pay based on this longevity formula. With 20 years of service, longevity retired pay is 50 percent of base pay. But a medical retirement with a service disability rating of 60 percent gets a 60-percent payout for retirement even if the service time is 20 years. Everything above 50 percent is considered disability pay.

So CRSC/CRDP restores service retired pay, which is the only portion of retired pay that's based on longevity. All the service retired pay you receive above the amount based on time served is considered disability pay, not service retired pay, and service disability pay is not restored by any form of concurrent receipt.

In other words, the original concurrent receipt laws that state you can't be paid twice still apply when it comes to disability payments. If the VA pays you for your disabilities, you can't receive service disability pay at the same time.

***"Why doesn't my CRSC check equal my VA waiver amount?"***

You think your CRSC check should equal your VA compensation amount, but that's not necessarily true. VA disability compensation is based on your total "whole body" disabilities, regardless of whether the disabilities were the result of combat. CRSC pays only the portion of your disability compensation based on disabilities directly related to combat. It is not unusual for a CRSC rating and the resulting payment to be smaller than the VA compensation amount. This means you will continue to have a VA waiver amount in your service retired pay.



Service retired pay is earned through longevity, or your time served.

The combat-related nature of CRSC is the basis behind its tax-free status.

CRSC is a restoration of retired pay.

***CRSC is always a better payment than CRDP.*** Not so. As stated in the paragraph above, CRSC is limited to combat injuries, which can significantly limit the amount paid. CRDP is not limited to combat-related disabilities, so the amount is based on your total VA compensation (and possibly the time-served issue). The combat-related nature of CRSC is the basis behind its tax-free status, while CRDP is taxable. Your CRDP amount might be larger to the point that, even though it's taxable, it still leaves more money in your pocket. This is why your pay agency allows you a chance to select during the open season each December the version of pay you want.

***"I get CRSC, but a VA waiver is still deducted from my service retired pay. Where is my concurrent receipt?"*** Some think CRSC is a payment above and beyond all other payments. This leads them to believe they get full retired pay from their service, full VA compensation, and full CRSC. This confusion seems to originate from the manner in which CRSC and CRDP are paid. Where CRDP is reinserted back into your service retired pay, CRSC is a separate check.

You'll note the CRDP difference in your Retiree Account Statement (pay stub) from your pay agency. With CRDP, your VA waiver disappears. Medically retired servicemembers might not see full service retired pay. You won't actually see a separate CRDP payment because receiving full service retired pay is CRDP at work. Another way to think of CRDP is to consider it the elimination of your VA waiver amount.

Those with CRSC receive a separate payment outside service retired pay and VA compensation. So you get three forms of pay. Your service retired pay stub will always indicate a full VA waiver amount as long as you receive CRSC. CRSC restores, by use of a third payment, the portion of your service retired pay denied by your VA waiver amount.

# Chapter 9

## SBP When You're Rated Totally Disabled

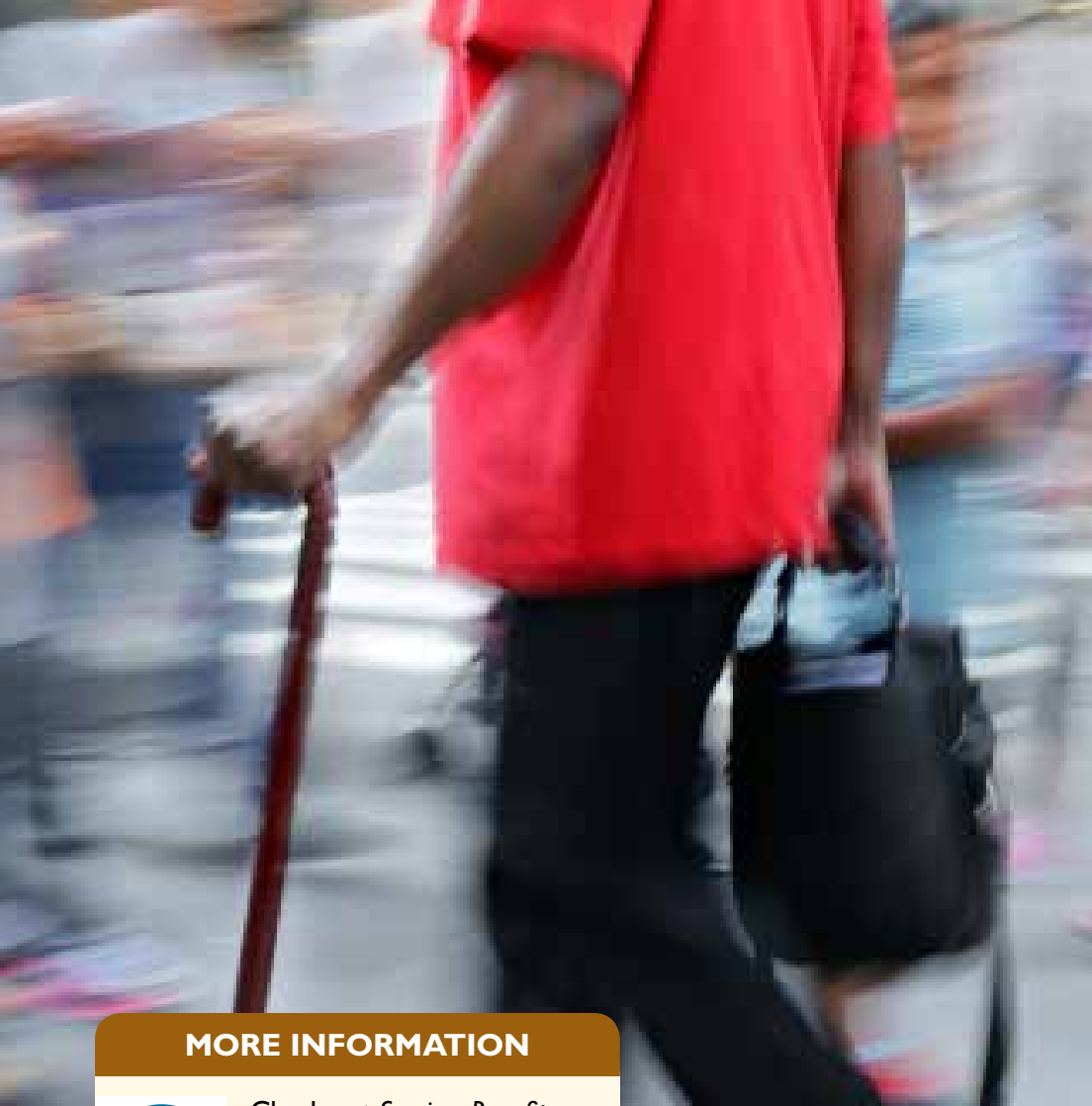
You may cancel your Survivor Benefit Plan (SBP) benefit because of a VA rating. But carefully consider the issues below before you exercise this option.

You have an irrevocable option to cancel your SBP due to your survivor's eligibility for the VA's Dependency and Indemnity Compensation (DIC) survivor annuity. A service-connected VA disability rating of totally disabling (100 percent) for 10 continuous years, or at least five years at 100 percent from the date of service separation, makes a survivor automatically eligible for DIC. Spousal concurrence is required to cancel SBP.

This option was established because a survivor's SBP annuity is reduced dollar-for-dollar if the survivor also receives DIC — known as the SBP/DIC offset. Canceling SBP because of DIC allows a survivor to receive a refund of all SBP premiums linked to the denied SBP survivor payments. The refunded SBP premiums are paid in one lump sum and are taxable.

Before you cancel, here's the catch: MOAA is working diligently to have the SBP/DIC offset eliminated. We've made partial headway on the elimination of the SBP/DIC offset already. Currently, survivors have a portion of their SBP payments restored that previously was denied because of DIC.

Should the SBP/DIC offset be totally eliminated, canceling your SBP now might deny your beneficiary the opportunity for full SBP benefits plus full DIC payments in the future.



## MORE INFORMATION



Check out *Survivor Benefit Plan: Security for Your Survivors and Help Your Survivors Now: A Guide to Planning Ahead*.

- Call (800) 234-MOAA (6622) to request a copy.
- Or visit [www.moaa.org/publications](http://www.moaa.org/publications).

# Chapter 10

## Making the Medicare/TFL Decision

What do you do if you're turning 65 and will continue to work? You are covered by your employer's health care plan. However, you're faced with the Medicare/TRICARE For Life (TFL) decision. Here are your three options.

**Stay with your employer plan, and delay Medicare/TFL enrollment.** You are allowed to delay Medicare Parts A and B enrollment as long as you are working and covered by an employer's health care plan. There is no Medicare penalty as long as you apply for Parts A and B before you stop working or you enroll in Parts A and B within eight months of the end of work or the end of the health care plan, whichever is first. With this option, you temporarily lose TFL benefits until you enroll in Parts A and B. You still can be enrolled in Part A while you work and not pay a Medicare premium. If your spouse is younger, he or she will continue under your employer's health care plan or stay under TRICARE Standard/Prime or both until age 65.

**Go with both your employer plan and Medicare/TFL. Enroll in Medicare Parts A and B, get your TFL benefits, and have your employer's plan.** Of course, you'll pay for all programs, and you probably will be over-insured, but some like the feeling of extra coverage. Younger spouses will stay under TRICARE Standard/Prime until age 65.

**Go with Medicare/TFL only. Check whether you can suspend your employer's plan before you outright cancel it.** If you can suspend employer coverage, you leave yourself an option to return to the coverage should you want to at some point in the future. Enroll in Medicare Parts A and B three months prior to age 65. (You actually have until three months after age 65 to sign up, but your coverage will be delayed by a month or two.) Younger spouses will wait until age 65 to be covered by TFL and will stay under TRICARE Standard/Prime until then.

As long as you are working and are covered by your employer's plan, that plan is the first payer, Medicare is the second, and TRICARE is the third. Check to ensure the coordination between your employer plan and Medicare functions. You'll have to file manual claims with TRICARE under this arrangement — if it is ever necessary.





SOCIAL SECURITY

SOCIAL SECURITY



The TRICARE portion of TFL is invisible to health care providers under TFL, so ensure your providers accept Medicare. Any Medicare provider works for TFL. Just show your Medicare card for treatment.

Once you stop working, if your employer plan continues into retirement, Medicare will pay first, then your employer's plan, and finally TRICARE. You'll have to file manual claims with TRICARE when they are the third payer.

If you go with Medicare and TFL only, Medicare is the first payer and TRICARE acts as a Medicare supplement. Health care providers file claims with Medicare, which automatically forwards the residual bill to TRICARE. The TRICARE portion of TFL is invisible to health care providers under TFL, so ensure your providers accept Medicare. Any Medicare provider works for TFL. Just show your Medicare card for treatment; there usually is no need to show a military ID card for the TFL coverage.

Most people prefer to use TRICARE prescription coverage. If this is you, do not enroll in another prescription plan. Enrollment in another plan causes it to pay first, and you'll be filing manual claims with TRICARE. Plus, enrollment in another prescription plan disqualifies you from enrollment in TRICARE Pharmacy Home Delivery. Check out *Medicare and You* at <https://www.medicare.gov/pubs/pdf/10050.pdf> for easy-to-understand information.

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*Financial Planning Guide*

*Survivor Benefit Plan: Security for Your Survivors*

*Survivor's Checklist: First Steps for Moving On*

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