



# THE VETERANS' VOICE

## SGLI/VGLI - WHAT IS IT? PROS AND CONS OF KEEPING IT OR GOING TO THE OPEN MARKET

By: Clinton Smith, CEO of Government & Civil Employee Services - January/February 2017 Edition

### SGLI

Service members Group Life Insurance, also known as SGLI, is a life insurance program that covers many active service members in the U.S. Military. When a service member joins the military, they're automatically signed up for the maximum coverage. Any service member who is classified under the following list meets the eligibility requirements:

- Active duty members of the Army, Navy, Air Force, Marines Corps or Coast Guard
- Members, cadets and midshipman of the Reserve Officers Training Corps (ROTC) who are engaged in authorized training and/or practice cruises
- Cadets and midshipman of the U.S. military academies
- Service members who volunteer for an authorized mobilization category in the Individual Ready Reserve (IRR)
- Members of the Ready Reserve or National Guard who are scheduled to perform at least 12 periods of inactive training per annum
- Commissioned members of the National Oceanic and Atmospheric Administration (NOAA) or members of the U.S. Public Health Service (USPHS)

The maximum coverage for SGLI is \$400K and would cost the service member \$28 a month. The lowest coverage amount is \$50K for a low cost of \$3.50 per month. This coverage is not age based, and although it is term coverage, the service member can take advantage of this life insurance program their entire career. They can also add on Traumatic Injury Protection Coverage, also known as TSGLI, for an additional \$1.00 per month, and this enrollment also comes automatically. TSGLI covers the loss of hearing or eyesight, limbs and appendages, and other various body parts and reproductive organs, at a rate of anywhere from \$25K to \$100K depending on the severity of the loss.

SGLI has a lot of pros. It pays out life insurance death benefits, regardless of how the service member dies. They could pass in a war zone or in a car accident, and the life insurance pays either way. SGLI is great for anyone who is over 30 years of age, because the coverage is not age based. The added benefit of the TSGLI is great as well because it acts like an accident policy. SGLI also automatically covers the service member for 120 days after separation.

### CONVERTING FROM SGLI TO VGLI

SGLI is eligible to be converted to Veterans Group Life Insurance, also known as VGLI, within 1 year and 120 days (or 485 days) after separation from the military. If converted within the first 240 days, no health questions have to be answered. The coverage ranges from a minimum of \$10K up to a maximum of \$400K. It is important to remember that the coverage elected at the time of application cannot exceed the coverage the service member had at time of separation under SGLI. They can, however, elect to increase this VGLI coverage in increments of \$25K every 5 years up to the max of \$400K, but this increase must happen before the age of 60. Coverage can last the life of the service member, but costs get very high after the age of 50. In a perfect world, everyone would opt out of this life insurance at the age of 49, but often time service members do not notice the price increase, and the need to find something else until they are between the ages of 50 and 55.

### VGLI

The cost for a maximum of \$400K in coverage under the VGLI program ranges from \$32 a month for anyone who is under 29 years of age, and up to \$1,840 a month for those age 75 and over. On the lower end, minimum coverage in the amount of only \$10K ranges from a low price of \$.80 a month, up to \$46 a month for anyone 75 and over. The cost increasing overtime can be concerning for anyone who is over the age of 50.

VGLI is great for anyone who wants to have coverage in-between the time they are in the military, and the time they find full time employment afterwards. This program would be great for anyone who has less than perfect health conditions, who may find it difficult to find inexpensive coverage in the outside market. The cons of this coverage are that there is very little flexibility in the program, and it offers only reasonable rates at only younger ages, so it is not a very viable long term option.

### KEEP VGLI OR GO TO THE MARKET?

The first thing veterans must consider when asking this question is, do they fully understand the benefits of GROUP life insurance. Group life insurance is a policy that covers a GROUP of people. In this example it is covering either service members or veterans. There are other similar U.S. based group life insurance programs, like FEGLI, also known as Federal Employees Group Life Insurance. All of these programs, since they are group programs, have the same pitfalls, for example:

- Limited flexibility
- Someone in good health could find something more cost effective in the open market
- Premiums are based on the "health of the group"
- Premiums could increase, and/or coverage could decrease
- Coverage is limited
- No spousal benefits
- No long-term benefits, unless you die

The easiest way to figure out if you should keep VGLI, SGLI, TSGLI, FEGLI, or any other similar group life insurance is to sit down with a finance or insurance professional who is dedicated to working with Veterans, military service members, and/or Federal Employees. There are companies who have proven their commitment to serving those who have served our country. Remember, always find a financial or insurance professional who can explain to you the benefits that you already receive for your service to our country. Never sell yourself short by picking someone who does not specialize in veteran benefits.



Clinton Smith, CEO of Government & Civil Employee Services (GCES), is focused on building a team of passionate professionals whose genuine interest is in helping others, while staying current on ever changing laws and procedures determined by the Federal Government. Clinton holds a Pennsylvania Life, Health and Annuity License and is also a registered Public Notary for the state of Pennsylvania.

To contact Clinton, call 800-985-3272 or visit [gces.us](http://gces.us).