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Officer Retirement Scenarios

How Real Decisions Interact After the Uniform Comes Off

An Educational White Paper on Military Retirement Tradeoffs

Purpose of This Paper

Military officers retire with advantages few civilians ever receive: an immediate pension, subsidized healthcare, the Thrift Savings Plan (TSP), and access to Department of Veterans Affairs (VA) benefits. Yet despite these strengths, many officers experience avoidable financial stress in the first decade after retirement.

The issue is not a lack of benefits.

It is **how decisions interact once military systems stop coordinating them automatically.**

This paper uses three officer retirement scenarios to illustrate:

- How numbers scale with seniority
- Why planning insight depends on the total situation—not rank
- Where reasonable assumptions quietly break down

The goal is not to prescribe outcomes, but to demonstrate **how experienced planning evaluates tradeoffs.**

Shared Baseline Across All Scenarios

All officers in these scenarios:

- Retire with an immediate pension
- Maintain access to **Tricare (Prime or Select)** and later **Tricare for Life**
- Have eligibility for **VA healthcare and disability compensation**
- Face healthcare costs driven primarily by **Tricare election, not access** (Department of Defense [DoD], 2024)

Healthcare availability is assumed stable.

The differentiators are **cash flow durability, survivorship design, disability exposure, and decision sequencing.**

Scenario One

LtCol (Ret.) Jason Miller

Age: 43

Years of Service: 20

Family: Married, two children (ages 9 and 12)

Health: Smokeless tobacco user

Primary Risk: Income fragility during transition

Financial Starting Point

- **Gross Pension:** \$62,400/year
- **Net Pension:** ~\$50,000/year
- **TSP Balance:** \$485,000
- **Cash Reserves:** \$38,000
- **Home:** \$420,000 value / \$310,000 mortgage
- **VA Compensation:** Filed, not yet determined

Jason's pension covered core living expenses but did not provide margin for prolonged unemployment or income disruption. Early-stage resilience mattered more than long-term optimization.

TSP Strategy: Stability Before Optimization

Jason left his TSP intact:

- Extremely low internal expense ratio (0.058% average net expense ratio in 2023) (Federal Retirement Thrift Investment Board, 2023)
- Broad diversification
- No immediate distribution pressure

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At this stage, avoiding irreversible decisions under stress mattered more than marginal allocation adjustments.

Survivor & Insurance Decisions

Jason’s tobacco use materially altered the economics of private insurance.

SBP Election

- **Annual cost:**
 $6.5\% \times \$62,400 = \$4,056$ per year
- **Survivor benefit:**
 $55\% \times \$62,400 = \$34,300$ per year, inflation-adjusted (DFAS, 2024)

Tiered Term Replacement (If SBP Were Declined)

Tier Face Amount Duration Approx. Annual Premium

Tier 1	\$1,000,000	10 years	\$1,800–\$2,000
Tier 2	\$750,000	20 years	\$2,000–\$2,300
Tier 3	\$500,000	30 years	\$2,200–\$2,500

Total Estimated Annual Premium:
 $\approx \$6,000–\$6,800$ per year

Because of tobacco underwriting classification, the tiered structure was **more expensive annually than SBP**, while still requiring continued insurability and policy maintenance.

In Jason’s situation:

- SBP annual cost: **\$4,056**
- Full tiered term package: **\$6,000+ annually**

SBP provided permanent, inflation-adjusted income at a lower annual cost.

VGLI

Jason elected \$500,000 of VGLI as a temporary bridge, with a defined plan to exit once his civilian employment benefits stabilized (VA, 2024).

Disability Planning: The Often-Missed Risk

Jason's civilian compensation:

- \$110,000 base
- Minimal paid leave
- No employer short-term disability
- Long-term disability capped at 60%

Recognizing this exposure, Jason implemented:

- **A private short-term disability policy** to bridge the gap
- The policy was designed to remain in force until his VA disability rating was finalized
- Once VA compensation was determined, the short-term coverage would be reassessed

If injured, income would fall from ~\$160,000 (job + pension) to ~\$115,000 without additional protection.

In the first five to seven years, disability risk exceeded mortality risk (Council for Disability Awareness, 2023).

Situation-Based Insight

When income is fragile, underwriting risk is elevated, and VA benefits are not yet finalized, **guarantees and transitional disability protection matter more than theoretical efficiency.**

Scenario Two

Col (Ret.) Rebecca Thompson

Age: 50

Years of Service: 27

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Family: Married, one child in college
Primary Risk: Fragmented decision-making

Financial Starting Point

- **Gross Pension:** \$92,000/year
- **Net Pension:** ~\$74,000/year
- **TSP Balance:** \$1,150,000
- **Taxable Assets:** \$260,000
- **Cash Reserves:** \$110,000
- **VA Compensation:** ~\$13,200/year (tax-free)

Rebecca had flexibility—but also greater complexity.

TSP Strategy: Partial Rollover by Design

- **\$550,000 retained in TSP**
 - Low-cost equity exposure (C/S blend)
 - Expense ratios comparable to broad-market ETFs
- **\$600,000 rolled to IRA**
 - Tax-aware withdrawal sequencing
 - Broader asset classes available to meet risk profile

Growth exposure was maintained; complexity was added only where it created value.

Survivor Planning: No SBP, Replaced Intentionally

Rebecca elected no SBP based on quantitative analysis.

SBP (If Elected)

- Annual cost:
 $6.5\% \times \$92,000 = \mathbf{\$5,980 \text{ per year}}$
- Survivor benefit:
 $55\% \times \$92,000 = \mathbf{\$50,600 \text{ per year}}$, inflation-adjusted

Using a 3–4% withdrawal rule (Bengen, 1994), permanently replacing \$50,600 would require approximately \$1.25M–\$1.7M of dedicated capital.

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Tiered Term Replacement

Tier Face Amount Duration Approx. Annual Premium

Tier 1 \$1,000,000 10 years \$1,200–\$1,400

Tier 2 \$750,000 20 years \$1,100–\$1,300

Total Annual Premium: ≈ \$2,300–\$2,700

At a 3–4% rule:

- \$1.75M of coverage supports **\$52,500–\$70,000/year**
- Exceeds SBP replacement during the years survivor income mattered most

As obligations declined and assets matured, replacement needs naturally diminished.

Income Reality

Consulting income proved uneven and lacked paid-leave protection. This reinforced:

- Larger liquidity reserves
- Coordinated withdrawal sequencing
- Disability planning as income protection

Situation-Based Insight

When survivor needs are finite and assets are compounding,
temporary replacement can be more efficient than permanent pension reduction.

Scenario Three

MajGen (Ret.) Michael Anderson (O-8)

Age: 58

Years of Service: 36

Family: Married, adult children, grandchildren

Primary Risk: Survivor burden and tax inefficiency

Financial Starting Point

- **Gross Pension:** ~\$183,000/year
- **Net Pension:** ~\$138,000/year
- **TSP Balance:** ~\$3.6 million
- **Other Assets:** ~\$2.3 million
- **Post-Retirement Income:** \$180,000–\$250,000 (variable)

Income replacement was not the issue. Structural efficiency was.

SBP Evaluation

Full SBP would produce:

- **Annual cost:**
 $6.5\% \times \$183,000 = \$11,900$ per year
- **Survivor benefit:**
\$100,650 per year, inflation-adjusted

Over 25 years, total premiums approach ~\$300,000.

The benefit was meaningful—but redundant relative to survivor need.

Universal Life as Strategic Infrastructure

Illustrative structure:

- Death benefit: \$2,000,000

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- Annual premium: \approx **\$45,000 per year**
- Funding window: 7–10 years

Why chosen:

- Premium flexibility
- Tax-free policy loan access
- Estate planning asset

Situation-Based Insight

When guaranteed income already exceeds survivor needs, **flexibility and liquidity can matter more than permanence.**

Integrated Planning Reference

Planning Area	Core Question
Pension	What income is guaranteed vs contingent?
TSP Strategy	Does simplicity or coordination matter more now?
Survivor Income	Which risks are permanent vs declining?
Insurance	Is protection temporary, permanent, or strategic?
Disability	What happens if work stops unexpectedly?
Liquidity	Can large expenses be funded without disruption?
Estate Planning	Who decides under stress?

Final Thought

Rank changes the size of the numbers.
Circumstances determine the shape of the plan.

Good retirement planning is not about maximizing benefits.
It is about designing systems that continue to work when assumptions fail.

Compliance Disclosure

This material is for educational purposes only and does not constitute individualized investment, tax, legal, insurance, or VA benefits advice. Hypothetical scenarios are illustrative only. Actual outcomes will vary. Decisions should be made in consultation with qualified professionals.

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