



The HEART Act: Investing in Your Future

August 2024

Do you know how you will use your death gratuity or SGLI benefits? Options available under the HEART Act may help you save tax-free to fund your retirement or educational needs.

What is the HEART Act?

The Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART Act) provides tax and pay benefits to assist military personnel and their families. Some provisions apply to Survivors. Survivors of a service member who dies on active duty may contribute all or part of the \$100,000 death gratuity and the Servicemembers Group Life Insurance (SGLI) benefit to a Roth IRA and/or a Coverdell Education Savings Account (CESA) without the usual restrictions on contributions or distributions.

The HEART Act Boosts Your Savings

When you invest proceeds from the death gratuity and/or SGLI into a Roth IRA or CESA, the funds grow tax-free, even when they are withdrawn or passed on to beneficiaries.

For beneficiaries of the SGLI or Death Gratuity, annual limits on the amount you can contribute to an IRA or CESA do not apply and neither do age restrictions.

Unlike traditional IRA's, Roth IRA's allow withdrawals, tax-free and without penalty, at any time and up to the principal amount, which is usually the amount you initially deposited.

For example:

If you contribute \$50,000 to a Roth IRA and earn \$5,000 in the account, you may withdraw up to the original \$50,000 contribution without any tax or penalties. The \$5,000 in earnings may be subject to taxes or penalties if withdrawn early. *(Note: Withdrawals are tax and penalty free if you are 59 1/2 years old and it's been at least 5 years since your first contribution to the Roth IRA.)*

You should consult an accounting or tax professional for detailed information on the benefits of a Roth IRA or CESA.



Survivors may take advantage of HEART Act provisions for 12 months after receipt of the death gratuity or SGLI payment.

What if my service member was a reservist?

If the deceased service member belonged to the Reserve or National Guard, was mobilized to active duty for 179 days or longer and was eligible to return to his or her civilian employer, other provisions of the HEART Act require benefits due the civilian worker, such as employer-paid life insurance, to be reinstated as of the day before the member's death. If the member was covered by a retirement plan, they must be considered vested as of the day before they died.



LINKS
to More
Information

<https://www.fnra.org/investors/military>

<https://www.militaryonesource.mil/benefits/the-heart-act/>