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Department of Defense Annual Report on the Financial Literacy and Preparedness of Members of the Armed Forces



2017

**Office of the Under Secretary of Defense
(Personnel and Readiness)**

TABLE OF CONTENTS

| | <u>Page</u> |
|---------------------------------|--------------------|
| EXECUTIVE SUMMARY | 1 |
| INTRODUCTION | 3 |
| OVERVIEW OF SURVEY RESULTS | 4 |
| DoD FINANCIAL READINESS EFFORTS | 8 |
| DEPARTMENT OF THE ARMY | 12 |
| DEPARTMENT OF THE NAVY | 15 |
| DEPARTMENT OF THE AIR FORCE | 22 |
| FUTURE PLANS | 28 |

EXECUTIVE SUMMARY

Pursuant to title 10, United States Code (U.S.C.), section 992(d), the Department of Defense (DoD) is submitting this Annual Report on the Financial Literacy and Preparedness of Members of the Armed Forces to the Committees of Armed Services of the Senate and House of Representatives. This report includes results of the 2016 survey on financial literacy and preparedness required by law, as well as a summary of DoD and Military Service efforts and plans related to ensuring the financial readiness of the Force.

Below are the highlights of the 2016 survey findings:

- Overall, 70 percent of active duty and 61 percent of Reserve Component (National Guard and Reserve) members indicated their current financial condition was comfortable. This reflects a general continuing improvement in the financial conditions of Service members since the question was first asked in 1999 for Service members on active duty and 2005 for Reserve Component Service members, with room for continued progress.
- When asked to compare their current financial situation to 12 months ago, 83 percent of active duty and 84 percent of Reserve Component members indicated their financial situation was better or stayed the same.
- The majority of Service members indicated they were knowledgeable about and routinely used a variety of financial management activities related to topics such as debt and credit, spending habits, making financial plans, saving, and investing.
- The majority of Service members reported they are saving: 77 percent of active duty and 79 percent of Reserve Component members indicated they had a savings or investment habit and either saved or invested regularly by putting money aside, or saved or invested whatever is left over with no regular plan. Additionally, 88 percent of active duty and 84 percent of Reserve Component members indicated they had an emergency savings account, ranging from less than \$500 to more than \$10,000, with 50 percent of active duty and 46 percent of Reserve Component members indicating they had more than \$2,000 in emergency savings.
- Overall, active duty and Reserve Component members indicated their top financial goals were saving for retirement (88 percent active duty, 90 percent Reserve Component), saving for a safety net/emergency fund (78 percent active duty, 79 percent Reserve Component), and being free of debt except for mortgage (71 percent active duty, 79 percent Reserve Component). Junior enlisted members were more likely to indicate purchase-oriented goals, such as buying a home, vehicle, or furniture and appliances, as well as paying for their own or their spouse's education.
- A minority of Service members indicated they experienced certain financial problems in the past 12 months, including issues such as failing to make minimum payments or overdrawing accounts.

- A small percentage of Service members used high-cost credit products such as pawn shops (two percent of active duty, three percent of Reserve Component), vehicle title loans (two percent of active duty, three percent of Reserve Component), or payday loans (one percent of active duty, two percent of Reserve Component).
- Overall, junior enlisted members generally reported a lower level of financial well-being, but there were some instances where senior enlisted members indicated more difficulty than others.
- Active duty members generally reported fewer financial challenges than their Reserve Component counterparts.

The National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2016 (Public Law 114-92) implemented significant changes to title 10, U.S.C., section 992, impacting financial literacy training for Service members. In response, the DoD and the Military Services are enhancing existing financial readiness programs, including training on the Blended Retirement System (BRS). Through innovative learning approaches such as microlearning and mobile applications, the Department is responding to the evolving learning preferences of today's military.

Significant efforts were made in calendar year 2017, related to the BRS, as approximately 1.6 million Service members are eligible to opt into the system beginning January 1, 2018. These Service members require factual and unbiased information and support to make this decision based on their personal and professional circumstances. Service members have access to free, one-on-one financial counseling through nationally-accredited service providers. In addition, through collaboration with external entities and virtual resources, support to Service members expands beyond what is available on their installation.

INTRODUCTION

Title 10, U.S.C., section 992(d), as amended by the NDAA for FY 2016, requires the DoD, through the Director of the Defense Manpower Data Center, to “annually include in the status of forces survey a survey of the status of the financial literacy and preparedness of members the armed forces.”¹ The survey results are to be used by each of the “Secretaries concerned as a benchmark to evaluate and update training” and “be submitted to the Committees on Armed Services of the Senate and the House of Representatives.”²

The DoD views financial readiness as imperative to overall personal readiness and, by extension, unit and mission readiness. Financial stress can have negative impacts on health, family relations, and productivity. Financial challenges can quickly escalate into major financial problems and negatively impact personal and mission readiness. Military families face many of the same potential financial challenges as their civilian counterparts. However, military life presents additional potential stressors, including frequent moves, deployment and reintegration, family separation, difficulties for spouses seeking employment, and transition from military service. Positive financial conditions can potentially lessen the impact of other stresses of military life. In a 2012 study of veterans of Iraq and Afghanistan, financial well-being was positively correlated with post-deployment adjustment.³

The Status of Forces Survey provides the DoD and the Military Services one method to measure financial readiness and identify potential financial issues affecting the Force. With this knowledge, financial readiness programs and resources can be developed or modified to address specific issues and topics. This report highlights results of the survey as potential measures of financial well-being and, by extension, financial readiness.

In addition to the survey and report requirement, the NDAA for FY 2016 amended title 10, U.S.C., section 992 to significantly expand the scope and frequency of financial literacy training required of Service members at several professional and personal events – “touchpoints.” This training is intended to prepare Service members to respond to changes in their financial circumstances throughout the military lifecycle, based on events such as marriage, deployment, or separation from service. In response to changes to the law, the DoD and the Military Services are implementing expanded financial readiness programs and resources. This report also provides an overview of financial readiness efforts of the DoD and the Military Services since NDAA for FY 2016.

¹ Prior to 2016, the Defense Research, Surveys, and Statistics Center (RSSC) resided within the Defense Manpower Data Center and conducted the annual Status of Forces Survey. In 2016, the Defense Human Resources Activity reorganized and RSSC moved under the newly-established Office of People Analytics.

² In title 10, U.S.C., “Secretaries concerned” refers to the Secretary of the Army for matters concerning the Army; the Secretary of the Navy for matters concerning the Navy, the Marine Corps, and the Coast Guard when it is operating as a service in the Department of the Navy; the Secretary of the Air Force for matters concerning the Air Force; and the Secretary of Homeland Security for matters concerning the Coast Guard when it is not operating as a service of the Department of the Navy.

³ E.B. Elbogen, C.S.C. Johnson, H.R. Wagner, V.M. Newton, and J.C. Beckham, “Financial Well-Being and Post-Deployment Adjustment Among Iraq and Afghanistan War Veterans,” *Military Medicine* 177 (2012): 669-675.

OVERVIEW OF SURVEY RESULTS

This section provides an overview of results of the survey as potential indicators of overall financial well-being. Because the Status of Forces Surveys are administered separately for active duty and the Reserve Component (National Guard and Reserve) throughout the year, and due to the time requirements to compile and analyze results, the annual report includes survey results from the previous year.⁴ The 2016 survey was the first to include additional questions on financial literacy and preparedness in response to changes to title 10, U.S.C., section 992, and this is the first report submitted to the Committees. As such, these results will serve as a baseline analysis of financial conditions to compare future findings, although it is important to note that the military is a continuously-changing population.

Overall, the majority of Service members (70 percent of active duty and 61 percent of Reserve Component members) indicated their current financial condition was comfortable. This indicates continuing improvement since Service members were first asked to self-assess their financial condition in 1999 for active duty and 2005 for Reserve Component members. In addition to the general positive trend over the years, the vast majority (83 percent) of Service members indicated their financial situation was better or the same compared to 12 months ago. A significant number (41 percent of active duty and 44 percent of Reserve Component) indicated their situation was better, while just 17 percent of active duty and 16 percent of Reserve Component members said their situation was worse than 12 months ago.

Service members were generally knowledgeable about a number of financial management activities related to debt and credit, spending habits, making financial plans, saving, and investing, indicating many have the knowledge base to make positive financial decisions in practice. The top three ways they generally indicated learning about these activities was on their own, from family, friends or peers, or from a military class or seminar.

Financial Well-Being

The Status of Forces Survey includes a number of questions intended to assess the financial well-being of Service members. The Consumer Financial Protection Bureau (CFPB) defines financial well-being as a “state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow enjoyment of life.”⁵ The CFPB further describes financial well-being across four elements: present and future financial security and present and future freedom of choice, as defined in Figure 1.

Through several of the questions asked of Service members in the Status of Forces Survey that measure activities such as savings habits, debt, and use of financial products, the DoD can develop insight into the financial well-being of Service members.

⁴ The active duty survey was administered between September 9 and November 18, 2016, while the Reserve component survey was administered between June 27 and October 3, 2016.

⁵ “Financial Well-Being: The Goal of Financial Education.” Consumer Financial Protection Bureau (January 2015).

Figure 1: Four Elements of Financial Well-Being

| | Present | Future |
|--------------------------|--|---------------------------------------|
| Security | Control over day-to-day, month-to-month finances | Capacity to absorb a financial shock |
| Freedom of Choice | Financial freedom to make choices to enjoy life | On track to meet your financial goals |

Present Security

Individuals who have control over their day-to-day and month-to-month finances have present financial security. According to the CFPB, these individuals successfully manage their finances, are able to cover necessary expenses, and pay bills on time.

Spending more than one's income indicates a threat to present financial security, as it results in potential harmful financial habits such as using high-cost credit products to cover expenses. In the 2016 survey, just three percent of active duty and four percent of Reserve Component members indicated they spent more than their income.

Overdrawing a checking account is another potential indicator of not having present financial security. In the survey, 12 percent of active duty and Reserve Component members responded they had to pay overdraft fees two or more times in the past year.

Developing and following a monthly budget can greatly improve the ability of individuals to control their finances and maintain present financial security. In 2016, 72 percent of active duty and Reserve Component members indicated they followed a monthly budget or spending plan.

Future Security

Individuals with future financial security are able to absorb financial shocks, such as unforeseen home and auto repairs. Future security can be achieved by having adequate insurance, a support system of family and friends, and adequate savings to cover unexpected expenses. According to the Pew Charitable Trusts, 60 percent of households experienced a financial shock in the past 12 months. The average cost of the most expensive financial shock was \$2,000, although a quarter were less than \$800, and another quarter were more than \$6,000.⁶

When asked how much emergency savings they have, 50 percent of active duty members had \$2,000 or more in emergency savings, while 20 percent had more than \$10,000. Another 38 percent had some emergency savings up to \$2,000. For Reserve Component members, 46 percent had more than \$2,000, including 19 percent with more than \$10,000. Another 38 percent had an emergency savings fund with less than \$2,000.

⁶ "The Role of Emergency Savings in Family Financial Security." Pew Charitable Trusts (October 2015).

A lack of savings to cover an emergency expense can force individuals to use high-cost financial products. In general, use of these types of products among Service members has declined in recent years. Among active duty members, just 2 percent used a pawn shop, 1 percent used a payday loan, and 2 percent used an automobile title loan in the past year.⁷ Among Reserve Component members, 3 percent used a pawn shop, 2 percent used a payday loan, and 3 percent used an automobile title loan.

Present Freedom of Choice

Financial stability affords freedom of choice over how individuals enjoy life. In addition to meeting their basic needs, they are able to afford “wants” such as dining out, vacation, or other recreational spending. Debt can restrict freedom of choice by limiting the ways in which income can be used. Positive debt management habits – such as paying credit card debt monthly – can allow individuals to remain in control of their finances. In 2016, 85 percent of active duty and Reserve Component members indicated they regularly paid their credit card debt when incurred.

Several activities can further increase the cost of using credit. If individuals fail to make a minimum payment on time, they can be charged a late fee and be subject to higher interest rates. When asked about financial situations in the past year, 7 percent of active duty and 9 percent of Reserve Component members indicated they failed to make a minimum credit card payment. Five percent of active duty and three percent of Reserve Component members used a cash advance on their credit card, which can incur costly fees beyond typical interest charges.

When individuals owe debt that they cannot or do not pay, they may be subject to debt collection. Seven percent of active duty and eleven percent of Reserve Component members indicated they were pressured to pay bills by stores, creditors, or bill collectors. Service members are expected to pay their debts under DoD policy, though protections exist under the Servicemembers’ Civil Relief Act to protect Service members from certain debt collection practices. For example, a Service member’s vehicle cannot be repossessed without a court order if the loan was obtained prior to service. A court order is not typical for non-military borrowers.

Future Freedom of Choice

Individuals with future freedom of choice are on track to meet their financial goals. They have a formal or informal financial plan and are actively working towards financial goals, such as buying a car or home, paying off student loans, or saving for retirement.

Many Service members indicated they were pursuing financial goals. The top goals that active duty members said they were pursuing or planned to pursue included saving for retirement (88 percent), saving for a safety net or emergency fund (78 percent), and being free of debt, except for a mortgage (71 percent). Among Reserve Component members, the top goals were saving for retirement (90 percent), being free of debt, except for a mortgage (79 percent), and saving for a safety net or emergency fund (79 percent). Younger Service members were more likely to indicate they were pursuing purchase-oriented goals, such as buying a home or vehicle.

⁷ In the survey “2013 QuickCompass of Financial Items,” among active duty members, five percent used a pawn shop, two percent used a payday loan, and three percent used a vehicle title loan.

The military's defined benefit pension system provides retirement income for Service members who serve at least 20 years. This benefit, which most private sector employees do not have, provides a degree of future freedom of choice through guaranteed income in retirement. It remains important for Service members to independently save for retirement. In the survey, 65 percent of active duty and 52 percent of Reserve Component members indicated they contributed to the Thrift Savings Plan (TSP), while 57 percent of active duty and 58 percent of Reserve Component members contributed to investments or retirement plans other than the TSP.

Conclusions

Overall, the results validate several financial readiness trends the DoD has recognized in recent years. A minority of Service members indicate experiencing certain financial problems in the past 12 months. Fewer Service members are using credit products to cover routine expenses. Junior enlisted members typically experience the most financial challenges. Many of these members may be away from existing support systems for the first time and are still learning how to independently manage their finances. In some instances, senior enlisted members reflected more difficulty than others. These individuals (in paygrades E5-E9) may be starting families and buying homes, with exposure to more potential financial stressors. Finally, active duty members generally experienced fewer financial challenges than their Reserve Component counterparts. These findings may indicate that the military continues to provide better financial stability than other employment options available at comparable education levels and serves as a reminder that Reserve Component members are subject to the state of the civilian economy the majority of the time.

As the DoD and the Military Services enhance financial readiness programs in the coming years, the 2016 results will serve as a baseline to evaluate progress and identify potential areas of concern.

DEPARTMENT OF DEFENSE FINANCIAL READINESS EFFORTS

The DoD views financial readiness as an integral component to overall readiness. The Department's vision for financial readiness is that all Service members and their families are financially ready, possessing the skills and resources to make informed financial decisions and meet personal and professional goals, throughout the military lifecycle, in support of total Force readiness. The DoD and the Military Services provide programs and initiatives to sustain and strengthen the financial readiness of Service members and their families through multiple approaches. These include educating Service members, ensuring adequate credit alternatives are available, and advocating for authorities and policies that prevent predatory lending practices targeting Service members.

Service members have access to financial education and counseling in accordance with title 10, U.S.C., section 992, through a variety of delivery methods. In response to changes to the law made by the NDAA for FY 2016, the DoD and the Military Services are expanding financial literacy training to provide Service members the necessary skills to maintain financial stability and respond to financial challenges associated with personal and professional life events. These efforts are supplemented by other federal departments and agencies, non-profit organizations, and other stakeholders. The DoD strives to ensure Service members have access to adequate credit alternatives to avoid high-cost financial credit products that can negatively impact financial well-being and readiness. Through support from the non-profit military aid societies, Service members have access to no-cost loans and grants if emergency expenses should arise. Through general consumer protection regulations and other regulations focused on the military, such as the Servicemembers' Civil Relief Act and the Military Lending Act, the DoD further supports financial readiness by protecting Service members and families from high-cost and other unfair credit practices that may threaten readiness.

The DoD established the Office of Financial Readiness, under the Deputy Assistant Secretary of Defense (Force Education and Training) and the Assistant Secretary of Defense (Readiness), in 2016 to develop overall policy on financial readiness, support delivery of financial literacy programs and resources, collaborate with external stakeholders to strengthen support and program delivery, and lead education efforts associated with the BRS, authorized in the NDAA for FY 2016. Since establishment, the Office of Financial Readiness has launched a communications strategy to provide financial education information and resources to Service members, families, service providers, and other stakeholders via social media.

Financial Literacy Training

The NDAA for FY 2016 amended title 10, U.S.C., section 992 to require Service members to receive financial literacy training at several professional and person life events, or "touchpoints." The training is intended to prepare Service members and their families to respond to the financial circumstances of these events, whether those are the financial implications of getting married or the birth of a child, managing finances during a deployment, or conducting a permanent change of station. The DoD is growing capacity to meet this expanded focus on major life and career transitions, health benefits, retirement planning and savings, and overall financial readiness of the Force.

The DoD is developing innovative learning approaches to better meet the needs of Service members. These include a series of microlearning modules intended to educate Service members and families about the military lifecycle touchpoints and financial topics associated with each. In addition, a mobile learning application in development will provide content adaptable to the users' changing life circumstances and allow Service members to receive interactive, just-in-time financial literacy resources at their convenience. Both of these initiatives respond to evolving learning preferences by providing tailored, interactive educational experiences. These resources are intended to supplement the Military Services' programs and resources.

Blended Retirement System Education

The DoD is in the midst of one of the most significant changes to military compensation since World War II in the BRS, a modernized retirement plan authorized in the NDAA for FY 2016 that goes into effect January 1, 2018. The BRS combines the traditional military defined benefit retirement, at a reduced rate, with a defined contribution plan through the Federal Government's TSP. Approximately 1.6 million Service members are eligible to opt into the BRS during 2018.

The DoD takes no position on whether a Service member should opt into BRS. Since 2016, the DoD has deployed a robust education strategy to inform the eligible population and those who support them. Through the education strategy, the DoD's objective is to ensure Service members have factual and unbiased information to: understand the basics of BRS; understand how BRS may affect them personally and professionally; make an informed decision based on individual personal and professional circumstances; and encourage them to seek additional education and counseling as appropriate, including DoD and Military Service resources or personal financial planning resources of their choice.

Beginning in June 2016, the DoD launched an online BRS Leaders Course to provide members and others in leadership positions of any kind with a basic familiarity of BRS and an understanding of the major implementation milestones. In October 2016, a course for financial counselors and educators launched to prepare service providers to fulfill their critical role in supporting the opt-in eligible population. In January 2017, the DoD released the BRS Opt-In Course to educate eligible Service members on the current and new systems, including scenarios and comparisons. The Opt-In Course is mandatory for all those identified as eligible to opt-in by their respective Military Service. The DoD subsequently released a comparison calculator and accompanying online tutorial to allow members to estimate the value of their future potential compensation under each retirement system. In future months and years, the DoD will develop and release additional training for those Service members who enter service beginning January 1, 2018 and are automatically covered by BRS, on the lump sum option available at retirement, and a mid-career BRS review to address relevant issues, such as continuation pay.

Under BRS, financial education will play an increasingly important role to provide Service members with the necessary knowledge and skills to manage their finances and secure their financial futures.

Financial Counseling

In addition to financial literacy training, the DoD and the Military Services provide financial counseling to Service members and their families to support financial readiness through approximately 400 Personal Financial Managers (PFMs). DoD policy establishes education and experience standards for these professionals, including the requirement that they maintain a nationally-recognized financial counseling certification. These installation-based professionals provide one-on-one financial counseling to Service members and families, as well as large and small group classroom education. In FY16, PFMs and Personal Financial Counselors (PFCs) conducted over 1.1 million brief or extended one-on-one counseling sessions with Service members and families. They conducted an additional 29,000 group briefings or workshops attended by nearly one million individuals. PFMs also leverage community and other external resources to support financial readiness, resources from on-base banks and credit unions, federal agencies, and non-profit organizations. As the DoD and the Military Services enhance their financial literacy training programs, PFMs will have an increased focus on one-on-one financial counseling to help Service members respond to financial changes throughout the military lifecycle.

The DoD also deploys a highly-flexible contracted, accredited network of PFCs to support the Military Services' delivery of financial education and counseling. The network of 300 accredited professionals expanded approximately 300 percent in the past year in response to the required changes to financial literacy education and in support of BRS education. These providers work with installation PFMs to support the financial readiness needs of the military population or work in areas with large concentrations of Reserve Component members. PFCs also provide support for short, on-demand events, such as weekend Reserve and Guard drills, annual training, family events, or deployment preparations. For on-demand support, PFCs provided over 9,600 hours of education and counseling to Service members and families between August 2016 and July 2017. In addition to the ability to supplement the permanent PFM workforce, PFCs provide a critical resource to meet the unique, fluctuating needs of Reserve Component members.

Service members and families also have access to free, confidential financial counseling via Military OneSource – a 24/7 call center and website. Military OneSource's accredited financial counselors provide telephonic, live video, and in-person financial counseling sessions in many locations. This capability provides a valuable resource for Service members and families to schedule a counseling session at any time to address financial topics such as budgeting, money management, debt, savings, and retirement plans. The Military OneSource website also provides online access to resources, tools, and articles to educate Service members and families on an array of financial management topics.

External Collaborations

Section 661a of the NDAA for FY 2016 expressed the sense of Congress that “the Secretary of Defense should strengthen arrangements with other departments and agencies of the

Federal Government and nonprofit organizations in order to improve financial literacy and preparedness of members of the Armed Forces.” The DoD has long worked with federal agencies and appropriate non-profit organizations in support of financial readiness, in terms of education, counseling, and consumer protection.

The installation-based PFMs leverage community resources to support financial education and counseling. On-base banks and credit unions are authorized to provide financial education by the Code of Federal Regulation and DoD policy when requested and approved by the installation commander. In addition, many service providers, such as the Department of Housing and Urban Development’s housing counselors, work in the local community and can provide Service members and families with specialized support. The Military Families Learning Network, an initiative under the DoD and Department of Agriculture’s Partnership for Military Families, provides virtual professional development opportunities for those serving the military community. This training assists PFMs maintain required certifications and stay abreast on a variety of financial readiness topics. The CFPB provides online, interactive financial training – *Misadventures in Money Management* – to enlistees in the Delayed Entry Program. Between the program’s launch in January 2016 and October 2017, more than 17,000 future Service members have received financial literacy training through the program. The program has expanded to all Military Services’ Delayed Entry Programs, and further to the Army’s Reserve Officer Training Corps beginning in August 2017. The FINRA Investor Education Foundation, a 501(c)(3) non-profit organization, provides online tools and information, supports PFMs by providing direct financial education, and provides free credit scores for Service members through the PFMs. Non-profit organizations are also eligible to provide financial education, subject to appropriate approvals.

The DoD works closely with federal regulatory agencies, such as the CFPB, the Federal Trade Commission, and the Securities and Exchange Commission, to educate about and enforce consumer protections for Service members and families. These protections, such as the Servicemembers’ Civil Relief Act and the Military Lending Act, are an important component of financial readiness and the overall readiness of the Force. The DoD also participates in the Financial Literacy and Education Commission (FLEC), established by title 20, U.S.C., section 9702. The FLEC, chaired by the Secretary of the Treasury, is tasked to develop a national strategy to promote financial literacy and education and provides an opportunity for federal agencies to collaborate, share information and resources, and coordinate and improve efforts.

DEPARTMENT OF THE ARMY

The Army delivers financial readiness programs through a multi-faceted approach. Initial skills training occurs during the Delayed Entry Program (through the CFPB), Basic Combat Training, and Advanced Individual Training. Training continues throughout the Soldier's career, primarily through the Army Community Service (ACS) Financial Readiness Program, where PFM's and PFC's deliver the full spectrum of financial literacy training. Career financial literacy training also includes lifecycle-based training through the Soldier for Life program, Money Matters online training, and training available through Army Emergency Relief. As Soldiers prepare to transition from the military, financial counseling is available for retiring and separating Soldiers through the Soldier for Life Transition Assistance Program and the CFPB's financial coaching program, embedded at local American Job Centers.

The Army has evolved initial skills training to incorporate the specific requirements from the NDAA for FY 2016, including BRS. Each ACS center conducts continuous development of programs to provide up-to-date training and education and actively engages units to deliver financial literacy training and BRS training.

The Army develops curriculum and support with the Total Force Soldier in mind. PFC's are assigned to the Army National Guard and Army Reserve to support BRS education, survivors, financial counseling, and financial literacy training. The Army also engages spouses through the Financial Readiness Program and supports survivors through the Survivor Outreach Services Financial Coordinator program. Each Soldier and Family Assistance Center also conducts financial readiness programs to support wounded, ill, and injured Soldiers and their families.

The Army Reserve Command Family Programs (ARFP) works in unison with the Army and the DoD to ensure PFC's are placed in optimal locations to support the financial readiness needs of Army Reserve members. ARFP also works with state and local consumer financial protection agencies to provide information, resources, and referrals to Army Reserve Soldiers. Additionally, ARFP works closely with the Army Reserve Retirement Services Officers to leverage PFC capabilities in support of BRS training and ensure members and families are aware of these resources. These and other resources are marketed and referred to by a network of family program directors and coordinators throughout major subordinate commands. Army Reserve Soldiers throughout the United States are made aware of and referred to the CFPB's financial coaching initiative available through local American Job Centers.

Due to the geographical dispersion of Army Reserve Soldiers, ARFP relies on multiple communications efforts, including social media, to maximize information dissemination. Through the Fort Family Outreach and Support Center, ARFP engages with the families of deployed Soldiers to provide direct assistance and referrals to resources within their local communities.

The Army National Guard implemented delivery of financial literacy training through its Citizen Soldier for Life (CSFL) program. Through Career Readiness Counselors, supported by PFC's, CSFL provides a permanent capability to improve personal financial readiness and support retention efforts through individual counseling and group presentations. The CSFL

program emphasizes financial skills across the military lifecycle, to first-term Soldiers and in its Senior Leaders Course, and to families, Veterans, and retirees. Starting as a pilot in nine states, the program will expand to all 54 states and territories to reach all Army National Guard Soldiers.

Survey Results

Financial conditions of active duty Soldiers were generally the same or better in 2016 when compared to previous years. There has generally been steady growth since 1999 in Soldiers indicating they were comfortable with their financial condition, including 69% in the most recent survey. Also encouraging was the number of Soldiers who indicated their financial situation was the same or better when compared to 12 months ago (83 percent). When asked about savings, 85 percent indicated that saving for retirement was a financial goal, while 73 percent reported they saved, presenting a 12 percent gap between those who say they have a goal of saving for retirement versus those who may actually be doing so. On the negative side, 28 percent of Soldiers indicated they encountered some financial problem in the past 12 months. Although nine percent said they took a loan or borrowed from friends or family to cover routine expenses, this is higher than the percent who indicated they used high-cost credit products such as pawn shops (2 percent) or payday loans (1 percent).

As a whole, Army Reserve members reported their level of comfort with their financial condition generally improved or stayed the same in 2016 compared to previous results. Fifty-seven percent of Army Reserve members indicated their financial condition was comfortable – significantly higher (six to seven percentage points) in 2016 versus 2009 to 2012. This is comparable with the military as a whole, as 61 percent of Reserve Component members indicated their current financial condition was comfortable. Seventy-five percent of Army Reserve members reported savings or investment habits of some kind. The top financial goals among Army Reserve members included saving for retirement (89 percent); saving for a safety net/emergency fund (80 percent); and being free of debt, except for mortgage (78 percent). A distinct difference exists between the financial condition of junior enlisted Soldiers (E1-E4), junior officers (O1-O3), and senior officers (O4-O6). While 80 percent of senior officers and 73 percent of junior officers indicated their financial condition was comfortable, just 44 percent of junior enlisted Soldiers did so.

Army National Guard members reported their level of comfort with their financial condition had generally improved or stayed the same in 2016 compared to previous results. Higher percentages of Army National Guard members (57 percent) indicated their financial condition was comfortable compared to results from 2007 to 2014. Seventy-seven percent of Army National Guard members reported they had a savings or investment habit of some kind. Sixteen percent said they received a loan or borrowed money from friends or family to cover routine expenses in the past 12 months. Soldiers in the paygrades of E5 to E9 and O1 to O6 generally had a higher response of being knowledgeable about financial management activities compared to E1 to E4, indicating the need for additional focus on financial literacy training among the junior enlisted population than other paygrades. Those in the Army National Guard also were more likely to experience specific financial problems in the past 12 months when compared to their counterparts in the Air National Guard.

Future Plans

The Status of Forces Survey provides a measure of effectiveness which will be used to analyze results and identify gaps and potential adjustment points. The Army is working with the DoD to development of microlearning modules to enhance financial literacy training. Through specific installation initiatives, the Army will develop engagement opportunities for the delivery of financial literacy training. The Army Reserve will work closely with the Army to enhance marketing strategies to broaden awareness and increase accessibility of financial readiness resources. The Army National Guard CSFL program is designed to accommodate enhanced use of PFCs in the coming years to better reach its Soldiers. In addition, the National Guard Bureau will establish metrics to identify trends and validate the transition of CSFL.

The continued availability and improvement of programs ensures Soldiers and their families facing day-to-day financial challenges possess the knowledge, tools, and access to support to enhance their financial self-reliance and resiliency.

DEPARTMENT OF THE NAVY

Navy

The Navy recognizes that the personal financial readiness of Sailors and their families must be maintained to sustain mission readiness. Personal financial readiness is a key component of the overall Family Readiness System, a network of agencies, programs, services and individuals that work in a collaborative manner to assist Sailors and their families in meeting the unique challenges associated with military service. To meet this need, the Navy provides a range of tools and services, including PFMs, to help Sailors and their families establish a clear picture of their unique financial situation, prioritize their financial goals, and identify appropriate strategies to attain them. The Navy has developed financial readiness programs that begin at entry level, are reinforced at the first duty station, and progress throughout the military lifecycle to assist Sailors in identifying their individual financial literacy training needs at required personal and professional touchpoints.

Navy policy assigns responsibilities for the implementation and delivery of the personal financial management program as a core service of the Navy Family Readiness System. The Navy Family Readiness System supports commanders in maintaining unit financial readiness, sustaining mission readiness, and promoting personal readiness and retention through the personal financial management program. The Navy personal financial management program exists to provide financial literacy education and training, counseling, consumer advocacy and complaint resolution assistance, and information and referral services to Navy personnel and commands in order to increase personal, family, and operational readiness. Although the program has a counseling mission, its primary focus is on prevention of financial difficulties and mismanagement through the education of Sailors and their eligible dependents. Fleet and Family Support Centers (FFSCs) provide support to all elements of the personal financial management program. At the individual command level, elements of the personal financial management program are under the control of a qualified command financial specialist (CFS). Active and Reserve commands, permanent detachments, and departments with at least 25 personnel must have a trained CFS to coordinate the program and to assist unit leadership by providing financial training, information, and counseling.

Financial literacy education and training are delivered on at least an annual basis pursuant to the personal and professional touchpoints across the military lifecycle, as outlined in title 10, U.S.C., section 992. This process begins with recruit training (Boot Camp) and continues throughout a Sailor's career and transition to civilian life. The training uses existing personal financial management curriculum while leveraging the existing military lifecycle career development process. Training is provided through general military training, FFSC personal financial education programs including the Million Dollar Sailor course, the LifeSkills course, Military OneSource offerings, Navy eLearning and Joint Knowledge Online courses, the LifeSkills Reach Back mobile app, the Navy Financial Literacy mobile app, and the Personal Financial Management webpage.

Navy employs approximately 100 accredited PFMs through its FFSCs. Services provided by PFMs include support and training for CFSs, financial education to Sailors and their families, programs to encourage spouses to participate in financial education programs, the

Million Dollar Sailor course, liaison with local financial institutions, and financial awareness forums and seminars. Additionally, PFMs provide individual personal financial counseling to help Sailors and their families establish a financial plan, formulate goals, and identify successful financial strategies. A standardized curriculum is taught by PFMs and is also available via a disc of 20+ courses designed to provide an off-the-shelf set of classes, including student guides for use by CFSs at their commands. CFSs maintain the command personal financial management program and resources; provide financial literacy training, counseling, and information and referral; assist Service members with the development of personal financial plans; and perform financial screenings. Financial readiness programs are also delivered to Sailors through the Military Life Cycle Transition Assistance Program, which requires Sailors to initiate an Individual Development Plan (IDP). The IDP, which includes a financial plan, is updated throughout the career. Career touchpoints, such as semi-annual performance reviews, provide an opportunity for Sailors to update their financial plan along with their broader career goals.

The NDAA for FY 2016 made significant changes to the military retirement system and mandated additional financial literacy training requirements. As a result, Navy expanded financial literacy education to support implementation of the BRS and enhanced financial readiness programs. To facilitate a smooth transition to BRS in advance of the opt-in period during calendar year 2018, all current Sailors are required to complete either the BRS Leaders Course or, for opt-in eligible Sailors, the BRS Opt-In Training course no later than December 31, 2017, via Joint Knowledge Online, Navy eLearning, or DVD. BRS Opt-In Training is also provided in-person by instructors at Boot Camp. Additionally, Sailors can use the BRS comparison calculator to aid with the decision of whether to opt-in, and consult with PFMs or CFSs. To support BRS training, all financial educators fleet-wide, including PFMs, CFSs, and LifeSkills instructors, were required to complete the BRS Financial Counselor and Educator Course by January 2017.

Specific efforts to enhance Navy financial literacy training in accordance with the touchpoints identified in the NDAA for FY 2016 include updating PFM standardized curriculum, the Million Dollar Sailor course, the LifeSkills course and app, and the Navy financial literacy app, as well as improving IT support via the Navy Standard Integrated Personnel System.

The PFM curriculum was improved to incorporate BRS and TSP updates to align with the requirements in the NDAA for FY 2016. A quarterly trend analysis is conducted to identify the frequency of classes, subjects taught, and the incidences of one-on-one counseling by paygrade and topic discussed. The Million Dollar Sailor curriculum includes topics required to address the financial literacy touchpoints through a two-day course designed to assist Sailors and families in successfully navigating transitions of Navy life and the financial challenges that accompany them, enhance overall quality of life through financial growth, improve overall operational readiness and performance, and enhance retention. The course was created to specifically combat the most common financial issues facing Sailors by teaching sound financial management skills and providing a comprehensive overview of steps to enhance personal financial fitness. The course is intended to address financial literacy touchpoint topics, provide a basic understanding of financial issues, create awareness of available assistance resources, develop financial problem solving skills, and promote strategies to achieve financial growth. Content includes many of the common financial challenges facing Sailors and families, including

security clearance issues, credit management, identify theft, bankruptcy, mortgage and foreclosure issues, government credit card abuse, and online buying and selling.

The Navy LifeSkills course is a four-day course presented to all Sailors between Boot Camp and Technical School designed to provide the knowledge and skills required to increase personal, family, and operational readiness by recalibrating mental models and assumptions, and build a culture of leadership, respect, professionalism, and trust. A major portion of the course—approximately 13 hours—delivers the fundamentals of financial literacy, to include recently-incorporated BRS materials, TSP, spending plans, account management, credit, consumer awareness, car buying, insurance, government travel, and financial planning. Additionally, the LifeSkills Reach Back mobile app allows Sailors to revisit topics of interest.

The Navy Financial Literacy mobile app launched in January 2017 to support the requirements in the NDAA for FY 2016. It includes financial literacy touchpoint information with a checklist of required financial literacy training topics for each touchpoint. The app also includes financial literacy resources and links to BRS training and resources. Planned upgrades include hosting the BRS New Accessions Course, microlearning touchpoint videos, a Family and Financial Management module, and links to other online resources, such as the BRS calculator and TSP website.

Navy is updating its personnel IT system to support BRS and financial literacy training. Sailors will receive email notifications regarding BRS opt-in eligibility and when they reach a financial literacy touchpoint, informing them to complete the appropriate training, review their budget and financial plan, and acknowledge completion on their dedicated Budget/Financial Plan page.

All financial readiness programs are afforded to Navy Reservists and spouses as well. PFM's encourage spouse participation in all education and counseling efforts. Additionally, the PFC program augments Navy financial readiness programs for active duty Sailors and reaches dispersed Navy Reserve Sailors and families. To improve and strengthen command-level coordination and collaboration, PFCs consult with installation personnel regarding the needs of Sailors and families and identify the best methods for service delivery (e.g. confidential or non-confidential counseling; “walk around” coaching approach; and responding to referrals in the FFSC).

Navy Survey Results

Financial condition generally improved or stayed the same for active duty and Reserve Sailors in 2016 compared to past results. Overall, 67 percent of active duty and 68 percent of Reserve Sailors reported their financial condition as comfortable. This result is comparable to or better than past years. Most active duty (82 percent) and Reserve Sailors (83 percent) indicated their financial situation in 2016 was better or the same compared to 12 months ago. The majority of Sailors indicated they had a savings or investment habit, including 78 percent of active duty and 82 percent of Reservists. Twenty-eight percent of active duty and twenty-six percent of Reserve Sailors indicated they experienced some financial problem over the past year, with 13 percent of active duty Sailors indicating they used an overdraft line of credit to cover routine expenses. Additionally, the top two ways Sailors indicated they learned about most financial management activities or topics were on their own or from family, friends, or peers.

Navy Future Plans

The Navy's future plans to improve financial readiness over the next three to five years include consolidating PFM, military lifecycle financial readiness topics, BRS, and financial literacy touchpoint education using a military career lifecycle approach. This approach is intended to deliver a revised training continuum to ensure Sailors have the knowledge to make sound financial decisions, maintain an up-to-date budget, are financially ready while serving, and are prepared for a successful transition to civilian life at separation or retirement.

To ensure that touchpoints are captured, Navy will use a three-tiered process:

- 1) Sailors will be encouraged to self-identify as they approach touchpoints, complete required training, and update their personal financial plans based on their specific circumstances.
- 2) Navy will use existing systems to automate notification when practical and generate an outstanding training requirement list for unit commanders.
- 3) Navy will also review touchpoints with Sailors during enlisted career development boards and officer mid-period performance counseling, refer Sailors for training if required, and verify personal financial plans have been updated.

To ensure effective and efficient training delivery, in the near term, the primary means of education will be face-to-face instruction delivered via accession training, command training assets, and PFMs in a tiered approach based on need. Command Career Counselors must be trained to explain basic BRS benefits including continuation pay, identify touchpoints, and refer Sailors to the appropriate resources for further help or education as required. CFSs must provide unit-level basic financial literacy training support, to include Reserve units, and refer Sailors to PFMs or PFCs for more complex issues and classroom instruction. PFMs and PFCs must provide classroom instruction and individual education and counseling support to address special questions, concerns, and circumstances. Military OneSource counselors provide a virtual extension for individual support.

In the long-term, the primary means of financial education should be electronic-based distance learning, ensuring access by all. This system would include online training, resources, decision-making tools and aids (calculators, etc.); the capability to push training requirements to Sailors based on life events; and supplemental printed materials.

Of concern, results of the Status of Forces Survey indicate the top two ways Sailors primarily learned about financial management activities and topics were on their own or from family, friends, and peers. There is little or no quality control or vetting of financial management information received outside of Navy financial readiness programs. Guided by these results, Navy will increase the amount and quality of information. This will be accomplished through financial information that is researched, vetted, and standardized through the use of financial literacy touchpoint training, increased participation in the Million Dollar Sailor course, improved financial literacy mobile apps, and increased outreach to ensure Sailor and families are aware of available official resources.

The Navy will provide financial education curriculum and supporting materials that accurately describe compensation and benefits to prepare Sailors to make informed decisions to enhance their financial readiness. Educational content will be accessible both in-person or online, based on content and the recommended learning environment. Digital strategies will be used to disseminate educational information, enhance training opportunities, and promote financial readiness throughout the career. The Navy will continue to coordinate with the DoD and comply with requirements and policy regarding financial education, as well as evaluation of financial readiness programs addressing survey results.

Marine Corps

The Marine Corps Financial Readiness Program resides in the Marine and Family Programs Division under the leadership of the Deputy Commandant, Manpower & Reserve Affairs. The Financial Readiness Program is executed within the Personal and Professional Development Branch of Marine and Family Services at 14 installations. Installation-level services are provided by accredited PFMs who provide financial education, counseling, coaching, information, and referral to Marines and their families.

The Financial Readiness Program is also embedded at the unit level across the Marine Corps in the form of Command Financial Specialists (CFS). Marine Corps policy requires all unit commanders to establish a uniformed, trained CFS for every 150 Marines in the unit. CFS personnel receive additional financial literacy training via a 40-hour course which enables them to provide unit personnel with basic financial training, budget development assistance, Family Care Plan assistance, overseas screening, and referrals. CFS personnel are trained and mentored by installation PFMs and must complete periodic continuing education requirements.

The Marine Corps welcomed the expanded requirements under the NDAA for FY 2016 as a means to link financial literacy training to the Marine For Life Cycle, ensuring all Marines receive appropriate training at the right time. The Marine Corps was well-positioned to address the requirements in the NDAA for FY 2016. The existing Marine For Life Cycle action points closely align with required financial literacy training per the amended law. Financial readiness training in the Marine Corps is provided primarily through face-to-face, classroom-based events. Classroom training materials are standardized to ensure Marines receive consistent training. Classroom training is supplemented by online training using the Marine Corps' learning management system, MarineNet. In addition, the Marine Corps developed an online video portal leveraging microlearning content produced by federal agencies such as the Federal Trade Commission, Federal Reserve, and Federal Retirement Thrift Investment Board, as well as those of approved non-federal entities. Playlists are organized by action points in accordance with the Marine For Life Cycle and include over 90 options. This approach provides Marines with the ability to access approved microlearning materials appropriate to lifecycle events in a "just-in-time" "one stop" environment.

One of the major challenges faced by the Marine Corps in implementing enhanced financial literacy training was the ability to track training completion and to identify gaps in meeting the requirements. Programming enhancements to the Marine Corps Total Force System are being made to bridge this gap. Once these changes are fully implemented, the system will automatically notify Marines of required training in conjunction with personal and professional

events such as promotion, change of duty station, marriage, or birth of a child. The Marine and command will receive continued notification in order to ensure completion at the individual level.

The expansion of financial literacy training requirements enabled efforts to update the Marine Corps Personal Financial Management curriculum. After conducting a crosswalk of financial literacy requirements to current Marine Corps offerings, the curriculum development will focus on leveraging current research on financial education to determine the most effective way to present required material, identification of specific competencies for each lifecycle action point, and incorporation of pillars of financial readiness as a basic architecture for the program.

Based upon the review and analysis, the Marine Corps is expanding from a standard curriculum of 26 modules ranging in length from one to four hours and based on broad financial topics, to 83 modules on specifically-defined topics of less than one hour. This more agile approach will enable PFMs and CFSs to tailor training to the audience and training goals. In addition, research findings from the CFPB are being applied to provide Marines and their families the opportunity the measure changes in their financial well-being over time.

Marine Corps Personal Financial Management policy reflects a “Total Force” approach. Requirements and resources for Marine Reservists are identical to those of active duty Marines. Reserve units without direct access to an installation PFM are directed to the financial readiness resources of other nearby installations. The Marine Corps also expanded use of PFCs to reach geographically-isolated Marines, including three assigned to each Marine Corps Recruiting District. Reserve units are also required to appoint and train CFS personnel, ensuring all unit members have access to financial literacy training and counseling. Remote personnel are also encouraged to utilize Military OneSource, which provides financial readiness support through online resources and telephonic counseling.

Marine Corps Survey Results

Overall, Marine results from the 2016 Status of Forces Survey reflected positive trends. This includes 67 percent of active duty and 59 percent of Marine Reservists who indicated their financial condition was comfortable, representing consistent or improving trends when compared to past results.

Survey data indicated that most members gain their financial knowledge on their own or from friends, family, or peers, indicating an opportunity to improve marketing and awareness of support and resources available to Marines. The Marine Corps recently created a Corporal for Financial Fitness (CFF) billet as a collateral duty for unit non-commissioned officers. The CFF receives additional financial education and acts as a peer mentor within the unit. The CFF also serves as “eyes and ears” for the CFS and unit leadership and can help identify financial readiness trends within the unit. The Marine Corps is also expanding program outreach and available self-help resources for Marines and spouses, such as the MarineNet video channel. Marines and families who prefer to self-educate, as survey results indicate, will be able to find appropriate, reliable resources in a single, easily accessible location. While programs are designed with Marines in mind, spouses are able to attend all classes and access all materials.

The survey findings generally validate continued concern for the financial vulnerability of the most junior personnel. Based upon trends in past years, the Marine Corps instituted the Personnel Readiness Seminar in 2014. All Marines are required to complete the training within 90 days of arrival at their first permanent duty station. In addition to the annual Status of Forces Survey, the Marine Corps is conducting a long-term research study on the effectiveness of the seminar. Surveys based on desired financial behaviors indicate that Marines who completed the seminar engage in more positive behaviors than those who did not. Positive behavior includes regularly reviewing leave and earning statements, using a budget or spending plan, reducing debt, and establishing and maintaining emergency savings. Based upon these results, the Marine Corps believes the seminar has a positive impact on the most financially-vulnerable Marines. Given this feedback, the seminar content is being expanded to ensure junior Marines have the tools and resources they need to be financially successful.

Marine Corps Future Plans

Over the next three to five years, the Marine Corps will continue the curriculum improvement already in progress and also plans to expand online program offerings to meet the needs of Marines who have challenges accessing classroom-based training. In addition to continuing to evaluate the effectiveness of programs through the study already underway, the Marine Corps will explore additional opportunities to measure program effectiveness.

DEPARTMENT OF THE AIR FORCE

The Air Force Personal Financial Readiness program is a core service area in the Airman and Family Readiness Centers on each installation, with a goal to develop and sustain financially literate and financially ready Airmen. As part of the program, the centers are mandated to offer information, education, and personal financial counseling to help individuals and families build financial resiliency and maintain financial readiness. In addition, the centers offer proactive personal lifecycle financial management services that provide Airmen and families with tools and information to develop individual strategies to achieve financial goals and address financial challenges. Personal Financial Readiness services also support commanders in maintaining unit financial readiness to sustain mission readiness and promote personal readiness and retention in the military. Every level of the Air Force has a focus on financial literacy and preparedness.

At active duty installations, centers operate using a Community Readiness Consultant model which allows any staff member to help an Airman or family member, regardless of the reason for the visit. As part of that model, at least one staff member is designated as the PFM, with financial readiness services as a primary duty. In addition, PFCs supplement civilian staff at some active duty Air Force installations. Airmen and their families also have access to financial counselors through Military OneSource.

For the Air National Guard, the Airman and Family Readiness Program Managers provide basic financial literacy, briefings, and referrals. The Air National Guard also receives PFC support at some of its wings. These counselors deliver the majority of financial readiness programs through one-on-one counseling and group presentations. As with active duty Airmen and families, National Guard Airmen also have access to financial counselors through Military OneSource.

Air Force Reserve Airman and Family Readiness Directors provide oversight for the Personal Financial Readiness program. If the Director is a tenant on an active duty base, the host installation PFM will assist with financial readiness needs of the Reserve Airmen and families. If the Director is at a stand-alone Reserve base, he or she is responsible for the Personal Financial Readiness program. Both tenant and standalone bases receive PFC support, as well as access to Military OneSource financial counselors.

Prior to the passage of the NDAA for FY 2016, the Air Force delivered financial education at initial entry, the first duty station, and during the Transition Assistance Program. As the law increased the number of mandatory touchpoints and expanded the subject areas, the Air Force increased the current financial education offerings to meet the new requirements. Upon passage of the law, the Air Force began to analyze current delivery of financial education, needs, policy, and new delivery options in order to develop the best solution to deliver financial education to Airmen and ensure they are financially literate and financially ready.

Looking to research on effective financial education programs, including the Government Accountability Office report “Financial Literacy: A Federal Certification Process for Providers

Would Pose Challenges”⁸ and the CFPB report “Effective Financial Education: Five Principles and How to Use Them”⁹, the Air Force adopted the strategy below to achieve program goals.

- *Content is relevant and timely.* The Air Force will deliver financial education when a touchpoint is met so that Airmen can easily connect to the training and implement skills learned immediately. Some touchpoints will be grouped in cases when multiple touchpoints occur closely together a majority of the time.
- *Delivery methods are appropriate for the audience or topic.* By allowing Airmen to receive education in person and/or online where possible, Airmen and commanders can ensure mandatory financial education is received while giving flexibility to complete training to meet their needs. In addition, the Air Force will build financial education across the military lifecycle, taking into account the varying degrees of financial knowledge for all of our Airmen.
- *Accessibility and cultural sensitivity.* Financial education will be tailored for different populations (i.e. Active Duty, Reserve, Guard, spouses, etc.) in order to address any specific needs or differences for different populations.
- *Use of partnerships.* There are many internal and external partners who must be engaged in order to successfully achieve financial literacy and readiness. Internal stakeholders include senior leaders, commanders, supervisors, PFMs, centers, Air Force Personnel Center, Air Education and Training Command, and others. External partners include the Office of the Secretary of Defense, the CFPB, Federal Retirement Thrift Investment Board, and others.
- *Program evaluation.* The Air Force will evaluate short-, mid-, and long-term outcomes of the Personal Financial Readiness program and adjust as needed to ensure effective implementation of financial education.
- *Trained and completed providers.* The Air Force will provide additional training to PFMs on how to be an effective trainer to improve competency.
- *Sustainability.* The Air Force is updating current policy to ensure sustainability of the Personal Financial Readiness program to include financial literacy requirements, continuing to work through the funding process to secure resources to sustain the program, and pursuing a “financial literacy lifecycle” to ensure Airmen receive training throughout their career.
- *Build on motivation.* The Air Force’s resiliency training includes skills on goal setting based on values, as goals based on values are more likely to be achieved. The Air Force will incorporate this concept and skill in financial education.

⁸ “Financial Literacy: A Federal Certification Process for Providers Would Pose Challenges.” Government Accountability Office (June 2011).

⁹ “Effective Financial Education: Five Principles and How to Use Them.” Consumer Financial Protection Bureau (June 14, 2017).

- *Improve financial skills.* According to the CFPB, key skills include knowing when and how to find reliable information to make financial decisions, how to process the information, and how to follow through. Learning skills will be incorporated into all Air Force financial education.

To prepare curriculum, the Air Force first gathered a group of subject matter experts to write learning objective measures for each mandatory touchpoint. The learning objective measures serve as the foundation of Air Force financial literacy curriculum. The development of standardized financial literacy curriculum, as well as train-the-trainer curriculum for PFMs, is currently underway.

To comply with best practices, the Air Force will evaluate new financial literacy education based on needs, process, outcomes, and impact. The following logic model is a top-level view of the Air Force’s planned evaluation of financial literacy education efforts.

Logic Model

Change in retirement system levies news and high impact decision making onto Airmen and families that require a high level of financial literacy and readiness.

| Inputs | Output Activities | Output Participants | Outcomes Short | Outcomes Mid | Outcomes Long |
|----------------------|------------------------------------|---------------------|---|---|------------------------------|
| Curriculum | Training at 11 touchpoints | Total Force Airmen | Satisfaction with training and services | Behavior change | Increase Financial Literacy |
| Financial Counselors | Voluntary counseling | Family members | Meeting learning Objectives for each training immediately after | Meeting Learning Objective for each training at 6 month follow-up | Increase Financial Readiness |
| Funding | Voluntary workshops | | | Unit leader view of unit financial readiness | |
| Systems | Develop standardization curriculum | | | | |
| Partners | Assess | | | | |
| | Track compliance | | | | |
| | Develop strategic communications | | | | |

Assumptions

- Funding will be adequate and available
- Standardized curriculum development and implemented effectively
- Knowledge change leads to behavior change

External Factors

- Efforts to reduce ancillary training

A program evaluation plan is currently under development and evaluation efforts will begin as new financial literacy education is deployed in order to assess the initial rollout and provide data to inform future adjustments. Program evaluation efforts will include a review of training implementation for effectiveness, adequacy of resources and training for providers, and leadership views of unit financial readiness.

To meet the law and report compliance, the Air Force must be able to identify when an Airman meets a touchpoint and completes required training. As such, the Air Force is working to identify a system that can use authoritative data sources to identify the touchpoint was met, notify the Airmen, track training completion, and create reports. In addition, the same platform will be used to collect survey data to inform program evaluation efforts and house web-based financial education content.

The Air Force currently has PFCs at each center responsible for the implementation of the Personal Financial Readiness program at a manning level to meet requirements prior to passage of the NDAA for FY 2016. Therefore, additional manning is necessary to implement the additional training requirements. PFCs supplement Air Force civilian staff to fill gaps and are currently utilized to support mandatory training for those Airmen eligible to opt into BRS. As the workload associated with BRS decreases, PFCs will continue to support additional focus on financial literacy training.

All efforts to improve financial literacy and readiness described above will address all Air Force components and be tailored when necessary. For example, financial literacy curriculum will be tailored for active duty, Reserve, and National Guard, where appropriate. In addition, online training delivery will support Reserve and Guard Airmen due to the difficulty of scheduling in-person training during drill weekends and annual tours. PFCs provide flexibility to meet the unique needs of the Reserve and Guard Airmen, including accommodating drill weekends; delivering services in multiple modalities such as telephonically, online, or video; and traveling to geographically-separated units. These efforts and flexibilities increase the capacity and capability to meet Reserve and Guard Airmen where they are.

As financial challenges can lead to other concerns, particularly in a marital relationship, including the military spouse in the Personal Financial Readiness program is imperative to improving Airmen financial literacy and readiness. All training may be attended by military spouses. To align with the strategy of relevant training, all financial literacy training will be tailorable to military spouses.

Survey Results

Overall, the Air Force is performing well in the areas of financial condition, financial management activities, saving or investment habits and routine expenses as measured by the Status of Forces Survey. For an overwhelming majority of the measures, the Air Force is performing better than other Services overall and the trends over time indicate Airmen financial condition has improved. However, there remain areas the Air Force can improve upon. The insights from the survey results will inform changes to the Air Force Personal Financial Readiness program.

While the typical assumption is that younger Airmen are the most vulnerable, in need of financial education, and have the most financial issues, the survey indicates senior enlisted Airmen are also experiencing financial issues, with the data trending in the wrong direction. While the survey data in some cases shows senior enlisted Airmen E5-E9 are experiencing more issues than younger enlisted Airmen E1-E4, it is possible this is due to better self-awareness of

their financial well-being. Specifically, when looking at overall financial condition, 68 percent of our active duty senior enlisted population indicated they were “comfortable”. While more active duty junior enlisted Airmen (72 percent) indicated they were “comfortable” than senior enlisted Airmen, the Air Force would like to see improvement there as well. For the Air National Guard, junior enlisted Airmen had the lowest percentage of “comfortable,” but there remains room for improvement for all enlisted Airmen (E1-E4: 69 percent; E5-E9: 74 percent comfortable). The same trends exist among Reserve Airmen; however, the number of Airmen “comfortable” with their financial condition was lower across the board for all paygrades, with 57 percent of E1-E4s indicating “comfortable” and another 16 percent indicating “not comfortable.” The results here indicate Reserve Airmen, particularly enlisted members, as a population to target.

A second area of the survey that highlighted concern for the Air Force was the measurement of reported financial problems in the past 12 months. Twenty-five percent of active duty E5-E9s indicated experiencing at least one of a list of financial problem (e.g. relationship problems, borrowing from friends or family to pay bills, using retirement funds or investments for living expenses, failing to make a payment, being pressured to pay bills). While data reflects active duty E1-E4s are doing better than E5-E9s, 20 percent of E1-E4s indicated a financial problem remains an area of focus. Similarly, for Air National Guard Airmen, 22 percent of E1-E4s and 20 percent of E5-E9s reported at least one financial problem in the past 12 months. The results were the most concerning for Reserve Airmen. Results showed that 33 percent of Reserve E1-E4s experienced a financial problem in the past 12 months. Reserve E5-E9s also show a concerning number of financial problems, with 26 percent of those Airmen indicating at least one financial problem in the past 12 months. While no individual problem was experienced by more than 11 percent of Airmen and the majority of items were selected by fewer than 5 percent, this area shows the most concern for the Air Force.

Another insightful point from the survey is the differences Airmen indicated in their knowledge of financial management activities as compared to the activities used routinely to manage finances. Two specific areas—savings/investment habits and spending plans—which are important foundational financial management practices, showed Airmen are knowledgeable but not necessarily putting that knowledge into practice. Across all paygrades and components, most Airmen indicated they were knowledgeable on following a monthly budget or spending plan. However, across all paygrades, the percentage dropped appreciably when asked if they follow a monthly budget or spending plan, with officers having the largest variance. This difference in knowledge and action identifies an area for training to help close the gap.

The last section of the survey that indicated areas for improvement for the Air Force were responses regarding financial products or services used to cover routine expenses in the past 12 months. For active duty Airmen of all enlisted paygrades, eight percent used a financial product or service to cover routine expenses. However, only two percent of active duty Airmen used the Air Force Aid Society. The Air Force Aid Society is the official charity of the Air Force and provides emergency financial assistance to eligible individuals. This assistance is preferred over costly services such as overdraft protection, cash advances, or online loans if Airmen are in need of financial assistance. Responses among Reserve Component Airmen also showed cause for concern. National Guard Airmen indicated eleven percent of E1-E4s and eight percent of E5-

E9s used a financial product or service. Among Reserve Airmen, 18 percent of E1-E4s obtained a loan or borrowed from friends or family to cover expenses, consistent with other survey questions reflecting this population as experiencing the most financial trouble. Finally, eleven percent of Reserve E5-E9s and six percent of O1-O3s reported using these products or services.

While the Status of Forces Survey data indicates the Air Force is doing well overall with financial condition, financial management activities, saving and investment habits, and routine expenses, there are clearly areas and populations for which the Air Force needs to focus efforts to help our Airmen and their families become financially literate, with the ability and readiness to make informed financial decisions.

Future Plans

The Air Force is working toward meeting the financial literacy training requirements mandated by the NDAA for FY 2016. The Air Force will use the current Status of Forces Survey results to inform curriculum and implementation of financial literacy training, and will use future results, as well as internal program evaluation initiatives, to gauge how well efforts are meeting goals. Ultimately, the Air Force's goal is to ensure Airmen and families have the understanding and ability to make informed financial decisions, directly influencing the overall readiness of the Force.

FUTURE PLANS

The BRS will remain a focal point in 2018 and beyond, as eligible Service members will continue to require one-on-one support to make the opt-in decision in 2018, and new Service members will have to make savings and investment decisions through the TSP to secure their financial futures.

The DoD and the Military Services will continue to enhance existing financial readiness programs and resources as described in this report to respond to the changes to law made by the NDAA for FY 2016. These include efforts to respond to changing learning preferences among the military population, including innovative, just-in-time learning approaches such as microlearning and mobile applications. These efforts will supplement computer-based and in-person training by allowing Service members to review information at their convenience, in an easily-accessible format.

Service members will continue to have access to one-on-one financial counseling, through PFMs, PFCs, or Military OneSource. These expert service providers support the full spectrum of financial education and counseling to help Service members and families assess their personal financial circumstances and secure their financial futures. In addition to continued personal support, the Office of Financial Readiness will continue to deploy a strategic communications effort designed to reach Service members and families through a variety of mediums, including social media, in order to communicate the importance of financial readiness and share resources on a number of financial topics and activities.

The Status of Forces Survey will continue to serve as an important measure of the overall financial literacy and preparedness of the Force. The 2017 survey refined several questions first asked in 2016. In addition, for the first time, the 2017 survey included questions directly intended to assess financial literacy on a number of financial topics. These results will allow the Military Services to identify specific financial topics for which further education is needed.

All future efforts will contribute to the vision that all Service members and their families are financially ready, possessing the skills and resources to make informed financial decisions and meet professional and personal goals throughout the military lifecycle, in support of Total Force readiness.