

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

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Results from the 2017 Status of Forces Survey

January 2019

**Office of the Under Secretary of Defense
for Personnel and Readiness**

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EXECUTIVE SUMMARY

Pursuant to section 992(d) of title 10, United States Code (U.S.C.), the Department of Defense (DoD) submits the Annual Report on the Financial Literacy and Preparedness of Members of the Armed Forces to the Committees on Armed Services of the Senate and House of Representatives. This Report includes results of a section of the 2017 Status of Forces Survey (SOFS) related to financial literacy and preparedness required by law. The Report also includes an overview of DoD efforts in support of financial readiness.

Key findings from the 2017 SOFS include:

- The majority of members indicated they had a comfortable financial condition, with a general trend of improving financial condition over the past decade, particularly among members of the Reserve Component (RC) and junior enlisted members.
- The vast majority of members said their financial situation was better or the same compared to 12 months ago.
- Members were comfortable with their ability to perform a variety of financial management activities, particularly those related to their short-term, day-to-day or month-to-month finances.
- The majority of members indicated they had a savings habit and had some emergency savings to overcome an unexpected expense, though many may not have enough to provide 3 or more months of living expenses in extreme circumstances or cover a significant unexpected expense.
- Members are pursuing a variety of financial goals, ranging from shorter-term goals such as purchasing a vehicle or saving for vacation, to longer-term goals such as saving for retirement or a child's education. Junior enlisted members were generally more likely to say they were pursuing shorter-term goals than others.
- Few members indicated they experienced certain issues indicating a financial management problem, and very few experienced problems that may indicate more pervasive financial management problems.
- Few members indicated they used high-cost financial products or services to cover their expenses.
- Members exhibit higher levels of financial well-being than the U.S. population overall, when these results are compared with research by the Consumer Financial Protection Bureau (CFPB) using common metrics.
- Members were more knowledgeable on a number of financial topics compared to U.S. adults.

INTRODUCTION

Congress amended title 10, U.S.C., by adding section 992(d) as part of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2016. This new subsection requires DoD 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.” The results shall 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.”¹

DoD views financial readiness as a state in which successful management of personal financial responsibilities supports a member’s ability to perform their wartime responsibilities. Inability to manage financial obligations, such as meeting routine or unexpected expenses, can have negative impacts on health and family relations, undermine personal and family readiness and, by extension, unit and mission readiness.

Military families face many of the same financial challenges as their civilian counterparts. However, characteristics of the military lifestyle present additional potential challenges, such as expenses associated with frequent moves; managing finances during deployment and extended family separation; difficulties for spouses seeking employment which can strain budgets; and transition from military service to an unfamiliar employment sector and associated changes in income and benefits. Positive financial conditions can potentially lessen the impact of other stresses associated with military life. In a 2012 study of veterans of Iraq and Afghanistan, financial well-being was positively correlated with post-deployment adjustment.²

Specific measures of what constitutes financial well-being may vary by individual, as they are dependent on a number of personal circumstances. The 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.” It further describes these characteristics across four elements: present and future financial security and present and future freedom of choice, as defined in Figure 1.³

¹ In title 10, U.S.C, “Secretaries concerned” refers to the Secretary of the Army, Secretary of the Navy, the Secretary of 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.

² 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.

³ “Financial Well-Being: The Goal of Financial Education,” Consumer Financial Protection Bureau (January 2015).

Status of Forces Survey

The SOFS provides one way to assess financial readiness and identify potential financial issues affecting military members and their families in the aggregate, as well as certain sub-populations, such as junior enlisted members. Through a number of questions, the SOFS seeks to provide a perspective of the overall financial condition of members. These items include subjective questions that ask respondents to self-assess their behavior, as well as objective questions which allow the DoD and Military Services to identify particular financial habits, concerns, and knowledge levels. The SOFS includes questions among the following topics:

- Overall financial condition
- Financial management activities
- Financial goals
- Savings habits
- Financial management problems
- Use of financial products and services
- Financial well-being
- Financial literacy

Many of these items align with the four elements of financial well-being as defined by the CFPB. Table 1 includes some of these potential indicators from the SOFS as they relate to elements of financial well-being. This Report will highlight many of these indicators.

Table 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
	Indicators: <ul style="list-style-type: none"> • Monthly expenses do not exceed income • Do not use financial products to cover expenses • Use a budget or spending plan • Do not experience bill payment problems (overdraft, missed payment, etc.) 	Indicators: <ul style="list-style-type: none"> • Planning/saving for retirement • Emergency savings • Responsible use of credit
Freedom of Choice	Financial freedom to make choices to enjoy life	On track to meet your financial goals
	Indicators: <ul style="list-style-type: none"> • Responsible use of credit • Available discretionary income 	Indicators: <ul style="list-style-type: none"> • Setting and working toward financial goals • Planning/saving for retirement

For the first time in 2017, the SOFS included the CFPB's financial well-being scale. By using the scale, DoD is able to leverage the CFPB's research on financial well-being, track a common measure of financial well-being over time, and understand how the military population compares to the national population which the CFPB studied extensively. Inclusion of the financial well-being scale also expands the use of this tool that many DoD financial counselors already use in their one-on-one interactions with members.

The 2017 SOFS also included 12 assessment questions on a variety of financial topics, some general (e.g., mortgages, stocks, inflation) and others specific to the military (e.g., military retirement compensation) to better assess members' understanding, consistent with the requirement in section 992 of title 10, U.S.C. These questions allow DoD to quantitatively measure financial knowledge and identify topics of which members may have less understanding. Additionally, because some of the questions have been included on major national surveys, DoD can better understand how financial knowledge on the common topics may compare between civilian and military populations.

OVERVIEW OF SURVEY RESULTS

This section provides an overview of the 2017 SOFS results related to financial literacy and preparedness. To better understand differences in distinct military populations, DoD administers two separate surveys annually: the Status of Forces Survey of Active Duty Members (SOFS-A) and the Status of Force Survey of Reserve Component Members (SOFS-R). The SOFS-R was administered between June and September 2017 to a sample of 103,212 RC members; the SOFS-A was administered between September and December 2017 to a sample of 123,508 active duty (AD) members. Responses were weighted using an industry-standard process employed by U.S. Federal agencies such as the Bureau of the Census and Bureau of Labor Statistics. The weighted response rates were 21 percent for AD and 17 percent for RC. Weighting the responses produces scientific estimates that are representative of their respective populations. Parts of the SOFS were also administered to uniformed members of the Coast Guard, Coast Guard Reserve, Public Health Service Commissioned Corps, and National Oceanic and Atmospheric Administration Commissioned Officer Corps, though those results are not provided here.

Because of the survey schedule and time required to compile and analyze results, the Report includes results from the previous year. Several questions allow comparison with past findings, although it is important to note that the military is a continuously-changing population. The significant number of members entering and separating from service each year may contribute to some variability in the results. Analysis also provides comparisons between groups, such as by Military Service or paygrade. To provide this analysis, DoD's Office of People Analytics conducted statistical tests to compare the estimates of one population group to members of other population groups in order to identify statistically-significant differences. Statistical significance states there is a low probability (less than five percent) that the observed difference between the groups is due to chance. This analysis allows DoD to identify differences in financial conditions, goals, and habits of different populations, how certain populations differ from the average (if they are more or less likely to indicate a certain behavior than others), or how certain characteristics (marital status; employment status of RC members) may relate to financial well-being.

Overall Financial Condition

Overall, the majority of members indicated their current financial condition was comfortable: 72 percent of AD and 67 percent of RC. This indicates a general trend of gradual improvement since members were first asked to self-assess their financial condition in 1999 for AD and 2005 for RC members. This improvement is most pronounced for junior enlisted members and the RC overall⁴. Figures 1 and 2 show the percent of members by paygrade group reporting a comfortable financial condition over time. Among junior enlisted members, 66 percent of AD and 58 percent of RC members said their financial condition was comfortable. These latest results are a significant improvement over the lowest levels of financial comfort reported by junior enlisted members in the past: 39 percent among AD in 2002 and 37 percent among RC in 2011. Results among junior enlisted RC members remained similar or lower for several years

⁴ Junior enlisted refers to members in paygrade E1-E4, senior enlisted E5-E9, junior officers O1-O3, and senior officers O4-O6.

between 2005 and 2011, potentially indicating the financial conditions of these members in particular are more susceptible to the performance of the civilian economy and job market.

Because the SOFS identifies respondents by a number of characteristics, it is possible to identify the financial condition of certain other population groups within the military and how they compare to others. For example, there was no statistically-significant difference among AD members based on deployment status. However, 73 percent of RC members who were deployed more than 30 days in the previous 24 months had a comfortable financial condition, compared to 66 percent who were not deployed for more than 30 days. This may be a result of the characteristics of members who were deployed in that time, but it may also indicate that deployment is a financial boost for many RC members. Financial condition of RC members also appears to be related to their civilian employment status. Those who were employed full-time (70 percent) or students part-time (69 percent) were more likely to indicate a comfortable financial condition than others, while members who were employed part-time were more likely to be uncomfortable financially (19 percent).

Figure 1: Comfortable Financial Condition, Active Duty

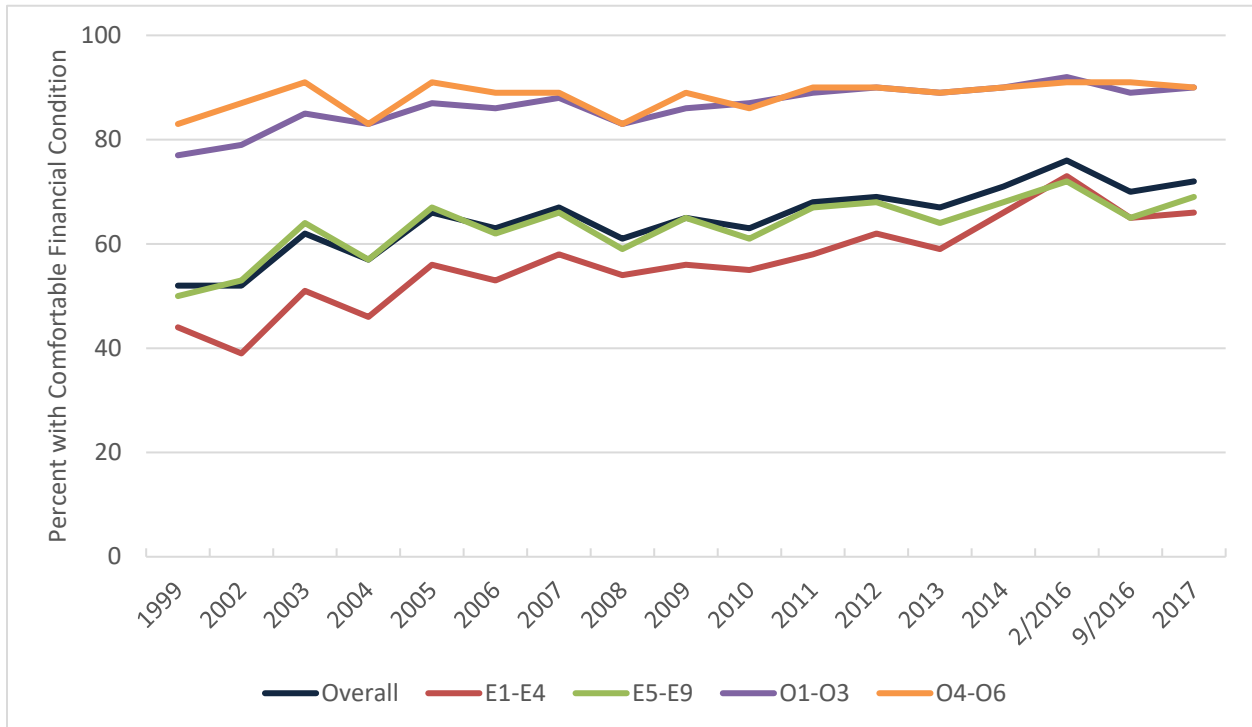
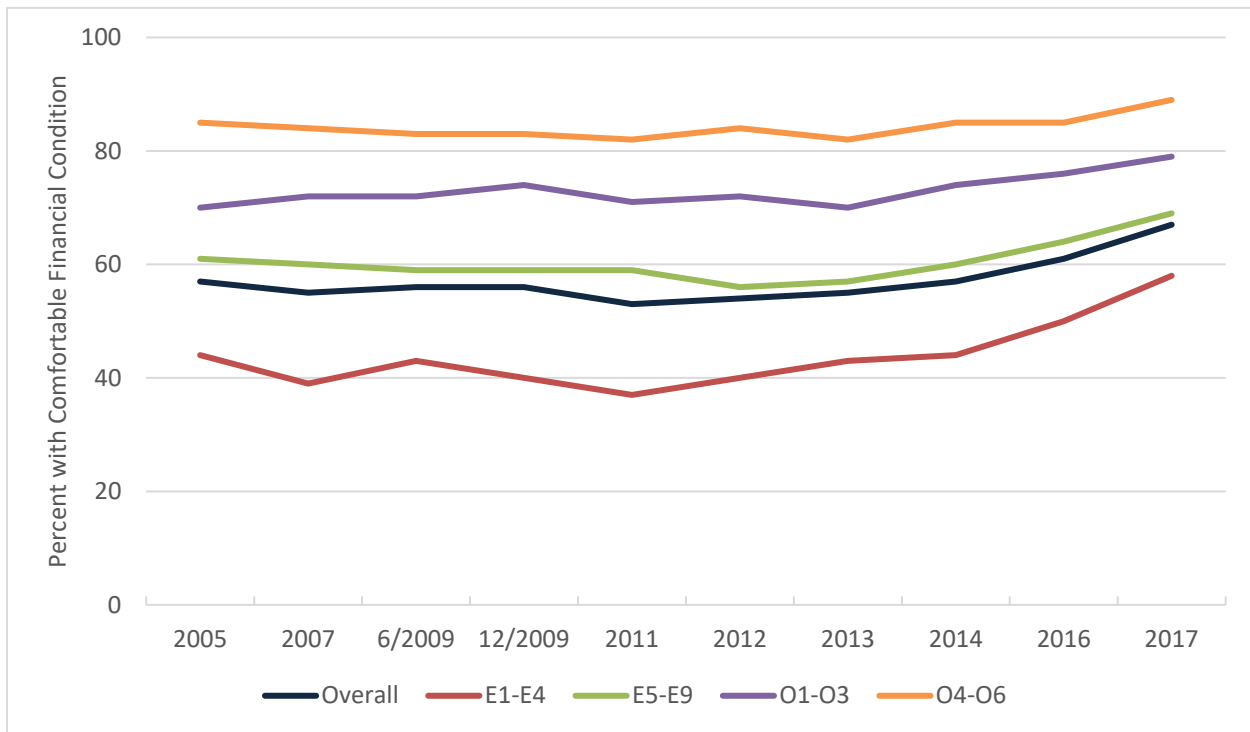


Figure 2: Comfortable Financial Condition, Reserve Component



In addition to the generally positive current financial condition, the majority of members indicated their financial situation was better or the same compared to 12 months ago. Most members indicated their situation was better (42 percent AD; 47 percent RC), while just 16 percent of AD and 15 percent of RC members said their situation was worse than 12 months ago. Junior members, both enlisted and officers, were more likely to indicate their situation was better.

Members who indicated their situation was better or worse than 12 months ago were then asked to identify potential reasons. AD members most commonly indicated better financial management and reducing debt as reasons why their situation had improved, and increased debt, change in family situation, or financial management problems as reasons why their situation was worse. Among RC members who said their situation was better, the most common reasons were better financial management, a change related to employment, or reduction in debt. The most common reasons for a worse situation were changes related to employment and increased debt.

Financial Management Activities

Respondents were asked about their familiarity with and performance of various financial management activities. These questions allow DoD to determine how members self-assess their own skills managing their finances and which activities they perform regularly. Overall, members were comfortable or very comfortable with their ability to perform a number of common financial management activities, which ranged from day-to-day finances like evaluating spending habits and developing a budget, to longer-term objectives such as understanding investment and retirement options.

A majority of both AD and RC members indicated they were comfortable performing all of the financial management activities included on the SOFS, especially activities concerning daily or monthly financial management and consumer behavior. For example, 88 percent of AD and 86 percent of RC members indicated they were comfortable evaluating their purchasing and spending behaviors. Fewer members, but still a majority, were comfortable with longer-term activities such as making long-term financial plans, understanding the Thrift Savings Plan (TSP), and understanding other investment and retirement options. Expectedly, junior enlisted members generally were less comfortable with the various financial management activities. Among the widest gaps between junior enlisted members and others were making long-term financial plans, monitoring credit scores, and understanding the Survivor Benefit Plan (SBP).

Members also indicated they routinely carry out a number of activities to manage their finances. Again, both AD and RC members were more likely to perform activities related to their current or near-term financial situation, most commonly evaluating purchasing/spending behavior (87 percent AD; 83 percent RC). Developing and following a monthly budget can greatly improve the ability of individuals to control their finances and maintain present financial security: 74 percent of AD and 73 percent of RC members indicated they follow a monthly budget or spending plan.

Longer-term activities were still used by a majority of members overall, including approximately two-thirds who indicated they contributed to TSP or another investment or retirement plan. These results were again influenced by the large junior enlisted populations. Among AD junior enlisted members, 58 percent contributed to TSP and 44 percent to another investment or retirement plan. In the same group of RC members, less than half contributed to either, though these members may have other opportunities available through their civilian employment. Nevertheless, increased education about the importance of early retirement planning is a continued priority of DoD, especially as the Blended Retirement System (BRS) covers a greater portion of the military in years to come. The results may also reflect that junior enlisted members are more focused on short-term objectives early in their career. This is supported by other findings.

Financial Goals

The SOFS asked members to identify their financial goals, which allows the DoD to better understand members' objectives and intentions, and focus efforts on those most relevant to the population. Members can indicate if the various tasks are current or future goals, unrealistic, not a goal, or if they have already met this goal. The most common goals among all members were saving for retirement (90 percent AD; 89 percent RC); saving for a safety net/emergency fund (80 percent AD; 79 percent RC); and being free of debt, except for mortgage (74 percent AD; 76 percent RC). Additionally, 79 percent of AD and 77 percent of RC members with children indicated saving for their children's education was a financial goal.

Junior enlisted members were more likely to indicate purchase-oriented goals than members of other paygrades, though still less common than saving or being debt free. These goals included buying a home, purchasing furniture/appliances, and buying a vehicle. These results are not unexpected, as junior members are establishing their lives and families, though they highlight the importance of financial education about smart buying skills and responsible use of credit early in a member's military career. Junior enlisted members were also more likely to have education-

related financial goals, which included saving or paying for their own, their children's, or their spouse's education.

Savings Habits

Members were asked to respond to a question regarding whether they save or invest routinely each month. The vast majority indicated having a saving or investment habit, including 83 percent of AD members and 79 percent of RC members. This includes nearly half who regularly put money aside each month (48 percent AD; 45 percent RC). An additional 34 percent of AD and RC members said they save or invest whatever is leftover at the end of the month. Compared to the results in 2016, AD members were more likely to regularly put money aside in 2017.

Two percent of AD and four percent of RC members indicated they spend more than their income. Spending more than one's income indicates a threat to present financial security, as it potentially results in harmful financial habits such as accumulating credit card debt or using high-cost credit products such as payday loans to cover expenses. Use of these products is discussed later in the Report.

The SOFS also asked members to indicate how much they had in an emergency savings fund, in terms of their average monthly expenses. Emergency savings can serve as an important safeguard of financial readiness. Such savings maintain future financial security, as they allow an individual to handle financial shocks, such as unforeseen home or auto repairs, without seeking alternative methods of payment, carrying a balance on a credit card, or using high-cost credit products. According to the Pew Charitable Trusts, 60 percent of households experienced a financial shock in the 12 months before completing a 2015 survey. 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 \$6,000.⁵ A common rule of thumb is that individuals should have enough savings to cover 3 months of their monthly living expenses in the event they lost their job. AD members may be more insulated from sudden job loss and large medical expenses than their civilian counterparts, and additionally have access to military aid societies which provide no-interest loans and grants to cover emergency expenses. Nevertheless, this question provides a useful assessment of how well members are prepared to meet unexpected expenses.

As shown in Table 2, the vast majority of members had some emergency savings, although a little more than one-third had less than 1 month. Junior enlisted members have less: 23 percent of AD and 33 percent of RC junior enlisted members indicated they had no emergency savings fund.

Table 2: Emergency Savings

Emergency Savings	Active Duty	Reserve Component
<i>None</i>	16%	20%
<i>Less than 1 month</i>	18%	17%
<i>1 to 3 months</i>	33%	31%
<i>3 to 6 months</i>	18%	17%
<i>More than 6 months</i>	15%	15%

⁵ "The Role of Emergency Savings in Family Financial Security." Pew Charitable Trusts (October 2015).

While the results show that not all members have dedicated emergency savings, the majority would be able to cover a moderate financial shock using these funds. Efforts throughout DoD focus on educating members about smart options to handle emergency expenses while avoiding harmful financial habits and high-cost credit products.

Credit Card Use

The SOFS asked how members routinely pay their credit card debt. The vast majority of members indicated they use a credit card, though 14 percent of AD and 17 percent of RC members said they do not. Among AD members who use credit cards, only 36 percent pay their full balance every month. The remainder typically carry some balance, although less than 10 percent pay only the minimum balance. In a different question, 6 percent of AD members indicated they failed to make a minimum payment at least once in the previous 12 months. Senior enlisted members were more likely to pay only the minimum payment, while junior enlisted members were more likely to have missed a payment.

Among RC members who use credit cards, 41 percent indicated they routinely pay their balance in full. The remaining members carry some balance, including 10 percent who indicated routinely making only the minimum payment. Additionally, 8 percent of RC members said they failed to make a minimum payment in the previous 12 months. Junior enlisted members were more likely to pay only the minimum payment.

These results are generally consistent with results from the Federal Reserve Board's 2017 Survey of Household Economics and Decisionmaking. That survey found that 17 percent of Americans do not use credit cards. Among those who do, slightly more than half carried a balance within the previous 12 months.⁶

Financial Management Problems

Members were asked whether they experienced any of 17 issues in the past 12 months that may indicate a financial management problem or inability to meet financial obligations. DoD observes that, in general, occurrence of many of these issues has declined over the past 10 years, though these results have not been compared for statistical significance. Nevertheless, these problems still represent a threat to an individual's financial readiness. Tables 3 and 4 show the most common financial problems from the 2017 SOFS, compared to select past results, when available. Members were able to select multiple items. Comparison with past results indicates a general decline in the frequency of financial problems, particularly paying overdraft fees to a bank or credit union two or more times. This issue declined among AD members from 16 percent in 2012 to 8 percent in 2017, and among RC members from 21 percent in 2012 to 11 percent in 2017.

In 2017, the most common issue was providing unplanned financial support to a family member who did not live with the member, which was selected by 14 percent of AD and 15 percent of RC members. While this was consistently the most common issue across various populations, it

⁶ "Report on the Economic Well-Being of U.S. Households in 2017." Board of Governors of the Federal Reserve System (May 2018).

is important to note this does not necessarily indicate a financial management problem on behalf of the member compared to the other issues included on the SOFS. Additionally, more members may be providing *planned* financial support to family members – more than a third of members indicated this as a current or future financial goal.

Table 3: Most Common Financial Problems, Active Duty

Issue	2012	2014	2017
<i>Provided unplanned financial support to a family member who did not live with you</i>	N/A		14%
<i>Had personal relationship problems with your partner due to finances</i>	N/A		10%
<i>Had to pay overdraft fees to your bank or credit union two or more times</i>	16%	10%	8%
<i>Borrowed money from family and/or friends to pay bills</i>	N/A		7%
<i>Took money out of a retirement fund or investment to pay living expenses</i>	N/A		6%
<i>Failed to make a monthly/minimum payment on your credit card</i>	10%	9%	6%
<i>Was pressured to pay bills by stores, creditors, or bill collectors</i>	13%	8%	5%
<i>Failed to make a car payment</i>	4%	4%	4%

Table 4: Most Common Financial Problems, Reserve Component

Issue	2012	2014	2017
<i>Provided unplanned financial support to a family member who did not live with you</i>	N/A		15%
<i>Borrowed money from family and/or friends to pay bills</i>	N/A		13%
<i>Had personal relationship problems with your partner due to finances</i>	N/A		12%
<i>Had to pay overdraft fees to your bank or credit union two or more times</i>	21%	20%	11%
<i>Was pressured to pay bills by stores, creditors, or bill collectors</i>	17%	17%	10%
<i>Failed to make a monthly/minimum payment on your credit card</i>	11%	11%	8%
<i>Fell behind in paying rent or mortgage</i>	13%	11	8%
<i>Took money out of a retirement fund or investment to pay living expenses</i>	N/A		8%

Several of the more common problems can be indicative of short-term financial mismanagement. These include paying overdraft fees, which result when purchases are made that exceed the account balance, and missing payments. These problems may indicate a member has difficulty managing day-to-day and month-to-month expenses and lacks present financial security.

Fewer members indicated various issues that may indicate more pervasive financial management problems. These can be serious issues and can potentially impact job performance. They may also indicate lack of present or future financial security, as individuals experiencing these issues may have to obligate significant resources to overcome these issues. These include being pressured to pay bills by stores, creditors, or bill collectors (5 percent AD; 10 percent RC); or having telephone, cable, or internet shut off (3 percent AD; 6 percent RC). One percent or fewer AD members filed for personal bankruptcy; had a car repossessed; had a household appliance or

furniture repossessed; had water, heat, or electricity shut off; or had their security clearance affected due to their financial condition. These issues were slightly more common among RC members: four percent had water, heat, or electricity shut off; three percent had a car repossessed or reported their security clearance was affected by their financial situation; and two percent filed for personal bankruptcy or had a household appliance or furniture repossessed.

While just one percent of AD and three percent of RC members indicated they had their security clearance affected by their financial condition, this represents a discernible impact of financial management on a member's ability to perform their military job. The relationship between financial management and indicators of military readiness, retention, and satisfaction is discussed later in this Report.

Overall, junior enlisted members were more likely to indicate experiencing most of the issues. Senior enlisted AD and RC members were more likely to have provided unplanned financial support to a family member who did not live with them. Additionally, senior enlisted AD members were also more likely to have personal relationship problems with a partner due to finances.

Financial Products and Services

While very few members indicated they spend more than their income, 15 percent of AD and 17 percent of RC members indicated they spend about as much as their income each month. These members may be susceptible to changes in expenses, in particular an unexpected expense. Members were asked if they used any of a list of financial products or services to cover routine expenses in the past 12 months, many of which can carry high interest costs. They could select multiple responses, if applicable.

Few members indicated they used any of the financial products or services. Table 5 shows use of the financial products and services included on the SOFS. Use of these financial products and services has declined over the years. For example, according to DoD's 2013 Quick Compass of Financial Issues survey,⁷ 19 percent of AD members reported using overdraft protection from savings, credit card, or another account, while just 7 percent indicated doing so on the 2017 SOFS.

⁷ DoD uses "Quick Compass" surveys to provide fast-turnaround assessments that target specific topics that cannot be included on the annual SOFS due to timing or other factors.

Table 5: Use of Financial Products or Services

Product or Service	Active Duty	Reserve Component
<i>Overdraft protection from savings, credit card, or another account</i>	7%	7%
<i>Loan/borrow from friends or family</i>	6%	10%
<i>Overdraft line of credit</i>	6%	4%
<i>Loan/grant from Services' emergency relief/aid/assistance societies</i>	4%	1%
<i>Cash advance on a credit card</i>	3%	3%
<i>Vehicle title loan</i>	3%	3%
<i>Online loan</i>	3%	3%
<i>Bank direct deposit advance loan</i>	2%	2%
<i>Overdraft loan</i>	2%	3%
<i>Payday loan</i>	1%	3%
<i>Pawn loan</i>	1%	2%
<i>Tax refund anticipation loan</i>	1%	2%
Note: Although the SOFS uses terms like “payday loan,” “pawn loan” and “vehicle title loan,” use of these descriptions does not indicate whether or not they comply with the Military Lending Act, described below.		

DoD strives to ensure members have access to adequate alternatives to avoid high-cost financial products that can negatively impact financial readiness. Through support from the non-profit military aid societies (Air Force Aid Society, Army Emergency Relief, Coast Guard Mutual Assistance, and Navy-Marine Corps Relief Society), members have access to no-cost loans or grants to meet emergency needs. Four percent of AD members, including six percent of junior enlisted members, indicated they received such a loan or grant. Usage was less common among RC members, who are generally only eligible during periods when they are activated for more than 30 days. These aid societies can assist members with emergency needs for a variety of situations, such as natural disasters. For example, in September and October 2018, the aid societies provided more than 8,300 individuals with approximately \$9 million in assistance related to Hurricanes Florence and Michael in the southern United States, the vast majority in the form of grants. This assistance helped members prepare before the storms, evacuate their families, and begin recovery efforts without having to use potentially high-cost credit products for essential expenses.

DoD is also committed to protecting the financial readiness of members by advocating for authorities and policies that prevent predatory lending practices that target members with exceptionally high-cost products. In 2006, DoD issued a report to Congress on the potential harmful impacts of predatory lending to military readiness. In the report, DoD defined predatory lenders as providing short-term loans and installment loans; marketing to inexperienced borrowers; lending based on guaranteed continued income and not the ability to repay; and charging high fees and interest rates. The report further described the prevalence of such practices around military communities, particularly payday loans, online loans, and vehicle title loans. These products were found to be aggressively marketed to members and could trap borrowers in a cycle of debt (i.e., members would be forced to take subsequent loans to repay the previous loan). Members are viewed as attractive customers for these products as they are young

and often inexperienced managing their own finances, have a reliable paycheck, and are expected to pay their debts or be subject to disciplinary action.⁸ In response to the report, Congress passed the Military Lending Act (MLA) and DoD issued regulations in 2007 and revised regulations in 2015. Since the revised regulations became effective in October 2016, most credit transactions involving eligible members are subject to various requirements and limitations, including a maximum 36 percent Military Annual Percentage Rate which includes interest and fees.⁹ The MLA applies to members activated for more than 30 days; accordingly, few RC members are eligible for its protections.

The consistently low and even declining use of these products among members stands in contrast to increase among the general population. According to Experian, the market for these products has grown considerably among Americans, particularly for online sources of such loans. Between 2013 and 2017, the number of online installment loans grew 200 percent, while the number of online single pay loans (e.g., payday loans, pawn loans) grew by just over 100 percent.¹⁰

Financial Well-Being Scale

The 2017 SOFS included the CFPB's financial well-being scale for the first time. Through extensive research, the scale was designed to provide a method to accurately and consistently quantify financial well-being, which is not directly observable. Members were asked how well a statement described them (e.g., "I could handle a major unexpected expense") or how often a statement applied to them (e.g., "I have money left over at the end of the month"). Based on responses to the ten items, the scale provides a standardized number between 0 and 100 that aims to quantify an individual's underlying level of financial well-being, where 100 represents a high-level of financial well-being.

By including the financial well-being scale, DoD is able to track a common measure of financial well-being which is comparable across populations. It additionally allows DoD to observe results over time and understand how the military population compares to the national population which CFPB studied extensively. Similar to the SOFS, the CFPB's National Financial Well-Being Survey was weighted to ensure representation of the entire U.S. population. Inclusion of the financial well-being scale on the SOFS further expands the use of this tool that many DoD financial counselors already use in their one-on-one interactions with members.

According to CFPB research, the average financial well-being score for U.S. adults was 54.¹¹ Based on member responses to the ten scale items, the average score was 61 for AD and 60 for RC members. All population groups within the SOFS had a higher score than the average of U.S. adults, though some groups did differ slightly from the overall DoD average. AD Navy and Marine Corps members had an average score of 60, while AD junior enlisted had a score of 59.

⁸ "Report on Predatory Lending Practices Directed at Members of the Armed Forces and Their Dependents." Department of Defense (August 9, 2006).

⁹ Regulations issued by the DoD in 2015 took effect October 3, 2016 for all products except open-end credit cards, which took effect October 3, 2017.

¹⁰ "2018 Alternative Financial Services Lending Trends." Clarity Services, Inc.

¹¹ "Financial Well-Being in America." Consumer Financial Protection Bureau (September 2017).

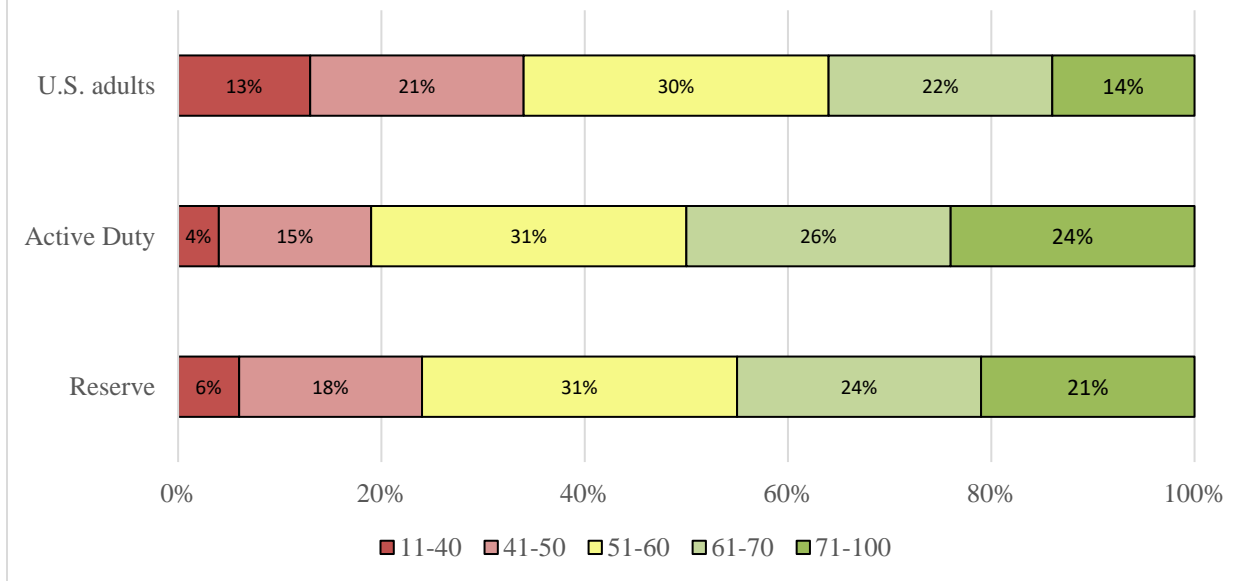
Enlisted Sailors had the lowest average score of 58. Based on family and housing status, single AD members with children (59) and members who lived on-base (60) had lower financial well-being compared to the average. Again, there was no significant difference between members who deployed and those who did not. Among RC members, Army National Guard (59) and Marine Corps Reserve (58) members overall had lower than average scores, as did enlisted members of the Army National Guard (58), Army Reserve (58), and Marine Corps Reserve (57). Junior enlisted RC members had an average score of 57. RC members who were employed part-time in their civilian job (57) and those who belonged to a Reserve Unit (59) also had lower financial well-being scores.¹² While these differences are small (no more than a few points below average), they help identify certain groups which may require additional focus for financial education. The DoD will continue to use the scale as one measure of financial well-being, with emphasis on observing any change over time, particularly for certain population groups.

Several findings from CFPB research may provide insight into characteristics of military life that contribute to higher levels of financial well-being. For example, U.S. adults with a stable month-to-month income had a higher score (56) than those whose income varies month-to-month (50). Those with employer-provided health benefits had a higher score (56) than those without (51). Employer-provided retirement savings benefits were also related to higher levels of financial well-being. The average score of U.S. adults with such benefits was 57, while the score of those without was 51. Under the BRS, implemented on January 1, 2018, significantly more members will separate from service with some employer-provided retirement benefit in the form of automatic and matching contributions to the TSP, even if they do not serve the 20 years required to receive a military defined benefit pension. Eligible members were able to opt into the BRS between January 1 and December 31, 2018, while new members are automatically covered under the new system.

In addition to a higher average score, Figure 3 shows that members had a larger concentration of individual scores at the higher end of the scale. For example, 50 percent of AD and 45 percent of RC members had a score of 61 or higher, compared to just 36 percent of the U.S. population.

¹² For the purposes of the SOFS, “Reserve Unit” means part-time members who attend weekend drills with a National Guard or Reserve unit and does not include Active Guard/Reserve, Full-Time Support, and Active Reserve members in full-time service, as well as Individual Mobilization Augmentees.

Figure 3: Distribution of Financial Well-Being Scale Scores



DoD will continue to use the financial well-being scale as a tested method to assess a concept that is otherwise difficult to observe and measure, with particular emphasis on tracking changes over time.

Financial Literacy

For the first time in 2017, the SOFS included a series of 12 questions intended to objectively assess understanding of a number of general financial topics and several military-specific financial topics. Five of these questions originally appeared in the National Financial Capability Study (NFCS), a triennial survey sponsored by the Financial Industry Regulatory Authority (FINRA) Investor Education Foundation most recently conducted in 2015.¹³ Three of those questions additionally appeared on the 2017 Survey of Household Economics and Decision-making (SHED), conducted by the Federal Reserve Board.¹⁴ Both of these scientific surveys are designed to be representative of the U.S. population. The common questions below allow a comparison of the military and overall U.S. populations on these general financial topics.

- **Interest Rates:** “Suppose you had \$100 in a savings account and the interest rate was 2 percent per year. After five years, how much do you think you would have in the account if you let the money grow?”
- **Inflation:** “Imagine that the interest rate on your savings account was 1 percent per year and inflation was 2 percent per year. After 1 year, how much would you be able to buy with the money in this account?”

¹³ “Financial Capability in the United States 2016.” FINRA Investor Education Foundation (July 2016).

¹⁴ “Report on the Economic Well-Being of U.S. Households in 2017.” Board of Governors of the Federal Reserve System (May 2018).

- Mortgages: “A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less. True or false?”
- Stock Risk: “Buying a single company’s stock usually provides a safer return than a stock mutual fund. True or false?”
- Compounding Interest: “Suppose you owe \$1,000 on a loan and the interest rate you are charged is 20 percent per year, compounded annually. If you did not pay anything off, at this interest rate, how many years would it take for the amount you owe to double?”

Table 6 shows the percent of correct responses to each of the five questions across the various surveys. As the results indicate, members overall were more likely to answer the questions on interest rates, mortgages, stock risk, and compounding interest correctly. Junior enlisted members were less knowledgeable than members of other paygrades, although they were as likely or more likely to correctly answer the questions on interest rates and compounding interest compared to the U.S. population.

Table 6: Financial Literacy, Military Compared to U.S. Population

Survey	Interest Rates	Inflation	Mortgages	Stock Risk	Compounding
2017 SOFS-A (E1-E4)	82% (77%)	58% (44%)	76% (63%)	57% (42%)	40% (33%)
2017 SOFS-R (E1-E4)	80% (73%)	57% (42%)	78% (66%)	56% (39%)	38% (31%)
2015 NFCS	75%	59%	75%	46%	33%
2017 SHED	71%	62%	N/A	46%	N/A

Percent correct on common financial literacy questions.

The SOFS included seven additional assessment questions, consistent with financial literacy topics identified in section 992 of title 10, U.S.C. Three questions are intended to assess knowledge of aspects of military retirement, including the BRS lump sum payment, TSP contributions under BRS, and the SBP. Four additional question assess knowledge of general financial literacy topics, including insurance deductibles, deferred payment plans, discretionary income, and life insurance. Generally across most questions, more members responded they did not know than responded incorrectly. Table 7 and 8 show the percent of members who responded to each question correctly among AD and RC members, respectively.

Table 7: Financial Knowledge of Active Duty Members

Topic	Overall	E1–E4	E5–E9	O1–O3	O4–O6
Insurance deductibles	79%	67%	84%	93%	96%
BRS lump sum payment	61%	50%	64%	81%	81%
Deferred payment plans	52%	43%	54%	63%	71%
BRS TSP contributions	48%	42%	50%	68%	44%
Discretionary income	35%	21%	33%	63%	78%
SBP	31%	25%	32%	36%	45%
Life insurance	24%	15%	24%	35%	63%

Percent correct

Table 8: Financial Knowledge of Reserve Component Members

Topic	Overall	E1–E4	E5–E9	O1–O3	O4–O6
<i>Insurance deductibles</i>	80%	69%	85%	87%	95%
<i>Deferred payment plans</i>	54%	42%	58%	63%	74%
<i>BRS lump sum payment</i>	54%	38%	61%	70%	77%
<i>Discretionary income</i>	39%	25%	41%	57%	75%
<i>BRS TSP contributions</i>	29%	20%	34%	39%	38%
<i>Life insurance</i>	29%	18%	30%	39%	64%
<i>SBP</i>	28%	21%	30%	31%	45%

Percent correct

The results of the assessment questions provide valuable information to help DoD understand with which topics members may be less familiar, particularly for junior enlisted members who are less experienced managing their own finances. For example, junior enlisted members may be establishing themselves independently for the first time and acquiring household items. Deferred payment plans are typically offered by stores and allow a customer to pay for a product over a period of time interest-free, or “same as cash.” However, if the purchaser fails to make a payment, or does not pay the full balance in the designated time, they may be subject to significant interest or fees from the purchase date. While 52 percent of AD and 54 percent of RC members correctly answered a question on these plans, less than half of junior enlisted members did so. Knowledge of deferred payment plans and other marketing and credit practices employed by stores is of particular importance to young members who, the results indicate, were more likely to want to purchase furniture, electronics, or other household appliances.

In 2017, DoD conducted a significant training campaign to support approximately 1.6 million members who were eligible to opt-in to the BRS during 2018. In the SOFS, members were assessed on understanding of certain aspects of the BRS. A majority of members understood that income tax could impact the decision to take a lump sum payment at retirement under the BRS (61 percent AD; 54 percent RC). Less than half of members understood the rate at which DoD makes matching contributions to a member’s TSP account (48 percent AD; 29 percent RC). Among AD members, junior enlisted members and senior officers were less likely to respond correctly. Senior officers may largely be ineligible to opt-in to the BRS and therefore not have received training; however, they play an important role in supporting opt-in eligible members under their command. Because the SOFS was administered while training for BRS-eligible members was still in progress, some members may have recently learned about the system, while others may have not received any training at that point. This may help explain the gap between the number of correct responses of AD and RC members. It may also be attributed to the fact that the primary income of RC members is a civilian job; they may not factor TSP or BRS significantly into their retirement planning. Finally, less than a third of members answered a question on SBP correctly. This is not particularly surprising, as members only elect to participate in SBP, which provides income to a beneficiary when a retired member dies, at retirement. However, it contrasts with the 54 percent of AD and 57 percent of RC members who indicated they were comfortable understanding SBP elsewhere in the survey. In reviewing these results, DoD identified a need and is developing educational efforts concerning SBP.

DoD will closely monitor the BRS knowledge questions in subsequent years as the population of members under the new system continues to change. In addition to training on basic financial topics early in their career in accordance with section 992 of title 10, U.S.C., members receive recurring information related to retirement planning, as early as the first weeks of service, so they can make financial decisions to meet their personal needs and maximize the financial benefits of their service.

Financial Problems and Military Life

Because the SOFS included questions on a wide variety of military issues, it provides an opportunity to assess how financial readiness relates to certain aspects of military life. To do this, DoD compared respondents who experienced a financial management problem, excluding those who provided unplanned family support to a family member, from those who did not.¹⁵ This analysis concluded that those who had at least one financial management problem indicated they had more stress in both their military and personal lives; were more likely to be dissatisfied with certain aspects of military life; were more likely to believe they were poorly prepared for their mission; and their spouses and families were more likely to view their participation unfavorably.

Tables 9 and 10 show the comparison of responses to the various questions related to stress, satisfaction, and readiness. AD members with financial problems were more likely to indicate their spouse and family viewed their participation in the military unfavorably. Results for RC members showed a similar relationship, though overall, fewer RC members reported their spouse or family viewed their participation unfavorably. Stress was also related to financial management problems to a significant degree. Most significantly, members with a financial problems were much more likely to indicate they had more stress than usual in their personal life. Financial problems were also related to more stress in a members' military life, although to a lesser extent. The significance of the relationship between financial problems and stress in their personal life may reflect the extent to which financial problems impact personal relationships.

Overall, members with financial problems were more likely to express dissatisfaction with a number of factors. They were significantly more likely to be dissatisfied with their total compensation, particularly among AD members. Members with a financial problem were also more likely to be dissatisfied with opportunities for promotion within their unit and with the military way of life.

Finally, financial problems were related to perceptions of readiness by members. Members with a financial problem were more likely to believe their unit was poorly prepared for its wartime mission. They also expressed greater pessimism about their own readiness, being more likely to believe they were poorly prepared for their wartime job.

¹⁵ As described above, providing unplanned financial support to a family members does not necessarily indicate a financial management problem on behalf of the member compared to the other issues included on the SOFS.

Table 9: Relationship Between Satisfaction, Stress, Readiness, and Financial Problems of Active Duty Members

	Members <u>without</u> a financial problem	Members <u>with</u> a financial problem
<i>Spouse viewed participation unfavorably</i>	29%	35%
<i>Family viewed participation unfavorably</i>	23%	27%
<i>Experiencing more stress than usual in personal life</i>	31%	54%
<i>Experiencing more stress than usual in work life</i>	43%	55%
<i>Dissatisfied with total compensation</i>	23%	41%
<i>Dissatisfied with opportunities for promotion in their unit</i>	21%	31%
<i>Dissatisfied with the military way of life</i>	17%	26%
<i>Believed unit was poorly prepared for its wartime mission</i>	15%	23%
<i>Believed training poorly prepared them for their wartime job in support of joint operations</i>	11%	17%
<i>Believed training poorly prepared them for their wartime job</i>	10%	16%
<i>Believed they were poorly prepared for their wartime job</i>	7%	11%

Table 10: Relationship Between Satisfaction, Stress, Readiness, and Financial Problems of Reserve Component Members

	Members <u>without</u> a financial problem	Members <u>with</u> a financial problem
<i>Spouse viewed participation unfavorably</i>	13%	18%
<i>Family viewed participation unfavorably</i>	6%	11%
<i>Experiencing more stress than usual in personal life</i>	26%	48%
<i>Experiencing more stress than usual in military life</i>	27%	34%
<i>Dissatisfied with total compensation</i>	16%	26%
<i>Dissatisfied with opportunities for promotion in their unit</i>	21%	31%
<i>Dissatisfied with the military way of life</i>	11%	17%
<i>Believed unit was poorly prepared for its wartime mission</i>	12%	16%
<i>Believed training poorly prepared them for their wartime job in support of joint operations</i>	No statistically-significant difference	
<i>Believed training poorly prepared them for their wartime job</i>	11%	14%
<i>Believed they were poorly prepared for their wartime job</i>	7%	12%

While this analysis does not conclude that financial management problems cause greater negative responses, it does indicate that they are related. Financial management problems may be a factor or side-effect related to other issues that impact a members' performance and perceptions. Nevertheless, the analysis reinforces DoD's long-standing position that financial readiness is related to overall mission readiness.

ARMY

The 2017 SOFS results indicate a steady increase in financial skills and stability for Soldiers. Although there are still several areas for improvement, more Soldiers saved and applied better skills towards financial tasks and goals compared to previous years.

AD Soldiers have indicated a steady increase in their financial condition over time: 48 percent stated they were comfortable in 1999, compared to 71 percent in 2017. The most recent result is higher or comparable on average than previous years, except for in February 2016. While results among RC Soldiers were lower than their AD counterparts, they also display steady increase over the last decade. In 2017, 64 percent of Army Reserve (AR) and 63 percent of Army National Guard (ARNG) members said their financial condition was comfortable. These most recent results are higher than all past results.

Soldiers also individually assessed their financial situation over time. Most indicated their financial situation was better or the same compared to 12 months ago (84 percent AD; 82 percent AR; 85 percent ARNG). The most impactful factors contributing to improvement among all Soldiers were better financial management and positive changes related to employment. Among AD Soldiers, a worse financial situation was primarily attributed to increased debt or financial management problems, while RC Soldiers primarily attributed it to a changed related to employment and then increased debt. Members were able to select multiple options.

Overall, AD Soldiers indicated they were comfortable performing various financial management activities, ranging from 92 percent comfortable understanding their Leave and Earnings Statement (LES) to 55 percent comfortable understanding the SBP. When asked which activities they routinely perform, Soldiers most commonly review their LES (93 percent), while they least commonly review family dental plans (45 percent). Most RC Soldiers also indicated they are comfortable performing various financial management activities. They were most comfortable with several short-term activities, including understanding the LES (86 percent ARNG; 84 percent AR), evaluating their purchasing/spending behavior (84 percent ARNG and AR), and making short-term financial plans (82 percent ARNG; 81 percent AR). RC Soldiers were less comfortable with several long-term activities. Eight percent of ARNG and 9 percent of AR were uncomfortable choosing a health plan, dental plan, and/or vision plan; 10 percent of ARNG and AR were uncomfortable making long-term financial plans; and 13 percent of ARNG and 14 percent of AR were uncomfortable understanding TSP. Like AD Soldiers, RC Soldiers were least comfortable understanding SBP – 22 percent indicated they were not at all comfortable.

More than three-fourths of Soldiers reported they had a savings or investment habit. Among AD Soldiers, 81 percent indicated a savings or investment habit: 46 percent regularly put money aside and 35 percent save whatever is left each month. Officers were more likely to have a regular plan, while junior enlisted Soldiers were more likely to save whatever is left. AD Soldiers were less likely to indicate they spend as much as their income in 2017 compared to 2016. Among RC Soldiers, 20 percent indicated they are unable to save or invest because they spend as much as their income. This includes 22 percent of junior enlisted ARNG and 25 percent of junior enlisted AR. Comparatively, officers and senior enlisted Soldiers were more likely to save. Notably, 75 percent of AR Soldiers indicated they had a savings or investment

habit, compared to 87 percent who indicated elsewhere on the SOFS that saving for retirement was a financial goal.

Soldiers were also asked if they have an emergency savings fund. Among AD Soldiers, 82 percent indicated they had an emergency savings fund: 17 percent had less than 1 month in savings, 33 percent had between one and three months, 17 percent had between 3 and 6 months, and 15 percent had more than 6 months in savings. Officers were more likely to have 3 or more months of emergency savings, while 28 percent of junior enlisted Soldiers said they had no emergency savings. Results for the RC were similar to those for AD Soldiers, particularly those who had 3 or more months of emergency savings. Higher portions of RC Soldiers indicated they did not have an emergency savings fund, with junior enlisted members were most likely to not have emergency savings (38 percent AR; 33 percent ARNG).

AD Soldiers indicated saving was among their top financial goals: 88 percent for retirement; 80 percent for a safety net/emergency fund; 78 percent for children's education among Soldiers with children; and 68 percent for vacation. Officers were more likely to indicate saving for retirement, while junior enlisted Soldiers were more likely to be saving for a vacation. Debt-related goals were also common. Being free of debt (except for mortgage) was a goal of 75 percent of AD Soldiers, while being free of credit card debt was a goal of 67 percent. Senior enlisted Soldiers were more likely to indicate these two goals compared to others, particularly compared to senior officers who may have already accomplished these goals.

Financial goals for RC Soldiers were similar, with saving for retirement also the most common. Overall, 87 percent of ARNG Soldiers indicated saving for retirement, ranging from 83 percent of junior enlisted to 94 percent of junior officers. Junior enlisted ARNG Soldiers with children were more likely than others to indicate saving for their children's education as a financial goal. The least common goals among ARNG Soldiers were saving for a spouse's education and paying for children's education-related loans. The most and least common goals among AR Soldiers were consistent with those of the ARNG.

Among AD Soldiers, 82 percent indicated they have a credit card: 37 percent of those Soldiers typically pay in full each month, 54 percent pay more than the minimum but not the full amount, and 10 percent typically pay the minimum payment. While 18 percent of AD Soldiers overall indicated they do not use credit cards, nearly one-third of junior enlisted said they do not. ARNG and AR Soldiers reported similar habits to AD Soldiers and were similarly most likely to pay less than the full balance each month. Across all components, officers were more likely to indicate paying their balance in full each month.

Soldiers were asked if they experienced any of a list of potential financial management problems. Overall, 24 percent of AD Soldiers indicated one or more of the financial management problems in the past 12 months, with financial problems being less common among officers.¹⁶ The most common items including providing financial support to a family member

¹⁶ Numbers indicating members with financial problems throughout this report exclude unplanned financial support to a family member. While this item provides valuable information on the financial behaviors of members, it does not necessarily indicate a financial problem of the member compared to other responses (i.e., fell behind in paying rent or mortgage).

who did not live with the member (15 percent); having personal relationship problems due to finances (11 percent); having to borrow from friends or family to pay bills (9 percent); and paying overdraft fees to a bank or credit union two or more times (9 percent). More serious, longer-term problems were uncommon: one percent or fewer of AD Soldiers filed for personal bankruptcy, had personal property repossessed, or had their security clearance affected by financial issues. Among RC Soldiers, 31 percent indicated experiencing a financial management problems. While the most common problems were consistent with those among AD Soldiers, they were slightly more common for RC Soldiers overall.

Soldiers also indicated whether they used certain financial products or services to cover routine expenses, though overall such products and services were used infrequently. AD Soldiers most commonly indicated borrowing from friends or family or using overdraft protection from savings, a credit card, or another account (six percent each). Few used other potentially, high-cost credit products such as vehicle title loans (three percent), payday loans (two percent), pawn loans (one percent), or tax refund anticipation loans (one percent). The most common items were the same among RC Soldiers but slightly higher: 12 percent of ARNG and 11 percent of AR Soldiers indicated borrowing from friends or family, while 8 percent of AR and 7 percent of ARNG Soldiers used overdraft protection. Usage of these high-cost credit products was also slightly higher among RC Soldiers, with the highest reported use of payday loans and vehicle title loans by four percent of ARNG Soldiers. The Citizen Soldier for Life (CSFL) program, in partnership with DoD Personal Financial Counselors throughout the states, works to educate Soldiers on the potential dangers of these types of loans and assists Soldiers understand and build a budget that enables them to achieve financial success. Between January and October 2018, the CSFL delivered more than 32,000 career readiness training sessions, to include financial literacy, to ARNG Soldiers.

MARINE CORPS

SOFS results indicate high levels of financial well-being and positive financial behaviors across both the Marine Corps and Marine Corps Reserve. Results for 2017 remained the same or improved relative to prior years. In areas where Marines' responses were below the DoD average response, all DoD members in ranks E1 to E4 showed comparable responses below the DoD average. Of note, the average financial well-being score was 60 for AD Marines and 58 for RC Marines, both above the national average of 54 for the U.S. adult population.

Marine Corps members' financial condition is generally improved in 2017 compared to previous results. Most Marine Corps members indicated they had a comfortable financial condition (69 percent AD; 60 percent RC). A large majority indicated their financial situation in 2017 was better or the same compared to 12 months ago (83 percent AD; 88 percent RC). The top three reasons Marines reported as to why their situation improved are consistent with overall DoD results: better financial management (80 percent AD; 75 percent RC); change related to employment (56 percent AD; 80 percent RC); and reduction in debt (55 percent AD; 46 percent RC). The minority of AD Marines who reported their situation was worse indicated the top three reasons were increased debt (64 percent), financial management problems (42 percent), and change in family situation (38 percent). RC Marines most commonly indicated increased debt (62 percent), change related to employment (51 percent), or financial management problems (36 percent). These factors are consistent across DoD.

Marine Corps officers reported greater comfort with their ability to perform specified financial management activities and reported they use the activities mentioned in the SOFS more commonly than junior enlisted Marines. Most commonly, 86 percent of AD and 81 percent of RC Marines indicated they evaluate their purchasing and spending behavior routinely to manage their finances. Other top responses were contributing to a savings account (82 percent AD; 79 percent RC), evaluating current financial situation based upon financial ratios (80 percent AD; 79 percent RC) and making short-term financial plans (80 percent AD; 81 percent RC). These behaviors are all significant topics in the Personal Readiness Seminar, which Marines must complete at their first permanent duty station. The least common financial management activities for AD Marines include reviewing your family's dental plan (34 percent) and contributing to investments or retirement plan, other than TSP (50 percent). Among RC Marines, the least common financial management activities include obtaining reimbursement from a Flexible Spending Account (34 percent) and contributing to the TSP (49 percent). A majority of Marine respondents indicated they routinely perform the other activities measured.

Most Marines indicated they use a credit card (84 percent AD; 80 percent RC), but only 35 percent of AD and 38 percent of RC Marines who use credit cards routinely pay the balance in full each month. In contrast, 11 percent of AD and 12 percent of RC Marines who use credit cards indicated they routinely pay only the minimum payment due. Marine Corps officers were more likely to pay their balance in full. Enlisted Marines were more likely not to use credit cards: 22 percent of junior enlisted AD and 23 percent of enlisted RC Marines reported not using credit cards. Credit card usage and debt are additional key focuses in the Personal Readiness Seminar.

Twenty-three percent of AD and 27 percent of RC Marines reported at least one of a list of financial problems in the past 12 months, with officers less likely to experience any problem than enlisted Marines. These results are consistent with overall DoD results. The most common problems indicated by Marines were providing unplanned financial support to a family member (14 percent AD; 13 percent RC); having personal relationship problems with your partner due to finances (10 percent AD and RC); borrowing money from family or friends to pay bills (8 percent AD; 11 percent RC); and paying overdraft fees two or more times (7 percent AD; 11 percent RC). While occurrence of the least common problems was low, they represent extremely high-risk issues. These include filing for bankruptcy; having personal property repossessed; having utilities shut off; and having a security clearance affected by finances (all one percent AD; three percent RC).

Very few Marines indicated using high-cost credit products to cover their expenses, including payday loans (one percent AD; three percent RC); pawn loans (one percent AD; two percent RC); and vehicle title loans (five percent AD; four percent RC). Quick Assist Loans from the Navy-Marine Corps Relief Society, which provide up to \$500 interest-free loans for emergency expenses, and the MLA have helped to curb these behaviors substantially, but a small number of Marines are still accessing these products. These results are consistent across the DoD and are not a Marine Corps-specific issue.

Most Marines have positive savings behaviors. Eighty-three percent of AD and 82 percent of RC Marines reported having a savings or investment habit, either by regularly saving or investing each month or setting aside what is left at the end of the month. Marine officers were more likely to indicate they save regularly each month, while enlisted Marines were more likely to save or invest whatever was left at the end of the month. Additionally, 65 percent of AD and 68 percent of RC Marines reported they routinely contribute to an emergency savings fund, although 18 percent of AC and 22 percent of RC Marines indicated they do not have an emergency savings fund. Junior enlisted AD Marines and enlisted RC Marines were considerably more likely not to have an emergency savings fund, at 23 percent and 24 percent, respectively. A combination of lower pay rates and less time to accumulate savings than others may factor into these results. Moreover, a lack of emergency savings may contribute to some of the financial problems noted above.

The most common financial goals of Marines were consistent with those among DoD overall, though there is variation between paygrades, especially when reviewing less common financial goals. While saving for retirement was the most common financial goal for all Marine respondents (89 percent AD; 88 percent RC), AD officers more frequently indicated this goal (94 percent), while junior enlisted did so less frequently (88 percent). Eighty-two percent of AD and 78 percent of RC Marines indicated saving for a safety net/emergency fund was a financial goal, which junior enlisted AD Marines indicated more commonly than any other goal. Saving for children's education was a financial goal for 81 percent of Marines with children. Being debt free except for mortgage was a financial goal for 73 percent of Marines. Senior enlisted AD Marines were more likely to select this goal, while officers were less likely.

Junior enlisted Marines were more likely to indicate many of the financial goals that were less common overall. Junior enlisted Marines were significantly more likely to indicate purchase-

related goals: 60 percent indicated purchasing furniture or appliances, compared to 51 percent of all Marines and 24 percent of senior officers; 60 percent selected purchasing a vehicle, compared to 50 percent overall and 25 percent of senior officers. Junior enlisted Marines were also much more likely to indicate they were saving for their spouse's education: 63 percent of married junior enlisted Marines selected this goal, compared to 45 percent overall, and 17 percent of senior officers. Similar results are observed among RC Marines. The difference in pay between junior enlisted Marines and others may impact the financial goals. The cost of credit and the value of saving for large purchases, which both relate to many of the common goals among junior enlisted Marines, are covered in the Personal Readiness Seminar.

Overall, results indicate high levels of financial well-being and positive financial behaviors among Marines. The SOFS provides the Marine Corps with quality data to inform areas to concentrate efforts. Further, Marine Corps financial literacy curriculum under development is strongly positioned to drive future results in a positive direction.

NAVY

The Navy recognizes that the personal financial readiness of members 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 members and their families to meet the unique challenges associated with military service. To meet this need, the Navy provides a range of tools and services, including personal financial management counselors, to help members and their families establish a clear picture of their unique financial situation, prioritize their financial goals, and identify appropriate strategies to attain them. Additionally, financial literacy education and training are delivered at personal and professional touchpoints across a member's military lifecycle as outlined in section 992 of title 10, U.S.C., beginning with recruit training (boot camp) and continuing throughout a member's career and transition to civilian life. The results of the 2017 SOFS serve as potential indicators of the Navy's overall financial well-being.

The financial condition of AD Navy members generally improved in 2017 compared to previous results. More than two-thirds of AD members (67 percent) reported their current financial condition as comfortable, while approximately one-fifth of active duty members (21 percent) indicated they had some difficulty. Navy AD members (12 percent) were more likely to indicate their financial condition was not comfortable than the average DoD response (10 percent). Junior officers (91 percent) and senior officers (88 percent) were more likely than members in other paygrades to indicate they were comfortable with their financial condition. The percentage of AD members with a comfortable financial condition was higher or comparable to past results since 1999, with the exception of February 2016.

A large majority of AD members (82 percent) indicated their financial situation in 2017 was better or the same compared to 12 months ago. Specifically, 40 percent indicated their financial situation was better and 41 percent indicated it was the same. Navy AD members (18 percent) were more likely to indicate their financial situation was worse compared to 12 months ago than the DoD's overall average (16 percent). Junior officer (52 percent) were more likely than others to indicate their financial situation was better, while senior enlisted members (21 percent) were more likely to indicate their financial situation was worse. The primary reasons AD members indicated their financial situation was better compared to 12 months ago were better financial management (77 percent) and reduction in debt (57 percent). Conversely, the primary reasons the financial situation was worse were increased debt (65 percent) and financial management problems (43 percent).

The financial condition of Navy RC members generally improved in 2017 compared to previous results. Seventy-five percent of RC members reported a comfortable financial condition, and were more likely to indicate comfortable than the average DoD response. Six percent of RC members indicated they were not comfortable. Senior officers (89 percent) and junior officers (86 percent) were more likely than members in other paygrades to indicate they were comfortable with their financial condition. The results in 2017 were higher compared to previous years since the first survey in 2005.

Eighty-seven percent of Navy RC members indicated their financial situation in 2017 was better or the same compared to a year ago. Specifically, 48 percent indicated their financial situation was better and 39 percent indicated their financial situation stayed the same. Thirteen percent of RC members indicated their financial situation was worse. The primary reasons RC members indicated their financial situation was better were changes related to their civilian or military employment (71 percent) and better financial management (68 percent). Conversely, the top reasons RC members indicated their financial situation was worse were increased debt (58 percent) and changes related to their civilian or military employment (51 percent).

The majority of Navy members indicated they were comfortable with their ability to perform various financial management activities. The most members were comfortable with understanding their LES (93 percent AD; 90 percent RC); evaluating their purchasing/spending behavior (88 percent AD and RC); making short-term financial plans (85 percent AD; 89 percent RC); and monitoring their credit score/rating (85 percent AD; 87 percent RC). The fewest members were comfortable understanding the SBP (50 percent AD; 61 percent RC). AD officers and RC senior officers were generally more likely to indicate they were comfortable with most activities. Additionally, across most activities, junior enlisted AD members were more likely to indicate they were not at all comfortable performing the activities. Most Navy members also indicated they routinely use various financial management activities to manage their finances. Most commonly, 87 percent of AD and 86 percent of RC review their LES; 86 percent of AD and RC evaluate their purchasing/spending behavior; 83 percent of AD and 84 percent of RC contribute to a savings account; and 83 percent of AD and 87 percent of RC make short-term financial plans. Less than half of AD members indicated they review their family's dental plan (37 percent), while less than half of RC members indicated they obtain reimbursement from a Flexible Spending Account (43 percent).

Overall, 80 percent of Navy AD members indicated they have a savings or investment habit: 46 percent indicated they save or invest regularly by putting money aside and 34 percent save or invest whatever is left over. Senior and junior officers were significantly more likely to save or invest regularly by putting money aside: 78 percent and 67 percent, respectively. Seventeen percent of Navy AD members said they were unable to save because they spend as much as their income, while just three percent said they are unable to save or invest because they spend more than their income. Navy AD members were more likely to indicate they spend more than their income compared to the DoD overall.

Navy RC members showed similar habits: 85 percent had a saving or investment habit, with 49 percent saving or invest regularly and 36 percent saving whatever is left over. RC members were more likely to save or invest regularly than the DoD's overall average (45 percent). There was significant variance between paygrade: 76 percent of senior officers and 67 percent of junior officers saved or invested regularly, compared to 44 percent of senior enlisted and 33 percent of junior enlisted Sailors. Thirteen percent of RC members indicated they spend as much as their income, while just two percent spend more than their income.

The majority of members also indicated they have an emergency savings fund, including 85 percent of AD and 88 percent of RC. Fourteen percent of AD and 22 percent of RC stated they have emergency savings equal to more than 6 months of their typical expenses. An additional 19

percent of AD and 21 percent of RC indicated between 3 and 6 months' worth of savings. Approximately one-third of members (33 percent AD; 32 percent RC) had between 1 and 3 months, while 19 percent of AD and 13 percent of RC said they had less than 1 month. The remaining 15 percent of AD and 12 percent of RC indicated they did not have an emergency savings fund. Among AD members, officers were more likely to have more than 3 months in emergency savings, while junior enlisted were less likely. For example, 28 percent of junior officers had 3 to 6 months of emergency savings, compared to 15 percent of junior enlisted. Junior enlisted members were more likely (22 percent) to indicate they did not have an emergency savings fund. The Navy RC showed similar trends. One-third of RC officers had more than 6 months in savings, while just 11 percent of junior enlisted did so. Senior enlisted members were more likely to have less than 1 month in savings at 16 percent. Similar to AD members, RC junior enlisted Sailors were most likely to not have any emergency savings: 28 percent said they did not, compared to 12 percent overall.

The vast majority of AD and RC Navy members (91 percent for both) indicated saving for retirement was a financial goal. Other common goals of a large majority were saving for children's education (81 percent AD; 76 percent RC of those with children); saving for a safety net/emergency fund (80 percent AD; 77 percent RC); being free of debt, except mortgage (76 percent AD; 74 percent RC); being free of credit card debt (71 percent AD; 65 percent RC); and saving for a vacation (68 percent AD; 72 percent RC). AD junior (95 percent) and senior officers (94 percent) were more likely to indicate saving for retirement as a financial goal, compared to 88 percent of junior enlisted members, who were less likely. Besides saving for retirement, AD officers were generally less likely to report an item was a financial goal, indicating they may have already achieved many of them. Junior enlisted AD members were more likely to indicate saving for children's education (89 percent) and saving for a safety net/emergency fund (85 percent). AD senior enlisted members were more likely to indicate their financial goals were being free of debt, except for mortgage (80 percent) and being free of credit card debt (77 percent). RC members exhibited similar trends. Senior enlisted RC members were more likely than others to indicate their financial goals included saving for a safety net/emergency fund (81 percent); being free of debt except mortgage (79 percent); saving for a vacation (77 percent); and being free of credit card debt (70 percent). In contrast, RC senior officers were less likely to report any of these goals. RC junior enlisted members were more likely to include being free of credit card debt (75 percent). In addition, 74 percent of junior enlisted RC members included buying a home as a financial goal, compared to 54 percent of Navy RC members overall.

Ninety-one percent of AD and RC Navy members reported they use credit cards, though there is variance in how members pay credit card debt between components. One-third (33 percent) of AD members and nearly half (45 percent) of RC members who use credit cards indicated they pay the balance in full when incurred. Fifty-seven percent of AD and 47 percent of RC members indicated they typically pay more than the minimum payment but not the full balance. RC members were more likely to pay in full than the DoD overall, while AD members were more likely to pay more than the minimum payment but not the full balance. Finally, 9 percent of AD and 10 percent of RC members who use credit cards indicated they typically pay just the minimum payment. AD junior enlisted members were more likely not to use credit cards, while senior enlisted were more likely to pay only the minimum.

Twenty-six percent of AD and 21 percent of RC members reported they experienced a financial management problem in the previous 12 months. The most common financial problems reported by members were having personal relationship problems with their partner due to finances (12 percent AD; 9 percent RC); having to pay overdraft fees two or more times (10 percent AD; 8 percent RC); and borrowing money from family or friends to pay bills (7 percent AD; 8 percent RC). Very few members experienced more serious financial problems. One percent or less of AD and two percent or less of RC members filed for personal bankruptcy, had a car repossessed, had utilities shut off, had their security clearance affected by finances, used a local food pantry, or had a household appliance or furniture repossessed. Overall, across all financial problems, AD junior officers were less likely than others to indicate they experienced them in the previous 12 months. Both AD and RC senior officers were less likely to experience most of the problems.

Few Navy members reported they used certain financial products or services to cover routine expenses in the previous 12 months. Most commonly, 13 percent of AD and 7 percent of RC members used an overdraft line of credit; 10 percent of AD and 8 percent of RC members used overdraft protection from savings, credit card, or another account; and 7 percent of AD and RC borrowed from friends or family. Seven percent of AD members used a loan or grant from a military emergency relief society. Very few members reported using potentially high-cost credit products: three percent of AD and two percent of RC members used a vehicle title loan; one percent of AD and RC members used a pawn loan; and one percent of AD and two percent of RC members used a payday loan. Overall, across all financial products or services, AD officers were less likely than others to use them to cover routine expenses. Similarly, RC senior officers were less likely to use most of the products or services.

Financial conditions generally improved for Navy members in 2017 compared to past results. A large majority said their financial situation was better or the same compared to 12 months ago. The majority were comfortable with their ability to perform a number of financial management activities and reported routinely using those activities to manage their finances. The majority of members indicated they have a saving or investment habit, while the vast majority reported having a financial goal of saving for retirement. The majority of members indicated they have an emergency savings fund. Few reported experiencing a financial management problem or using financial products or services to cover expenses.

AIR FORCE

Overall, the Air Force's results indicate Airmen are doing well financially. The results provide valuable information to maintain Air Force financial readiness programs. The data includes statistics on basic needs of Airmen, their experiences, and resources they use most often. It also provides indications of where training and resources can be improved, informs strategic communications, and identifies staff development training topics that ultimately help Airmen become more ready and resilient. This section provides a compilation of responses from all components to include AD Air Force, Air National Guard (ANG) and Air Force Reserve (AFR).

Across all components, higher or comparable percentages of Airmen reported comfortable financial conditions in 2017 as compared to previous years (78 percent AD; 76 percent ANG; 77 percent AFR). In addition, a large majority of Airmen indicated their financial situation in 2017 was the same or better compared to 12 months ago (87 percent AD; 90 percent ANG; 88 percent AFR). Junior enlisted Airmen were more likely to indicate an improved financial situation than others (47 percent AD; 56 percent ANG; 55 percent AFR). Additionally, AD junior officers were more likely to indicate a better financial situation (52 percent); conversely, AD senior enlisted members were more likely than others to indicate their financial situation was worse compared to 12 months ago (16 percent). When looking at the reasons why Airmen believed their financial situation was improved, better financial management was one of the top two reasons for all components. Additionally, reduction in debt was common among AD Airmen and a change related to employment was common for ANG and AFR Airmen. Top reported reasons why AD Airmen said their situation was worse were increased debt and a change in family situation, while ANG and AFR Airmen cited increased debt and a change related to employment.

When assessing how Airmen manage money, the majority of Airmen are comfortable understanding and performing nearly all of the financial management activities included in the SOFS. Of the financial management activities listed, fewer Airmen reported being comfortable understanding the SBP (58 percent AD; 58 percent ANG; 61 percent AFR), which is understandable due to its relevance at retirement. Looking at which financial management activities Airmen routinely perform, while not in the same order for all components, the top three activities to routinely manage finances were: evaluating purchasing/spending behavior (89 percent AD; 86 percent ANG; 88 percent AFR); making short-term financial plans (87 percent AD; 87 percent ANG; 91 percent AFR); and reviewing the LES (87 percent for all Airmen). On the contrary, the least common financial management activities used by Airmen varied slightly across the components. Contributing to investment or retirement plans other than TSP was among the three least common for all components. However, still a sizable number of Airmen indicated doing this activity: 56 percent AD, 70 percent ANG, and 74 percent AFR. Less than two-thirds of AD (63 percent) and AFR Airmen (65 percent) indicated they contribute to the TSP. Additionally, just 41 percent of AD Airmen reported they routinely review their family's dental plan. Forty-one percent of AFR and 37 percent of ANG indicated they obtain reimbursement from a Flexible Spending Account.

Results related to saving and investing are positive, as a majority of Airmen indicated they are saving or investing regularly (54 percent) or whatever is left each month (34 percent AD and

AFR; 31 percent ANG). Senior and junior officers were more likely to indicate they save or invest regularly, while AD junior enlisted Airmen were more likely to indicate they save or invest whatever is left (42 percent). The vast majority of Airmen indicated they had an emergency savings fund (89 percent AD; 87 percent ANG; 89 percent AFR). Nearly 40 percent of Airmen reported they had more than 3 months of emergency savings, while another third had between 1 and 3 months. Junior enlisted Airmen were more likely to report they had no emergency savings (19 percent AD; 24 percent ANG; 21 percent AFR).

The most common financial goals were consistent across Air Force components as well as the DoD. Saving for retirement was a goal of 92 percent of AD, 94 percent of ANG, and 93 percent of AFR Airmen. Saving for a safety net/emergency fund was a goal of 81 percent of all Airmen. Being free of debt, except for mortgage was a goal for 73 percent of AD and 78 percent of ANG and AFR Airmen. Among Airmen with children, saving for their children's education was a financial goal for 79 percent of AD, 76 percent of ANG, and 79 percent of AFR Airmen.

Airmen reported similar credit card payment habits across components. A majority of Airmen indicated they use a credit card (86 percent AD; 88 percent ANG; 89 percent AFR). Among those who do, 42 percent of AD, 44 percent of ANG, and 43 percent of AFR reported they pay the balance in full when incurred. About half of Airmen who use credit cards routinely pay more than the minimum payment but not the full balance (51 percent AD; 50 percent ANG; 52 percent AFR). Senior enlisted Airmen were more likely to indicate they pay more than the minimum payment but not the full balance (66 percent AD; 60 percent ANG; 58 percent AFR).

Few Airmen indicated they experienced certain financial problems in the 12 months before the SOFS, including 16 percent of AD, 18 percent of ANG, and 21 percent of AFR Airmen. Twelve percent of AD and ANG and 15 percent of AFR Airmen reported they provided unplanned financial support to a family member who did not live with them. Some Airmen indicated having personal relationship problems with their partner due to finances (six percent AD; nine percent ANG and AFR). Slightly fewer Airmen reported borrowing money from family and/or friends to pay bills (five percent AD; seven percent ANG; eight percent AFR). Very few Airmen reported having to use certain high-cost credit products to cover expenses: three percent of AD and two percent of ANG and AFR Airmen reported using a vehicle title loan; one percent of AD and two percent of ANG and AFR Airmen used a payday loan; and zero percent of AD and one percent of ANG and AFR Airmen indicated they obtained a pawn loan.

Overall, across all components, Airmen reported positively on financial condition, use of financial management tools, savings and investing habits, use of credit cards, and managing financial issues. The Air Force continues to monitor and analyze data from the SOFS, in addition to other data such as TSP contribution levels and use of Air Force Aid Society loans and grants to develop and refine the Air Force's Financial Readiness program. Implementation efforts continue for financial literacy training, as required by section 992 of title 10, U.S.C., and forthcoming data on training effectiveness will also be leveraged to continuously improve financial readiness of Airmen, resulting in a more ready and resilient Air Force.

DoD FINANCIAL READINESS EFFORTS

DoD views financial readiness as an integral component of overall readiness and has the vision that members and their families are financially ready and resilient throughout the military lifecycle. DoD and Military Service programs and initiatives support members' efforts to sustain and strengthen their financial readiness through multiple approaches. The Under Secretary of Defense for Personnel and Readiness exercises oversight of these efforts through the Assistant Secretary of Defense for Readiness and the Deputy Assistant Secretary of Defense for Force Education and Training.

Financial Literacy Education and Training

Section 992 of title 10, U.S.C., requires financial literacy training at several professional and personal life events, or "touchpoints." Training is intended to prepare members and their families to respond to the financial circumstances of these events, whether those are the financial implications of getting married, managing finances during deployment, or conducting a permanent change of station. In addition to traditional classroom or computer-based training, the DoD is developing innovative learning approaches to meet the needs of members. These include short, video "microlearning" modules intended to provide brief, accessible information on financial considerations at each touchpoint, as well as on specific financial topics associated with each touchpoint (such as understanding an LES during initial entry training). Additionally, in FY 2019 DoD, in collaboration with the Office of Personnel Management's USALearning, will launch a financial literacy mobile learning app. The app will provide content adaptable to users' changing life circumstances and allow members and their families to receive interactive, on-demand financial literacy resources at their convenience. Both of these initiatives respond to evolving learning preferences among members by providing tailored, interactive educational experiences that supplement Military Services' programs and resources. In addition, DoD is developing a dedicated financial readiness website to provide a central source where members and families, financial educators and counselors, and others can access information and resources on financial topics.

In 2018, DoD also continued its education strategy associated with the BRS to ensure members have factual and unbiased information to understand the basics of the BRS and how it may affect them personally and professionally. Since June 2016, the DoD launched three courses to support the 2018 BRS opt-in period: one for leaders, one for financial educators and counselors, and one for the approximately 1.6 million opt-in eligible members. In December 2017, the DoD released a fourth course intended to provide basic information for new accessions automatically covered under the BRS beginning January 1, 2018. This course, provided during initial entry training, communicates key information so new members can immediately take advantage of the retirement benefits of their service. In FY 2019, DoD will launch training for members retiring under BRS which will help eligible members understand how the lump sum option is calculated, how it affects retirement compensation, and tax implications. Finally, future mid-career BRS training will help members understand continuation pay and retirement planning based on their anticipated career path. In addition to BRS-specific training, financial education throughout the military lifecycle provides regular opportunities for members to assess their retirement planning and maximize the financial benefits of their service.

Financial Counseling

DoD and the Military Services provide one-on-one financial counseling to members and their families through a number of resources. The Military Services employ approximately 400 Personal Financial Managers (PFMs) at military installations worldwide. These nationally-accredited professionals provide unbiased financial counseling and classroom education. The DoD also deploys a flexible, contracted network of more than 325 accredited Personal Financial Counselors (PFCs). These professionals supplement PFMs at military installations with high need or are located in other areas with large concentrations of RC members. PFCs additionally provide support to short, on-demand needs of the Reserve and National Guard, such as drill weekends, annual training, family events, or deployment preparations. Between August 2017 and August 2018, PFCs provided more than 24,000 hours of on-demand financial education and counseling. In FY 2017, PFMs and PFCs conducted more than 1.8 million brief or extended one-on-one counseling sessions, and an additional 99,000 group briefings or workshops attended by more than 1.3 million individuals. In addition, some Military Services train select non-commissioned officers to provide front-line financial readiness support to fellow members as a collateral duty to their typical responsibilities. These Command Financial Non-Commissioned Officers and Command Financial Specialists can provide basic financial management assistance and serve as an advocate within their unit to promote the importance of financial readiness. Finally, members and their families have access to free, confidential financial counseling via Military OneSource – a 24/7 call center and website. Accredited financial counselors provide telephonic, video, and in-person financial counseling at many locations. Military OneSource provides a valuable resource for members and families to access personal support at any time.

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...” To this end, DoD works with federal agencies and appropriate non-profit organizations to leverage their expertise and resources in support of financial readiness. For example, the Military Families Learning Network under DoD and Department of Agriculture’s Partnership for Military Families, provides virtual professional development for PFMs. DoD also works closely with federal regulatory agencies such as the CFPB, the Federal Trade Commission, and the Securities and Exchange Commission to provide education and information about consumer protections for members and families. DoD is a member of the interagency Financial Literacy and Education Commission (FLEC), established by section 9702 of title 20, U.S.C., and its executive committee. The FLEC is tasked to develop a national strategy for financial literacy, provides an opportunity for DoD to collaborate with federal agencies, and enables sharing of information and resources and coordination of efforts.

CONCLUSION

DoD views financial readiness as a state in which successful management of personal financial responsibilities supports a member's ability to perform their wartime responsibilities. Inability to manage financial obligations, such as meeting routine or unexpected expenses, can have negative impacts on health and family relations, undermine personal and family readiness, and, by extension, unit and mission readiness.

SOFS questions allow the DoD to understand members' financial behaviors, perceptions, and goals. In addition, assessment questions provide a method to quantitatively assess the financial literacy of the military and compare some of those results to the U.S. population. Use of the CFPB financial well-being scale provides a common, validated measure of financial well-being that DoD can monitor and compare over time. The 2017 results show a generally positive state of financial literacy and preparedness within the military. Most members report a comfortable financial condition, and DoD has observed an improving trend over time. The vast majority of members felt their financial situation had improved or stayed the same in the past year. Members are comfortable with and perform a wide variety of financial management activities. Most members had a saving or investment habit, including saving for emergencies. Members overall are pursuing a variety of financial goals, while junior enlisted members were more likely than others to be pursuing short-term, purchase-oriented goals as they establish their careers and families. Few members experienced financial management problems and very few used potentially high-cost credit products to cover expenses. A common measure of financial well-being indicates members have higher levels of financial well-being than the average U.S. adult. Finally, members were comparably or more knowledgeable than U.S. adults about some common financial topics, though many members may be unfamiliar with certain financial topics included in the SOFS.

The SOFS will continue to serve as a key measure of the financial literacy and preparedness of the military. The 2018 SOFS included new questions related to student loan debt and any impact of student loan debt on intention to remain in the military. DoD PFMs continue to report that more members are entering service with such debt, and DoD has identified student loans as an emerging area of focus.

Financial readiness efforts across DoD will continue to support members and families by helping them develop skills, address concerns, and meet their financial goals, so they remain financially ready and resilient throughout the military lifecycle, in support of the Secretary of Defense's vision of a more capable and lethal joint force.