

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



Results from the 2020 Status of Forces Survey

April 2022

**CLEARED
For Open Publication**

By kempr on Apr 11, 2022

Department of Defense
OFFICE OF PREPUBLICATION AND SECURITY REVIEW

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

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EXECUTIVE SUMMARY

The Department of Defense (DoD) submits this 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 pursuant to 10 U.S.C. § 992(d). This report includes results from the 2020 Status of Forces Survey (SOFS) related to financial literacy and preparedness. The report also includes an overview of DoD financial readiness programs and a description of how survey results are used to evaluate and update training.

Key findings from the 2020 SOFS include:

- The financial well-being of Service members was generally similar to or better than that observed across the survey's various measures in 2019.
- The majority of Service members reported a comfortable financial condition, with the percentage of financially comfortable Service members showing improvement over time.
- A large majority of Service members indicated their financial situation was the same as or better than 12 months ago.
- A large majority of Service members reported saving regularly by putting money aside, more than any prior year of the survey.
- Service members are less likely than U.S. adults overall to be at risk of material hardship, based on a comparison using a common metric developed by the Consumer Financial Protection Bureau (CFPB).
- A small percentage of Service members reported financial management challenges, such as missing payments. One percent or fewer reported a serious financial issue that could directly impact financial readiness, such as bankruptcy or an adverse personnel or security clearance action due to a financial condition.

INTRODUCTION

Title 10, U.S. Code, section 992(d), as amended by the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2016 (Public Law 114-92), directs DoD to conduct an annual survey on the “status of the financial literacy and preparedness of members of the armed forces.” The subsection further directs the survey results be used by the “Secretaries concerned as a benchmark to evaluate and update training”¹ and “submitted to the Committees on Armed Services of the Senate and House of Representatives.”

In addition to requiring this annual survey and report, the NDAA for FY 2016 introduced expanded requirements for the Department to deliver financial literacy training to Service members. In doing so, Congress recognized that financial literacy and preparedness contribute to a Service member’s financial readiness. The Department defines financial readiness as a state in which successful management of personal financial responsibilities supports a Service member’s ability to perform his or her wartime responsibilities. Financial readiness is treated as a critical component of mission readiness. To support Service members’ ability to maintain their financial readiness throughout their military career, the Department provides financial literacy training and financial counseling in accordance with 10 U.S.C. § 992. Policies regarding common military training (CMT) other financial readiness requirements are outlined in DoD Instruction 1322.34, “Financial Readiness of Service Members.”²

The financial literacy and preparedness section of the 2020 SOFS includes a series of subjective and objective questions regarding the financial condition, behaviors, goals, and potential challenges among the military population. These questions allow DoD, the Military Departments, and the Military Services to monitor the financial readiness of Service members and to identify potential educational needs.

The SOFS includes a Financial Well-Being Scale developed by the CFPB. Based on extensive research, the CFPB’s scale provides a common numerical measure of financial well-being that is comparable across population groups and time. The survey also contains knowledge-based questions to assess understanding of a variety of financial topics, including both general (e.g., interest, inflation) and military-specific (e.g., military retirement). Some of these questions are included on major national surveys and provide an opportunity to measure how the level of financial literacy within the military compares to the civilian population.³

¹ 10 U.S.C. § 101 defines “Secretaries concerned” as the “Secretary of the Army for the Army; the Secretary of the Navy for the Navy, Marine Corps, and Coast Guard when operating as a service in the Department of the Navy; the Secretary of the Air Force for the Air Force and Space Force; and the Secretary of Homeland Security for the Coast Guard when it is not operating as a service in the Department of the Navy.”

² DoD Instruction 1322.34, “Financial Readiness of Service Members,” November 5, 2021, incorporated and replaced previous guidance issued under Directive-type Memorandum 19-009, “Financial Readiness Common Military Training Requirements,” August 2019.

³ Non-DoD surveys referenced in this report are scientifically designed to accurately represent the U.S. population, just as the SOFS is designed to accurately represent the military population.

OVERVIEW OF 2020 SURVEY RESULTS

This section provides an overview of the financial literacy and preparedness results of the 2020 SOFS. The DoD Office of People Analytics (OPA), part of the Defense Personnel Assessment Center, administers two separate SOFS annually: the Status of Forces Survey of Active Duty Members (SOFS-A) and the Status of Forces Survey of Reserve Component Members (SOFS-R). The surveys are typically administered in the second half of the calendar year. The 2020 SOFS-R was administered between July and November 2020 to a sample population of 125,000 Reserve Component (RC) Service members with a weighted response rate of 12 percent. The 2020 SOFS-A was administered between October 2020 and January 2021 to a sample population of 125,000 active duty (AD) Service members with a weighted response rate of 12 percent. OPA uses industry-standard processes employed by Federal agencies such as the Census Bureau and the Bureau of Labor Statistics to produce scientific estimates that are representative of the larger population group. For example, the responses of AD junior enlisted members are statistically representative of the entire AD junior enlisted population.⁴ Using DoD personnel and demographic data, OPA invites a selected sample population to participate in order to ensure accurate representation. This population is designed to be representative of the overall sample population by Military Service and paygrade group.⁵ The results are then weighted to account for different response rates and ensure continued accurate representation. This approach differs from surveys using convenience samples which openly invite participants, cannot validate identity or military characteristics, and are not scientifically representative of the military population.

The SOFS includes many of the same questions from year to year, allowing the Department to observe changes and trends over time. It is important to note that the military population is in a constant state of turnover; for example, nearly 188,000 AD Service members separated from service in 2018. Statistical analysis allows comparisons between groups and over time (e.g., how junior enlisted members compare to all other members; how 2020 results compare to 2019). OPA conducts statistical tests to identify statistically-significant differences between groups and compares differences between groups at the 0.01 significance level.

The 2020 SOFS was conducted in the midst of the coronavirus disease 2019 (COVID-19) pandemic, although the survey administration spanned a timeframe in which the scope of economic impact, such as shutdowns and restrictions, varied greatly. Any statistical differences in results between 2019 and 2020 may reflect an impact of the pandemic on the financial well-being of Service members, but the Department cannot make any definitive determination based on this limited data alone.

Overall Financial Condition

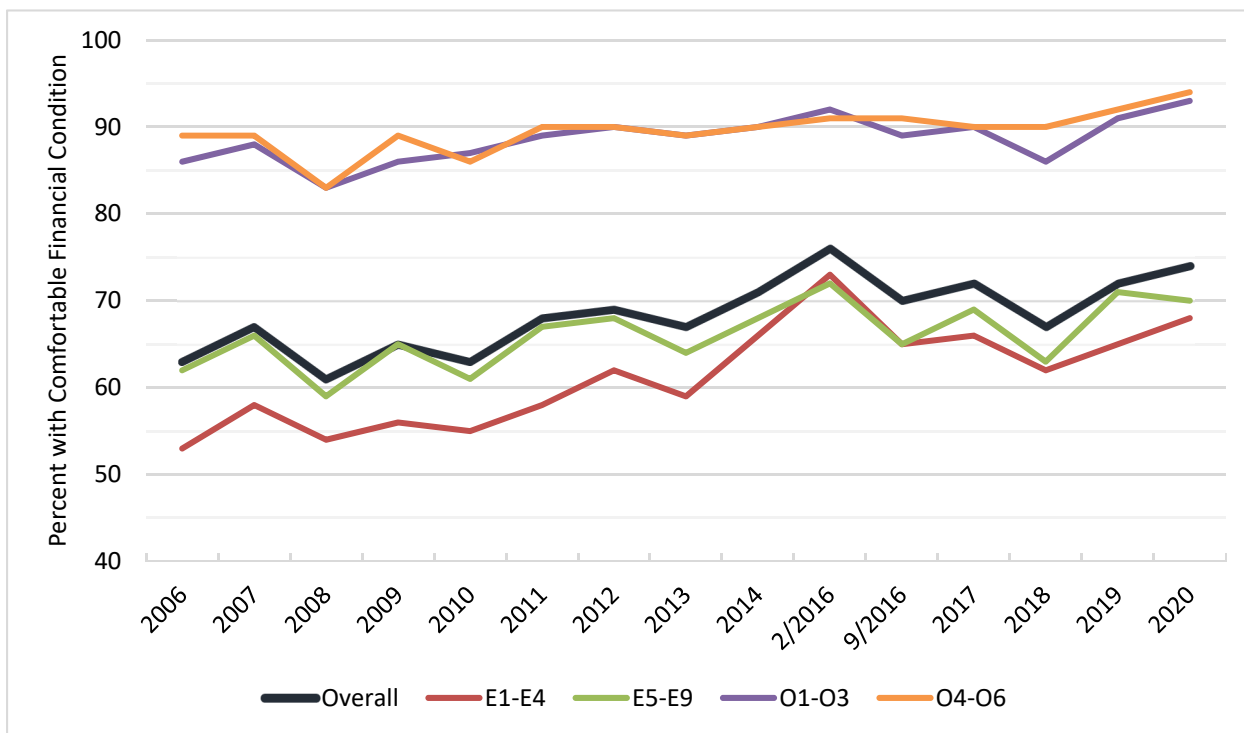
The majority of Service members continue to report a comfortable financial condition, which includes members who reported they were “very comfortable and secure” or “able to make ends

⁴ This report defines junior enlisted as paygrades E1 to E4, senior enlisted E5 to E9, junior officers O1 to O3, and senior officers O4 to O6. General and flag officers (paygrades O7 to O10) are not surveyed.

⁵ Due to its small size, results from Space Force Guardians are not independently analyzed. Any Space Force participants are included in the Air Force results.

meet without much difficulty” on the survey. Figure 1 shows the percent of AD Service members reporting a comfortable financial condition by paygrade group over time. For AD members, results in 2020 were similar to or higher than past years across paygrades (74 percent overall). Also across DoD, 19 percent indicated experiencing some difficulty, and seven percent reported they were “not comfortable,” having responded “tough to make ends meet but keeping your head above water” or “in over your head” when asked to describe their or their spouse’s financial condition.

Figure 1: Comfortable Financial Condition, Active Duty

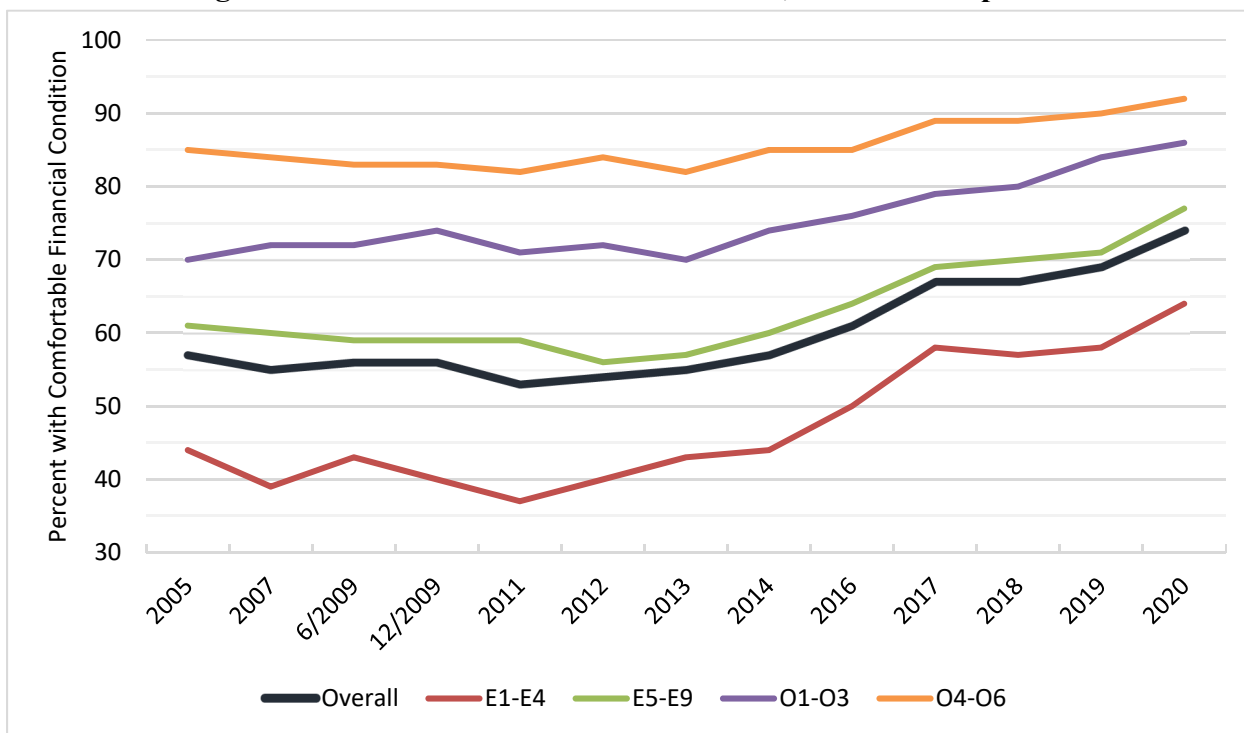


Because the SOFS identifies respondents by a number of characteristics, the results provide the opportunity to understand how financial condition differs in certain population groups. Of all AD Service members surveyed, more officers reported high levels of financial comfort compared to enlisted personnel (93 percent compared to 69 percent). Air Force members were more likely to report a comfortable financial condition than other Services (80 percent compared to 72 percent Army, 70 percent Navy, and 72 percent Marine Corps). Also of note, 77 percent of single and 75 percent of married members without children reported high levels of financial comfort, compared to 61 percent of single and 70 percent of married members with children. Groups reporting higher responses of “not comfortable” include Navy members (9 percent), married members with children (9 percent), junior enlisted (10 percent), and single members with children (14 percent).

For RC Service members, results reporting a comfortable financial condition by paygrade group over time are shown in figure 2. Overall, RC members were more likely to report a comfortable financial condition in 2020 than in 2019 (74 percent in 2020 compared to 69 percent in 2019). The largest improvements were reported by junior enlisted (58 percent in 2019 compared to 64

percent in 2020) and senior enlisted personnel (61 percent in 2019 compared to 77 percent in 2020). Within results, Navy Reserve (78 percent), Air Force Reserve (AFR) (81 percent), and Air National Guard (ANG) (83 percent) Service members reported high percentages of financial comfortable. Officers (89 percent), senior enlisted (77 percent), and married Service members (79 percent) also had higher results. Across all DoD Components, 19 percent reported some difficulty and seven percent were not comfortable.

Figure 2: Comfortable Financial Condition, Reserve Component



The SOFS also asks all Service members to compare their current financial situation to that 12 months earlier. This question provides the most direct opportunity for Service members to report recent changes in their financial well-being. Overall, 87 percent of both AD and RC Service members indicated their financial condition was better than or the same as 12 months ago. Among AD members, 49 percent reported they were better off and 13 percent responded they were worse off. AD members overall were more likely to respond they were better than any previous survey, dating from 2016. The same was true for RC members: 54 percent were better, more than any previous survey, and 13 percent were worse. If respondents indicate a change in their condition, they are asked to select reasons for the change. AD Service members were most likely to report their condition had improved due to better financial management (71 percent), potentially reflecting the effectiveness of financial education resulting in better planning or budgeting. RC Service members were also most likely to indicate better financial management (71 percent), with change related to their employment slightly less common (65 percent).

The Federal Reserve’s Survey of Household Economics and Decision making (SHED) and associated report, “Economic Well-Being of U.S. Households in 2020” provides several opportunities to compare the military population to the U.S. population overall. The SHED

found that the pandemic caused substantial disruption to many people's finances, but financial well-being indicators started to edge back down following the financial relief and stimulus measures. By the fourth quarter of 2020, the share of adults who were doing at least okay financially, meaning they reported either "doing okay" financially or "living comfortably," was unchanged relative to 2019. However, the SHED noted that not all groups fared similarly. While a large majority of Americans said they were either doing ok or comfortable compared to 12 months earlier, nearly a quarter reported they were worse off financially, up from 14 percent in 2019.⁶ The improved overall financial well-being scores of Service members in the 2020 SOFS during a period of disruption may reflect the financial stability associated with military service. Service members and families also benefitted from the significant relief and stimulus measures. For example, enhanced unemployment benefits may have sustained some RC members as well as spouses and families of AD members who experienced job loss. In recognition of the continued financial vulnerability of certain groups within the military population, the DoD continues to assess the data and target education and outreach to where some of the lower scores were observed, such as junior enlisted and members with children.

Financial Management Activities

The survey asks Service members whether they routinely perform a variety of specific financial management activities. This information helps DoD to understand how Service members manage their finances, identify needed education focus, and observe how behaviors might change over time. In 2020, a large majority of Service members indicated they performed the specific activities. The most common activity was contributing to a savings account (83 percent AD; 81 percent RC); both AD and RC Service members were more likely to report doing so in 2020 than in 2019. Other activities included monitoring their credit score (82 percent AD; 78 percent RC), reviewing their Leave and Earnings Statement (82 percent AD; 73 percent RC), contributing to a retirement account (81 percent AD; 73 percent RC), making short-term financial plans (78 percent AD; 78 percent RC), making and monitoring long-term financial plans (73 percent AD; 77 percent RC), and following a monthly budget or spending plan (64 percent AD; 64 percent RC).

Junior enlisted were less likely to report using most of the financial management activities. The largest gap was making and monitoring long-term financial plans, and additionally contributing to a retirement account for RC junior enlisted. These results, consistent with past years and other data from the survey, reflect that young Service members may be more focused on their short-term financial goals and needs as they establish their careers, households, and families.

Financial Goals

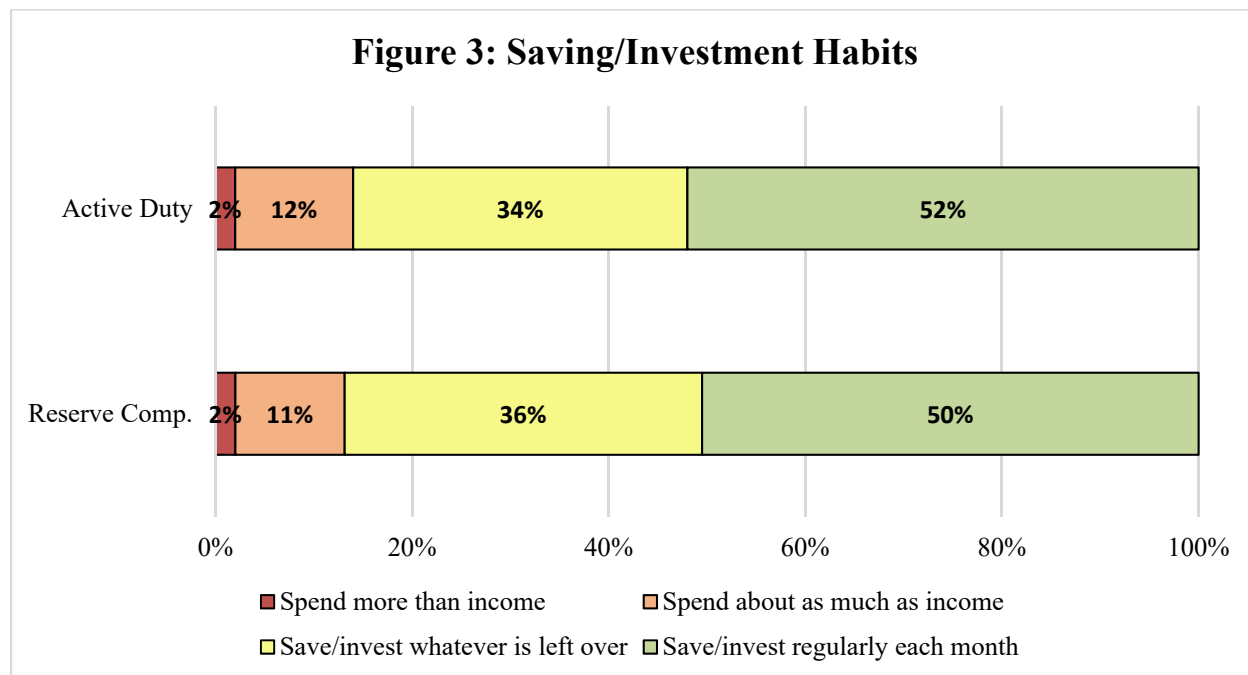
The SOFS asks Service members whether or not they are pursuing a variety of short- and long-term financial goals, including if they have already accomplished a given goal. This question provides insight into their financial priorities and what education, information, or other support may be needed to meet those goals. The most common goals across Components were saving for retirement (86 percent AD; 87 percent RC); saving for a safety net/emergency (84 percent

⁶ Board of Governors of the Federal Reserve System, "Economic Well-Being of U.S. Households in 2020" (May 2021), pp. 7, 22.

AD; 81 percent RC); and being free of debt, except mortgage (79 percent AD; 77 percent RC). A large majority of Service members with children responded that saving for their children’s education was a financial goal (76 percent single AD and 77 percent married AD members; 76 percent single RC and 74 percent of married RC members). Junior enlisted members were more likely to identify saving for a major purchase (81 percent AD; 82 percent RC) and buying a home (78 percent AD; 76 percent RC) as a specific financial goal.

Savings and Investment Habits

A large majority of Service members overall reported a savings habit of some kind (86 percent AD; 87 percent RC). About half of both AD and RC Service members reported saving regularly each month, while the rest reported saving whatever is left each month, as shown in Figure 3. The percentages of Service members who save or invest regularly were higher than any year since first included on the survey in 2016. More than 80 percent of junior enlisted members reported saving, although they were less likely to do so regularly and more likely to save whatever was left.

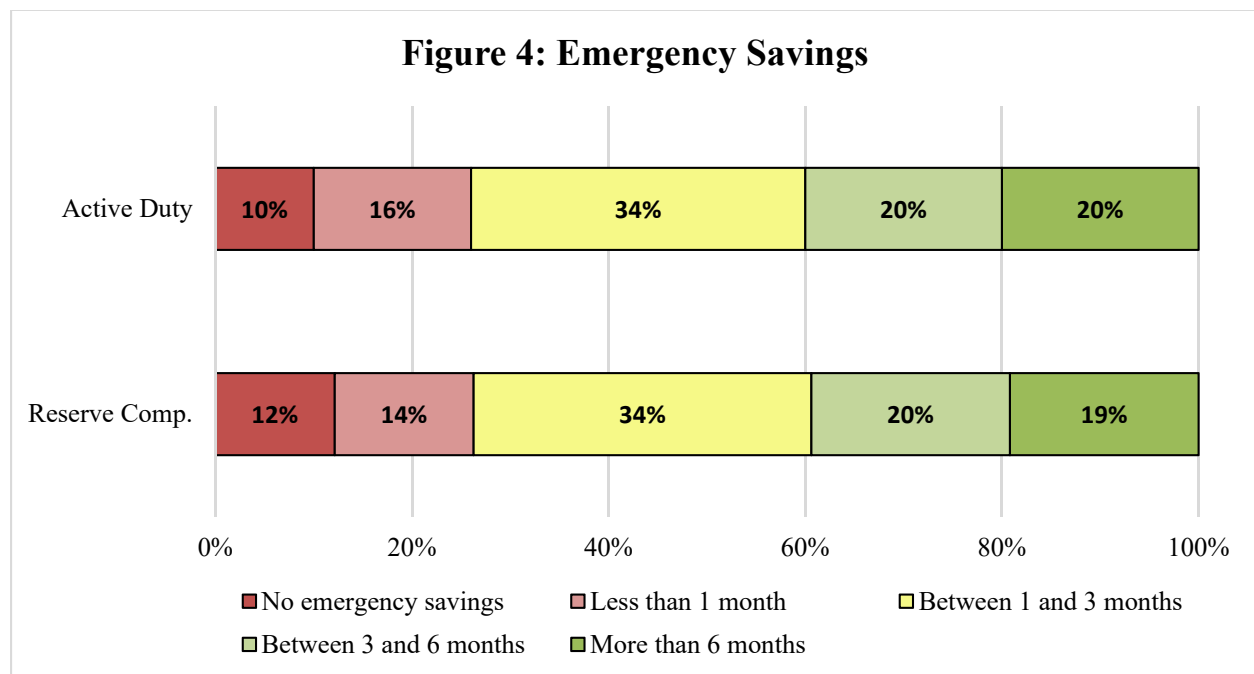


A very small proportion of Service members—just two percent—reported they typically spent more than their income. Service members who spend more than their income may resort to risky financial behaviors, such as accumulating credit card debt or having to use high-cost financial products to cover their regular expenses. This amount is significantly lower than the 16 percent of U.S. adults who reported spending more than their income reported in the Federal Reserve’s 2020 SHED. AD Service members retained their income and benefits during the COVID-19 pandemic when substantial numbers of Americans experienced job loss or other income disruptions. Stimulus payments, student loan deferrals, and other benefits may have allowed Service members to save more.

Throughout 2021, the Department saw more members than ever contributing to their retirement through the Thrift Savings Plan (TSP) under the military’s Blended Retirement System (BRS). In March 2021, the number of Service members under BRS exceeded one million for the first time and more AD members are covered by BRS than other retirement plans. All new members receive training on TSP and other aspects of military retirement as they complete their initial entry training so they can immediately make informed financial decisions related to TSP, including contribution rate and fund allocation.

Emergency Savings

Emergency savings are an important component of financial readiness because they allow an individual to respond to unexpected expenses without disrupting their typical financial responsibilities or relying on credit or high-cost behaviors or products. Figure 4 shows levels of emergency savings among Service members.



More Service members reported having some amount of emergency savings in 2020 than any previous year since the question was first included in 2016. In 2019, 17 percent of AD and RC Service members indicated they had no emergency savings, compared to 10 percent of AD and 12 percent of RC Service members in 2020. These findings also potentially reflect that members may have prioritized saving during the pandemic, especially if they viewed emergency savings as an important protection against financial hardship. During the pandemic, the Department’s messaging to help Service members maintain their financial readiness, discussed more below, included the importance of emergency savings.

Junior enlisted personnel were more likely to have no emergency savings (17 percent AD; 22 percent RC), but this was a substantial improvement from 2019 (27 percent AD; 28 percent RC). In addition, they appear to recognize the importance of emergency savings: 89 percent of AD

and 91 percent of RC junior enlisted Service members indicated that saving for an emergency fund was either an ongoing financial goal or a financial goal they have already met.

While DoD emphasizes the importance of building emergency savings, Service members also have access to private non-profit military aid societies that provide financial assistance in the form of no-cost loans or grants to address unexpected expenses. These organizations provided beneficial support to Service members to meet financial challenges due to the COVID-19 pandemic, such as expenses associated with the Department's restriction of movement policy, child care, and remote education. They further assisted Service members with needs resulting from natural disasters, such as during the winter storms in Texas in February 2021. Their assistance positively contributes to financial readiness as it provides Service members an opportunity to avoid high-cost credit products when unforeseen circumstances arise and sufficient emergency savings are not available.

Credit Card Usage

Overall, 86 percent of AD and 82 percent of RC Service members reported using credit cards. Among AD Service members who use credit cards, 47 percent routinely pay the full balance each month, 45 percent pay more than the minimum but not the full balance, and the remaining 8 percent reported paying only the minimum amount due. Among RC Service members, half routinely pay in full each month, 44 percent pay more than the minimum but not the full balance, and 7 percent pay only the minimum amount due.⁷ The proportion of Service members who reported paying in full each month was higher in 2020 than any previous year since this question was first asked in 2017.

Credit card use and repayment habits among Service members closely resembled those of the U.S. population overall. The SHED found that 83 percent of Americans had a credit card in 2020, with half paying off the balance each month and the other half carrying a balance at least once in the past year.⁸

Credit card usage was highly dependent on paygrade group. Junior enlisted were significantly more likely not to use credit cards (26 percent AD; 31 percent RC). However, payment habits among those who used credit cards were similar to others: 43 percent of AD and 46 percent of RC junior enlisted credit card users reported paying in full each month.

Six percent of AD and five percent of RC Service members indicated they failed to make a monthly credit card payment in the past 12 months. AD junior enlisted, at eight percent, were slightly more likely to have done so. Responsible use of credit is a critical component of financial readiness, and an important education focus early in a Service member's career. If used responsibly, credit cards provide flexibility and convenience. The Department includes training on managing debt and credit early in a Service member's career. Additional details on DoD's financial literacy education and counseling programs are discussed later in this report.

⁷ Percentages do not add up to 100 percent due to rounding.

⁸ Board of Governors of the Federal Reserve System, "Economic Well-Being of U.S. Households in 2020" (May 2021), p. 42.

Financial Management Challenges

The SOFS asks about a number of financial management challenges experienced by Service members in the past 12 months that range in severity and risk to financial readiness. Among AD members, 25 percent of Service members across DoD reported at least one financial challenge, compared to 30 percent in 2019. RC results and trends were similar: 24 percent of RC members across DoD reported at least one financial challenge, compared 31 percent in 2019.

The most common financial challenges selected were providing unplanned financial support to a family member that did not live with you (13 percent AD; 10 percent RC) and having personal relationship problems with a partner due to finances (12 percent AD; 8 percent RC). Junior enlisted members were more likely to have relied on others in 2020, with 12 percent of AD and 13 percent of RC junior enlisted members borrowing from family or friends.

Smaller percentages of Service members indicated experiencing missing payments or other cash flow issues. AD members reported: eight percent borrowed money from family or friends to pay bills; six percent failed to make at least one credit card payment, had to pay two or more overdraft fees, or took money out of an investment or retirement fund to pay living expenses; four percent had a debt referred to collection; and three percent missed a car payment. Only two percent missed a rent or mortgage payment, bounced two or more checks, or had telephone or internet shut off. One percent or fewer reported having utilities shut off, having a car repossessed, having an adverse personnel or security clearance action due to financial condition, or filing for personal bankruptcy. Responses within the RC were similar. Across all active DoD Service members, three percent indicated that they had visited a food pantry over the past 12 months, compared to two percent in 2019. Among RC members, three percent selected this response, the same as in 2019.

Financial Products and Services

Only a small percentage of Service members reported using various high-cost financial products and services in the past 12 months to cover their expenses. Use of any of these financial products and services was similar to or less common in 2020 than in 2019. The most common were traditional banking products, including overdraft protection (eight percent AD; seven percent RC); overdraft line of credit (six percent AD; four percent RC); and a credit card cash advance (four percent AD; two percent RC). Use of alternative and non-bank products and services was uncommon among Service members in the previous 12 months: these included online loans (three percent of AD and RC); vehicle title loans (four percent AD; two percent RC); direct deposit advance loans (two percent AD; one percent RC); and payday and pawn loans (one percent).

While these products and services generally have higher costs than more common financial products and services such as credit cards or personal loans, they are generally subject to the terms and conditions of the Military Lending Act (MLA). The MLA was enacted in 2006 and implemented by DoD to address predatory lending targeting Service members and families. The then-Secretary of Defense issued a final rule on the implementation of the MLA in 2015. Since the DoD regulation took effect, the amount a creditor may charge, including interest, fees, and

charges imposed for credit insurance, debt cancellation and suspension, and other credit-related ancillary products sold in connection with the transaction is limited to an annualized rate referred to as the Military Annual Percentage Rate. That rate may not exceed 36 percent and is much lower than those traditionally associated with high-cost credit products, such as vehicle title loans and payday loans, which can exceed 300 percent. Lenders of many of these products may have modified their practices to comply with the MLA yet continue to offer similar products. The Department may not be able to determine if a credit product referred to by survey respondents violates the MLA based on survey data alone. DoD financial counselors, legal assistance officers, and other support professionals are trained to help Service members seek appropriate assistance. If credit agreements offered to Service members do violate the MLA, they can be voided and are further subject to potential legal action against the credit provider. DoD shares any findings with appropriate Federal regulatory agencies to inform their supervision and enforcement efforts.

Financial Well-Being Scale

The SOFS includes the CFPB's Financial Well-Being Scale, which provides a common measure of financial well-being that is comparable across populations and time. Responses to a series of 5 or 10 questions produce a score from 0 to 100. The SOFS incorporates the five-question version of the CFPB questionnaire. The CFPB found that scores of 50 or below were associated with an increased probability of struggling to make ends meet and of experiencing material hardship (running out or worrying about running out of food, not being able to afford medical treatment or a place to live, or having utilities shut off). By contrast, scores of 61 and above are associated with low probability (less than 10 percent) of having trouble paying for basic needs or making ends meet.⁹

In 2020, the average score for both AD and RC Service members was 61. Among AD Service members, junior enlisted (59) and senior enlisted (60) had statistically lower scores. RC junior enlisted similarly had a lower average score of 58. Among the Military Services, the Navy (59), Army National Guard (ARNG) (60), U.S. Army Reserve (USAR) (60), and Marine Corps Reserve (59) had lower scores. The Air Force (63), ANG (64), and AFR (63) all had higher scores compared to the other Military Services.

⁹ Consumer Financial Protection Bureau, "Financial Well-Being in America," (September 2017), p. 6.

Figure 5: Distribution of Financial Well-Being Scale Scores

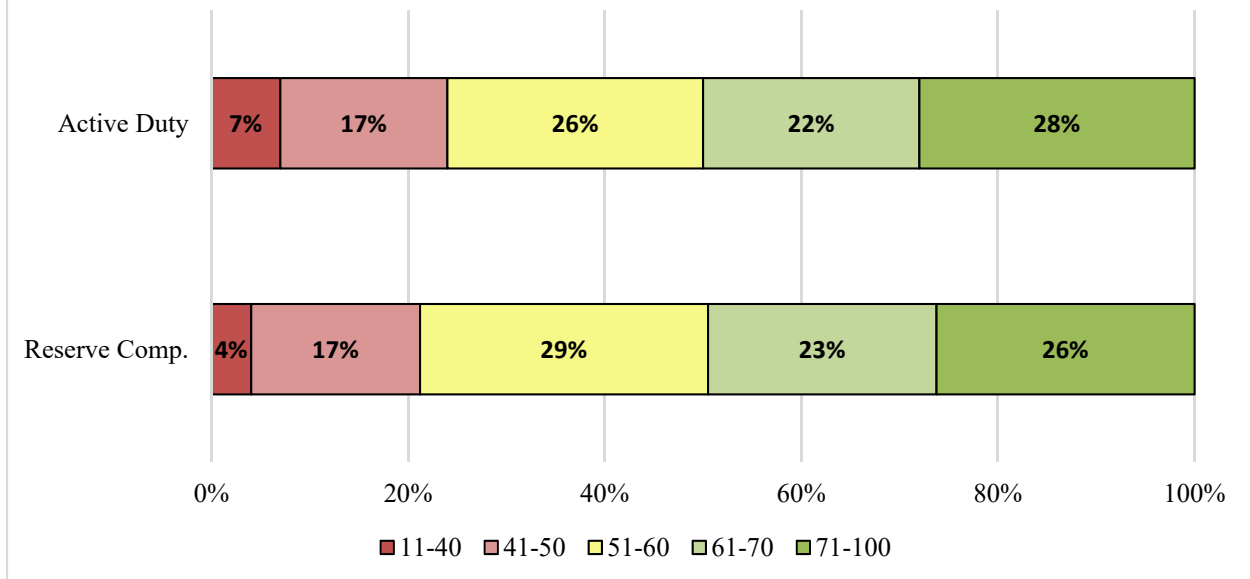


Figure 5 shows the distribution of scores across the scale. Overall, 24 percent of AD and 21 percent of RC Service members had scores of 50 or below in 2020. In comparison, the Federal Reserve’s 2020 SHED found that 38 percent of adults had such scores.¹⁰ Among paygrades, junior enlisted members had the highest proportion of scores of 50 or below (29 percent).

Financial Knowledge

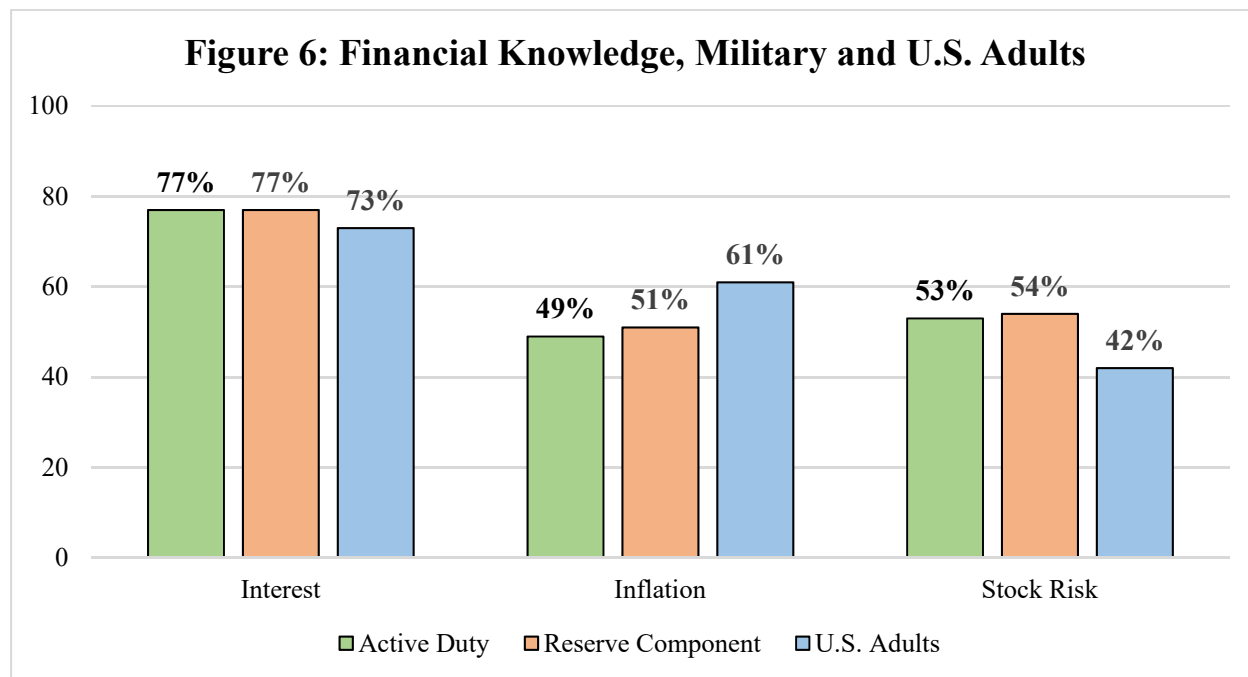
The SOFS includes a series of ten financial knowledge questions to objectively assess Service members’ understanding of various financial concepts, including military-specific topics. Four of these questions were developed by the Financial Industry Regulatory Authority (FINRA) Investor Education Foundation’s National Financial Capability Study.¹¹ Three of those questions are also included on the SHED, providing an opportunity to compare the financial knowledge of the military and U.S. adults overall. The three questions included on the SHED are as follows:

1. Interest. *Suppose you had \$100 in a savings account with an interest rate of 2 percent per year. After five years, how much do you think you would have in the account if you left the money grow? (Correct answer: More than \$102)*
2. 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? (Correct answer: Less than today)*
3. Stock Risk. *Is the following statement true or false? Buying a single company’s stock usually provides a safer return than a stock mutual fund. (Correct answer: False)*

¹⁰ Board of Governors of the Federal Reserve System, “Economic Well-Being of U.S. Households in 2020” (May 2021), p. 15.

¹¹ References to non-federal entities do not constitute an endorsement of those entities by the DoD.

Figure 6 indicates the percent correctly answering each of these three common questions, with mixed results. Service members were more likely to correctly answer the question on stock risk and diversification, while U.S. adults were more likely to answer the question about inflation correctly. About three-quarters of Service members and U.S. adults correctly answered the question about interest rates.



Percent correct on common financial literacy questions¹²

Four additional financial literacy questions focus on general financial topics: mortgages, insurance, credit scores, and spending plans. Overall, 75 percent of AD and 78 percent of RC Service members responded correctly that a 15-year mortgage has higher payments but less total interest than a 30-year mortgage. Seventy-eight percent of Service members responded correctly when asked a true-false question about insurance deductibles. Sixty-three percent of AD and 62 percent of RC Service members understood that checking your own credit score does not impact your score. Finally, 45 percent of AD and 50 percent of RC Service members understood that discretionary income is money left after paying fixed expenses. In general, across these questions, Service members were more likely to indicate they did not know the answer, particularly junior enlisted members.

The remaining three questions focus on military-specific financial topics, which help the Department understand how well Service members understand their military benefits and compensation. The majority understood that income tax could impact the value of a lump sum payment of retirement pay under the BRS (66 percent AD; 65 percent RC). While the BRS provides an opportunity for all Service members to build retirement savings through the TSP, only those who serve 20 years are eligible for a military pension, including the option to receive

¹² Data on U.S. adults from U.S. Board of Governors of the Federal Reserve System, “Economic Well-Being of U.S. Households in 2020” (May 2021), p. 75, Figure 43.

a lump sum of that pension. This may explain why only half of junior enlisted members answered correctly, while higher proportions of other paygrade groups were correct.

Fewer Service members (46 percent AD; 37 percent RC) correctly answered a question on the rate at which DoD makes matching contributions to a Service member's TSP account under the BRS. The first Service members to enter military service under the BRS beginning on January 1, 2018 began receiving matching contributions in 2020 (two years after beginning service). This may explain why lower proportions of junior enlisted members answered correctly, as many of them may not be receiving such contributions yet. Junior officers were most likely to answer correctly (71 percent AD; 51 percent RC), as they both opted in to the BRS at higher rates and spend more time in service before being promoted. The difference between AD and RC results may reflect the retirement priorities of each population. RC Service members may choose not to participate in the TSP if they have other employer-sponsored retirement savings options. The BRS is a continuing training focus for the DoD to ensure Service members are fully aware of their benefits.

On the final military-specific question, only 25 percent of AD and 32 percent of RC Service members correctly answered that the Survivor Benefit Plan (SBP) pays beneficiaries of retirees who opt-in and members who are killed in the line of duty. Even though Service member are not required to take any action to participate during their service, Service members who do not make elections may be missing out on the opportunity to select the most appropriate decision for their family. As a result, the Department recognized a need for additional education on the SBP so members can understand the full scope of available benefits and a series of educational videos and other resources were developed in response.

Financial Readiness and Military Life

The SOFS is a broad survey that includes questions on a diverse set of measures of military life, which allows the opportunity to understand how financial well-being may relate to personal and workplace stress, job satisfaction, perceptions of readiness, and retention intentions. Several consistent conclusions have emerged from this analysis over the past several years. Service members who experienced any of the various financial challenges included on the survey are more likely to indicate higher levels of stress in both their work and personal lives. Their responses also reflect lower levels of satisfaction with various aspects of military life, including their opportunities for promotion, compensation, supervisor, coworkers, and the military way of life overall. Service members with financial challenges were more likely to indicate they were unlikely to stay on ADSHED and more likely to report their spouse and family viewed their military participation unfavorably. Finally, these Service members had lower perceptions of readiness, including their own and that of their unit.

These findings emphasize the Department's understanding of financial readiness as a critical component of personal and mission readiness, resiliency, and retention, and reinforce the importance of ensuring Service members and families have access to financial education and counseling that can help them develop knowledge, skills, and strategies to successfully manage their financial responsibilities throughout their career.

DOD FINANCIAL READINESS PROGRAMS AND RESOURCES

Congress and the Department have long recognized the importance of financial literacy and preparedness. Title 10, U.S. Code, section 992, requires DoD to carry out a comprehensive financial literacy program that includes financial literacy training for Service members and financial counseling for members and families. To this end, the Department provides programs and resources to prepare Service members with the knowledge and skills to respond to changing financial circumstances based on personal and professional developments, to make informed financial decisions, and to avoid financial problems that can impact financial readiness.

Financial Literacy Education and Training

The Department delivers financial literacy training to Service members as they reach various personal and professional life events, in accordance with 10 U.S.C. § 992(a). The Military Services deliver training developed around standard terminal learning objectives established in the recently issued DoD Instruction 1322.34, “Financial Readiness of Service Members.”¹³ Financial readiness CMT builds financial knowledge and skills so that Service members can positively respond to financial changes resulting from personal and professional circumstances during their military career. Training coincides with initial entry training; arriving at the first duty station; permanent changes of station; promotion; vesting in the TSP and entitlement to continuation pay under BRS; major life events, including marriage, divorce, first child, and disability; leadership training; pre- and post-deployment; and transition from military service. Service members also receive recurring financial-literacy training in order to build the knowledge and skills required to manage their financial responsibilities, obligations, and desires so they can focus on their missions. Training content is designed to develop and reinforce basic financial skills, such as budgeting and managing credit, and to address financial considerations unique to the military population, such as military compensation, benefits, and retirement.

The Department’s approach provides consistent financial literacy education informed by survey results and other indicators of financial behaviors. Other indicators used by the Department include TSP savings behaviors, such as contributions rates and fund distributions, security clearance adjudications impacted by financial issues, and Military Service initiatives, such as a financial screening process used by the Navy to determine suitability for overseas assignments. In addition, the Military Services evaluate their specific training content through pre- and post-training knowledge tests, post-training skills and behavior assessments, and gathering installation-level input from training facilitators and unit leadership.

To supplement formal training, the DoD provides educational content designed to meet the needs and preferences of Service members. Content is designed to be easily understandable, relevant to a specific financial decision or need, and tailored to the needs of the individual learner. Best practices used by the Office of Financial Readiness are continually updated and are described later in this report. The Department continues to develop and expand its suite of resources intended to reach Service members and spouses when and where they need it. A dedicated

¹³ DoD Instruction 1322.34, “Financial Readiness of Service Members,” November 5, 2021, incorporated and replaced previous guidance issued under Directive-type Memorandum 19-009, “Financial Readiness Common Military Training Requirements,” August 2019.

financial readiness website (<https://finred.usalearning.gov>) serves as a central source for Service members, spouses, service providers, and others in the broader military community to access a vast collection of educational information and resources to address needs at all stages of the military lifecycle, such as articles, factsheets, videos, calculators, and links to additional resources and support from Federal departments and agencies. The Department also maintains MilSpouse Money Mission (<https://www.milspousemoneymission.org>), a financial education website specifically designed to engage military spouses by providing relatable educational content to help spouses enhance financial knowledge and skills. In 2021, the website introduced MilCommunity, a section focused on providing spouses relatable peer-to-peer tips. The Department reinforces and amplifies these resources via a variety of social media platforms that further engage Service members and military families with available online educational content.

In partnership with the Office of Personnel Management's (OPM) USALearning program, DoD operates Sen\$e, a financial literacy mobile learning application (App) that users can access on their own devices at their convenience. The App provides interactive, on-demand basic educational content that is adaptable to the user's circumstances and is available on the Apple Store and Google Play. Two interactive features introduced in 2021 assist users with their individual needs. The Financial Assessment Tool allows users to examine their financial situation, including cash flow, savings, insurance, and retirement planning. The tool provides a Financial Health Score and provides users suggestions to improve their score. A Credit Quiz asks users about their credit habits and identifies potential red flags and areas where there may be gaps in their financial situation that may require additional support and assistance.

The Department's education efforts extend to its cadre of financial educators and counselors in order to maintain the critical knowledge necessary to support Service members and families. Due to the COVID-19 pandemic, the Department was forced to cancel its annual training symposium in 2020. The event was conducted in a virtual environment in 2021 to ensure these professionals received sufficient continuing education to maintain required professional certifications. In addition to this annual training, DoD partners with the Department of Agriculture's Cooperative Extension System to support the Military Families Learning Network, which provides continuing education opportunities for DoD personnel in a number of functional disciplines, including monthly webinars on financial education. Through an agreement with the FINRA Foundation, DoD's financial educators and counselors also have an opportunity to gain continuing education credit and maintain their credentials via FINRA Foundation-sponsored training.

Response to COVID-19

While many critical federal efforts were underway during 2020 and 2021 to provide economic and other relief in response to the COVID-19 pandemic, the delivery of the Department's financial education mission to its Service members and families continued unabated. Financial counselors shifted to virtual settings, as needed, to ensure continued availability of financial counseling support. With the shift to remote work, one complication experienced was the restriction of access to online streaming services over DoD networks to conserve initially limited bandwidth. These streaming services were used for the delivery of mandatory training. In response, the Office of the Under Secretary of Defense for Personnel and Readiness, Office of Financial Readiness website, hosted on OPM's USALearning network, launched individual

Military Service pages to host training curriculum in order to ensure continued access to this critical information.

The Office of Financial Readiness website launched a COVID-19 resource page (<https://finred.usalearning.gov/COVID19-Resources>) to share updates, information, and resources to ensure Service members and families had timely information to support their financial well-being. Topics included DoD policies and flexibilities, information on avoiding scams and fraud, federal resources including information on mortgage assistance from the Federal Housing Finance Agency, student loan deferral information from the Department of Education, and the availability of emergency assistance from the military aid societies. The DoD's MilSpouse Money Mission website provided similar information tailored specifically to support the military spouse community, including key financial literacy messages like the importance of emergency savings.

The Office of Financial Readiness collaborated with the Department's Military OneSource program and other Federal agencies to present social media events on personal financial impacts, tools, and resources during the pandemic. These included information about the deferral and repayment of Old Age, Survivor, and Disability Insurance tax, flexibilities for TSP loans and withdrawals under the CARES Act, and avoiding COVID-19 related scams and fraud with the Federal Trade Commission.

In November 2021, the Secretary of Defense released a memorandum tasking the Department's senior leadership to strengthen economic security in the Armed Forces.¹⁴ The Secretary identified several financial challenges experienced by some Service members and families during the COVID-19 pandemic, including reports of food insecurity, extended wait times for housing, reduced housing inventories, and increases in rental or purchase costs for housing. Immediate relief was provided to directly address housing affordability challenges, to increase stability for Service members and families, and to expand financial readiness resources. Also underway is a study on financial hardships experienced by Service members (including the RCs) as a result of the COVID-19 pandemic, in accordance with section 597 of the NDAA for FY 2021. The Department continues to take action to improve its understanding of emergent issues that could adversely impact the financial readiness of Service members and families.

Financial Counseling

In accordance with 10 U.S.C. § 992(b), the Department provides Service members and families with personal, professional financial counseling upon request. The Military Services employ approximately 400 Personal Financial Managers (PFMs) and the Office of Financial Readiness provides additional support through a highly-flexible contracted network of more than 300 Personal Financial Counselors (PFCs). PFMs and PFCs are nationally-accredited financial counselors who provide unbiased, personal support to help individual Service members and spouses address their unique financial circumstances. While PFMs support installations around the world, PFCs augment these locations, as well as provide support to geographically diverse populations, such as recruiters and National Guard and Reserve populations. PFCs provide services via a highly-flexible schedule supporting the unique needs of National Guard and

¹⁴ Secretary of Defense Memorandum, "Strengthening Economic Security in the Force," November 17, 2021.

Reserve units, such as on weekends, annual training, family events, pre-activation, deployment preparation, and post-deployment. In addition, Service members and families can access free and confidential support, including financial and tax counseling, through Military OneSource, the Department's 24/7 support call center and website (<https://www.militaryonesource.mil>).

All financial counselors are qualified in accordance with applicable law and DoD policy. Financial counselors are required to possess a baccalaureate degree from an accredited university or a combination of education and experience which equips the individual to serve as a financial counselor. In addition, they are required to possess and maintain a nationally-recognized professional certification that prepares the individual to provide factual, unbiased financial education and counseling. Through its diverse cadre of qualified professionals, Service members and families have access to support from any location at their convenience to help address their individual needs.

Financial Literacy Education Best Practices

The Department's financial readiness programs and resources are designed to be consistent with commonly-accepted best practices for financial education recommended by other departments and agencies of the Federal Government, including the Financial Literacy and Education Commission (FLEC), the Government Accountability Office, and the CFPB.¹⁵

Know the individual to be served. Financial education should be appropriate to the particular circumstances and needs of the audience. This requires understanding the demographic context of the audience as well as their needs and motivations. The Military Services provide financial readiness education when Service members experience specific personal and professional life events. While many personal circumstances of the audience may differ, there are certain events common to military life, such as completing a permanent change of station or preparing to deploy, that may apply to the audience. Service members and families also have access to personal financial counseling that can address their individual needs.

Provide actionable, relevant, timely information. Individuals are more amenable to "just-in-time" information that is connected to an upcoming decision and provided when they can directly apply the knowledge to the decision. Financial readiness CMT provides training when Service members are best able to apply the knowledge to their current situation or an upcoming transition, such as marriage or separating from military service.

Improve key financial skills. Key financial skills include: (1) knowing when and how to find information to make a financial decision; (2) knowing how to interpret information to support decision-making; and (3) having the skills and confidence to implement a decision. Financial literacy education that develops these skills goes beyond knowledge of financial products and services and allows individuals to put knowledge to use. DoD financial literacy education is designed to develop skills so that Service members can take appropriate independent action,

¹⁵ "U.S. National Strategy for Financial Literacy 2020," Financial Literacy and Education Commission (2020); "Best Practices for Financial Literacy and Education at Institutions of Higher Learning," Financial Literacy and Education Commission (2019); "Financial Literacy: The Role of the Workplace" (GAO-15-639SP), Government Accountability Office (July 2015); "Effective Financial Education: Five Principles and How to Use Them," Consumer Financial Protection Bureau (June 2017).

including where to seek additional support for decision-making, whether that is a DoD financial counselor, another government agency, or a community-based resource.

Build on motivation. Individuals motivated by values, interests, or goals are more likely to engage in financial literacy education. Effective education should link knowledge and skills to achieving desired financial goals. The SOFS provides insight into the financial goals of Service members, particularly at different points in their career. For example, responses of junior enlisted members are consistent with a focus on short-term financial events, such as establishing a household or purchasing a vehicle. Financial readiness CMT provides an opportunity to reach Service members who may be motivated by a recent or upcoming personal or professional life event. Other resources, such as the Sen\$e mobile learning app, allow Service members to access information that is of particular interest to them at any time.

Make it easy to make good decisions and follow through. Program design and processes can help individuals implement positive financial behaviors. Programs should make it easier for individuals to access financial education by providing access within the workplace or by presenting it alongside the use of financial products. All Service members and families have access to the Department's robust financial readiness programs, including required training as a component of their job, counseling in various formats, and a host of other accessible resources.

Use qualified instructors. Educators should possess both the technical knowledge and interpersonal skills to provide effective education to their audience. Financial counselors are required by 10 U.S.C. § 992(b) to possess the education, training, or experience to provide financial counseling. DoD policy further requires these individuals to possess a nationally-recognized financial counselor certification that ensures the technical knowledge to provide effective financial literacy education and counseling. In addition, DoD provides continuing education to these professionals through a collaboration with the Department of Agriculture's Cooperative Extension System and an annual training symposium, which ensures they maintain current knowledge and skills to support Service members and families.

Provide ongoing support. Financial literacy education is an ongoing effort that allows individuals to build their knowledge and skills over time. This may include financial counseling, which provides one-on-one education, and financial coaching, which can help individuals take specific action in response to financial goals and decisions. DoD provides a continuum of education from the time Service members enter the military until they separate or retire, allowing them to build relevant knowledge and skills over time. The Department's network of more than 700 accredited financial counselors are available to provide ongoing, personal support.

Provide unbiased information. Financial literacy education should provide unbiased information, including awareness of the pros and cons of multiple options when discussing particular financial products or services. In addition, any individual providing financial counseling under 10 U.S.C. § 992(b) to Service members and spouses must be free from any conflicts of interest. DoD financial literacy education and counseling is committed to providing factual, unbiased information designed to help Service members make sound financial decisions that enhance their well-being and financial readiness.

Evaluate for Impact. CMT programs should be evaluated for impact and a culture of continuous improvement should be implemented by establishing methodologies, procedures, reporting, and metrics for measuring program effectiveness. DoD adjusts training content and procedures based on the results of the annual SOFS and through other regular data collection opportunities, such as the annual sensing session of DoD financial counselors. The Secretaries of the Military Departments are required to conduct their own training assessments and to provide annual program evaluation plans for assessing the effectiveness of their respective financial education and training programs.

External Collaboration

The Department continues to respond to the sense of Congress provided in section 661(a) of the NDAA for FY 2016, which states “the Secretary of Defense should strengthen arrangements with other departments and agencies of the Federal Government and nonprofit organizations in order to improve financial literacy and preparedness of members of the Armed Forces.”

The FLEC is an interagency commission established under 20 U.S.C. § 9702 to develop a national strategy for financial literacy. DoD, through the Deputy Assistant Secretary of Defense for Force Education and Training, chairs the FLEC’s Military Working Group, which develops and coordinates strategic direction for FLEC and Federal Government financial literacy efforts for Service members, veterans, and military families. In 2021, the Military Working Group focused on coordinating actions across three key areas: financial literacy and preparedness, research and assessment, and communication and engagement.

DoD also partners with other Federal agencies to educate Service members about the consumer market. In 2021, experts from the Board of Governors of the Federal Reserve System and the Securities and Exchange Commission (SEC) participated in the DoD Financial Readiness Training Symposium to educate DoD financial counselors about emerging financial technology and investing trends so these professionals could provide informed support to Service members. The Department also worked with the SEC to develop a series of short micro-learning videos on basic investment topics. In July 2021, DoD collaborated with the Federal Trade Commission and the CFPB to promote consumer awareness and education among the military community during Military Consumer Month. Focus included helping Service members and families understand how to protect themselves from scams, fraud, and predatory consumer practices.

Service members and families are provided legal and financial protections under the MLA and the Servicemembers Civil Relief Act (SCRA). The Department regularly engages with other Federal agencies to support enforcement of these protections, to ensure a fair consumer market for Service members, and to protect them against predatory and deceptive practices that can undermine financial readiness.

DoD also continued its Financial Readiness Network, first launched in 2018, to provide a framework to strengthen relationships with agencies across the Federal government and relevant non-profit organizations. The Network provides a process for these entities to share information and resources with DoD and support financial literacy education for Service members and families.

ARMY

The Army's Financial Readiness Program (FRP) uses the SOFS results to evaluate how it develops and adapts milestone training and educational products. Survey data influences have already proven beneficial in shaping both training and counseling programs. Curriculum is developed with the Total Force Soldier in mind. Requirements and standards are identical for all components of the Army – Active Component (AC), ARNG, and USAR.

The results of the 2020 SOFS indicated that 86 percent of AC, 89 percent of ARNG, and 84 percent of USAR Soldiers' financial situation was the same or better compared to 12 months ago. These numbers are higher than in prior years, with the most common contributing factors identified as better financial management, reduction in debt, and change related to employment. For those who indicated a worsening situation, negative factors included increased debt and a change in a family situation. Changes related to employment was also a reported negative factor for reserve Soldiers.

The 2020 SOFS survey findings for the Army generally validated continued concern for the financial vulnerability of the most junior personnel. Based upon trends in prior years, the Army instituted mandatory Future Soldier financial management training prior to attending Basic Combat Training (BCT). This training includes education on the GI Bill options, retirement options, choosing a financial institution, and avoiding debt. To satisfy the Initial Entry CMT requirements, all enlisted Soldiers are required to complete training during BCT where they will receive 2.5 dedicated hours focused on reading a Leave and Earnings Statement, identifying warning signs of financial mismanagement, identifying the need for personal financial management and completing required BRS training. To satisfy the First Duty Station milestone requirement, all enlisted Soldiers will receive eight hours of dedicated training on financial readiness during Advanced Individual Training. The Army is confident that additional training during Future Soldier, Initial Entry, and First Duty Station will improve the financial readiness and future SOFS results of junior enlisted members.

Generational shifts are necessitating a change in the look and feel of training content. The Army has changed the way financial literacy content is delivered by developing three different delivery models—in-person, online, and blended in-person/online. Soldiers can choose the model that works best for them. These delivery modalities increase capacity, provide flexibility, and maximize the effectiveness of a set of products across all components.

More Soldiers reported experiencing personal relationship problems with a spouse than other potential financial challenges. The survey found that AC and ARNG Soldiers who reported financial problems tend to have family who view their participation unfavorably, are dissatisfied with aspects of the military, and have more stress in personal and military life. As a result, the Army identified additional resources for families and dedicated a section for them on the Army's official financial readiness website (www.financialfrontline.org). The Army now includes resiliency language into all curricula to help Army families best adapt to the challenges of military life and encourages spouses to attend all CMT financial readiness classes: virtually through the Army Family Web Portal, face-to-face with a PFM or counselor, or via group training.

When asked which activities were used routinely to manage finances, 83 percent of AC, 75 percent of ARNG, and 78 percent of USAR said that they monitor their credit score. The Army has incorporated handouts and content into all areas of CMT to encourage Soldiers and families of the importance of monitoring credit scores, checking credit reports, and utilizing free credit monitoring services. The least used strategy reported was following a monthly budget or spend plan, at a response rate ranging from 63 to 67 percent. CMT curriculum now includes a standardized interactive spend plan that Soldiers revise as they progress throughout their military career and that is used in all mandatory training and on the Army's financial readiness website. In addition, the Army developed a Self-Assessment Tool available on the website that provides a high-level snapshot to assess where they are today and track progress over time.

Of concern, results of the 2020 SOFS indicate the top way Soldiers learned about financial topics were family, friends, or peers. There is little or no quality control or vetting of financial readiness information received outside of Army financial readiness programs. Guided by these results, the Army will increase the amount and quality of financial literacy information through the use of CMT milestone training, increased communication synchronization, and increased outreach on the availability of official resources. Those resources include free financial counseling at Army Community Service (ACS) centers and Family Support Centers and self-service financial literacy education and help on the Army's official website. For the AD members and families, ACS centers utilize needs assessment tools to develop the appropriate programs for their communities. ARNG and USAR units without direct access to an installation PFM are directed to the financial readiness resources of other nearby installations and Office of the Secretary of Defense-funded counselors. The installation PFMs, contracted PFCs, and the Soldier and Family Readiness Specialists all provide standardized curriculum.

During the pandemic, PFMs relied heavily on social media (Facebook, Instagram, and Twitter) and email distribution to quickly disseminate relevant information. For example, the Fort Knox FRP adapted to ensure that timely information was provided to all arriving Soldiers. A welcome email from the FRP Manager outlined services available and CMT requirements, encouraged the incorporation of financial planning throughout the military lifecycle, and introduced PFMs and counselors on staff. The Fort Knox Human Resource Command newly-created Healthy Workforce Program shifted from in-person classes on building wealth and retirement planning to remote delivery to maintain engagement with their workforce. FRP provided emails with supporting web links, online savings calculators, and handouts geared towards taking advantage of pandemic savings opportunity and reducing debt.

In 2021, the Army published Execution Order 140-21, "The Army Financial Literacy Training Program" that provided implementation guidance, assigned responsibilities, and set requirements for the organization, management, and implementation of CMT. This guidance standardized the way Soldiers and Families receive financial education across the Total Force. Programming enhancements to the Digital Training Management System and the Army Vantage are addressing the challenge of tracking training completion to identify any gaps in meeting requirements. Once these changes are fully implemented, the Army will be able to accurately identify Soldiers that meet each of the milestones and determine completion of CMT requirements. The Army continues to identify systems that will automatically notify Soldiers of required training in conjunction with their personal and professional milestones.

The high percentage of incorrect responses among junior enlisted on the financial literacy knowledge questions underscored the continued importance of delivering effective training to this demographic. For example, Army members were less likely to indicate the correct answer regarding BRS than the other AD Services. In response, the Army redesigned the placement of the mandatory BRS training in the BCT and a sequential and progressive curriculum during Advanced Individual Training to reinforce previous lessons. Financial education was also added to all levels of enlisted professional military education to ensure leaders would actively engage with their Soldiers and identify potential warning signs of financial mismanagement.

The Army will continue to use data on financial challenges identified in the 2020 SOFS to shape and improve its FRP through local demographics, targeting at-risk populations, improving communication synchronization, and determining service enhancement requirements to educate Soldiers and Families on financial self-sufficiency.

MARINE CORPS

The 2020 SOFS results indicate a high level of financial well-being and positive financial behaviors among both AD and RC Marines. Similar to the results of other Services, Marine Corps results for 2020 improved or remained the same relative to prior years. Overall, 72 percent of AD and 71 percent of RC Marines reported a comfortable financial condition, with a large majority indicating their financial situation in 2020 was better or stayed the same compared to 12 months ago (88 percent AD; 83 percent RC). Of note, the average AD Marine Corps financial well-being score was 60, which is above the national average of 54 for the U.S. adult population.

Approximately 12 percent of AD Marine respondents reported that their financial situation is worse when compared with their status 12 months ago, an improvement over the 19 percent who reported a worsened situation in the 2019 SOFS. The primary reasons given for a worsening financial situation were increased debt and financial management problems. Established CMT requirements continue to emphasize these topics throughout a Marine's career and the Marine Corps offers financial education activities on financial management and debt reduction.

The 2020 SOFS revealed 88 percent of AD Marines had an emergency savings fund, which is an increase over the 2019 SOFS findings of 79 percent. While the long-term financial impact of the COVID-19 pandemic on Marines has yet to be determined, the reduction may be due to minimized spending opportunities. As the pandemic progresses, the Corps will assist Marines and families facing financial challenges that could accelerate the number of involuntary separations from service related to financial issues (e.g., security clearances). Increasing conversations, briefs, and one-on-one meetings (virtual or in-person) on budgeting and spending plans will help to confront, minimize, or eliminate destructive financial behavior.

The 2020 SOFS results indicate that some junior Marines continue to have financial problems. Marine Corps junior enlisted were more likely to indicate they do not have an emergency savings fund. The E-1 to E-4 demographic scored lower responses on the CFPB Financial Well-Being Scale than senior enlisted and officers, suggesting possible factors due to age, education, and lack of money-management experience. Junior Marines also scored lower than other groups on the financial literacy quiz in the following categories: calculating simple interest, calculating interest rate and effects of inflation, differences between 15- and 30-year mortgages, safety of buying company stock versus mutual fund, how insurance deductibles work, general knowledge of SBP, events that impact a credit score, and how BRS matching works.

Being the demographically youngest force within DoD makes the continuing education of junior Marines a high priority. The financial literacy training junior Marines receive is a particular focus as the Marine Corps explores new methods of reaching these young Marines. The formal financial training of junior Marines begins with the Personal Readiness Seminar (PRS) at the Marine's first duty station. During the PRS, Marines are more receptive to learning after having completed the Crucible at Boot Camp and their Military Occupational Specialty schooling. The first duty station is the ideal timeframe to begin their financial education, as the information is more relevant to what the Marines are experiencing in real time.

When a Marine reaches an action point milestone, the Marine and the command receive a message through the MarineOnline system indicating that the Marine is required to complete one or more Financial Education Action Points (FEAP) trainings. Upon completion of the FEAP, the corresponding training codes are entered in the Marine Corps Training Information Management System (MCTIMS) by the Training or Operations Section of the Marine's unit. This process ensures the training code is applied to the Marine's record in the MCTIMS, which automatically updates the Marine Corps Total Force System on the next reporting cycle.

The Marine Corps is also working toward the inclusion of command level Personal Financial Management Program (PFMP) assets and Command Financial Specialists (CFSs) in the Inspector General Marine Corps' portfolio of core inspected programs. This action will increase accountability at the command level for the financial literacy of Marines. Coupled with the current Marine Corps Family Programs Certification of Marine Corps Community Services (MCCS) PFMP professionals, the overall effectiveness of the Marine Corps' financial literacy and preparedness program can be more easily assessed.

While required trainings are a part of military life, the Marine Corps will capitalize on motivations. Those who want to learn do better than those forced into learning through mandatory classes. A lively and varied selection of elective courses are offered and socialized through MCCS marketing and unit-level collaborations to increase client well-being and level of professional military education. The Marine Corps is making it easier to access financial education by integrating content into programs and places where Marines and families are, such as providing a training to the unit as a whole, including financial management concepts in Behavioral Programs offerings (Suicide Prevention Program, the Community Counseling Program, etc.) and in Relocation trainings and Welcome Aboard briefs. Finally, the Marine Corps is working to gather information that can influence how education-related financial choices are presented, made, and executed in order to engage Marines and families during their education and transition to civilian life.

Understanding that financial stressors can impact the lives of Marines at every stage of their careers, the Marine Corps is working to incorporate the Columbia Suicide Severity Risk Scale, a series of simple questions to assess the severity and immediacy of suicide risk that anyone can ask, into the tool bag available to PFMP professionals. This evidence-based, low-cost intervention will help identify Marines in need of additional assistance beyond the expertise of the PFMP.

Overall, the 2020 SOFS results indicate a high level of financial well-being and positive financial behaviors across both the Marine Corps AC and RC. The 2020 SOFS results will help guide the Marine Corps in continuing its mission of providing financial literacy training to Marines and families.

NAVY

The results of the 2020 SOFS serve as an indicator of the Navy's overall financial well-being, and provide valuable information to improve the Navy's financial literacy training. The survey results also assist the Navy in identifying financial behaviors and potential financial challenges experienced among AD and RC members. As an indication of the Navy's personal financial readiness, a large majority of Service members (85 percent for both AD and RC) indicated their financial situation in 2020 was better or stayed the same compared to twelve months ago. Additionally, Navy AD and RC members had a higher average CFPB financial well-being score when compared to the U.S. adult population.

While the 2020 SOFS Navy results signal continued improvements over time, 29 percent of AD and 22 percent of RC members reported experiencing a financial problem in the past twelve months. For those members indicating their financial situation was worse in 2020 (15 percent for both AD and RC), one of the primary reasons was increased debt. The 2019, 2018, and 2017 SOFS findings indicated the same results. As a result, the Navy developed a new Financial Planning Worksheet (FPW) and Debt Destroyer tools that assist Sailors with formulating a plan to eliminate debt, leaving more funds available for living expenses and saving for the future. These tools were incorporated into the CFS Certification curriculum and delivered to over 1,000 CFSs from July 2020 to July 2021. This ensures all CFSs, who are typically junior non-commissioned officers, are familiar with these capabilities for counseling and assisting fellow Service members. Most recently, the Navy introduced Debt Destroyer Workshops in January 2022 to further combat increasing debt. The workshops are delivered by PFM or CFSs. Service members are required to come prepared with information and documentation to input into the FPW and Debt Destroyer tools. These interactive workshops teach Sailors how to analyze and control their debt situation as well as reach recommended levels of saving and spending. Sailors leave the workshop with a completed personal debt reduction plan.

The Navy's Million Dollar Sailor (MDS) course is currently being updated with a particular focus on providing more instruction on debt reduction and credit management. The 2-day course was created to combat the most common financial issues facing Sailors by teaching sound financial management skills and providing a comprehensive overview of steps to enhance personal financial fitness. The MDS course has the following goals: to assist Sailors and their families to successfully navigate the transitions of Navy life and the financial challenges that accompany them, to enhance overall quality of life through financial growth, to improve overall operational readiness and performance, and to enhance retention. The updated MDS course is scheduled to be launched in October 2022; it is also available via Joint Knowledge Online and the MyNavy Financial Literacy mobile App.

Due to the sustained trend of increased debt (63 percent AD; 51 percent RC), the Navy will continue to refine and develop future educational content that focuses on personal financial management and debt reduction. Specific debt-related updates planned for 2022 include: incorporation of debt reduction strategies for online and in-person financial readiness touchpoint CMT courses, revised touchpoint training courses within the MyNavy Financial Literacy mobile App, and incorporation of the Debt Destroyer tool in the mobile App. The new online touchpoint CMT courses and the updated MyNavy Financial Literacy mobile App touchpoint

CMT course-feature gives Sailors greater flexibility in satisfying the financial readiness CMT requirements, especially in today's and any future unexpected environments.

The SOFS results indicate that ninety percent of AD and RC members used a credit card in 2020, similar to prior results. In response, a new block of instruction called "Your Credit and Your Clearance" was added to the CFS Certification course in 2020 that features a deep dive into understanding credit in general and how it impacts the lives of Service members, especially with respect to their security clearance. The course also explores the contents of a credit report and how to build, repair, and maintain a good credit score. The goal of this updated course of instruction is to ensure CFSs have a solid understanding of how to manage credit and debt in order to assist and counsel their fellow Sailors.

SOFS results indicate that junior AD officers have occasionally been less likely than members in other paygrades to follow a monthly budget or spending plan (66 percent in 2017; 55 percent in 2020). As a result, this important financial management activity was emphasized during the recent development of a new officer accessions' financial readiness CMT course, bringing awareness to the pitfalls junior officers may face if they do not wisely manage their spending.

The 2020 SOFS findings indicate that only 26 percent of AD and 35 percent of RC members correctly answered the SBP financial literacy quiz questions. Junior enlisted Sailors were least likely to be comfortable understanding the SBP. As a result, a new block of instruction on the SBP was added to the CFS Certification course so that CFSs can provide information to their shipmates about the option to elect SBP upon retirement.

The Navy hosted a webinar in October 2021 to brief PFMs on the 2020 SOFS results in order to provide insight to the potential "problem areas" members may be facing as they train, counsel and aid Sailors with their financial problems and needs. The Navy employs approximately 100 PFMs assigned to the 71 Fleet and Family Service Centers worldwide. PFMs provide financial readiness CMT, support for AD and RC CFSs, financial education to Service members' families, and individual personal financial counseling to help Sailors and their families. They also serve as a liaison with local financial institutions and conduct financial awareness forums and seminars. At the individual command level, elements of the financial literacy program are under the control of a qualified CFS. AD and RC commands, permanent detachments, and departments having at least 25 personnel assigned must have a trained CFS to coordinate the financial literacy program and to advise on matters related to financial literacy. Commands must maintain a ratio of 1 CFS to every 75 members assigned. In order to be designated in writing as a CFS, a Service member must be in pay grade E-6 or above or an E-5 with a minimum of 6 years of service and have completed CFS qualification and instructor training provided by PFMs. Services provided by the CFSs include providing financial readiness CMT, maintaining the command PFMP, providing counseling, information and referral, assisting Service members with the development of personal financial plans, and performing financial overseas screenings.

The Navy recognizes that the personal financial readiness of Sailors must be maintained to sustain mission readiness. The survey results signal the beneficial impact of the Navy's financial literacy training efforts and will continue to serve as a basis for the future development of educational content.

AIR FORCE

The 2020 SOFS results indicate the majority of Airmen and Guardians are doing well financially, have a high level of financial well-being, and exhibit positive financial behaviors. The Air Force Personal Financial Readiness team uses the annual SOFS to evaluate and update financial literacy training, addressing identified financial behaviors and potential financial challenges experienced among Department of the Air Force (DAF) AD, ANG, and AFR members.

SOFS results indicate that 88 percent of ANG members use a credit card and 34 percent do not pay off the balance each month. Similarly, 90 percent of AFR members use a credit card and 41 percent do not pay off the balance each month. These results highlighted the importance of refinements in pre-deployment training on the SCRA as a key learning objective so reservists and guardsmen understand the law's interest rate cap and other benefits when activated for deployment. There is also a need to target money management and credit card training as well.

With respect to savings and investing habits, 93 percent of DAF members indicated they had an emergency savings plan, up from 89 percent in 2019. However, there were some areas of concern for junior enlisted members. Survey results showed that 13 percent of junior enlisted AD and 15 percent of junior enlisted AFR members indicated they were unable to save or invest. Additionally, 14 percent of AD junior enlisted, 13 percent of AFR junior enlisted, and 11 percent of ANG junior enlisted members indicated they do not have an emergency savings fund. Greater emphasis during First Duty Station-Enlisted (FDS-E) training for junior enlisted members will be placed on developing a spend plan that will allow to budget and set aside funds to allow junior Airmen and Guardians to invest more in their future and accumulate emergency savings.

In addition to the SOFS, the Air Force employs several other resources to enhance available data on financial readiness. For each of the 10 mandatory touchpoint trainings, Airmen and Guardians are asked to complete pre- and post-training surveys and 3- and 6-month follow up surveys in the MyVector training portal in order to explicitly evaluate their growth in financial skills. For these surveys, Airmen and Guardians are randomly assigned a combination of questions from ten different domains: reaction to training, general financial knowledge, touchpoint-specific financial knowledge, financial skills, financial attitude, intended financial behavior, financial behavior, financial well-being, individual well-being, and family well-being. Some survey contents purposefully overlap with SOFS questions to enable a comparison (and ideally validation) of results across the two sources. Once the data from 3- and 6-month follow-up surveys have been analyzed, preliminary results are used to revise certain evaluation questions with low rates of correct answers to increase clarity and to inform training implementation. Once sufficient data are collected and analyzed, the long-term goal is to utilize evaluation data to inform any necessary training updates and improvements on a regular basis.

The Air Force has contracted with a public university since 2018 to perform training program evaluation and to help evaluate training effectiveness. Evaluation efforts by the contracted team include surveys completed by training facilitators, surveys completed by Airmen and Guardians, and site visits to observe training. The team's efforts also include curriculum assessments by financial education subject matter experts, who are professors of Financial Planning, have

extensive experience evaluating brief financial interventions, and who serve as direct providers of financial planning services. They routinely assess the curriculum design, delivery, and content for accuracy and consistency. They then suggest changes to ensure the curriculum remains up-to-date with the latest financial research and standards.

Key findings of the contracted evaluation team in its 2020–2021 annual report include:

- At each mandatory financial touchpoint training event, Airmen and Guardians averaged better CFPB financial well-being scores than the general American population. There is only a small variability of average scores across the touchpoint trainings, which suggests that financial well-being is not drastically different for Airmen and Guardians at different touchpoints. There was evidence of modest knowledge gains for pre-test to post-test.
- Across touchpoints, the large majority (greater than 80 percent) of Airmen and Guardians reported they used a spend plan and regularly checked their credit score. One exception was FDS-E, where Airmen were considerably less likely to use a spend plan (68 percent) and check their credit regularly (66 percent).
- Training facilitators report high training fidelity for in-person trainings.
- Facilitators' perceptions of Airman and Guardians engagements, presentation quality, and training impact were notably high (mean scores above 4 on a 5-point scale).
- The data reporting MyVector usage showed technical errors with the system used to identify the training population and notify them of the training need (e.g., low numbers of Airmen and Guardians identified and notified for training). Based on the findings, the team executed various improvements to the coding within the MyVector portal to ensure Airmen and Guardians are appropriately identified and notified of training.

Based on the contract evaluation team findings, the Air Force is creating a “train-the-trainers” training module to assist facilitators in understanding best practices related to presenting the touchpoint training content. Training implementation will reflect that many Airmen come to training with above-average financial well-being and it is important to “meet Airmen and Guardians where they are” by providing financial knowledge on various levels ranging from basic budgeting to advanced saving and investing. Further, training implementation at FDS-E will emphasize the importance of developing a spend plan and checking credit reports regularly.

The 2020 SOFS and the contracted evaluation team provided significant data to inform decisions and deliver effective training. The results will continue to help guide Air Force leadership in carrying out its mission to provide personal financial literacy training for a ready and resilient DAF.

CONCLUSION

The SOFS design and results help the Department understand the financial behaviors, perceptions, goals, and knowledge of Service members, in accordance with 10 U.S.C. § 992(d).

The financial well-being of Service members was generally similar or better across the survey's various measures in 2020 compared to 2019. The majority of Service members continue to report a comfortable financial condition, with a large majority indicating their situation was the same as or better than 12 months earlier. More Service members reported saving and having emergency savings than any prior year of the survey. A small percentage of Service members reported financial management challenges, such as missing payments. One percent or fewer reported a serious financial issue that could directly impact financial readiness, such as bankruptcy or an adverse personnel or security clearance action due to financial condition. Service members are less likely than U.S. adults overall to be at risk of material hardship, as indicated by the CFPB's Financial Well-Being Scale.

Because of the quality of survey methods and consistent data collection over time, results from the annual SOFS remain highly useful to the Department in assessing the effectiveness of its financial readiness programs. The Department continue to utilize these results to adjust educational materials and training content and to improve the overall effectiveness of its financial readiness programs.

While the 2020 results indicate a large majority of Service members may positively assess their own financial situation, the Department understands that financial challenges can impact anyone at any time and remains committed to ensuring all Service members have access to information and resources to support their ability to maintain financial readiness. The Department also recognizes the financial vulnerability of certain groups within the military population and the need to continually improve its education programs and to target training content where it is most needed. DoD programs and resources continue to help Service members and their families develop knowledge and skills to respond to changing financial circumstances, make informed financial decisions, and avoid financial problems that can negatively impact military readiness and retention.