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**Report to the Committees on Armed Services of
the Senate and the House of Representatives**

Department of Defense
OFFICE OF PREPUBLICATION AND SECURITY REVIEW



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

Results from the 2022 Status of Forces Survey

December 2023

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

The estimated cost of this report to the Department of Defense in Fiscal Years 2022-2023 is approximately \$494,470. This includes \$431,697 in expenses and \$62,773 in DoD labor.

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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 2022 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 2022 SOFS include:

- A majority of Service members reported a comfortable financial condition, but the percentage of financially comfortable Service members declined markedly compared to past years.
- A majority of Service members indicated their financial situation was the same as or better than 12 months ago, but the percentage who indicated “better” is significantly lower compared to past years.
- Declines in measures of holistic financial well-being observed in the 2022 SOFS are consistent with declines observed in other Federal national-level surveys conducted around the same timeframe.
- While financial comfort was lower, higher percentages of Service members showed positive financial behaviors across several measures that will help them confront financial challenges and bolster their financial capability.
- A greater percentage of Service members exhibited higher levels of financial literacy and reported establishing positive financial goals and using credit responsibly. Better financial management was a top reason cited for those who reported a positive change in their financial condition.
- A large majority of active duty (AD) Service members reported successfully establishing an emergency savings fund, down slightly from 2020, but substantially above prior year surveys.
- Only a small proportion of Service members reported that they typically spent more than their income, substantially lower than the percentage of U.S. adults who reported spending more than their income in national surveys.
- Service members correctly answered financial literacy questions at a higher percentage compared to prior years. Active Component (AC) scores improved for 6 of the 10 questions and stayed the same for the remainder. Reserve Component (RC) scores improved for 2 of the 10 questions and stayed the same for the remainder.

INTRODUCTION

Title 10, U.S. Code, section 992(d), 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.” To satisfy this requirement, the Department includes a section on financial literacy and preparedness with each administration of the SOFS.

In addition to requiring this annual survey and report, the National Defense Authorization Act (NDAA) for Fiscal Year (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.”

The financial literacy and preparedness section of the 2022 SOFS includes a series of subjective and objective questions regarding the financial condition, behaviors, goals, knowledge, 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 Consumer Financial Protection Bureau (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 a financial literacy quiz 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 also included on major national surveys and provide an opportunity to measure how the level of financial literacy within the military compares to the overall U.S. population.²

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 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 2022 SURVEY RESULTS

This section provides an overview of the financial literacy and preparedness results within the 2022 SOFS. The DoD Office of People Analytics (OPA), part of the Defense Personnel Assessment Center, administered two separate SOFS in 2022: the Status of Forces Survey of Active Duty Members (SOFS-A) and the Status of Forces Survey of Reserve Component Members (SOFS-R). The 2022 SOFS-A was administered from July 7, 2022 to October 11, 2022 to a sample population of 109,833 AD Service members with a weighted response rate of 14 percent. The 2022 SOFS-R was administered from July 14, 2022 to October 28, 2022 to a sample population of 126,014 RC Service members with a weighted response rate of 13 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.³ Using DoD personnel and demographic records, OPA invites a selected sample population to participate to ensure accurate representation. This population is designed to be representative of the overall sample population by Military Service and paygrade group.⁴ 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 146,000 non-prior-service individuals joined AD and about 185,000 AD Service members separated from service in 2022. Statistical analysis allows comparisons between groups and over time (e.g., how junior enlisted members compare to all other members; how 2022 results compare to prior years). OPA conducts statistical tests to identify statistically significant differences between groups and compares differences between groups at the 0.01 significance level.

The 2022 survey responses provide an opportunity to analyze trends and impacts to Service member financial preparedness by comparing its results to those of previous SOFS surveys. Prior to the 2022 survey, the SOFS was last administered in late 2020. The Department also administered an Active Duty Spouse Survey (ADSS) in 2021 that included the CFPB Financial Well-Being Scale, allowing for comparison of perceived financial well-being between AD Service members and their spouses. In addition, the Federal Reserve's Survey of Household Economics and Decisionmaking (SHED) and associated report, "Economic Well-Being of U.S. Households in 2022" provides several opportunities to compare the military population to the U.S. population overall.

³ This report defines junior enlisted as paygrades E-1 to E-4, senior enlisted E-5 to E-9, junior officers O-1 to O-3, and senior officers O-4 to O-6. General and flag officers (paygrades O-7 to O-10) are not surveyed.

⁴ Due to its small size, results from Space Force Guardians are not independently analyzed. Space Force participants are included in the Air Force results.

Overall Financial Condition

A 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 meet without much difficulty” when asked to describe their and/or their spouse’s financial condition. The response “some difficulty” includes members who indicated they “occasionally have some difficulty making ends meet.” The response “not comfortable” includes members who indicated it was “tough to make ends meet but keeping your head above water” or they were “in over your head.”

Figure 1 shows the distribution of responses across all DoD Components. Among AD Service members, 60 percent reported a comfortable financial condition, 25 percent reported some difficulty, and 15 percent reported not comfortable. Among RC Service members, 63 percent reported a comfortable financial condition, 25 percent reported some difficulty, and 12 percent were not comfortable.

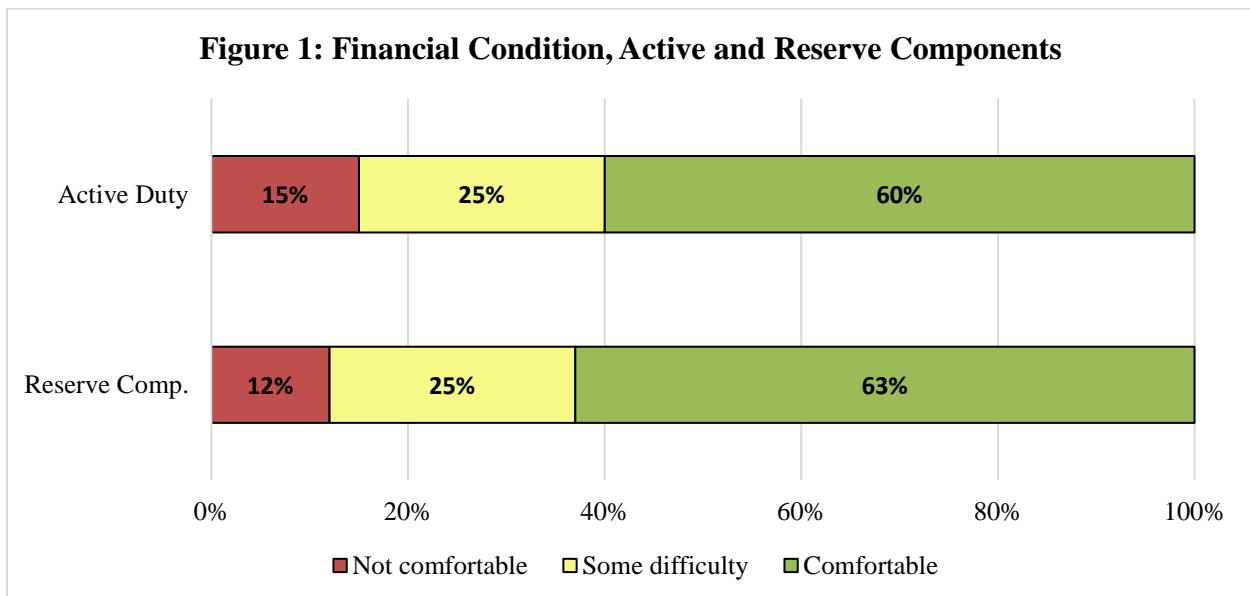


Figure 2 shows the percentage of AD Service members reporting a comfortable financial condition over time. While a majority reported financial comfort in 2022, the percentage of AD members reporting such condition declined markedly from 2020 levels across all paygrades and Services (compared to their respective Military Service branch). For RC Service members, results reporting a comfortable financial condition by paygrade group over time are shown in Figure 3. Like results in the AC, RC members were much less likely to report a comfortable financial condition in 2022 than in 2020. The percentage of RC members who reported a comfortable financial condition in 2022 was markedly lower than in previous years across all paygrades and Services, except for O-4 to O-6 RC members.

Within AD results, Navy (57 percent) and Air Force (66 percent) responses for percent comfortable were the lowest percentages recorded in recent years. Army (58 percent) and

Marine Corps (59 percent) responses are similar to or lower than response levels observed in the 2008 to 2012 timeframe.

Figure 2: Comfortable Financial Condition, Active Duty

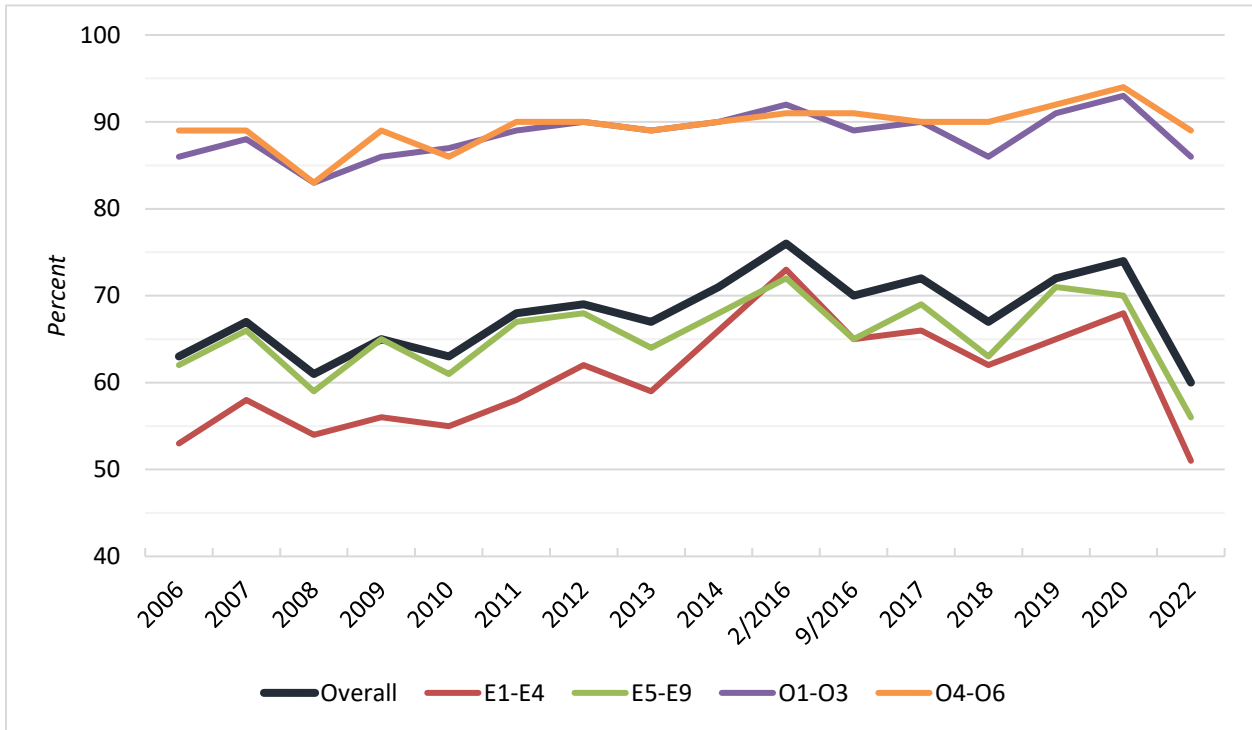
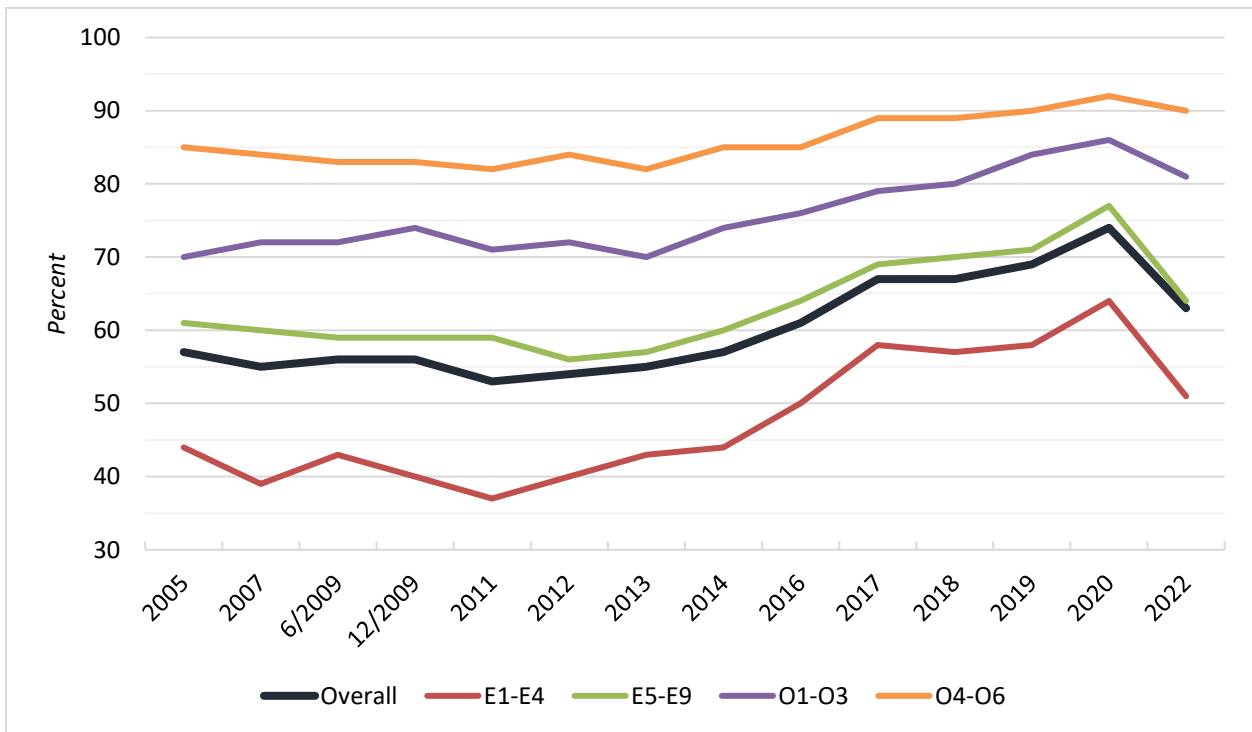


Figure 3: Comfortable Financial Condition, Reserve Component



* The SOFS-A and SOFS-R were not administered in 2021. X-axis not to scale.

Within RC results, most paygrades are lower than recent years, but remain above historic results recorded prior to 2016. Army National Guard (ARNG) (59 percent), Army Reserve (60 percent), United States Navy Reserve (USNR) (68 percent), Marine Corps Reserve (62 percent), and Air Force Reserve (AFR) (73 percent) were similar to or lower than the results from the 2017 to 2020 surveys, but higher than responses observed for most years from 2011 to 2016. Air National Guard (ANG) (72 percent) was lower than the 2016 to 2020 surveys, but higher than that observed in the 2013 and prior years surveys. AFR members (73 percent), ANG members (72 percent), USNR members (68 percent), senior officers (90 percent), and junior officers (81 percent) were more likely to indicate *comfortable* than the average DoD response score. ARNG members (14 percent) and junior enlisted members (19 percent) were more likely to indicate *not comfortable* than the average DoD response score.

The decline observed in the percentage of members reporting a comfortable financial condition across DoD is consistent with declines in overall financial well-being in the overall U.S. population, as indicated in the Federal Reserve’s 2022 SHED. Self-reported financial well-being fell sharply in the 2022 SHED and was among the lowest levels observed since 2016.

The SHED evaluates the economic well-being of U.S. households and identifies potential risks to their financial stability. The Federal Reserve has fielded the SHED annually since 2013; the latest survey was fielded from October 21, 2022 to November 1, 2022. In response to the question in the 2022 SHED, “overall, which one of the following best describes how well you are managing financially these days,” 73 percent of adults were doing at least okay financially in 2022, down five percentage points from 2021. In addition, the share of adults who said that they spent less than their income fell in the 2022 SHED, while the share who said that their credit card debt increased rose. Among adults who were not retired, the survey showed a decline in the share who felt that their retirement savings plan was on track, suggesting that individuals had concerns about their future financial security. According to the Federal Reserve, the declines in financial well-being across measures in the 2022 SHED provide an indication of how families were affected by broader economic conditions in 2022, such as rising inflation and stock market declines.⁵

Changes in the economic environment at the time of the survey may also provide insight into responses in the 2022 SOFS. Consumer price inflation began rising in 2021 and continued into 2022, climbing to high levels not seen in several decades. According to the Department of the Treasury’s Office of Financial Research, “several factors drove higher prices, including strong aggregate demand, a post-pandemic reopening of the economy, and a material shift from services to goods.”⁶ To reduce inflation, the Federal Reserve responded with interest rate hikes and a tightened monetary policy. The ensuing slowdown in U.S. economic growth together with high inflation posed risks to household balance sheets and other parts of the financial system. These macroeconomic conditions presented new risks and challenges to the civilian population as well as Service members and families.

⁵ Board of Governors of the Federal Reserve System, “Economic Well-Being of U.S. Households in 2022” (May 2023), pp. 1.

⁶ The Department of the Treasury, Office of Financial Research, “Annual Report to Congress, 2022” (January 2023), p. 2.

Because the SOFS identifies respondents by several characteristics, the results provide the opportunity to understand how financial condition differs in certain population groups. Tables 1 and 2 provide a breakdown of responses from members by paygrade, branch of service, and family composition for AD and RC, respectively.

Table 1: Financial Condition by Paygrade, Service, and Family Composition, Active Duty

<i>Percent</i>		Comfortable	Some difficulty	Not comfortable
Paygrade	Officer	86	11	3
	Enlisted	54	28	18
Service	Army	58	25	17
	Navy	57	26	17
	Marine Corps	59	27	15
	Air Force	66	23	10
Family composition	Single without children	63	23	14
	Single with children	48	30	22
	Married without children	59	25	16
	Married with children	58	26	16

Table 2: Financial Condition by Paygrade, Service, and Family Composition, Reserve Component

<i>Percent</i>		Comfortable	Some difficulty	Not comfortable
Paygrade	Officer	85	11	4
	Enlisted	58	28	14
Service	Army National Guard	59	27	14
	U.S. Army Reserve	60	26	14
	U.S. Navy Reserve	68	21	10
	U.S. Marine Corps Reserve	62	26	12
	Air National Guard	72	20	8
	U.S. Air Force Reserve	73	20	7
Family composition	Single without children	60	27	13
	Single with children	54	31	15
	Married without children	70	20	9
	Married with children	67	22	11

Among both AD and RC members, officers were more likely to report a comfortable financial condition compared to enlisted personnel. Within AD results, Air Force members were more likely to report a comfortable financial condition than the other AD Services. Also of note, a larger share of AD single members without children reported that they were financially comfortable, in comparison with other Service members. Groups reporting a larger share of responses of *not comfortable* include junior enlisted personnel, members in the Army, and single members with children. Married RC members, both with and without children, reported higher percentages of financial comfort compared to other groups.

Change in Financial Condition over Time

The SOFS asks Service members to compare their current financial situation to that of 12 months ago. This question provides a direct opportunity for Service members to report a change in their perceived financial well-being, regardless of whether they felt they were still doing okay or struggling overall. In 2022, the share of members who said they were worse off financially increased and the share who said they were better off decreased.

Twenty nine percent of AD members reported they were better off, a 20-percentage point decrease from 2020 and the lowest share since 2017 (see Figure 4). The share of RC members indicating they were better off in 2022 was 37 percent, a 17-percentage point drop from 2020 and the smallest share reporting such condition since 2017 (see Figure 5).

Figure 4: Financial Condition Compared with 12 Months Prior, Active Duty

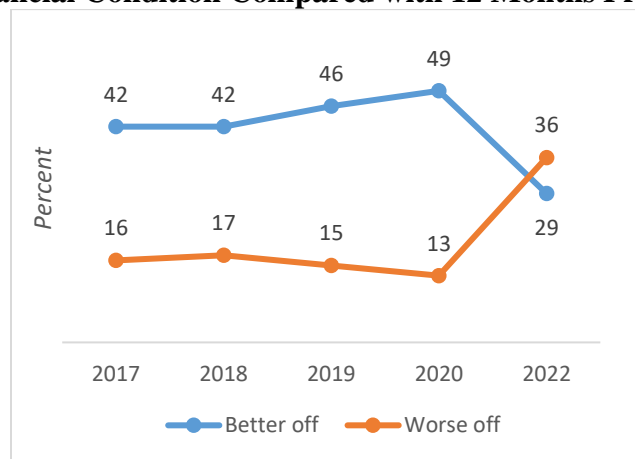
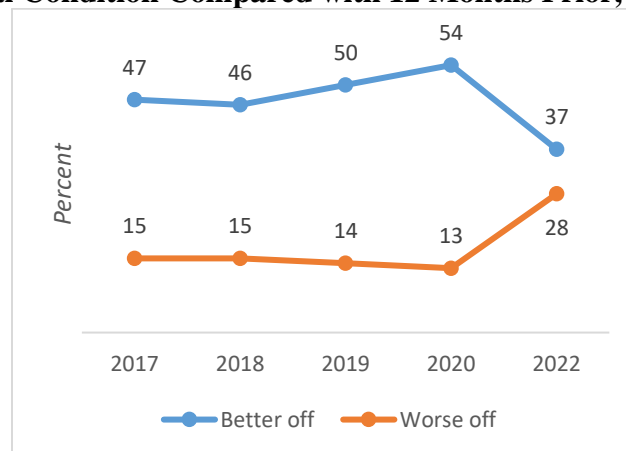


Figure 5: Financial Condition Compared with 12 Months Prior, Reserve Component



Among AD members reporting a better financial condition, the most common reason cited for that improvement was better financial management (68 percent). A majority of RC members (67 percent) also cited that reason. Other reasons for improvement included a reduction in debt (53 percent AD; 52 percent RC) and changes in the member's employment situation (50 percent AD; 71 percent RC). For those who reported a worsening financial condition, the most common

reason was an increase in debt (58 percent AD; 56 percent RC). Less than half of both AD and RC members cited financial management problems, a change in family situation, or a change in the member’s or spouse’s employment situation as a reason for worsened financial condition.

The change in responses observed in the military population in the 2022 SOFS was also observed in national level surveys of the overall U.S. population. The share of respondents who said they were worse off financially than a year earlier in the Federal Reserve’s 2022 SHED increased sharply from 20 percent in 2021 to 35 percent in 2022, the highest level since the question was first asked in 2014. Likewise, the share of respondents who reported that they were better off decreased from 25 percent in 2021 to 19 percent in 2022, the lowest level since 2014.⁷ The SHED also asks an open-ended question regarding people’s main financial challenges or concerns and classifies responses into broad categories. Inflation was the most common challenge, with one-third classified into that category, followed by general needs, retirement and savings, and housing.⁸

CFPB 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 five or ten questions produce a score from 0 to 100. The SOFS incorporates the five-question version of the CFPB questionnaire. The scale, based on extensive research by CFPB, provides a common metric to compare financial well-being across groups of people and over time.

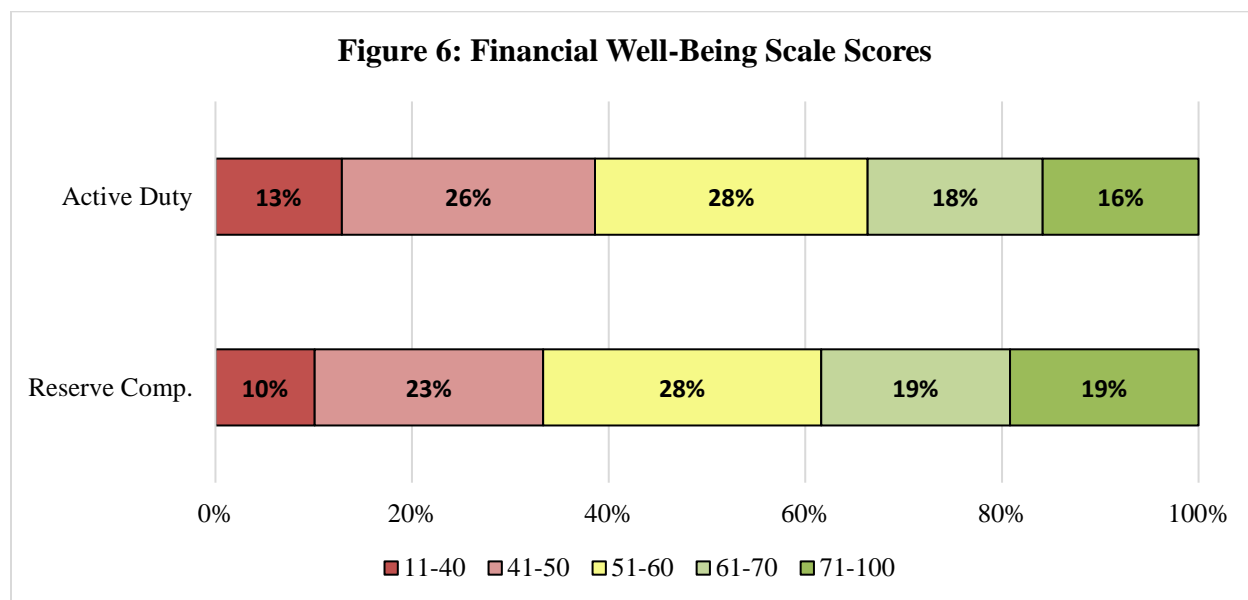


Figure 6 shows the distribution of scores across the scale. CFPB research has shown that a score of 50 or below on this scale is associated with a high likelihood of struggling to make ends meet or experiencing material hardship, such as running out or worrying about running out of food,

⁷ Board of Governors of the Federal Reserve System, “Economic Well-Being of U.S. Households in 2022” (May 2023), p. 9.

⁸ Ibid., p. 10.

not being able to afford medical treatment or a place to live, or having utilities shut off. Overall, approximately 39 percent of AD and 33 percent of RC Service members had scores of 50 or below in 2022. Those with lower CFPB scores include AD and RC junior enlisted members, AD Navy members, AD senior enlisted members, and ARNG members. The average CFPB score dropped from 61 in 2020 to 55 in 2022 for all AD members and from 61 to 57 for all RC members. The decline in average CFPB scores was consistent with the decline observed in the percentages of Service members who reported a comfortable financial condition.

Among AD Service members, Navy members (16 percent), senior enlisted members (15 percent), and junior enlisted members (15 percent) had higher responses of *11 to 40* than the average DoD response score. Junior enlisted members (30 percent) had higher responses of *41 to 50* than the average DoD response score. Air Force members (21 percent), senior officers (27 percent), and junior officers (26 percent) had higher responses of *61 to 70* than the average DoD response score. Senior officers (36 percent) and junior officers (30 percent) had higher responses of *71 to 100* than the average DoD response score. Among RC Service members, junior enlisted members (13 percent) had higher responses of *11 to 40* than the average DoD response score. ARNG members (26 percent) and junior enlisted members (28 percent) had higher responses of *41 to 50* than the average DoD response score. Senior officers (26 percent) and junior officers (23 percent) had higher responses of *61 to 70* than the average DoD response score. AFR members (27 percent), USNR members (23 percent), senior officers (37 percent), and junior officers (29 percent) had higher responses of *71 to 100* than the average DoD response score.

To allow for comparisons across groups and time, the Department also included questions to generate the CFPB score in the 2021 ADSS, a survey of AD military spouses conducted by DoD every other year. ADSS results are generalizable to the entire AD spouse population. The latest survey was fielded from July 26, 2021 to November 19, 2021. In 2021, the average CFPB score of AD spouses was 58, higher than the average CFPB score of 55 for AD members in 2022 and below that of 61 for AD members in 2020. In addition, the 2021 ADSS found that 32 percent of AD spouses had scores of 50 or below.

In recent prior year SOFS results, CFPB score averages for Service members were consistently higher than that measured in the U.S. population at the same point in time. However, there was no national-level survey that used the CFPB measure in 2022 to compare trends in the military population to the larger U.S. population. The average CFPB score for Service members in the 2022 SOFS is similar to the U.S. population CFPB average score of 55, as measured in the Federal Reserve's 2020 SHED. However, downward trends in overall financial well-being observed in the 2022 SHED suggest average CFPB scores for the U.S. population in 2022 may have been lower if the CFPB score questions had been included in the survey.

Financial Management Challenges

To gain a better understanding of the experiences impacting a member's financial well-being, the SOFS asks about specific financial management challenges experienced by members in the past 12 months that range in severity and risk to financial readiness. Among AD members, 35 percent reported one or more financial challenges, compared to 25 percent in 2020. The results

for RC members were similar: 35 percent of them reported one or more financial challenges, compared to 24 percent in 2020. Table 3 shows the results of those who identified experiencing a particular financial management challenge by percentage.

The most common financial challenges selected include providing unplanned financial support to a family member outside the household, having personal relationship problems with a partner due to finances, and borrowing money from family or friends to pay bills. Both AD and RC members reported taking money out of a retirement fund or investment to pay living expenses or having to pay overdraft fees to their bank or credit union two or more times at similar percentages. Small percentages of Service members indicate failing to make at least one credit card payment, having a debt referred to collection, missing a car payment, missing a rent or mortgage payment, using a food pantry, or having utilities or other services shut off. Very few reported other serious financial challenges, such as filing for bankruptcy, having a car repossessed, or having an adverse personnel or security clearance action due to financial condition.

Table 3: Financial Challenges Experienced in the Previous 12 Months

<i>Percent</i>	AD	RC
Provided unplanned financial support to a family member outside household	17	16
Had personal relationship problems with partner due to finances	15	14
Borrowed money from family and/or friends to pay bills	13	14
Had to pay overdraft fees two or more times	10	11
Took money out of retirement fund or investment to pay living expenses	10	11
Failed to make monthly or minimum payment on credit card	9	9
Had one or more debts referred to a collection agency	5	8
Failed to make a car payment	4	6
Used charitable organization's food pantry or food bank	4	5
Had telephone, cable, or internet shut off	3	4
Failed to make a rent or mortgage payment	2	4
Adverse personnel action due to financial condition	2	2
Had utilities shut off	2	2
Filed for bankruptcy	1	1
Had a car repossessed	1	1
Had security clearance affected due to financial condition	1	1

Financial Management Activities

The survey asks Service members whether they routinely perform a variety of specific financial management activities (Table 4). This information helps DoD to understand how Service members manage their finances, identify needed education focus, and observe how behaviors might change over time. The most common financial management activities reported were contributing to a retirement or savings account, monitoring credit scores, contributing to an emergency or other savings account, and reviewing their Leave and Earnings Statements (LES).

Table 4: Activities Used to Routinely Manage Finances

<i>Percent</i>	AD	RC
Contribute to retirement account	85	80
Monitor credit score/rating	85	81
Contribute to emergency/other savings account	84	79
Review LES	84	73
Make short-term financial plans	80	77
Make and/or monitor long term financial plans	75	76
Follow a monthly budget or spending plan	65	61

A large majority of both AD and RC Service members report engaging in positive financial behaviors such as monitoring their credit, saving, reviewing their LES, and planning their spending. Across most activities junior enlisted were less likely to report using most of the financial management activities than the average DoD response. For AD Service members, results in 2022 for *review your LES*, *make short-term financial plans*, and *follow a monthly budget or spending plan* were similar to or lower than 2016 to 2019 surveys. All other activities were similar to or higher than past years. For RC members, results in 2022 were similar to or lower than past years, except for *monitor your credit score/rating*, *contribute to a retirement account*, *contribute to a savings account for emergency savings or other savings goal*, and *make and/or monitor long-term financial plans*.

Financial Goals

The SOFS asks Service members whether 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 (88 percent AD; 88 percent RC)
- Saving for a safety net/emergency (85 percent AD; 82 percent RC)
- Being free of debt, except mortgage (80 percent AD; 80 percent RC)

While 2022 survey responses were generally similar to 2020 responses, a few positive trends are appearing over time. An increasing percentage of Service members report setting financial goals for retirement and emergency savings, indicating an increasing importance placed by Service members on building both short- and long-term savings (Table 5). In particular, the 2020 SOFS results indicated a significant increase in setting emergency savings goals among AD members. While down slightly from 2020, those gains are sustained in the 2022 results. The importance of saving for retirement and establishing an emergency savings fund continues to be emphasized in DoD financial readiness CMT.

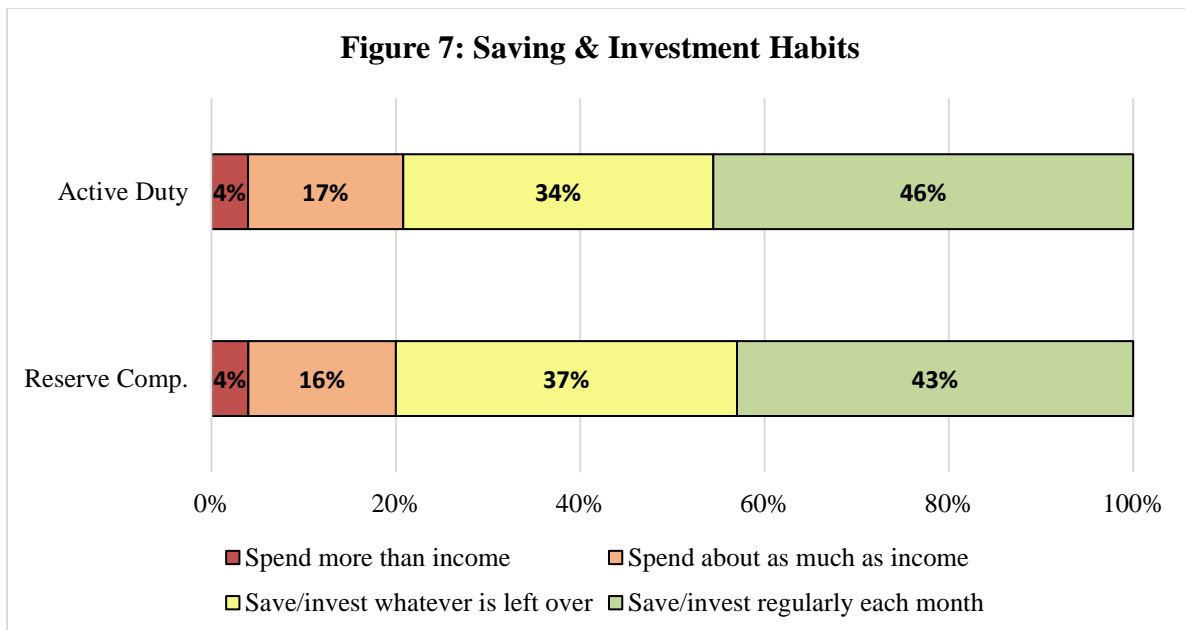
Table 5: Financial Goals

<i>Percent</i>		2019	2020	2022
Saving for retirement	AD	85	86	88
	RC	87	87	88
Establishing an emergency savings fund	AD	71	84	85
	RC	79	81	82

Throughout 2022, the Department observed more members than ever contributing to their retirement through the Thrift Savings Plan (TSP), continuing what has been a steadily increasing trend in participation rates. The adoption rate for TSP contributions for all Service members was 62 percent in 2022, compared to 57 percent in 2021 and 49 percent in 2020. 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.

Savings and Investment Habits

A large majority of Service members overall reported saving or investing on a regular basis (80 percent AD; 80 percent RC). Those results include about half of AD and RC members who reported saving regularly by putting money aside each month and roughly one-third who reported saving whatever income is left over each month with no regular plan, as shown in Figure 7. Among AD results, the percentage of members across DoD who indicated they save or invest regularly by putting money aside was similar to 2016, 2018, and 2019 and significantly lower than 2017 and 2020. Junior enlisted members were more likely to indicate they spend as much as their income (20 percent) compared to the average DoD response score (17 percent). Among RC results, the percentage of members across DoD who indicated they save or invest regularly by putting money aside was similar to or lower than past years.

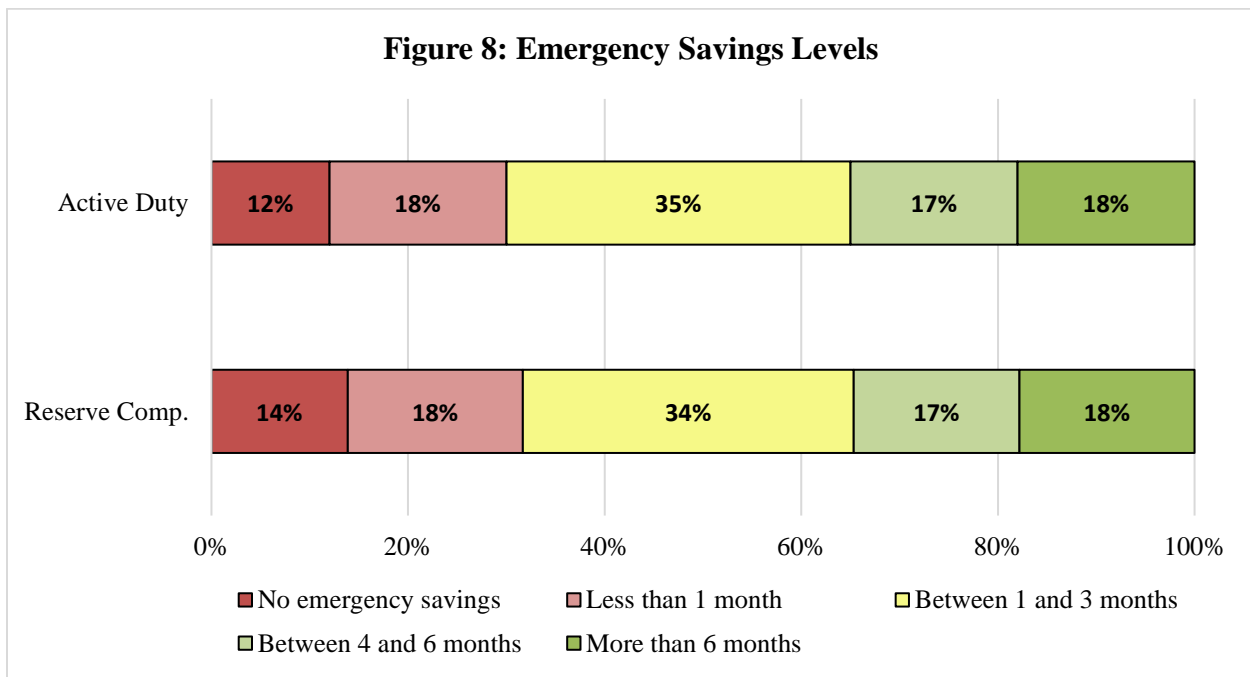


A small proportion of Service members—just four percent—reported that they typically spent more than their income. That percentage is substantially lower than the 19 percent of U.S. adults who reported spending more than their income in the Federal Reserve’s 2022 SHED.⁹ Service members who spend more 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.

⁹ Board of Governors of the Federal Reserve System, “Economic Well-Being of U.S. Households in 2022” (May 2023), p. 17.

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 high-cost credit products. Using data collected by the National Financial Capability Study, a survey commissioned by the Financial Industry Regulatory Authority (FINRA), researchers have found that households who are more financially knowledgeable or more confident in their financial ability are significantly more likely to report having emergency funds.¹⁰ Figure 8 shows levels of emergency savings among Service members.



About 88 percent of AD members and 86 percent of RC members indicated that they had emergency savings in 2022. Across AD members, those results were similar to 2020 and mostly higher than 2017 to 2019. Across RC members, the results were similar to or higher than prior year surveys. Junior enlisted AD members were more likely to indicate they do not have an emergency savings fund (20 percent) than the average DoD score, but this remains a substantial improvement compared to 2019 (27 percent AD; 28 percent RC) and prior year surveys.

On average, both AD and RC members had about 3.1 months of monthly expenses in emergency savings. Responses potentially indicate that a significant percentage of members may have prioritized saving even as overall financial comfort declined, especially if they viewed emergency savings as an important protection against financial hardship. The Department’s messaging to help Service members maintain their financial readiness has included the importance of building emergency savings.

¹⁰ Patryk Babiarz, Cliff A. Robb, “Financial Literacy and Emergency Saving,” 2013.

Credit Card Usage

The proportion of Service members who use credit cards continues to increase. Overall, 89 percent of AD and 86 percent of RC Service members reported using credit cards. Survey results can provide information on how members are using credit cards. Some may use credit cards as a way to pay expenses, paying off their balances in full each month and avoiding interest costs. Others may carry a balance and accumulate debt.

In 2022, 41 percent of AD members routinely pay the full balance each month, 39 percent pay more than the minimum but not the full balance, and 10 percent pay only the minimum amount due. Among RC Service members, 42 percent routinely pay in full each month, 35 percent pay more than the minimum but not the full balance, and eight percent pay only the minimum amount due. Nine percent of both AD and RC Service members indicated they failed to make a monthly credit card payment in the past 12 months.

Credit card use and repayment habits among Service members closely resembled those of the overall U.S. population. The Federal Reserve’s 2022 SHED found that 82 percent of Americans had a credit card in 2020, with about half paying off the balance each month and the other half carrying a balance at least once in the past year.¹¹

Credit card usage varied by paygrade. Among both AD and RC members, junior enlisted members (20 percent AD; 25 percent RC) responded that they do not use credit cards at substantially higher percentages than the average DoD response (11 percent AD; 14 percent RC). Among members who used credit cards, AD junior enlisted members responded they paid the balance in full every month (40 percent) at lower percentages than the average AD DoD response (46 percent), while RC junior enlisted responses were not significantly different than others in that behavior (46 percent; 49 percent average RC DoD response).

Some positive trends have emerged as more Service members report using credit cards (Table 6). The percentage of AD Service members who reported paying their balance in full each month was about the same as in 2020 and higher than any previous year since this question was first asked in 2017. The percentage of members who report only paying the minimum payment on their cards in 2022 is up from 2020, but similar to that reported in 2019. Similar trends and percentages are observed among RC members.

Table 6: Credit Card Usage Over Time, Active Duty

<i>Percent</i>	2019	2020	2022
Pay balance in full each month	34	40	41
Pay more than the minimum payment	42	39	39
Pay only the minimum payment	9	7	10
Do not use credit cards	15	14	11

¹¹ Board of Governors of the Federal Reserve System, “Economic Well-Being of U.S. Households in 2022” (May 2023), p. 44.

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.

Financial Products and Services

The 2022 SOFS included a question regarding the use of financial products and services to cover routine expenses in the past 12 months. Results are provided below in Table 7. The use of the financial products and services to cover routine expenses increased up to 4 percentage points between 2020 and 2022. Among both AD and RC members, the largest increase was reported in the use of overdraft protection from savings, credit card or another accounts.

Table 7: Financial Products and Services Used to Cover Routine Expenses

<i>Percent</i>	AD	RC
Overdraft protection from savings, credit card, or another account	11	11
Overdraft loan or line of credit	7	6
Cash advance on a credit card	6	4
Other loan obtained online	5	5
Loan or grant from a military aid society	4	2
Direct deposit advance loan	3	3
Payday loan	2	2
Vehicle title loan	2	2
Pawn loan	1	1

Use of loans or grants from a military aid society was reported more frequently among AD members than RC members. Service members 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. 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.

The Department monitors the use of high cost and potentially predatory financial products and services to identify risks to force financial readiness. Only a small percentage of Service members reported using high-cost financial products and services. The most common were traditional banking products, including overdraft protection, overdraft line of credit, and credit card cash advance. The use of alternative and non-bank products and services such as online loans, direct deposit advance loans, vehicle title loans, and payday and pawn loans was less common among members in 2022.

The Department also monitors the use of financial products to help assess implementation 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 Literacy

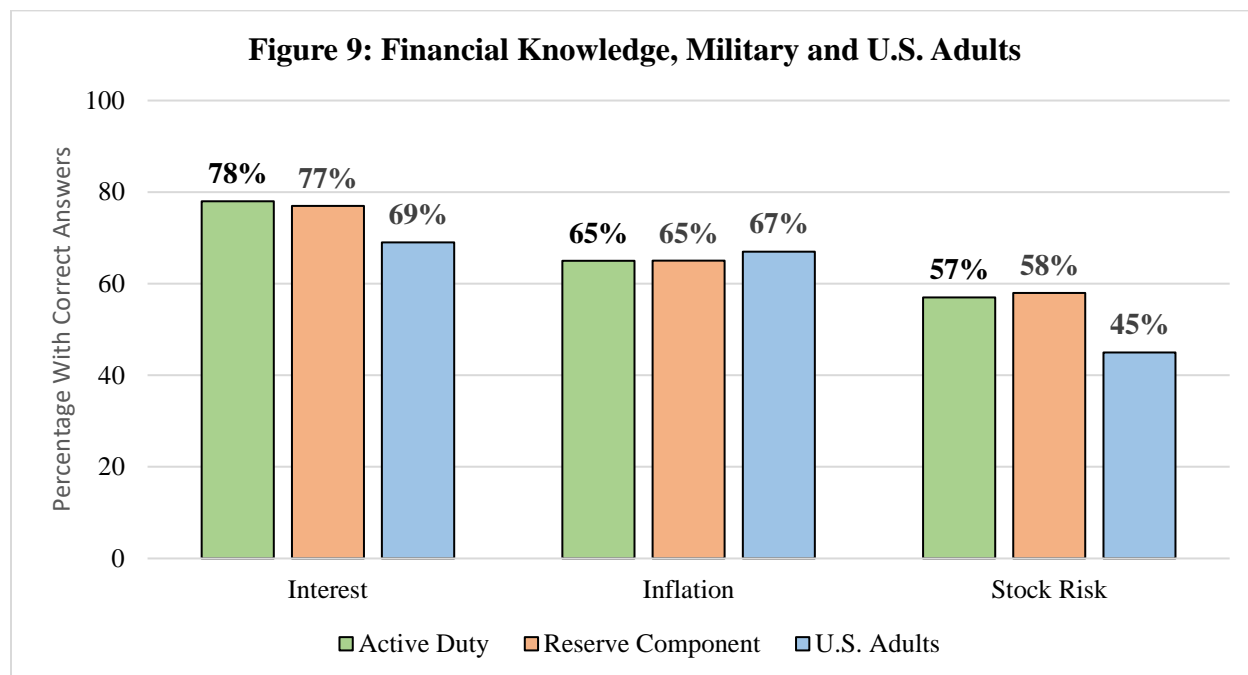
The SOFS includes a series of ten financial knowledge questions to objectively assess Service members' understanding of various financial concepts, including military-specific topics. Four of these questions were developed by the FINRA Investor Education Foundation's National Financial Capability Study.¹² Three of those questions are also included on the Federal Reserve's 2022 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)*

Figure 9 indicates the percent correctly answering each of these three common questions. Unlike last year's results which were mixed, the results for 2022 indicate that Service members were equally or more likely than U.S. adults to answer all three questions correctly. Service members were more likely to correctly answer the question on interest rates and stock risk and diversification. Service members were roughly equally likely as U.S. adults to answer the question about inflation correctly. The question on interest rate received the most correct answers: more than three-quarters of Service members correctly answered that question while about 70 percent of U.S. adults did so. The question on stock risk and diversification received the lowest correct answers, with roughly 60 percent of Service members providing the correct answer while less than half of U.S. adults did so. Between 65 percent and 67 percent of Service members and U.S. adults correctly answered the question about inflation. Compared to 2020 results, substantially more AD members correctly answered the questions on inflation (65 percent 2022; 49 percent 2020) and stock risk (57 percent 2022; 53 percent 2020). Similar

¹² References to non-Federal entities do not constitute an endorsement of those entities by the DoD.

increases in correct responses were observed among RC members for the questions on inflation (65 percent 2022; 51 percent 2020) and stock risk (58 percent 2022; 54 percent 2020).



Percent correct on common financial literacy questions¹³

Four additional financial literacy questions focus on general financial topics: mortgages, insurance, credit scores, and spending plans. The likelihood of Service members providing the correct answer on those questions have mostly remained unchanged or trended upwards since 2019. Overall, 77 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. When asked a true-false question about the meaning of insurance deductibles, 79 percent of both AD and RC Service members responded correctly. Sixty-four percent of both AD and RC Service members understood that checking your own credit score does not impact your score. Finally, 45 percent of AD and 49 percent of RC Service members understood that discretionary income is money left after paying fixed expenses.

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. Two of those questions focus on the Blended Retirement System (BRS) and one question concerned DoD’s Survivor Benefit Plan (SBP).

In 2022, 48 percent of AD and 38 percent of RC Service members correctly answered the question on the rate at which DoD makes matching contributions to a Service member’s TSP account under the BRS. AD Air Force members (54 percent) and AD junior officers (72 percent) were more likely to indicate the correct answer than the average DoD response score. AD Marine Corps members (44 percent) and AD junior enlisted members (41 percent) were less

¹³ Data on U.S. adults from U.S. Board of Governors of the Federal Reserve System, “Economic Well-Being of U.S. Households in 2022” (May 2023), p. 71, Figure 35.

likely to indicate the correct answer than the average DoD response score. A majority understood that income tax could impact the value of a lump sum payment of retirement pay under the BRS (68 percent AD; 65 percent RC). 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. DoD is continuing to focus on providing BRS training for both AD and RC to ensure Service members are fully aware of their benefits. On the final military-specific question, only 29 percent of AD and 32 percent of RC Service members correctly answered that the SBP pays beneficiaries of retirees who opt-in and members who are killed in the line of duty.

Financial Readiness and Military Life

The SOFS is a broad survey that includes questions on diverse aspects of military life, which provides the opportunity to understand how financial problems interact with retention, satisfaction, readiness, and stress. Several conclusions have emerged from that analysis over the past several years. Service members who experienced any of the various financial challenges included on the survey were more likely to indicate they were unlikely to stay on AD and more likely to report that their spouse and family viewed their military participation unfavorably. They report higher levels of dissatisfaction with total compensation, the type of work they perform in their military job, their opportunities for promotion, the quality of supervisors and coworkers in their unit, and the overall military way of life. They are more likely to indicate higher levels of stress in both their work and personal lives. Finally, these Service members had lower perceptions of readiness, including their own and that of their unit.

These findings underscore the Department's understanding of financial readiness as a critical component of personal and mission readiness, resiliency, and retention. These findings also reinforce the importance of ensuring that Service members and their 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 DoD Instruction 1322.34, “Financial Readiness of Service Members.” 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 opportunities start with pre-accession training and continues at specific milestones, including 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 to build the knowledge and skills required to manage their financial responsibilities, obligations, and goals so they can focus on their missions. Training content develops and reinforces basic financial skills, such as budgeting and managing credit, and addresses 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 as well as other indicators of financial well-being. Other indicators used by the Department include TSP savings behaviors, such as contributions rates and fund distributions and security clearance investigations triggered by financial issue. The Military Services are pursuing additional initiatives to gather relevant data, evaluating their specific training content through pre- and post-training knowledge tests, completing 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. 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 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. Tools and resources available include newsletters, articles, factsheets, videos, calculators, and links to additional resources and support from Federal

departments and agencies. The Department also maintains the website 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. 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 2023, the Department launched several new educational campaigns to support implementation of new benefit and entitlement programs. In January 2023, the Department launched the Basic Needs Allowance campaign, which included a website landing page with links to Frequently Asked Questions and Service-specific resources, a training webinar for financial counselors and administrators, and educational materials tailored to members, service providers, and leaders to educate them on key eligibility factors, income requirements, and other important details. In July 2023, the Department launched the Dependent Care Flexible Spending Account (DCFSA) campaign to inform Service members and families, leaders, and service providers about the new benefit the Department is making available to eligible Service members in 2024.

In partnership with the Office of Personnel Management's USALearning program, DoD operates Sen\$, a financial literacy learning application available for use on mobile devices and tablets. In 2023, application changes were made to support increased interactivity and customization options. Users can now select topics of interest to follow, highlight and take notes on information within the apps, bookmark resources, and earn badges for task and time completion. Sen\$ also provides a suite of financial planning tools, including a car payment calculator, Spending Plan Tool, and Financial Well-Being Assessment, which helps users identify their financial strengths and areas of growth and provides a personalized list of resources to assist with financial goals.

The Department's education efforts extend to its cadre of financial educators and counselors to maintain the critical knowledge necessary to support Service members and families. DoD collaborates with the Department of Agriculture's Cooperative Extension System to support the OneOp Virtual Learning Network, which provides monthly webinars and other professional development opportunities for a variety of functional disciplines for DoD service providers. The Department also has an agreement with the FINRA Investor Education Foundation to provide DoD financial educators military-focused training opportunities to gain continuing education credits and maintain their credentials, enhancing the delivery and quality of financial education and counseling to service members and their families. The Department conducts an annual training symposium for financial counselors and educators to earn continuing education units that help maintain required professional certifications. The Department conducted a virtual training symposium in 2022 and a full-scale, in-person training symposium in 2023.

In 2023, the Department developed and fielded an extensive Learning Resource Library (LRL) for DoD service providers and educators to enable open access to all financial readiness CMT touchpoint and ancillary curriculum. The online repository allows users to search, view, download, and share materials and includes dynamic tools to continue adjusting and refining the LRL to adapt to the service provider's needs. It also provides improved capabilities for curating

and maintaining version control for all counseling and educational resources and ancillary materials.

The Department continues to implement actions identified in the November 17, 2021 Secretary of Defense Memorandum tasking the Department’s senior leadership to strengthen economic security in the Armed Forces.¹⁴ The Secretary identified specific financial challenges experienced by some Service members and families during the coronavirus disease 2019 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, increase stability for Service members and families, and expand financial readiness resources. 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 within the Office of the Under Secretary of Defense for Personnel and 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 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 (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 incorporate evidence-based best practices for financial education recommended in the U.S. National Strategy for Financial

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

Literacy 2020 and 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. Financial readiness education is made available when Service members experience specific personal and professional life events in the military lifecycle. 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, 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 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

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).

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. DoD provides continuing education through a collaboration with the Department of Agriculture's Cooperative Extension System and an annual training symposium to maintain and build 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.

Provide unbiased information. Financial literacy education should provide unbiased information, including awareness of the pros and cons of multiple options when discussing 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. 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 was created by Congress in 2003¹⁶ to coordinate the Federal Government’s financial literacy efforts and improve the financial literacy and education of Americans. The FLEC is composed of the heads of 22 Federal agencies and the White House Domestic Policy Council; it is chaired by the Secretary of the Treasury. DoD, through the Deputy Assistant Secretary of Defense for Military Personnel Policy, 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 2022, the Military Working Group focused on continuing coordination across three key areas: financial literacy and preparedness, research and assessment, and communication and engagement.

DoD partners with other Federal agencies to educate Service members about the consumer market. In July 2023, DoD collaborated with the Federal Trade Commission (FTC) 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. Experts from the CFPB and the Department of Education participated in the 2022 DoD Financial Readiness Training Symposium to educate DoD financial counselors about emerging credit trends, Buy Now Pay Later financial products, and planning for higher education costs. At the 2023 DoD Financial Readiness Training Symposium, the National Endowment for Financial Education, FTC, and the Commodities Futures Trading Commission (CFTC) provided education on financial trauma, military consumer updates, and trends in digital and crypto assets. Other collaborations include development of an information sheet with the Internal Revenue Service on the Tax Implications of Digital (Crypto) Assets to inform Service members, briefing on the use of data to support financial well-being at the DoD Financial Network event by the CFPB, and the development of instructor-led curriculum about digital (crypto) assets with the CFTC to increase awareness of these products, understand their tax implications, and explain how service providers can support inexperienced Service members who may be uninformed about the risks and pitfalls of investing in these financial products.

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.

¹⁶ 20 U.S.C. § 9702, “Establishment of Financial Literacy and Education Commission.”

ARMY

The results of the 2022 SOFS indicate 65 percent of AD Army, 72 percent of ARNG, and 71 percent of United States Army Reserve (USAR) Soldiers' financial situation was the same or better compared to 12 months ago. Across all Services, the percentage of members who indicated their financial situation was better was significantly lower than all prior year Status of Forces surveys on record. The most common activities reported as contributing to Soldiers' financial situation improving included better financial management and reduction in debt. Negative factors included increased debt and financial management problems. Not surprisingly, changes related to employment were a negative factor for RC Soldiers given the nature of their dual employment status.

Across the Total Army, those who indicated they have a saving or investment habit were lower compared to the 2020 SOFS. Of note, between 75 and 78 percent of members report saving or investment habits, with junior enlisted members more likely to indicate they were unable to save or invest due to spending as much or more than their income. The most common financial goals were saving for retirement, saving for a safety net or emergency fund, and being free of debt, except for mortgage. In the 2022 survey, 86 percent of AD Army, 84 percent of ARNG, and 82 percent of USAR reported having an emergency savings fund, with the average amount in savings of 3 months.

Interpreting a credit report and score is critical to support financial decision-making. When asked which activities were used routinely to manage finances, 85 percent of AD Army, 77 percent of ARNG, and 83 percent of USAR said that they monitor their credit score and report. The Army has incorporated handouts and content into all areas of CMT to emphasize the importance of monitoring credit scores, checking for accuracy with credit reports, and the availability of free credit monitoring services for eligible Soldiers. Further, the Army has provided resources to assist Soldiers when a problem is detected, thus enabling them to take ownership of their credit history.

Results of the 2022 SOFS indicate the primary way Soldiers learned about financial topics was from family, friends, or peers, along with online, non-military resources. Because there is little or no quality control or vetting of financial readiness information received outside of Army Financial Readiness Programs, the Army will continue to increase the amount and quality of information it provides. This will be accomplished through the provision of financial literacy information that is researched, vetted, and standardized using CMT milestone training and available official resources, such as the Army's financial readiness website (www.financialfrontline.org) and Army Directive 2022-01, "Personal Commercial Solicitation on Army Installations to Support Financial Education," which establishes guidance for personal commercial solicitation on Army installations to support financial education.

In the 2022 SOFS, more Army respondents answered financial literacy questions correctly compared to previous years. Scores improved for 4 of the 10 questions and stayed the same for the remainder, compared to 2020. The percentage of incorrect responses among junior enlisted on the financial literacy knowledge questions within the 2022 SOFS illustrates how essential it is that training is effective in increasing financial understanding. For example, the Army was less

likely to indicate the correct answer regarding the BRS. As a result, the Army included elements of BRS into all mandatory financial readiness CMT to ensure the Total Army would become educated (regardless of which retirement system they fell under). Even further, financial education was added in all levels of enlisted professional military education to guarantee that leaders would be actively engaged with their Soldiers and able to identify potential warning signs of financial mismanagement. Leaders have incorporated financial readiness into counseling and training calendars.

The Army recognizes that it must provide the best possible flexibility for Soldiers and Families across the Total Force to access financial readiness resources. To meet these challenges, the Army adopted a three-fold approach to providing financial literacy. First, the Army has embraced a central theme to base the entire financial literacy program around and motivate Soldiers: “Secure the Financial Frontline.” It projects a proactive and engaging mindset to motivate Soldiers to achieve financial readiness. Second, the Army has initiated a tiered approach to financial literacy: 1) click on a trusted site for self-service electronic financial literacy education and help; 2) if online training is not available, not a fit, or did not answer all the questions, Soldiers should call a trusted resource for financial information and help; and 3) walk into an Army Community Service or Family Support Center for assistance or counseling. Third, the Army has created standardized curriculum and products to be utilized across the Total Force in both distributed learning and traditional formats.

The Army recognizes the benefit of assessing the educational needs of Soldiers and Families to help shape financial literacy training and other educational products and relies on survey and data collection. The Army will continue to use data on financial challenges identified in the 2022 SOFS to shape and improve its Financial Readiness Program. Further, the Army has a contract to provide an 8-hour Personal Financial Management class to Advanced Individual Training students. All learners take a pre- and post-knowledge check and course critique upon completion of the training. The post evaluation shows 89 percent improvement in scores. The course critique shows 95 percent for agreed/strongly agreed the class met their expectations. A course revision will be completed in the first quarter of FY 2024 with an enhanced course critique and site visits in FY 2024 will improve educational content.

Soldiers who are financially fit are better able to fulfill the duties of the mission and report greater family satisfaction. Increased financial management issues affect Army and Family readiness. Financial literacy training provides the pathway for sustaining financial well-being and resiliency with benchmarks for meeting all financial responsibilities, building wealth, and obtaining a sound financial future, and a secure retirement.

MARINE CORPS

In the 2022 SOFS, 59 percent of AD Marines and 62 percent of RC Marines reported a comfortable financial condition. These results reflect a decline from recent years but reflect similar levels of financial well-being in the 2009 to 2010 timeframe as the United States moved out of a lengthy period of economic turmoil. Despite this overall decline, just 31 percent of AD Marines and 24 percent of RC Marines indicated their financial condition was worse in 2022 than 12 months prior.

Distinct from questions reflecting perceived financial conditions, survey results measuring financial knowledge and positive financial behaviors are similar or better than previous years. This indicates that, despite worsening economic conditions, Marines continue to implement positive financial practices imparted by the Marine Corps' Personal Financial Management Program (PFMP) to ensure a more stable financial future. More Marines are reporting that they are saving money for both long-term goals and to offset potential future emergencies. Marines are taking these steps in an environment of economic uncertainty characterized by significant rises in the cost of living (to include food and fuel costs), volatile inflation, and rising interest rates. While Marines report being concerned about these factors, they continue to take actions that build for their future.

The Marine Corps continues to focus on building sound financial practices for its junior enlisted Marines (E-1 to E-3) and company grade officers (O-1 to O-3) and educating Marines during transition to better prepare for life outside of the Corps. This mission is accomplished through the execution of CMT known in the Corps as Financial Education Action Points (FEAPs). All Marines are required to complete FEAPs at specific milestones throughout their service, from the yellow footprints at the recruit depots and officer accessions through the Marine's transition to civilian life.

The Marine Corps utilizes a variety of data sources to track the evolving financial readiness needs of Marines and families. Through monthly PFMP data collection submissions, the Marine Corps identifies emerging trends in educational needs. The Marine Corps also uses external data resources to inform assessments of educational needs, including SOFS results. Based on the results, training content is refined to target opportunities for improvement. Shifts in training focus occur at the installation level, informed by local conditions and needs, with guidance from Headquarters Marine Corps. Installation PFMs target the trends revealed in their data and provide training upon request from the various commands within their geographic area of responsibility.

The Marine Corps continues to revise its financial readiness curriculum based on the evolving needs of Marines and changes within various financial readiness, benefits, and other economic topics. Recent revisions include updates to information about the LES due to changes in the information provided on the LES, changes in Servicemember Group Life Insurance benefits, and regular updates to Continuation Pay requirements and amounts.

The Marine Corps is currently revamping the Command Financial Specialist (CFS) initiative to provide better trained, uniformed assets within commands. The CFS is the frontline of assistance

to Marines, increasing the visibility of and stressing the importance of Financial Readiness within the Corps. One aspect of the CFS refresh is working toward making the Inspector General of the Marine Corps PFMP Functional Area Checklist a Critical or Required Evaluation functional area to be inspected. This change will increase accountability for the execution of the CFS initiative and support of financial readiness at the command level.

The Marine Corps strives for the improvement in the financial readiness of all Marines, with a particular focus on junior Marines and company grade officers. These improvements are incremental and measured using all available tools and data. Marines have demonstrated that the lessons they learn impact their daily lives and their planning for the future. Whether in garrison or a deployed status, Marines are improving their financial readiness.

NAVY

The results of the 2022 SOFS serve as an indicator of overall financial well-being within the Navy and help identify financial behaviors and challenges experienced by AD and RC members. The Navy uses survey results as a benchmark to evaluate and update financial literacy training, addressing specific issues and topics, in accordance with 10 U.S.C. § 992(d).

While the 2020 SOFS Navy results signaled continued improvements over time, the 2022 SOFS indicated a lower percentage of AD (57 percent) and RC members (68 percent) reporting a comfortable financial condition compared to recent years. For those Navy members indicating their financial situation was worse compared to 12 months ago (39 percent AD; 28 percent RC), the primary reason continues to be increased debt (62 percent AD; 56 percent RC). Recognizing continued challenges with debt, the Navy has implemented several training initiatives. The Navy developed a new Financial Planning Worksheet to assist Sailors with formulating a plan to eliminate debt, leave more funds available for living expenses, and save for the future. Debt Destroyer® Workshops were introduced in January 2022 to empower Sailors to get out – and stay out – of debt. Approximately 4,500 Sailors attended a workshop delivered by a PFM in 2022.

In addition to increased debt, AD Navy members indicated their financial situation was worse in 2022 due to financial management problems (31 percent). To assist Sailors, the Navy financial literacy program is educating Sailors on financial issues during the Sailor for Life portion of Basic Military Training at Recruit Training Command and at personal and professional touchpoints across the military lifecycle, beginning with the recruit training and continuing throughout a Service member’s career and transition to civilian life. The Navy provides a 2-day Million Dollar Sailor course designed to assist Sailors and their families to successfully navigate the financial challenges that accompany Navy life. The Navy also released the MyNavy Financial and MyNavy Family mobile apps to provide Sailors and family members with information to strengthen their economic security.

The Navy will continue to refine and develop future educational content that focuses on debt reduction and personal financial management. Specific updates planned for 2024 include updates to financial readiness CMT touchpoint courses and MyNavy Financial Literacy mobile app to place additional focus on debt reduction strategies. The mobile app will also be updated to include references to the Debt Destroyer® Workshop and DoD’s Financial Well-Being Assessment, as well as add the Debt Destroyer® Calculator.

The SOFS results indicate that 91 percent of AD and 93 percent of RC members used a credit card in 2022, similar to 2020. In response, a new block of instruction called “Your Credit and Your Clearance” was added to the CFS Certification course 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 is to ensure CFSs have a solid understanding of how to manage credit and debt to assist and counsel their fellow Sailors.

SOFS results also indicate that junior AD officers have occasionally been less likely than members in other paygrades to follow a monthly budget or spending plan (53 percent). As a result, this important financial management activity was emphasized in a May 2023 update of the officer accessions financial readiness CMT course, bringing awareness to the pitfalls junior officers may face if they do not wisely manage their spending.

DCFSA enrollment will be offered to Sailors commencing in 2024. All Navy PFMs have been trained on DCFSA and are ready to assist Sailors and their families. It is imperative that Sailors understand the DCFSA before enrolling, as contributions that exceed eligible expenses will be forfeited and there may be tax considerations. To prepare Sailors to make an informed decision, a DCFSA overview will be included in the online and mobile app-hosted financial readiness touchpoint CMT courses. In addition, the Million Dollar Sailor and CFS Certification courses will be revised to include DCFSA information.

The Navy recognizes that the personal financial readiness of Sailors must be maintained to sustain mission readiness. The survey results provide valuable information to assess the educational needs of Sailors and will continue to serve as a basis for the future development of educational content.

AIR FORCE

The 2022 SOFS results indicate 66 percent of Airmen and Guardians reported a comfortable financial condition, which is a marked decline compared to 80 percent from the 2020 SOFS. In reviewing the results, the Department of the Air Force (DAF) holistically considers the changing economic situation faced by all Americans: the impacts of high inflation, which includes gas and food prices, housing, and childcare costs. For those members who fall within the comfortable financial condition, they report doing well financially, have a high level of financial well-being, and exhibit positive financial behaviors.

The SOFS results indicate that 91 percent of ANG and 93 percent of AFR members use a credit card, but 35 and 39 percent, respectively, do not pay off the balance each month. These results highlight the importance of refinements in pre-deployment training on the SCRA as a key learning objective so Reserve and Guard members 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, 92 percent of DAF members indicated they had an emergency savings plan, compared to 93 percent in 2020. However, there were some areas of concern for junior enlisted members. Survey results showed that 12 percent of junior enlisted AD and 9 percent of junior enlisted AFR members indicated they were unable to save or invest. Additionally, 12 percent of AD junior enlisted, 14 percent of AFR junior enlisted, and 18 percent of ANG junior enlisted members indicated they do not have an emergency savings fund. The DAF plans to place greater emphasis during the *First Duty Station-Enlisted* training for junior enlisted members that will focus on budgeting skills and the need to set aside funds, enabling greater personal readiness in times of emergencies.

The DAF 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 AD, ANG, and AFR members. The DAF also employs several other resources to collect and analyze data on personal financial readiness. For each of the mandatory touchpoint trainings pursuant to 10 U.S.C. § 992, Airmen and Guardians are asked to complete pre- and post-training surveys and 3- and 6-month follow up surveys in a DAF training portal. Results are used to 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 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 evaluation questions with low rates of correct answers to increase clarity and to inform the training implementation. Once sufficient data is collected and analyzed, the long-term goal is to utilize evaluation data to assist in developing training updates and improvements on a regular basis to meet the needs of Airmen and Guardians.

The DAF has contracted with a public university since 2019 to perform training program evaluation and evaluate training effectiveness. Evaluation efforts include surveys completed by training facilitators, surveys completed by Airmen and Guardians, and site visits to observe training. The DAF's efforts also include curriculum assessments by financial education subject matter experts who are professors of *Financial Planning* and have extensive experience evaluating brief financial interventions. The DAF, through its university contract, routinely assesses the curriculum design, delivery, and content for accuracy and consistency, followed by recommended changes to ensure assessed curriculum remains up to date with the latest financial research and standards.

Key findings of the program evaluation report covering the period of July 1, 2022 to June 30, 2023 include:

- Across touchpoints, the large majority (greater than 84 percent) of Airmen and Guardians reported they used a spend plan and regularly checked their credit score. Those in *Promotion* training were least likely to have a spend plan (81.11 percent), and those in *New Child* training were most likely to have one (87.32 percent).
- Topics with most and least engagement varied across touchpoints. However, facilitators consistently reported that Airmen and Guardians were highly engaged in *Financial Management and Planning* and less engaged in *Survivor Benefits*.
- On average, objective financial knowledge increased by approximately 5 percent (average 4.45 percent) from pre-survey to post-survey after touchpoint training completion.
- Training facilitators reported high training fidelity for in-person trainings.
- The *First Duty Station-Enlisted* touchpoint training had the highest level of engagement at 4.38 on a scale of 1-to-5, ranging between *mostly engaged* and *very engaged*, while the *Post-Deployment* touchpoint training had the lowest level of engagement at 3.18 on a scale of 1-to-5, slightly above *somewhat engaged*.

Based on its evaluation team findings, the DAF is creating a “train-the-trainer” module to assist facilitators in understanding best practices related to presenting the touchpoint training content. Training implementation will be adjusted to reflect that many Airmen and Guardians come to training with above-average financial well-being, recognizing that it is important to adjust training to recognize existing knowledge, skills, and abilities, and offer training that meets individual needs. Further, training implementation at *First Duty Station-Enlisted* will emphasize the importance of developing a spend plan and checking credit reports regularly.

The DAF's internal evaluation team provides significant data to inform decisions and deliver effective training. The continued, contracted partnership will continue to help guide DAF leadership in carrying out its mission to provide personal financial literacy training for ready and resilient Airmen, Guardians, and families.

CONCLUSION

The SOFS design and results help the Department understand the financial behaviors, perceptions, goals, and knowledge of Service members. The 2022 results indicate a large majority of Service members still positively assess their own financial situation. However, changes in the economic environment since the previous SOFS in 2020 have had a negative impact on measures of holistic financial well-being. An increasing percentage of Service members responded they felt they were financially worse off compared to the 12 months prior to the survey, a downward trend that is consistent with responses in other Federally administered surveys of the U.S. population around the same timeframe.

While financial comfort was measurably lower compared to 2020, higher percentages of Service members showed positive financial behaviors that will help them confront financial challenges. A greater percentage exhibited higher levels of financial literacy and reported establishing positive financial goals and using credit responsibly. Only a small proportion of Service members reported that they typically spent more than their income, substantially lower than the percentage of U.S. adults who reported spending more than their income in national surveys. Among both AD and RC members who reported a better financial condition compared to 12 months prior, better financial management was a top reason cited for the positive change. The vast majority report being able to save or invest. Emergency savings rates among AD members continue to be substantially higher than prior year surveys, after dropping slightly from the historic high in 2020. The increasing participation in the TSP also helps safeguard the long-term financial capability and well-being of Service members and their families.

The Department is working diligently to address specific financial challenges through its Taking Care of People initiatives, including the cost of childcare and housing. However, the nature of the risks to financial readiness confronting Service members and their families continues to evolve. Rapidly changing inflation rates increase the difficulty of budgeting for routine expenses. Service members and their families continue to be targets of the latest frauds and scams. The proliferation of new financial products and services, such as crypto assets, buy now pay later products, and apps that enable easy access to credit or complex investments, requires the Department to continually improve its education programs and target training content where it is most needed.

The declines in perceived financial comfort coupled with several positive behavioral changes could indicate that Service members are becoming more aware of the increasingly complex and uncertain financial landscape and are interested in acquiring the skills and experience necessary to boost their financial capability, providing an open avenue for financial education. DoD programs and resources will 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.