

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



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## **Financial Literacy and Preparedness Survey Results from the 2023 Status of Forces Survey**

**May 2025**

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## EXECUTIVE SUMMARY

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The Department of Defense (DoD) submits this report on the financial literacy and preparedness of members of the Armed Forces to the Committees on Armed Services of the Senate and the House of Representatives pursuant to 10 U.S.C. § 992(e). This report includes results from the financial literacy and preparedness section of the 2023 Status of Forces Survey (SOFS). 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 2023 SOFS include:

- The percentage of overall Active Component (AC) Service members reporting a comfortable financial condition continued to decline from prior surveys, with percentages for AC enlisted personnel dropping below 50 percent for the first time on record.
- The majority of Reserve Component (RC) Service members reported a comfortable financial condition, with results generally similar to the 2022 SOFS.
- For those who reported a worsening financial condition, the most common reason cited was an increase in debt and/or expenses.
- Among those whose financial condition improved, members most attributed the improvement to better financial management. Service members fared well on the ability to save or invest, accumulate emergency savings, and absorb unexpected expenses.
- Measures of overall financial well-being track closely with trends among U.S. adults observed in other Federal surveys. Military members fare better than U.S. adults in several specific indicators of financial condition, such as spending less than income.
- More AC Service members reported having emergency savings than in prior years. Slightly fewer RC members indicated they had emergency savings. Saving among junior enlisted has improved substantially since 2019.
- Fewer AC Service members reported one of several specific financial challenges associated with lower levels of retention, satisfaction, and readiness than in 2022. Very few Service members reported experiencing a serious financial challenge, such as a bankruptcy or having a security clearance notification due to financial condition.
- Across the board, more Service members report actively performing positive financial management activities including reviewing their Leave and Earning Statement (LES), monitoring their credit score, and following a monthly budget than in prior years.

## INTRODUCTION

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Section 992(e) of title 10, U.S. Code, 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 results of the annual survey be used by the “Secretaries concerned as a benchmark to evaluate and update training”<sup>1</sup> and be “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, section 661 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2016 (Public Law 114–92) 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. Financial readiness is a critical component of mission readiness and is defined by DoD as a state in which successful management of personal financial responsibilities supports a Service member’s ability to perform his or her wartime responsibilities. To support Service members’ ability to maintain their financial readiness throughout their military career, the Department provides financial literacy training and financial counseling at training touchpoints specified in 10 U.S.C. § 992(a). DoD-wide policies regarding common military training (CMT) and other financial readiness requirements are outlined in Department of Defense Instruction (DoDI) 1322.34, “Financial Readiness of Service Members.”

The financial literacy and preparedness section of the 2023 SOFS includes a series of questions to collect information on the financial condition, financial behaviors and management, financial goals, financial knowledge, and potential financial challenges. These questions allow DoD to monitor the financial readiness of Service members and to identify potential training and educational needs. Data collected over time allows the Department to compare current responses to historic data and monitor trends. To assess holistic financial well-being, the survey directly asks respondents to provide a subjective self-assessment of their overall financial condition. Since 2017, the survey also includes a research-based Financial Well-Being Score that provides a common numerical measure of financial well-being that is comparable across various population groups and time.

In addition to data on subjective experiences, the survey gathers information on more objective indicators of financial readiness, such as if they spend more or less than their income, how they use credit cards, and their ability to absorb a financial shock. The survey also contains a financial literacy quiz to assess understanding of a variety of financial topics. The use of common financial literacy questions included on major national surveys provide an opportunity to measure how the level of financial literacy within the military compares to the overall U.S. population.<sup>2</sup>

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<sup>1</sup> 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.”

<sup>2</sup> 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 2023 SURVEY RESULTS

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This section provides an overview of the financial literacy and preparedness results within the latest SOFS. The DoD Office of People Analytics (OPA), part of the Defense Personnel Assessment Center, administers the Status of Forces Survey of Active Duty Members (SOFS-A) and the Status of Forces Survey of Reserve Component Members (SOFS-R) on an annual basis. The 2023 SOFS-A was administered between December 12, 2023 and March 19, 2024 to a sample population of approximately 112,000 AC Service members with a weighted response rate of 13 percent. The 2023 SOFS-R was administered from November 30, 2023 to March 19, 2024 to a sample population of approximately 127,000 RC Service members with a weighted response rate of 12 percent.

OPA uses industry-standard processes employed by Federal Agencies such as the Census Bureau and the Bureau of Labor Statistics to produce scientific estimates that are representative of the larger population group. For example, the responses of AC junior enlisted members are statistically representative of the entire AC junior enlisted population.<sup>3</sup> 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.<sup>4</sup> The results are then weighted to account for response rate and ensure 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. Statistical analysis allows comparisons between groups and over time (e.g., how junior enlisted members compare to all other members; how the latest 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. In the figures used to display data, the results may not total 100 percent due to rounding. It is important to note that the military population is in a constant state of turnover and the individuals within the sample population change with each administration.

This report includes a discussion of trends and analysis of impacts to Service member financial preparedness when comparing results to those of previous surveys. In addition, the focus on collecting standard indicators of financial readiness allows the Department to analyze the financial health of the military population compared to results of national-level surveys. The Department only uses non-DoD surveys that are scientifically designed to accurately represent the U.S. population, just as the SOFS is designed to accurately represent the military population. This report utilizes survey information collected in the Federal Reserve's 2023 Survey of Household Economics and Decisionmaking (SHED) and the Consumer Financial Protection Bureau (CFPB) 2023 Making Ends Meet Survey for these comparisons. The Federal Reserve Board of Governor's SHED evaluates the economic well-being of U.S. households and identifies

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<sup>3</sup> 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.

<sup>4</sup> Due to its small size, results from Space Force Guardians are not independently analyzed. Discussion of Space Force results are included in the Department of the Air Force section of the report.

potential risks to their financial stability. The Federal Reserve has fielded the SHED annually since 2013. The Making Ends Meet Survey is a regular Federal survey conducted by the CFPB since 2019 that seeks to consistently measure household financial stability by group and is correlated with CFPB's Consumer Credit Panel, which is a comprehensive, national, 1-in-48 sample of credit records maintained by one of the three nationwide consumer reporting Agencies.

## Overall Financial Well-Being

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DoD has adopted a holistic view of financial well-being to assess and monitor the financial readiness of the force. Federal research<sup>5</sup> defines financial well-being as a state of being wherein one has control over day-to-day finances, has the capacity to absorb a financial shock, is on track to meet personal financial goals, and has the financial freedom to make choices that enable one to enjoy life. In measuring financial well-being, it is helpful to consider a variety of data measures of individual and household characteristics beyond income and expenses that research suggests may influence adults' financial well-being, including financial experiences, behaviors, skills, and attitudes. The SOFS collects both subjective and objective data from Service members to provide deeper insights into the financial experiences of the military population, to identify educational needs and to assess progress against the ultimate goal of financial education: financial well-being.

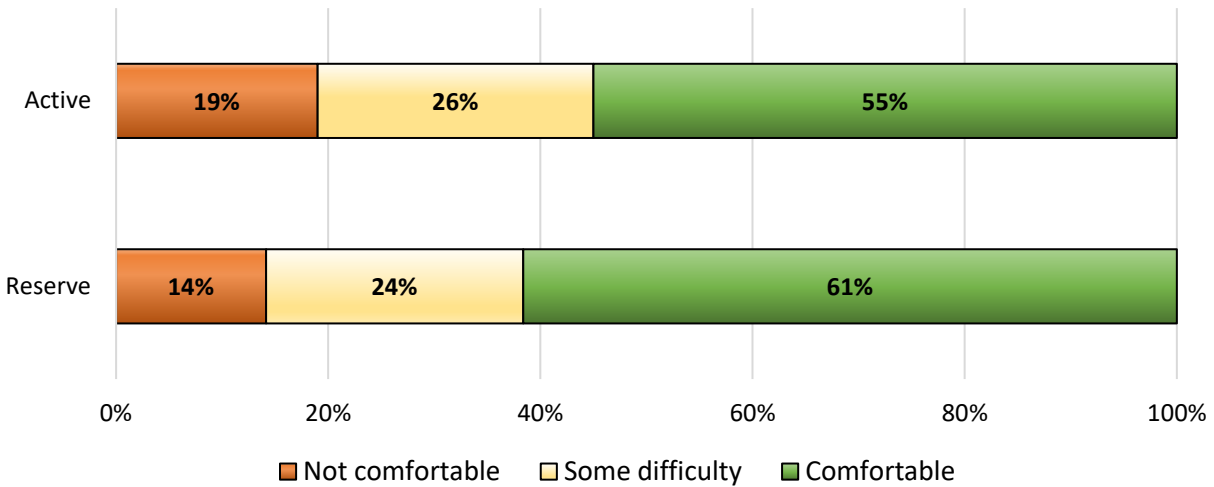
### Financial Condition

SOFS directly asks Service members to provide a self-assessment of their (and their spouse's) overall financial condition. In 2023, a majority of Service members reported a comfortable financial condition, which includes members who reported they were "very comfortable and secure" or "able to make ends meet without much difficulty." 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.

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<sup>5</sup> Consumer Financial Protection Bureau, "Financial well-being: The goal of financial education" (January 2015), page 5.

**Figure 1. Financial Condition, Active and Reserve Components**



Among AC Service members, 55 percent reported a comfortable financial condition, 26 percent reported some difficulty, and 19 percent reported not comfortable. Among RC Service members, 61 percent reported a comfortable financial condition, 24 percent reported some difficulty, and 14 percent were not comfortable.

Because the SOFS identifies respondents by several characteristics, the survey provides an opportunity to understand how financial condition differs in certain population groups. Tables 1 and 2 provide a more detailed breakout of responses from members by paygrade, branch of service, and family composition for AC and RC, respectively.

Table 1. Financial Condition by Demographic, Active Component Percent				
		Comfortable	Some difficulty	Not comfortable
Paygrade	E-1 to E-4	47	31	22
	E-5 to E-9	49	29	22
	O-1 to O-3	85	12	4
	O-4 to O-6	85	11	4
Service	Army	54	27	19
	Navy	50	27	23
	Marine Corps	54	27	19
	Air Force	62	25	14
Family composition	Single without children	60	25	15
	Single with children	44	35	21
	Married without children	54	27	19
	Married with children	52	27	22

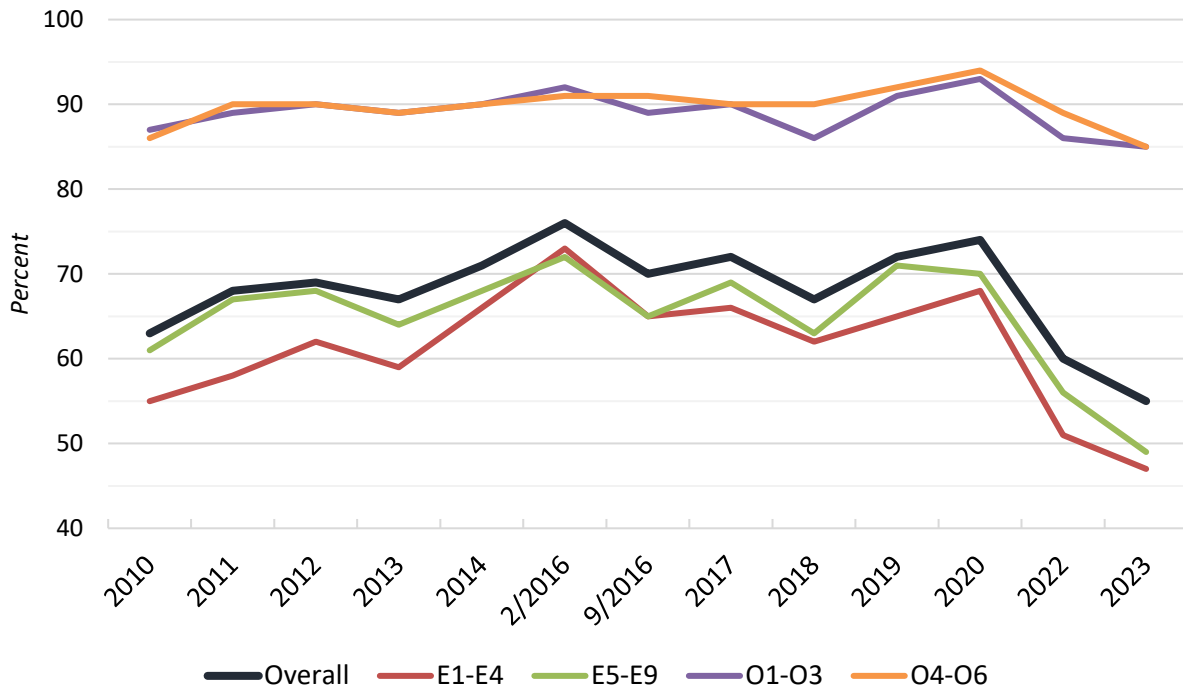
Table 2. Financial Condition by Demographic, Reserve Component				
Percent				
		Comfortable	Some difficulty	Not comfortable
<b>Paygrade</b>	E-1 to E-4	49	31	20
	E-5 to E-9	62	24	14
	O-1 to O-3	76	16	8
	O-4 to O-6	88	9	3
<b>Service</b>	Army National Guard	59	26	16
	U.S. Army Reserve	58	26	16
	U.S. Navy Reserve	69	21	10
	U.S. Marine Corps Reserve	62	24	14
	Air National Guard	67	21	11
	U.S. Air Force Reserve	68	20	13
<b>Family composition</b>	Single without children	58	26	15
	Single with children	47	29	23
	Married without children	70	20	10
	Married with children	65	22	13

Among both AC and RC members, officers were much more likely to report a comfortable financial condition compared to enlisted personnel. As in prior years, there remains considerable variability in those reporting a comfortable financial condition by branch of Military Service. Within AC results, Air Force members were much more likely to report a comfortable financial condition than the other AC Services. Groups reporting among the largest share of responses of *not comfortable* include AC and RC junior enlisted, AC senior enlisted, single members with children, and those in the Navy. Officers and married RC members, both with and without children, reported some of the highest percentages of financial comfort compared to other groups.

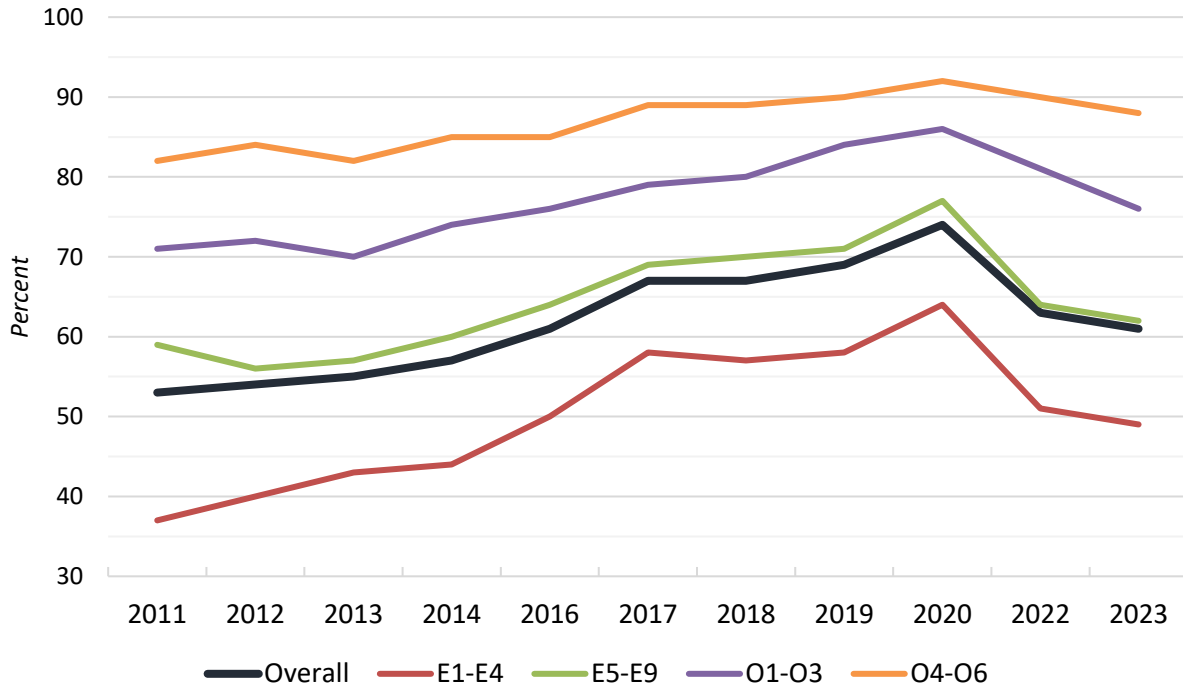
The Department tracks the percentage of members reporting financial comfort over time as a holistic indicator that captures a member's personal perspectives on their overall financial well-being, including both financial security and freedom of choice. In 2023, the percentage of overall AC members across DoD reporting such condition continued to decline from the higher levels observed in the 2020 SOFS. Across paygrades in the AC, the percentage of those reporting comfortable in 2023 were generally lower than past years (Figure 2). Notably, the 2023 SOFS is the first survey on record where fewer than 50 percent of AC enlisted members reported a comfortable financial condition. The largest continued decline is observed among AC senior enlisted members, which is down 22 percent from 2019. AC junior enlisted results are down 21 percent from 2020, but this decline as compared to the most recent survey in 2022 is not statistically significant.



**Figure 2. Comfortable Financial Condition, Active Component**



**Figure 3. Comfortable Financial Condition, Reserve Component**



RC members were much less likely to report a comfortable financial condition in 2023 than in 2020, but results are generally similar to 2022 (Figure 3). Most RC paygrades are lower than recent years, but generally remain above historic results recorded prior to 2016. Army National Guard (ARNG) (59 percent), United States Army Reserve (USAR) (58 percent), United States Navy Reserve (69 percent), Marine Corps Reserve (62 percent), Air National Guard (ANG) (67 percent), and Air Force Reserve (AFR) (68 percent) were similar to 2022 results.

The trends in the SOFS are similar to other Federal surveys of the overall U.S. population, which have indicated lower levels of overall financial well-being in recent years following a period of increasing well-being that peaked during the COVID-19 pandemic. Results from the Federal Reserve's 2023 SHED, which was fielded in October 2023, indicate that people's overall financial well-being was nearly unchanged from the previous year but below the high reached in 2021. When asked, "overall, which one of the following best describes how well you are managing financially these days," the 72 percent of adults either "doing okay" or "living comfortably" was essentially unchanged from 2022 yet was down 6 percentage points from the recent high of 78 percent in 2021.<sup>6</sup>

Inflation continued to be the top financial concern described in the 2023 SHED, despite the inflation rate falling over the prior year.<sup>7</sup> While most demographics show an abatement in declines, a notable exception in the SHED data is the trend for adults living with their children under age 18 ("parents"). Measures in the survey have shown evidence of continued decline in the financial circumstances of parents since 2021, but much of this decline occurred over the period from 2021 to 2022. The share of parents doing at least okay financially fell to 64 percent in 2023, down 5 percentage points from the prior year and down 11 percentage points from 2021.<sup>8</sup> The survey showed similar patterns for other questions. Both the share of adults who spent less than their income in the month before the survey and the share who would pay for an unexpected \$400 expenses with cash or the equivalent were nearly unchanged from 2022, yet both were down from 2021.<sup>9</sup>

## **Financial Well-Being Score**

The SOFS includes a research-based Financial Well-Being Score<sup>10</sup> which provides an alternative measure of overall financial well-being. The score is designed to allow practitioners and researchers to accurately and consistently quantify, and therefore observe, the extent to which someone's financial situation and financial capability provide them with security and freedom of choice. Responses to a series of five or ten questions produce a score from 0 to 100, with higher scores indicating higher financial well-being. The SOFS incorporates the five-question version of the questionnaire. The scale provides a common metric to compare financial well-being across groups of people and over time. These questions ask participants about four substantive elements of "financial well-being," which includes financial control, capacity to absorb a

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<sup>6</sup> Board of Governors of the Federal Reserve System, "Economic Well-Being of U.S. Households in 2023" (May 2024), page 1.

<sup>7</sup> Ibid, page 10.

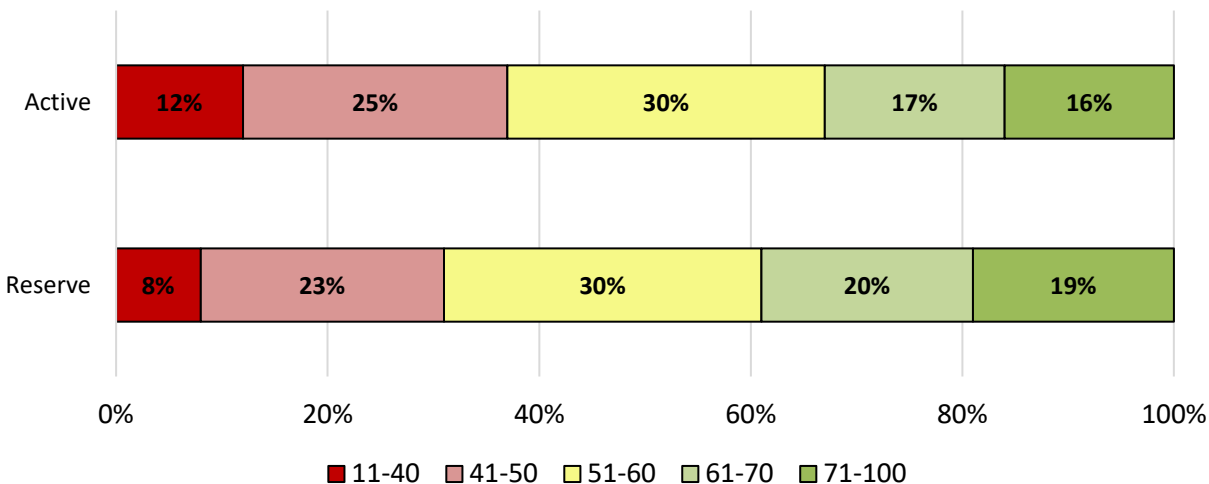
<sup>8</sup> Ibid., page 7.

<sup>9</sup> Ibid, page 1.

<sup>10</sup> Consumer Financial Protection Bureau, "Measuring Financial Well-Being" (December 2015).

financial shock, being on track to meet financial goals, and freedom of choice. Figure 4 shows the distribution of scores across the scale in 2023 for all AC and RC members.

**Figure 4. Financial Well-Being Score**



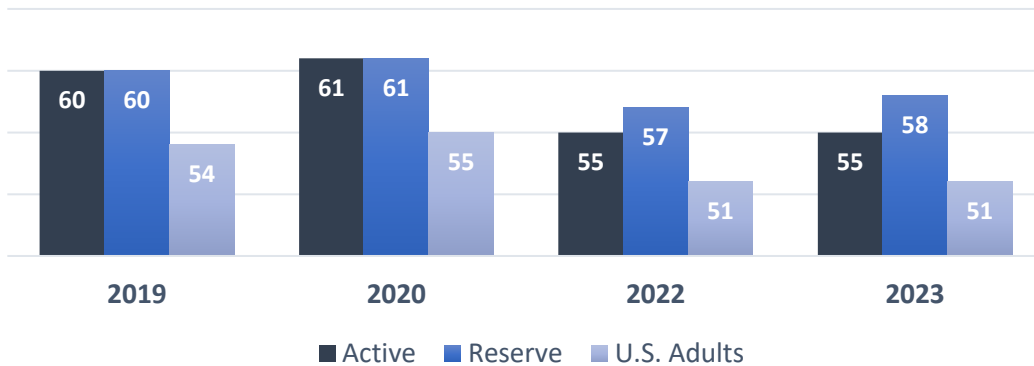
Junior enlisted members (11 percent) had higher responses of 11 to 40 than the average DoD response score. ARNG members (25 percent) and junior enlisted members (29 percent) had higher responses of 41 to 50 than the average DoD response score. ANG members (22 percent), senior officers (38 percent), and junior officers (26 percent) had higher responses of 71 to 100 than the average DoD response score.

Research has shown that a score of 50 or below on the 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, not being able to afford medical treatment or a place to live, or having utilities shut off. Overall, approximately 37 percent of AC and 31 percent of RC Service members had scores of 50 or below in 2023, a slight improvement compared to 39 percent of AC and 33 percent of RC in 2022.

The average score for AC members was 55 and RC members was 58, compared to the average U.S. adult population score of 51.<sup>11</sup> Historically, financial well-being score averages for Service members have been consistently higher than that measured in the U.S. population at the same point in time, as shown in Figure 5.

<sup>11</sup> Consumer Financial Protection Bureau, “Making Ends Meet in 2023” (January 2023), page 9.

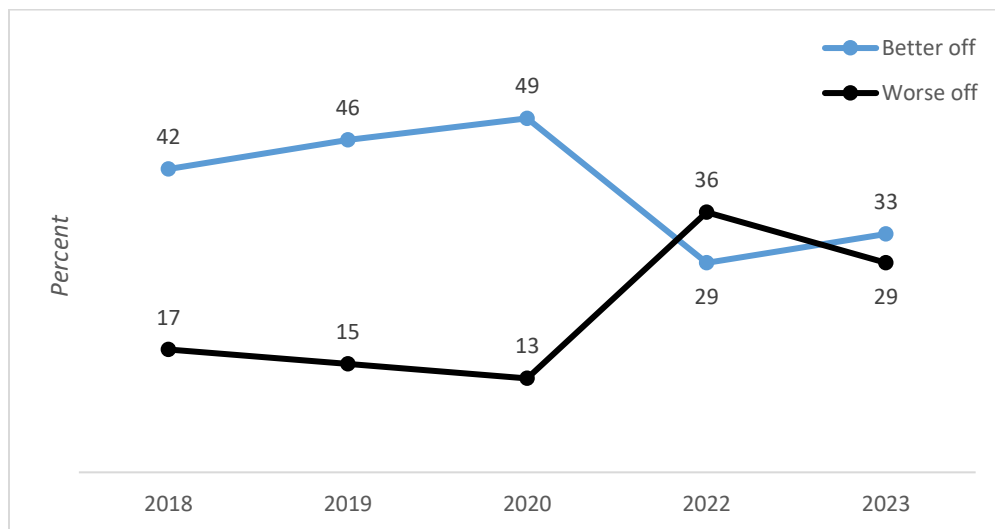
**Figure 5. Average Financial Well-Being Scores, Military and U.S. Adults<sup>12</sup>**



### Change in Financial Condition Over Time

The SOFS asks respondents to compare their current financial situation to that of 12 months ago and to provide information on why they were better or worse off from a list of five options that include a change related to employment, change related to spouse's employment, change in family situation, change in debt and/or expenses, and financial management. 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. It also provides insight into the drivers of changing financial conditions for Service members.

**Figure 6. Financial Condition Compared to 12 Months Prior, Active Component**



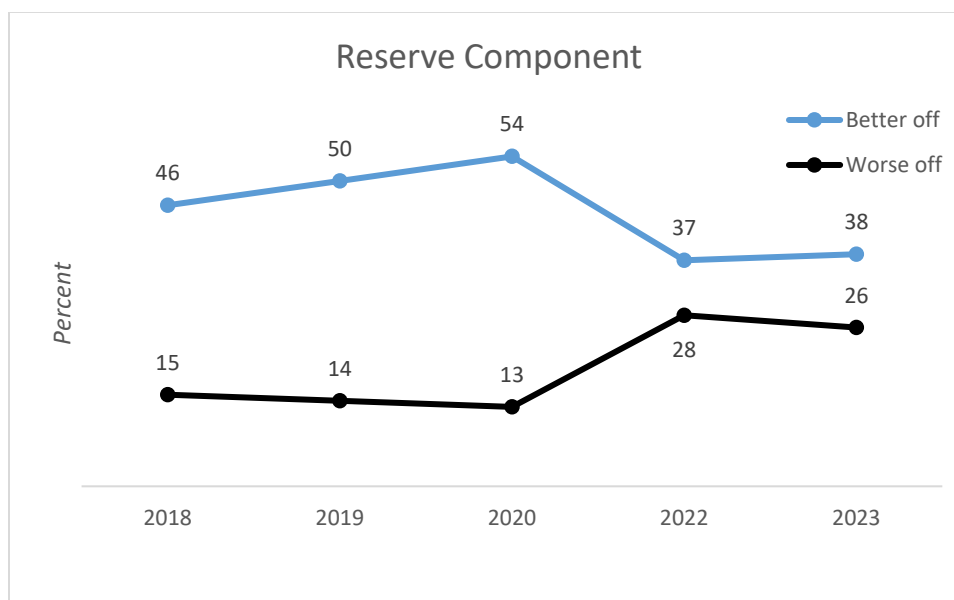
<sup>12</sup> Data on U.S. adults in 2019 and 2020 the Board of Governors of the Federal Reserve System, Federal Reserve Survey of Household Economics and Decisionmaking in 2019 and 2020; data on U.S. adults in 2022 and 2023 from the Consumer Financial Protection Bureau Making Ends Meet survey.

Trends in responses within the AC are shown in Figure 6. Across all Service branches and paygrades, results in 2023 were generally higher than 2022, but still significantly lower than 2018 to 2020. In 2023, 33 percent of AC members reported they were better off, a 4-percentage point increase from 2022. Junior officers (41 percent) and junior enlisted members (36 percent) were more likely to indicate better than the average DoD response score. Navy members (33 percent) and senior enlisted members (34 percent) were more likely to indicate worse than the average AC DoD response score.

Among AC members reporting a better financial condition over the last 12 months, the most common reason cited was better financial management (72 percent), followed by a change related to employment (63 percent) and reduction in debt and/or expenses (54 percent). There were some notable differences between how enlisted and officer populations responded. Officers who reported an improved financial condition most frequently attributed the improvement to a change related to employment (68 percent), such as a new job or increase in pay. In contrast, 80 percent of junior enlisted and 72 percent of senior enlisted who reported an improved financial situation attributed the improvement to better financial management.

For those who reported a worsening financial condition, the most common reason cited by a wide margin was an increase in debt and/or expenses (73 percent). A significant portion of the population reported a change related to a spouse's employment as contributing to a worsening financial condition (24 percent).

**Figure 7. Financial Condition Compared to 12 Months Prior, Reserve Component**



Trends in the RC are shown in Figure 7. The percentage of RC members indicating they were better off in 2023 was generally similar to 2022 (38 percent). Among RC members reporting a better financial condition, the most common reasons cited for that improvement was a change related to employment (78 percent), better financial management (67 percent), and a reduction in

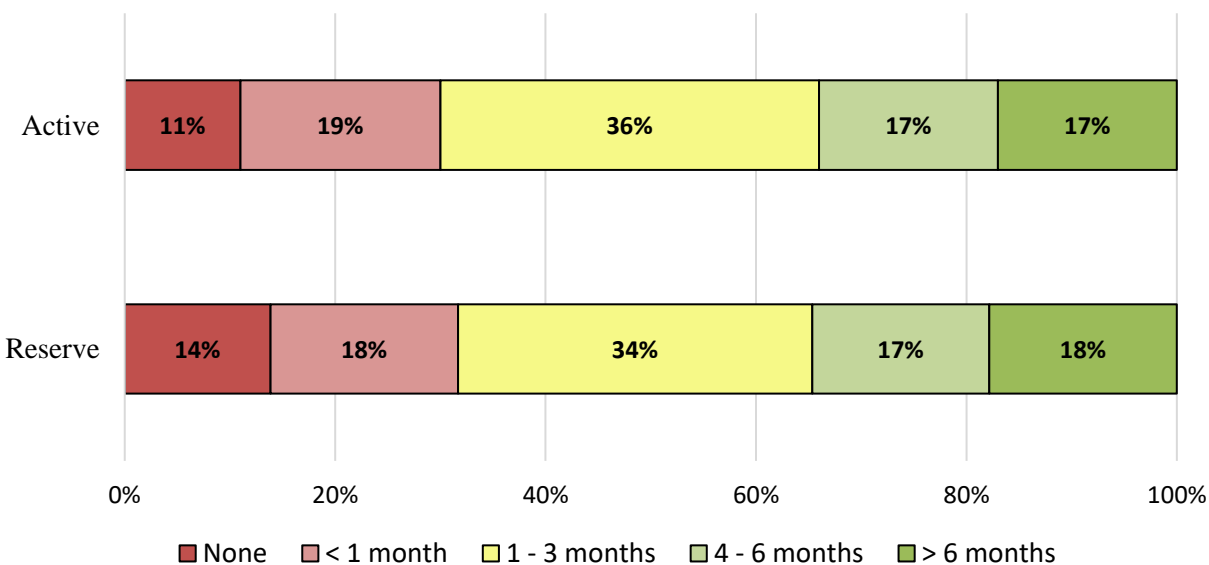
debt and/or expenses (53 percent). For those who reported a worsening financial condition, the most common reason cited an increase in debt and/or expenses (74 percent).

Similar to the AC results, the highest percentages of those reporting a worsening financial condition due to increased debt and/or expenses were junior enlisted (78 percent) and single with children (82 percent). Fewer RC members attributed a worsening financial condition to a change in spouse's employment when compared to AD members (15 percent vs 25 percent).

## Emergency Savings

The Department tracks emergency savings as an important indicator of financial resilience as well as financial literacy. Emergency savings 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.<sup>13</sup> Figure 8 shows levels of emergency savings among Service members.

**Figure 8. Emergency Savings**



About 89 percent of AC members indicated that they had emergency savings in 2023, higher than 2022. Slightly fewer RC members (86 percent) indicated they had emergency savings, similar to 2022. Across Services, the results were similar to or higher than past years, with Army members showing notable improvement (89 percent in 2023 compared to 86 percent in 2022).

<sup>13</sup> Patryk Babiarz, Cliff A. Robb, "Financial Literacy and Emergency Saving" (2013).

Junior enlisted AC members were more likely to indicate they do not have an emergency savings fund (16 percent) than the DoD average, a substantial improvement when compared to 2019 (27 percent) and prior year surveys. Junior enlisted RC members were more likely to indicate they do not have an emergency savings fund (25 percent) than the DoD average, also a significant improvement when compared to 31 percent in 2018 and 33 percent in 2017.

On average, AC and RC members had about 3 months of monthly expenses in emergency savings. Responses potentially indicate that a significant percentage of members are prioritizing saving even as overall financial comfort declined, especially if they viewed emergency savings as an important protection against financial hardship. The Department's financial readiness training content and messaging emphasizes the importance of building emergency savings to help Service members maintain their financial readiness.

### **Unexpected Expenses**

To gather additional information on Service members' financial resilience and ability to absorb a financial shock, the 2023 SOFS includes a new question on how Service members would pay for an emergency expense based on their current financial situation. Relatively small, unexpected expenses, such as a car repair, can be a hardship for many families, especially for those without a financial cushion.

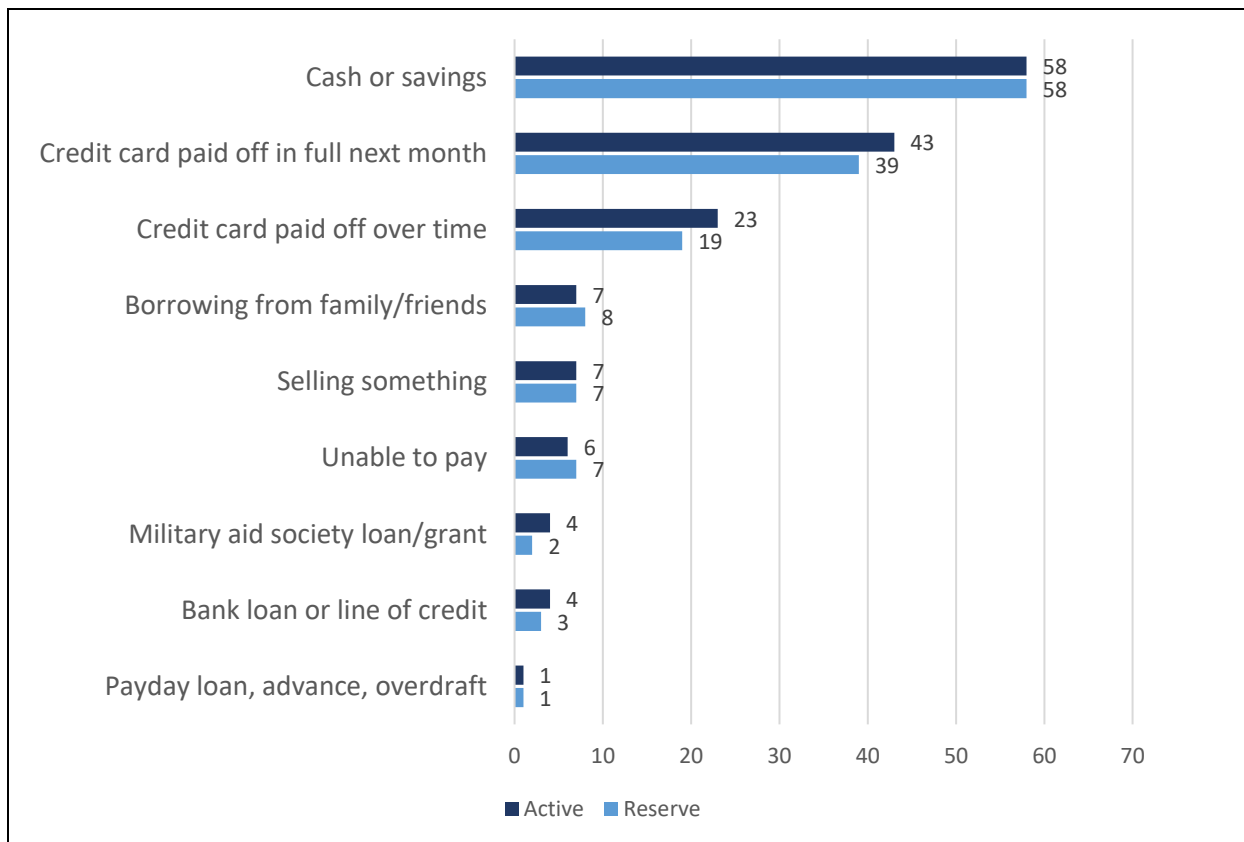
When faced with a hypothetical expense of \$400, 67 percent of AC and 69 percent of RC members said they would pay for the expense using cash or its equivalent—meaning cash, savings, or a credit card paid off at the next statement. That amount compares to 63 percent of all U.S. adults in the 2023 SHED who answered a similar question,<sup>14</sup> which is unchanged from 2022 but down from the high of 68 percent in 2021. The trend in responses in the SHED for this question are consistent with trends in other financial condition measures and reinforce the general observation that indicators of financial well-being for most people were increasing over time until the historical peak in 2021, followed by sharp declines in subsequent surveys.

Among those who would not have covered a \$400 expense completely with cash or its equivalent, most would pay some other way. The most common approach by a significant margin was to use a credit card and then carry a balance. Many members indicated they would use multiple approaches. Six percent of AC members and 7 percent of RC members said they would be unable to pay the expense by any means. Very few AC or RC members, only one percent, said they would use a payday loan, deposit advance or overdraft protection.

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<sup>14</sup> Board of Governors of the Federal Reserve System, "Economic Well-Being of U.S. Households in 2023" (May 2024), page 31.

**Figure 9. How Member Would Pay for Emergency Expense of \$400 (Percent)**



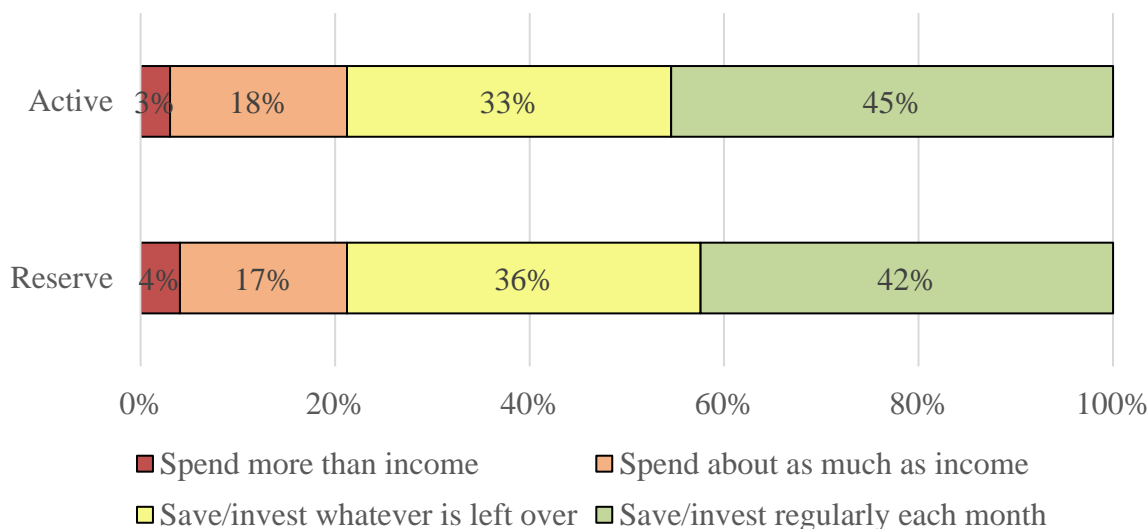
Service members have access to private non-profit military aid societies that provide financial assistance in the form of no-cost loans or grants to address unexpected expenses. Their assistance positively contributes to financial readiness as it provides Service members an opportunity to avoid high-cost credit products when unforeseen circumstances arise. Four percent of AC members and 2 percent of RC members stated that would use a loan or grant from a military aid society to pay the unexpected expense. Higher percentages reporting they would use a loan or grant from a military aid society included AC members who are single with children (8 percent), Army junior and senior enlisted (7 percent), and junior enlisted Marines (7 percent).

### **Ability to Save or Invest**

The SOFS includes a question about whether Service members spend more, as much as, or less than their income and if they save or invest regularly. The relationship between spending and income can suggest how closely people may need to watch their budgets and whether they have margin to save. Whether Service members are at risk of becoming overextended or getting into debt to cover their routine expenses based on their income and expenses is an objective indicator of financial readiness and capability. In addition, DoD research has shown that members who save or invest with a regular plan tend to show higher levels of overall financial well-being compared to those who save or invest without a plan.



**Figure 10. Ability to Save or Invest**



A large majority of Service members overall reported saving or investing on a regular basis (78 percent AD; 79 percent RC), as shown in Figure 10. Results are similar to 2022, but lower than 2017, 2019 and 2020. Of those who are saving or investing regularly, a majority (58 percent AC and 54 percent RC) do so by putting money aside, rather than saving whatever is left over with no regular plan. Senior enlisted members (21 percent) and junior enlisted members (21 percent) were more likely to indicate they spend as much as income and are unable to save or invest than the average AC DoD response score. ARNG members (19 percent) and junior enlisted members (22 percent) were more likely to indicate unable to save/invest — spend as much as income than the average RC DoD response score.

Only a very small proportion of Service members — just 3 percent of AC and 4 percent of RC members — 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 2023 SHED.<sup>15</sup>

## Financial Challenges

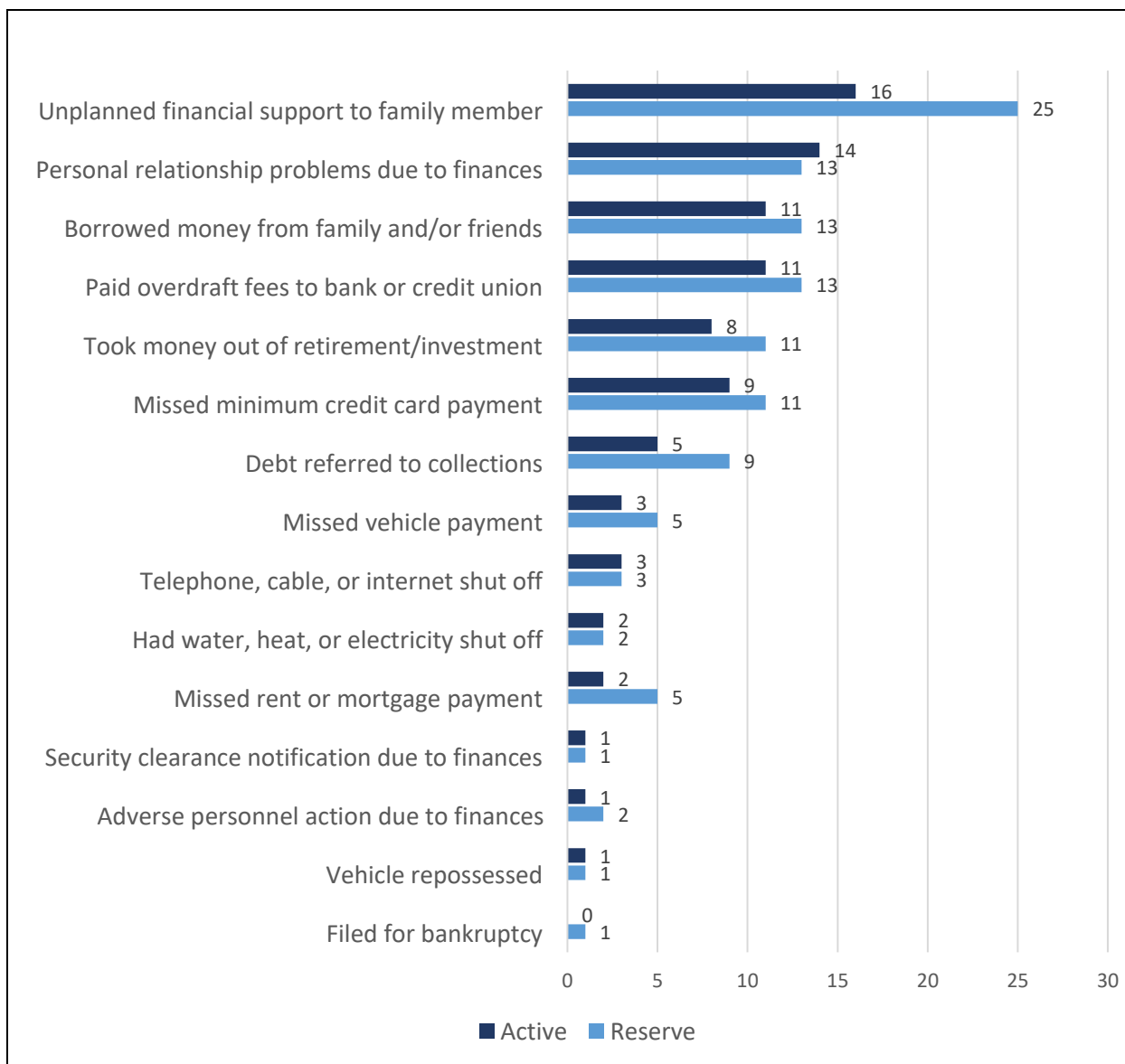
To gain a deeper understanding of the experiences impacting the financial well-being of the military community, the SOFS asks about specific financial management challenges experienced by members in the past 12 months that range in severity and risk to financial readiness. In 2023, 31 percent of AC members and 34 percent of RC members reported one or more financial challenges, compared to 35 percent for both AC and RC members in 2022. Figure 11 shows the results of those who identified experiencing a particular financial management challenge by percentage.

The most common financial challenges reported include providing unplanned financial support to a family member outside the household, having personal relationship problems with a partner

<sup>15</sup> Board of Governors of the Federal Reserve System, “Economic Well-Being of U.S. Households in 2023” (May 2024), page 15.

due to finances, borrowing money from family or friends to pay bills, and paying overdraft fees to a bank or credit union. Fewer AC members report borrowing from family/friends or taking money out of a retirement fund or investment to pay bills than in 2023 (11 percent in 2023 vs. 13 percent in 2022; 8 percent in 2023 vs. 10 percent in 2022). Most other results were similar to 2022. Very few Service members reported the most 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.

DoD observed on prior years surveys how these financial challenges assessed in the SOFS interact with retention, satisfaction, readiness, and stress. Service members who experienced at least one of the various financial challenges included on the survey were more likely to indicate they were unlikely to stay in the Service and more likely to report that their spouse and family viewed their military participation unfavorably. They are more likely to indicate higher levels of stress in both their work and personal lives. 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. Finally, these Service members had lower perceptions of readiness, including their own and that of their unit. In the 2023 survey, these relationships continue to hold.



## Financial Behaviors and Management

### Credit Card Usage

The proportion of Service members who use credit cards continues to increase. Overall, 91 percent of AC and 88 percent of RC Service members reported using credit cards. Results provide insight into how members are using credit cards. Some may use credit cards to pay expenses, paying off their balances in full each month and avoiding interest costs. Others may carry a balance, accumulate debt, and incur borrowing costs. A higher proportion of Service

members use credit cards compared to the overall U.S. population, with only 82 percent of adults reported having a credit card in 2023.<sup>16</sup>

In 2022, 41 percent of AC members most frequently pay the full balance each month, 40 percent pay more than the minimum but not the full balance, and 10 percent pay only the minimum amount due. Among RC Service members, 41 percent routinely pay in full each month, 37 percent pay more than the minimum but not the full balance, and 11 percent pay only the minimum amount due. Nine percent of AC and 11 percent of 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 resemble those of the overall U.S. population in the 2023 SHED, where survey results were also nearly evenly split between the people who paid off their balances each month and those who carried balances from month to month at least once in the prior year. The SHED also found that adults at lower income levels were less likely to have a credit card, but those who did have credit cards were more likely to carry balances from month to month.<sup>17</sup>

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 2023 SOFS included a question regarding the financial products or services used in the past 12 months (Table 3). The question gathers information related to how Service members are using alternative credit products and potentially accumulating debt. The Department also monitors the use of financial products in part 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. A final rule was issued 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 (MAPR). The MAPR 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

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<sup>16</sup> Board of Governors of the Federal Reserve System, "Economic Well-Being of U.S. Households in 2023" (May 2024), page 40.

<sup>17</sup> Ibid, page 40.

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.

<b>Table 3. Financial Products and Services Used in the Past 12 Months</b>		
<b>percent</b>		
	<b>AC</b>	<b>RC</b>
Overdraft protection from savings, credit card, or another account	18	19
Buy Now Pay Later product	11	10
Other loan or advance	7	6
Cash advance on a credit card	5	4
Loan or grant from a military aid society	5	2
Vehicle title loan	3	2
Payday loan	1	2
Pawn loan	1	2

In 2023, a substantial number of respondents reported using overdraft protection provided by their bank or credit union. Very few Service members reported predatory loan usage, such as payday loans or vehicle title loans that are prohibited by the MLA.

The 2023 SOFS included a new option to gather information on the use of Buy Now Pay Later (BNPL) products that represent an increasingly popular payment in alternative to credit cards among U.S. adults. In the 2023 SOFS, 11 percent of AC and 10 percent of RC members reported using a BNPL product, compared to fourteen percent of U.S. adults in the 2023 SHED. The SHED gathered more detailed information on the use of BNPL. Those results indicated the primary reasons for using BNPL were wanting to spread out payments and for convenience. Over half of BNPL users said it was the only way they could afford their purchase.<sup>18</sup>

### **Financial Management Activities**

The SOFS 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, and observe how behaviors might change over time.

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<sup>18</sup> Board of Governors of the Federal Reserve System, “Economic Well-Being of U.S. Households in 2023” (May 2024), page 41.

<b>Table 4. Activities Used to Routinely Manage Finances</b>		
percent		
	<b>AC</b>	<b>RC</b>
Contribute to retirement account	87	82
Monitor credit score	88	84
Contribute to emergency or other savings account	87	80
Review LES	89	77
Make short-term financial plans	81	79
Make and/or monitor long term financial plans	78	79
Follow a monthly budget or spending plan	68	62

Across the board, more AC and RC members report actively performing positive financial management activities such as reviewing their LES, monitoring their credit score, and following a monthly spending plan than in prior years. The vast majority of AC Service members report reviewing their LES, a practice emphasized in DoD financial readiness training. The most common financial management activities reported were contributing to a retirement account, monitoring credit scores, and contributing to an emergency or other savings account.

## Financial Goals

Financial freedom, a component of overall financial well-being, allows an individual to make choices to enjoy life in the present and the ability to set and pursue financial goals for the future. The 2023 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. Results are listed in Table 5 below.

<b>Table 5. Financial Goals</b>		
Percent		
	<b>AC</b>	<b>RC</b>
Saving for retirement	87	88
Saving for emergencies	85	84
Being free of debt except for mortgage	80	80
Saving for a major purchase	76	71
Saving for children's education	75	84
Buying a home	67	53
Paying off your education loans	32	44

The 2023 survey responses are essentially unchanged from 2022 survey responses. The importance of saving for retirement and establishing an emergency savings fund continues to be emphasized in DoD financial readiness training.

While the 2023 SOFS does not directly ask about retirement savings, the Department collects and monitors retirement savings behaviors through a variety of available data collection sources. Throughout 2023, 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.

Service members receive training on TSP and other aspects of military retirement as they complete their initial entry training and at training milestones throughout the military lifecycle so they can make informed financial decisions related to TSP, including contribution rate and fund allocation.

## Financial Literacy Quiz

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The SOFS includes a series of financial knowledge questions to objectively assess Service members' financial literacy. In 2023, the SOFS included eight declarative knowledge questions, covering fundamental economics, personal finance, and numeracy concepts. The Department also includes a question to gauge how well Service members understand the employer contribution matching benefits of the Blended Retirement System (BRS).

Four of these questions were developed for the FINRA Investor Education Foundation's National Financial Capability Study. Data from previous National Financial Capability studies has shown that financial literacy is strongly correlated with behavior that is indicative of financial capability. Respondents with higher financial literacy are better prepared for their short-term financial needs and are more likely to have taken steps to plan for their long-term financial future, such as calculating retirement savings needs and having a retirement account.<sup>19</sup>

More AC and RC members correctly answer the financial literacy questions than in prior years' surveys. The upward trend continues in 2023, as seen in Tables 6 and 7 below.

<b>Table 6. Financial Knowledge Questions, Active Component</b>			
Percentage correct			
	<b>2020</b>	<b>2022</b>	<b>2023</b>
1. Interest	77	78	80
2. Inflation	49	65	66
3. Mortgage	75	77	80
4. Stock risk	53	57	59
5. Insurance	78	79	81
6. Credit score	63	64	68
7. TSP matching	46	48	51
8. Budgeting	45	45	52

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<sup>19</sup> FINRA Investor Education Foundation, "Financial Capability in the United States, Highlights from the FINRA Foundation National Financial Capability Study" (July 2022), page 16.

Table 7. Financial Knowledge Questions, Reserve Component			
Percentage correct			
	2020	2022	2023
1. Interest	77	77	78
2. Inflation	51	65	65
3. Mortgage	78	78	80
4. Stock risk	54	58	59
5. Insurance	78	79	81
6. Credit score	62	64	66
7. TSP matching	37	38	40
8. Budgeting	50	49	53

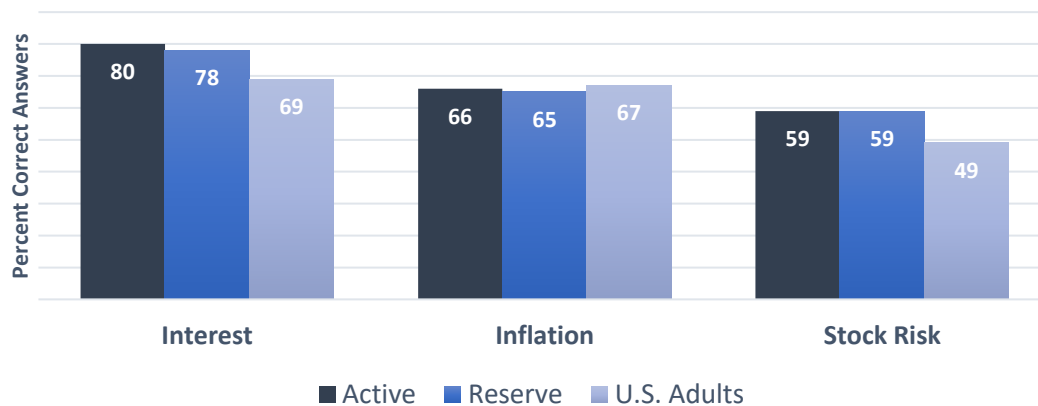
Three questions on basic finance concepts are common to several national level surveys, providing an opportunity to compare the financial knowledge of the military and U.S. adults overall. These include the following:

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 12 shows the percent correctly answering each of these three common questions. The results for 2023 show a continued improvement in Service members who answered correctly. Service members were more likely to correctly answer the question on interest rates and stock risk and diversification than the U.S. adult population. 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 59 percent of Service members providing the correct answer while less than half of U.S. adults did so.



**Figure 12. Financial Knowledge, Military and U.S. Adults**



*Percent correct on common financial literacy questions<sup>20</sup>*

## **DOD FINANCIAL READINESS PROGRAMS**

Congress and the Department have long recognized the importance of financial literacy and preparedness. Section 992 of title 10, U.S. Code, 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 development, 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 DoDI 1322.34. 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 continue at specific milestones, including: initial entry training; arriving at the first duty station; permanent changes of station; 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.

<sup>20</sup> 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), page 71, Figure 35.

To support delivery of financial readiness training content, the Department developed its Learning Resources Library (LRL) in 2023, an online repository where users may search, view, download, and share approved CMT touchpoint and ancillary curriculum. The LRL provides DoD with improved capabilities for curating and maintaining the most current counseling and educational resources. Dynamic website tools allow users to adjust and refine the LRL to adapt to their needs. In 2024, the Department continued to develop and update the LRL to improve functionality and incorporate training material updates.

The Department's training and education efforts extend to its cadre of service providers to maintain the critical knowledge necessary to effectively deliver financial readiness training content and financial counseling services. DoD collaborates with the Department of Agriculture's Cooperative Extension System to offer the OneOp Virtual Learning Network, which provides monthly webinars and other professional development opportunities in a variety of functional disciplines. Through OneOp, DoD service providers receive training on topics focused on serving the military community while earning continuing education units required to maintain their professional certifications. In 2023 and 2024, respectively, 4,002 and 4,732 continuing education credits were awarded through OneOp. The Department also conducts an annual in-person training symposium for financial counselors and educators, another opportunity to earn continuing education units focused on the military community. At the 2023 and 2024 training symposiums, respectively, 2,020 and 1,930 continuing education credits were awarded covering a variety of topics presented by subject matter experts from Federal and non-Federal entities focused on military personal financial readiness topics.

To complement training, DoD maintains a robust inventory of resources that communicate financial readiness-related content to its key audiences. DoD uses these resources not just to educate the force, but also to further audience recognition and engagement — with the ultimate goal of positioning DoD as the trusted source of financial literacy education and counseling for the military community. DoD continuously enhances its DoD financial readiness communications channels to disseminate relevant, current, and engaging content that is freely shared across platforms.

The Department maintains a dedicated financial readiness website (<https://finred.usalearning.gov>) with a vast collection of educational information and resources to serve as a trusted, central source of factual and unbiased information for Service members, spouses, service providers, and others in the broader military community. Tools and resources available include newsletters, articles, factsheets, videos, calculators, and links to additional resources and support from other Federal Departments and Agencies. The Department also provides 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. Online content is updated regularly to ensure Service members, leaders, and service providers have access to the latest information.

In partnership with the Office of Personnel Management's USALearning program, DoD operates Sen\$, a financial literacy learning mobile application available on tablets and smartphones. Sen\$ is designed to ensure Service members, family members, and service providers have access to personal finance information that meets the unique needs of military life. In addition, Sen\$ provides access to financial information and tools at the point of need and all financial literacy CMT touchpoint content. In 2024, the Department conducted a comprehensive review and refresh of all Sen\$ content to ensure alignment with updated DoD policies, requirements, and standards.

In 2024, the Department conducted several targeted educational campaigns focused on the implementation of new employee benefit and entitlement programs. In September 2024, the Department focused on disseminating information about the Dependent Care Flexible Spending Account to prepare Service members and their families to make informed decisions in advance of the 2025 enrollment period. The Department also conducted a Health Care Flexible Spending Account educational campaign to prepare Service members and families for the upcoming special enrollment period in spring 2025. These efforts included: a website landing page with Frequently Asked Questions; Service-specific resources; a training webinar for financial counselors and administrators; educational materials tailored to Service members, leaders and service providers to inform them of eligibility and other requirements; and collaboration with Federal and non-Federal entities to ensure broad dissemination of key campaign points. In addition, the Department updated its DoD-wide educational and training materials for the Basic Needs Allowance program to support expanded eligibility in 2024.

During Financial Capability Month in April 2024, the Department's outreach campaign promoted financial literacy fundamentals to bolster economic security for Service members and their families. Campaign messaging focused on empowering Service members to achieve economic security by using financial management tools and resources. It also highlighted the economic advantages of military service and provided strategies for building a strong financial foundation. In 2024, DoD also developed an information sheet to be used by recruiters and others within the Department to increase appreciation of the economic advantages of military service and build understanding of the elements of military compensation and how military compensation is competitive with other employment options.

In October 2024, the Department conducted a Financial Planning Month campaign focused on BRS components, including how the TSP works within the BRS, to help Service members manage their contribution and increase their savings. Multimedia content explained the intricacies of the BRS in the context of the Service member's different key career milestones and significant life events. The campaign encouraged Service members and their spouses to review their financial plan and ensure the plan is aligned with their short- and long-term financial goals. While materials are targeted at Service members and families, leaders, and service providers, DoD shares campaign materials with other Federal Agencies and military and veteran service organizations with an interest in the financial readiness space to encourage broad dissemination of key campaign points.

In addition to educating and counseling, the Department takes an active role in policy to further its goals to promote and sustain the financial readiness of Service members and their families. In

2024, the Department took steps to revise its overarching policy instruction, DoDI 1322.34, to strengthen training and counseling program requirements, update responsibilities, address new congressionally directed requirements, and improve data collection and sharing within the Department.

## **Financial Counseling**

In accordance with 10 U.S.C. § 992(b), the Department provides Service members and families with a worldwide network of personal, professional financial counselors 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 approximately 300 Personal Financial Counselors (PFCs). PFMs and PFCs are nationally certified financial counselors who provide factual, unbiased information designed to help individual Service members and family members address their unique financial circumstances.

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](http://www.militaryonesource.mil)). Through this diverse group of qualified professionals, Service members and families have access to support from any location at their convenience to help address their individual needs.

All 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. While PFMs support installations around the world, PFCs augment these locations and provide support to geographically dispersed populations, such as National Guard and Reserve units. PFCs provide their services via a highly flexible schedule, such as on weekends, during Reserve component annual training, at family events, and to support pre-activation, deployment preparation, and post-deployment training requirements.

During Fiscal Year 2024, PFCs delivered 219,831 hours of financial counseling and education to 869,394 Services members, family members, and survivors. DoD conducted two iterations of program assessment surveys and in-person site visits to over 50 PFC assignment locations to validate the quality of services. In October 2023, DoD updated its PFC Program Guide, which provides guidance to the Services regarding the request for, oversight of, and intended use of PFCs. In April 2024, DoD hosted "The PFC Program and Me" training to over 100 Service program staff to provide an overview of the updated PFC Program Guide, address questions, and reinforce host installation responsibilities. These initiatives were implemented to address not only contract compliance, but to ensure financial counselors provide required education information and training to assist Service members in making sound financial decisions.

In 2024, DoD also took action to implement new financial disclosure requirements enacted in section 524 of the NDAA for FY 2024 (Public Law 118–31). DoD conducted a Department-wide policy review of existing conflict of interest rules and a broad review of all programs

providing financial counseling and related services to Service members, spouses, and other individuals who are entitled to such services. In October 2024, DoD provided a report to Congress on the policies and procedures in place to protect Service members, their families, and survivors from financial exploitation. The Department also convened a working group to draft new policy guidance to ensure consistent application of requirements to all individuals providing financial services counseling to Service members, regardless of whether they are Federal employees, DoD contractors, or non-Federal entities. The new financial disclosure requirements will enhance oversight and reinforce requirements that all financial counselors act in the best interest of Service members and families when providing services.

## **External Collaboration**

The Department continues to respond to the sense of Congress provided in section 661(a) of the NDAA for FY 2016 (Public Law 114–92), 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 Financial Literacy and Education Commission (FLEC) was created by Congress in 2003<sup>21</sup> to coordinate the Federal Government’s financial literacy efforts and create a national strategy on financial education. 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. DoD is an active participant in FLEC events, contributor to publications, and partner with FLEC members in pursuit of interagency initiatives that promote financial literacy and preparedness within the military community.

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. In 2024, DoD conducted a special analysis of military pay allotment data to assist the CFPB in curbing abuses of the military allotment system and identifying potential violations of the MLA.

DoD’s partnerships enable access to specialized knowledge and expertise across the Federal Government to support its financial readiness mission. Each July, DoD collaborates with the Federal Trade Commission and the CFPB to promote consumer awareness and education to the military community for Military Consumer Month. The 2024 campaign focused on helping Service members and families understand how to protect themselves from scams, fraud, and predatory consumer practices. In April 2024, the Department of Education provided a webinar to DoD service providers on Federal student aid repayment. In addition, DoD FINRED highlighted elements of the student aid repayment program across its social media platforms,

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<sup>21</sup> 20 U.S.C. § 9702, “Establishment of Financial Literacy and Education Commission.”

website, and through eNewsletters. At the 2024 DoD Financial Readiness Training Symposium, the Office of the Comptroller of the Currency provided education on banking and digital financial services and the Department of Justice provided specialized training on SCRA rights.

DoD also collaborates with external partners through its Financial Readiness Network (FRN). The FRN, established in 2018, fosters collaboration and knowledge sharing in the financial readiness space with Federal Departments and Agencies, non-profits, and other non-Federal entities that provide tools, counseling, education, and resources to help military members develop financial literacy, manage debt, save for the future, understand financial protections, and plan for life events like deployments or transitions out of the military. The FRN hosts biannual events that offer insights and resources in support of the financial readiness of Service members and their families. The military aid and relief societies provided updates and trends from their respective organizations during the March 2024 FRN event. In September 2024, DoD hosted a virtual event that featured presentations by the Federal Trade Commission and the Commodities Futures Trading Commission. Information focused on protecting Service members from financial fraud, offering practical strategies for identifying and avoiding scams.

### **Financial Literacy Education Best Practices**

The Department’s financial readiness programs utilize evidence-based best practices for developing and delivering financial education to Service members and their families.<sup>22</sup>

*Know the individual to be served.* Financial education should be appropriate to the 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 provided by trained, educated, and qualified DoD service providers who are focused on the unique challenges of Service members and their families.

*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. The Department employs a variety of training methods and modalities, and training content is tailored to specific personal and professional life events in the military lifecycle 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. DoD resources, such as an online Financial Well-Being Assessment and the Sen\$e app, allow Service members to access information that is of particular interest to them at any time.

*Improve key financial skills.* Key financial skills include knowing when and how to find information to make a financial decision, knowing how to interpret information to support decision-making, and having the skills and confidence to implement a decision. DoD financial literacy education content develops skills so that Service members can take appropriate

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<sup>22</sup> “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).

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 collects information on the financial goals of Service members and financial readiness CMT provides an opportunity to reach Service members who may be motivated by a recent or upcoming personal or professional life event.

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

*Use qualified instructors.* Educators should possess both the technical knowledge and interpersonal skills to provide effective education to their audience. All DoD financial counselors must possess a nationally recognized financial counselor certification that ensures they have the technical knowledge to provide effective financial literacy education and counseling. Only personnel verified to possess the appropriate education, training, or experience and who are free from any conflicts of interest relevant to the performance of that duty may deliver financial readiness CMT.

*Provide ongoing support.* Financial literacy education is an ongoing effort that allows individuals to build their knowledge and skills over time. 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. Assistance is available to all eligible family members as well.

*Provide unbiased information.* DoD policy requires all financial readiness programs and resources provide factual, unbiased information designed to help Service members make sound financial decisions that enhance their well-being and financial readiness. Presentation or promotion of commercial interests is strictly prohibited. Individuals delivering training or counseling as part of a DoD financial readiness program must be free from any conflicts of interest and may not endorse or provide advice with respect to any commercial financial product or service.

*Evaluate for impact.* Financial readiness 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 develop annual plans for assessing the effectiveness of their respective financial education and training programs.

## MILITARY SERVICE FINANCIAL READINESS PROGRAMS

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### Army

The Army's Financial Readiness Program uses the SOFS results as a benchmark to evaluate and update financial literacy training, drive future education content, and identify knowledge deficits addressing economic security issues and topics. The Army recognizes the importance of financial literacy and preparedness and provides education and counseling throughout the military lifecycle in accordance with law and DoD policy. All financial literacy efforts are developed with the Total Force Soldier in mind.

The SOFS results are an indicator of overall financial well-being and identify financial behaviors and challenges experienced by AC and RC members. The majority (72-74 percent) of Soldiers reported their financial situation was the same or better compared to 12 months ago with 27 percent (AC), 26 percent (ARNG and USAR) indicating it was worse.

Across the Army, 54 percent of AC, 59 percent of ARNG, and 58 percent of USAR Soldiers indicated that their financial condition was "comfortable." This is down slightly from last year, but a significant decrease from the peak in 2020. Additionally, there is a significant difference between junior enlisted indicating "comfortable" and senior officers indicating "comfortable." The financial literacy training junior Soldiers receive is a particular focus as the Army explores alternative methods to reach these young Soldiers. Formal financial training begins with Pre-Accession Training for all recruits. Personal financial management training is provided at all programs of instruction in institutionalized training for initial entry and first duty station.

For those members who fall within the comfortable financial condition, they exhibit positive financial behaviors such as reviewing their LES. The Army has developed a handout on how to read an LES that is available on the Army's Financial Frontline website ([www.financialfrontline.org](http://www.financialfrontline.org)) and is included in all trainings. Website metrics showed a dramatic increase in downloads throughout 2024. Soldiers reported "better financial management" and "changes related to employment" as the most common activities improving their financial situation. Conversely, "increased debt and/or expenses," "changes related to employment," and "changes in family situation" were cited as negative factors. The Army will continue to refine and develop future educational content that addresses debt management and the impact on security clearances through a Security Clearance Toolkit in 2025.

Interpreting a credit report and score is critical to support financial decision-making. When asked which activities were used routinely to manage finances, 87 percent of AC, 82 percent of ARNG, and 83 percent of USAR Soldiers reported they monitor their credit score and report. These results were similar to or higher than all previous years. The Army has incorporated handouts and content into all areas of CMT and on the Financial Frontline website to emphasize the importance of checking credit scores, availability of free monitoring services and credit report data accuracy. Further, the Army has developed and distributed educational resources to assist Soldiers when a problem is detected, thus enabling them to take ownership of their credit history.



The 2023 SOFS results indicated almost one-third of Army members reported they had experienced a financial challenge in the past 12 months. The Army collaborated with Army Emergency Relief to offer Soldiers with existing loans the ability to gain a monetary credit towards their loans by reviewing and completing financial training videos along with scoring an 80 or higher on a test. Specialists/corporals and below can receive up to \$500 and Sergeants and above can receive up to \$250 on their current loan balances.

The 2023 SOFS results indicated between 83 and 89 percent of Army members reported having an emergency savings fund, with the average amount in savings of three months. Of note, between 76 and 77 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 as or more than their income. The Army developed a Financial Readiness Toolkit and incorporated education on developing good spending habits as well as a Spending Plan Worksheet into all training. Financial education has been included in all enlisted professional military education to empower leaders to know the elements of financial readiness as it pertains to mission readiness. Tools and resources have been added to the Financial Frontline website to define economic security issues to help support Soldiers and their families.

Army members indicated the primary financial goal was saving for retirement. Throughout 2024, the Army increased training to Soldiers, families, and service providers on the importance of planning for the future and the BRS. Efforts will continue in 2025 to improve the key financial skills pertaining to retirement planning through strategic communication, financial counseling, and increased training opportunities.

Results of the 2023 SOFS indicate the primary way Soldiers learned about financial topics was from “family/friends/peers,” which is similar to previous years. Notably, the second highest category indicated in 2024, was “military financial training, class or seminar.” This category demonstrates that the Army’s Financial Readiness Program is educating and impacting Soldiers and leaders. Since financial readiness information from sources outside of DoD Financial Readiness Programs often lack quality control and vetting, the Army is actively working to enhance the amount and quality of information it provides. This is accomplished by delivering researched, vetted, and standardized financial literacy content through CMT milestone training and official resources, such as the Army’s financial readiness website and the DoD financial readiness website ([finred.usalearning.gov](https://finred.usalearning.gov)). Army Directive 2022-01, “Personal Commercial Solicitation on Army Installations to Support Financial Education,” established guidance for personal commercial solicitation on Army installations to support financial education to ensure only vetted resources are utilized across the Total Force. The Army continues to promote consumer awareness and education with the focus on helping Soldiers and families understand how to protect themselves from scams, fraud, and predatory consumer practices. All CMT curriculum has been updated to include the MLA and the SCRA. All educational materials are available on the Financial Frontline website and promoted through public affairs/service providers channels.

Across the Army, the average number of financial literacy questions answered correctly was 5.2 out of 8 questions. Scores improved for all questions, compared to 2022. There is a noticeable gap in knowledge between junior enlisted and senior officers. Results validate the Army’s

Financial Readiness Program's focus on junior enlisted to ensure they get the training they need throughout their career. Notably, the number of correct answers for the BRS question improved over all previous years. The Army attributes the improvement to including elements of BRS into all CMT, providing professional development opportunities to service providers, and promoting resources to ensure the Total Army is educated (regardless of which retirement system they fall 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.

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. The Army will continue to use data on financial challenges identified in the 2024 SOFS to shape and improve its Financial Readiness Program.

## Marine Corps

In the 2023 SOFS, 54 percent of AC and 62 percent of RC Marines reported a comfortable financial condition. These results reflect a decline from recent years but are similar to levels observed in 2009 and 2010 as the U.S. emerged from a prolonged period of economic turmoil. Approximately 25 percent of AC and 20 percent of RC Marines indicated that their financial condition was worse in 2023 compared to the previous year.

Distinct from questions about perceived financial condition, survey results measuring financial knowledge and positive financial behaviors are similar to or better than previous years across all paygrades. Marines continue to implement positive financial practices promoted by the Marine Corps' Personal Financial Management Program (PFMP), such as saving money for long-term goals and potential future emergencies. Despite concerns about significant rises in the cost of living, including food and fuel costs, inflation, and interest rates, survey results indicate that Marines are taking proactive steps to secure their futures. Notably, 84 percent of Marines reported saving for an emergency fund.

The Marine Corps remains focused on building sound financial practices among its junior enlisted Marines (E-1 to E-3) and company-grade officers (O-1 to O-3) and on educating Marines during their transition to civilian life. The focus on younger Marines remains a priority, as they are the primary demographic within the Marine Corps — 18 to 24 years of age, generally unmarried, and unfamiliar with the management of personal finances. This is crucial, as the top two sources of financial education for members were family, friends, and peers at 69 percent and military financial training, classes, or seminars at 56 percent. This mission is carried out through the CMT, known in the Marine Corps as Financial Education Action Points (FEAPs). All Marines are required to complete FEAPs at specific milestones, from recruitment through transition to civilian life.

The Marine Corps utilizes a variety of data sources to track the changing financial readiness needs of Marines and their families. Monthly PFMP data collection submissions help identify emerging educational needs, while external data resources, including SOFS results, inform assessments of these needs. Based on this data, the Marine Corps refines training content to address areas for improvement. Training focus may shift at the installation level based on local conditions and needs, with guidance from Headquarters Marine Corps. Installation Personal Financial Managers use data trends to provide targeted training upon request from the commands within their geographic area of responsibility.

The Marine Corps continues to revise its financial readiness curriculum in response to evolving needs and changes to financial readiness requirements, benefits, and other economic topics. Recent revisions include updates on the LES, Servicemember Group Life Insurance benefits, Basic Needs Allowance, and Continuation Pay requirements and amounts.

The Marine Corps, in collaboration with the Navy, is revising the Command Financial Specialist (CFS) initiative to provide better-trained, uniformed assets within commands. One aspect of the CFS refresh is the goal of making the Inspector General of the Marine Corps PFMP Functional Area Checklist a Critical or Required Evaluation functional area for inspection. This change will enhance accountability for the CFS initiative's execution and support of financial readiness at the command level.

The Marine Corps strives for 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 continue to improve their financial readiness.

## Navy

The results of the 2023 SOFS serve as an indicator of the Navy's overall financial well-being and provide valuable information to improve the Navy's financial literacy training. The survey results also assist the Navy in identifying financial behaviors and potential financial challenges experienced among AC and RC members. Sailors (75 percent AC, 83 percent RC) reported having a saving or investment habit. A large majority of members indicated saving for retirement was a financial goal, including 88 percent of AC and 89 percent of RC. AC members (66 percent) and RC members (74 percent) indicated their financial situation was better or stayed the same compared to 12 months ago, which was higher compared to 2022 for AC and similar for RC. Navy AC and RC members had a higher average financial well-being score when compared to the U.S. adult population.

Like the 2022 SOFS, the 2023 SOFS indicated a lower percentage of AC members (50 percent) reporting a comfortable financial condition compared to recent years. More than two-thirds of RC members had a comfortable condition, similar to 2022. For those Navy members indicating their financial situation was worse compared to 12 months ago (33 percent AC; 25 percent RC), the primary reason continues to be increased debt and/or expenses (75 percent for both AC and RC).

Recognizing continued challenges with debt, the Navy has implemented several training initiatives. The Navy uses a Financial Planning Worksheet developed to assist Sailors with formulating a plan to eliminate debt, leaving more funds available for living expenses and saving for the future. In January 2022, the Navy introduced the Debt Destroyer® Workshops to tackle the issue of rising debt among Sailors and support economic security efforts. The workshop was created with the aim of helping Sailors eliminate debt and provide them with the tools and knowledge they need to remain debt-free in the future. Approximately 4,500 Sailors attended a workshop delivered by a Navy Personal Financial Manager in FY 2024.

In addition to increased debt, AC members indicated their financial situation was worse in 2023 due to financial management problems (32 percent). To assist Sailors, the Navy financial literacy program implemented several strategies. The Navy 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 most recent updated financial literacy touchpoint curriculum incorporates new TSP contribution limits and adds information on the Dependent Care Flexible Spending Account so Sailors understand its use before enrolling, as contributions that exceed eligible expenses will be forfeited and there may be tax considerations. Additionally, the Navy created a Basic Needs Allowance information graphic to understand the program. A 2-day Million Dollar Sailor (MDS) course assists Sailors and their families to successfully navigate the financial challenges that accompany Navy life.

The MyNavy Financial and MyNavy Family mobile apps provide Sailors and family members with accessible information to strengthen their economic security. The MyNavy Financial app hosts the financial literacy touchpoint courses and offers a link to the Future Sailor Financial Readiness Guide. This guide helps pre-accession recruits, or Future Sailors as the Navy refers to them, financially prepare before leaving for Boot Camp. The MyNavy Financial Literacy app was updated to include references to the Debt Destroyer® Workshop, DoD's Financial Well-Being Assessment, the Dependent Care Flexible Spending Account and Basic Needs Allowance, as well as add a Debt Destroyer® Calculator.

The Navy will continue to refine and develop future educational content that focuses on debt reduction and personal financial management. Specific planned changes include updates to the MDS and CFS Certification courses. The Navy is collaborating with DoD to update the MDS course and make it available to all Services to allow them to also take advantage of this unique supplemental resource. The 5-day CFS Certification Course is in the process of being updated to streamline its modules.

The SOFS results indicate that 93 percent of AC and 95 percent of RC members used a credit card in 2023, similar to 2022 and 2020. In response, a block of instruction called "Your Credit and Your Clearance" was added to the CFS Certification course that features a deep dive into understanding credit 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 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 only 59 percent of junior AC officers reported they followed a monthly budget or spending plan in 2023, similar to 2022. As a result, this important financial management activity was emphasized in a May 2023 update of the officer accessions financial readiness common military training course, bringing awareness to the pitfalls junior officers may face if they do not wisely manage their spending.

The Navy recognizes that Sailors must maintain their personal financial readiness to sustain mission readiness. The survey results signal the beneficial impact of the Navy's financial literacy training efforts and will continue to serve as a basis for the future development of educational content. While overall economic conditions have affected Service members like everyone else, Navy members' financial literacy has allowed for them to make sound decisions regarding their own financial situation to best mitigate these outside economic impacts.

### Department of the Air Force (DAF)

The 2023 SOFS results indicate 62 percent of active duty Airmen reported a comfortable financial condition, which is a slight decline compared to 66 percent from the 2022 SOFS. In reviewing the results, the DAF holistically considers the results within the context of current economic conditions, such as inflation and rising gas, food, 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. Seventy percent of Airmen and Guardians indicated that their financial situation is the same or better compared to twelve months ago.

The SOFS results indicate that 91 percent of ANG and 94 percent of AFR members use a credit card, but 47 and 47 percent, respectively, do not pay off the balance each month. The increase of members who carry a credit card balance might be attributed to rising economic pressure. The results highlight the importance of refinements in pre-deployment training on the SCRA as a key learning objective so that 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.

With respect to savings and investing habits, 92 percent of AC Airmen indicated they had an emergency savings fund, which is unchanged from 2022. On a very positive note, 88 percent of AC Airmen and 92 percent of Guardians report they are actively saving for retirement, as emphasized by DAF's training on military retirement planning. However, there were some areas of concern. Survey results showed that 18 percent of AC Airmen and 12 percent of Guardians were unable to save or invest. Additionally, 11 percent of AC junior enlisted Airmen, 20 percent of AFR junior enlisted, and 13 percent of ANG junior enlisted members indicated they do not have an emergency savings fund. Sixty-nine percent of AFR junior enlisted and 62 percent of ANG junior enlisted indicated that they do not save or invest regularly by putting money aside, rather than saving whatever is left over with no regular plan. In response, the DAF is placing a greater emphasis on budgeting skills during the new First Duty Station-Enlisted training which is currently in production. A portion of the training 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 (PFR) uses the annual SOFS to evaluate and update financial literacy training, addressing identified financial behaviors and potential financial challenges experienced among AC, ANG, and AFR members. However, the DAF also employs several other resources to collect and analyze data on personal financial readiness.

The DAF utilizes its own internal team to evaluate financial readiness and training effectiveness. Evaluation efforts include surveys completed by training facilitators, surveys completed by Airmen and Guardians, and site visits to observe training. Curriculum assessments are performed by financial education subject matter experts who are academic professors of financial planning and have extensive experience evaluating brief financial interventions. The DAF 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.

For each of the mandatory touchpoint trainings, 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 aspects of trainees' financial readiness, assess training efficacy, and inform training enhancements. Once the data from the follow-up surveys are analyzed, preliminary results are used to revise evaluation questions with low rates of correct answers to increase clarity and inform the training implementation. Over the long term, evaluation data will be used to assist in developing training updates and improvements that can best meet the needs of Airmen and Guardians.

The DAF uses the findings of its program evaluation program to update its mandatory touchpoint curriculum and ensure materials are up to date and meet the financial educational needs of our members. The DAF PFR program has started to use consistent DAF branding on all newly created materials. Specific font, colors, and our new PFR logo make our vetted materials stand out and signal to Airmen, Guardians, and their families that the materials are official DAF documents. The DAF is currently producing various other materials to increase PFR program engagement with DAF leadership and family members. Financial Readiness Mentorship Moments will be a resource with two purposes. It will serve as a conversation starter between leaders and their subordinates on topics regarding financial readiness. In addition to that, it is meant to be a resource for key support liaisons provided by the financial readiness program.

To ensure the DAF has highly qualified personnel to assist our Service Members, two initiatives are currently under way. A PFR 102 course is being developed for DAF financial counselors to deepen the counselors' education on key financial literacy concepts. Counselors learn more about accessible tools and resources that allow clients to assess and improve their financial health. The course also provides specialized guidance for different demographics, including young adults, families, single members, and retirees. The DAF is also developing a Train-the-Trainer course to assist facilitators in understanding best practices related to presenting the touchpoint training content that will allow them to offer training that meets individual needs, recognizing that many Airmen and Guardians come to training with existing financial knowledge, skills, and abilities. The DAF is planning to launch the Train-the-Trainer course in 2025.

## CONCLUSION

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The SOFS helps the Department understand the financial readiness of the force as well as the financial behaviors, perceptions, goals, and knowledge of Service members. The 2023 results indicate lower levels in measures of holistic financial well-being observed in the most recent survey in 2022 persist and, in some demographics, continue to trend downward. In the AC, percentages of enlisted personnel reporting financial comfort dropped below 50 percent for the first time on record. Results in the RC are largely steady in 2023, with responses generally similar to the most recent survey in 2022.

The measures of overall financial well-being in the military population track closely with economic trends in the U.S. adult population, where percentages remain below much higher levels in the 2020 to 2021 timeframe. For those Service members who reported a worsening financial condition over the past 12 months, the most common reason cited was an increase in debt and/or expenses. Fewer Service members report being able to save or invest than in prior year surveys because they either spend more than or as much as their income. While SOFS does not include a direct question on the subject, other U.S. population surveys administered around the same timeframe indicate that inflation continued to be the top financial concern, despite the inflation rate falling over the prior year.

Despite the challenging economic environment, survey results show numerous indications of gains in outcome-based measures for the Department's efforts to train and educate Service members to build the financial resilience they need to meet their wartime responsibilities. These measures provide a deeper look into their financial condition, knowledge, skills, and behaviors.

Across the board, more Service members report actively performing positive financial management activities like following a monthly budget than in prior years. Among those whose financial condition improved, members most attributed the improvement to better financial management. Service members exhibited comparable or better levels of financial knowledge than U.S. adults and prior surveys. More AC members reported having emergency savings than in prior years and saving among junior enlisted has improved substantially since 2019. Fewer AC Service members reported one of several specific financial challenges associated with lower levels of retention, satisfaction, and readiness than in 2022. Very few reported experiencing a serious financial challenge. Only a small proportion reported that they typically spent more than their income, substantially lower than the percentage of U.S. adults who reported doing so in national surveys. When faced with a hypothetical expense of \$400, more military members indicated they would pay for the expense using cash or its equivalent — a measure of financial resilience — compared to U.S. adults who answered a similar question.

The continued lower levels of perceived financial comfort coupled with positive trends in knowledge, skills, and behaviors provide an open avenue for financial education efforts. DoD programs and resources will continue to help Service members and their families develop the knowledge and skills to respond to changing financial circumstances, make informed financial decisions, and avoid financial problems that can negatively impact military readiness.