

Report on Best Practices for Providing Financial Literacy Education for Separating Members of the Armed Forces



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INTRODUCTION

The Department of Defense (DoD) submits this report in response to section 594 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2020 (Public Law 116-92). Section 594 directs the Department to conduct a study on best practices for providing financial literacy education for separating members of the Armed Forces and its current financial literacy programs for separating members. Section 594(e) defines financial literacy as “education regarding personal finance including the insurance, credit, loan, banking, career training and educational benefits available to veterans.”

To conduct the study, the Department reviewed existing research and literature on best practices for financial literacy education from a variety of academic, non-profit, and government sources. The first section of this report will summarize those findings.

The Department also reviewed its current financial literacy programs, specifically the Transition Assistance Program (TAP) for transitioning Service members. In accordance with 10 U.S.C. § 992, the Military Departments are required to provide financial literacy training at several personal and professional training points throughout a Service member’s career. Over the course of their careers, Service members receive recurring financial literacy training so they possess the knowledge and skills required to manage their financial responsibilities and the financial impact of their military service. This training culminates with TAP as Service members prepare to separate or retire from active duty. TAP includes a dedicated financial literacy course with specific information to help Service members understand important financial considerations as they transition to the civilian population, as well as several other components which provide critical information and resources to support their financial goals and financial readiness in the future.

The second section of this report summarizes DoD financial literacy programs. Additional information on the financial literacy and preparedness of Service members can be found in the Department’s “Annual Report on the Financial Literacy and Preparedness of Members of the Armed Forces,” submitted in accordance with 10 U.S.C. § 992d.

The final section of this report includes analysis of how DoD financial literacy education for transitioning Service members reflects relevant best practices identified during the study. The Department coordinated its findings, analysis, and report with the Department of Homeland Security with respect to members of the U.S. Coast Guard.

FINANCIAL LITERACY EDUCATION BEST PRACTICES

Study Process

To conduct the study of financial literacy education best practices, the Department sought to identify existing research and literature on best practices for financial literacy education. Recognizing that research focused on financial literacy education specifically for transitioning Service members was likely limited, the Department sought to identify best practices in general, with particular focus on employer-provided education.

The Department reviewed research from a variety of academic, non-profit, and government sources and found best practices were typically discussed generally rather than for a specific population and contained many common or similar recommendations. Reports by several Federal entities, in particular the Consumer Financial Protection Bureau (CFPB), Financial Literacy and Education Commission (FLEC), and Government Accountability Office (GAO), include and build on many of these best practices and can represent the Federal Government's cumulative recommendations.

CFPB's 2017 report, "Effective Financial Education: Five Principles and How to Use Them," discusses five key principles intended to guide development of effective financial literacy education programs for adults that influence positive financial action and well-being.¹ GAO's 2015 report, "Financial Literacy: The Role of the Workplace," identifies several effective practices for workplace-based financial literacy education resulting from discussions with a group of 20 financial literacy experts among Federal agencies, non-government organizations, and academic institutions.² As such, this report in particular comprises the best practice recommendations of many prominent experts in the field of financial literacy, both internal and external to the Federal Government. The Department also consulted with the FLEC as directed by section 594. The FLEC is an interagency commission, chaired by the Secretary of the Treasury, directed by law to coordinate a national strategy for financial literacy. The FLEC provided its 2019 report, "Best Practices for Financial Literacy and Education at Institutions of Higher Learning," which discusses financial literacy among college students, but also includes eight best practices for delivering financial literacy education to the general public.³ The FLEC also provided the Department of the Treasury's 2019 report, "Federal Financial Literacy Reform," which discusses the same eight best practices as a guide for financial literacy education programs for Federal departments and agencies.⁴

¹ "Effective Financial Education: Five Principles and How to Use Them," Consumer Financial Protection Bureau (June 2017).

² "Financial Literacy: The Role of the Workplace (GAO-15-639SP)," Government Accountability Office (July 2015).

³ "Best Practices for Financial Literacy and Education at Institutions of Higher Learning," Financial Literacy and Education Commission (2019).

⁴ "Federal Financial Literacy Reform: Coordinating and Improving Financial Literacy Efforts," Department of the Treasury (July 2019).

Best Practices

The best practices described in this section were common among the reviewed literature and in particular the Federal Government reports mentioned above. The summaries are intended to reflect the general definitions across the many sources and not any one particular source.

Know the individual to be served. Financial education should be appropriate to the particular circumstances and needs of the audience. This requires understanding the demographic context of the audience as well as their needs and motivations.

Provide actionable, relevant, and 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.

Improve key financial skills. CFPB and the FLEC defined key financial skills as: (1) knowing when and how to find information to make a financial decision; (2) knowing how to interpret information to support decision-making; and (3) having the skills and confidence to act and implement a decision. Financial literacy education that develops these skills goes beyond knowledge of financial products and services and allows individuals to put knowledge to use.

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.

Make it easy to make good decisions and follow through. Program design and processes can help individuals implement positive financial behaviors. This includes making it easier for individuals to access financial education, such as through the workplace, education, or public services, or by presenting it alongside the use of financial products.

Use qualified instructors. Educators should possess both the technical knowledge and interpersonal skills to provide effective education to their audience.

Provide ongoing support. Financial literacy education is ideally an ongoing effort that allows individuals to build their knowledge and skills over time. This may include financial counseling, which provides one-on-one education, and financial coaching, which can help individuals take specific action in response to financial goals and decisions.

Provide financial education in the workplace. Employers are well-suited to provide financial literacy education because they already provide information on benefits and are accessible. Employees receiving financial literacy education in the workplace are in a position to immediately act on their knowledge through benefits selections and retirement planning.

Provide unbiased information. Financial literacy education should provide unbiased information, including awareness of the pros and cons of multiple options when discussing particular financial products or services.

DOD FINANCIAL LITERACY EDUCATION

The Department recognizes that financial literacy is key to financial readiness and provides education throughout the military lifecycle in accordance with law and DoD policy, so that Service members possess the necessary knowledge and skills to maintain their financial readiness. Financial literacy training is required by 10 U.S.C. § 992 at several personal and professional life events during a Service member's career, including transition. Section 1142 requires pre-separation counseling for transitioning Service members, to include several financial topics.

Financial Literacy Education for Transitioning Service Members

The Department, U.S. Coast Guard, and its network of interagency partners provide transition assistance, information, training, counseling, and other resources to Service members preparing to transition from the military in accordance with 10 U.S.C. § 1142 through TAP. TAP is intended to prepare Service members for their desired post-military goals, whether that is higher education, vocational training, public service or private sector employment, starting their own business, self-employment, or military retirement. TAP additionally serves as the culmination of required financial readiness common military training throughout the Service member's career.

TAP is designed to help Service members achieve Career Readiness Standards (CRS) – a set of activities and outcomes outlined in DoD Instruction 1332.35, *Transition Assistance Program for Military Personnel*. CRS are intended to demonstrate preparation for effective transition to identified post-transition goals. CRS for all Service members include a personal self-assessment/individual transition plan, a post-transition financial plan, registration for benefits with the Department of Veterans Affairs (VA), counseling on Reserve Component opportunities, and a gap analysis of knowledge and skills between the Service members' Military Occupation Code and desired civilian employment. Additional CRS are determined by a Service member's identified post-transition goals.

TAP provides several opportunities for Service members to identify financial literacy needs and develop particular financial knowledge and skills to meet required CRS and support their successful transition from the military.

Initial Counseling. Service members first take part in initial counseling, which provides an opportunity to self-assess their transition readiness, identify post-transition goals, and develop an individual transition plan.

Pre-separation/Transition Counseling. In accordance with 10 U.S.C. § 1142, pre-separation/transition counseling provides an overview of a variety of benefits, programs, services, tools, and other resources available to eligible Service members. These include many resources to support Service members as they consider and respond to the financial implications of their transition from military service. Certain topics are covered in greater depth at various points during TAP.

- During pre-separation/transition counseling, Service members receive an overview of important financial implications of their transition from military service. These include anticipated changes in expenses and money management; the financial impact of losing certain military benefits, such as tax-exempt allowances and no-cost health care; and retirement savings. Participants are advised of the availability of in-person, telephonic, and video financial counseling from Military OneSource for up to 1 year after transition. This is an addition to financial counseling via more than 700 Personal Financial Managers and Personal Financial Counselors at military installations and other locations around the world.⁵ These resources are available to provide one-on-one support to help Service members prepare for the financial aspect of their transition.
- Participants receive information on a variety of resources available to support their post-transition career and financial goals, including opportunities to participate in civilian job training while completing their active duty service; priority support from the Department of Labor’s (DOL) network of American Job Centers; Federal and State employment resources, including veteran-specific benefits and assistance; and veterans preference in Federal Government employment.
- Service members are advised of higher education opportunities available during their service as well as education benefits for veterans.

DoD Transition Day. The Department delivers training on resiliency to manage the significant life changes involved with transition, identifying military job skills in comparison to civilian occupations, and understanding the financial implications of transition.

- The “Managing Your Transition” course assists Service members with the less tangible aspects of transition. The course provides a connection for transitioning Service members to understand common transition concerns, applying resiliency skills to transition, managing stress, the difference in military and civilian culture, importance of communication and mentorship, and resources available pre- and post-transition.
- The skills comparison, “Military Occupation Code (MOC) Crosswalk,” provides an opportunity for participants to compare skills and experience obtained in the military with civilian careers. By completing a gap analysis between military skills and experience and those associated with their identified career goal, Service members can identify additional training or education needs.
- The “Financial Planning for Transition” course provides financial literacy training pursuant to 10 U.S.C. §§ 992 and 1142. It is intended to help Service members understand the financial implications of their transition from the military and support their ability to complete the required CRS of developing a post-transition financial plan. This plan must include an assessment of household income, expenses, insurance needs,

⁵ The Coast Guard similarly employs Personal Financial Managers, but DoD-contracted Personal Financial Counselors are only available to Coast Guardsmen when operating under the Department of the Navy.

debt, assets, short and long-term goals, and a financial action plan. Key components of the course include:

- Identifying post-transition financial goals.
- Understanding how expenses may change after transition due to loss of certain benefits and healthcare.
- Understanding differences in military and civilian income, including how military benefits and allowances make up overall compensation and the implication of non-taxable portions of military compensation.
- Understanding retirement plan basics, including eligibility and calculation of military retirement compensation, options for the member's Thrift Savings Plan account, and survivor benefits.
- Identifying resources for support, both during the remainder of military service and after transition.

VA Benefits and Services. The VA provides information intended to help Service members navigate and access various VA benefits, services, and resources. The course discusses many benefits that can help Service members manage the financial implications of their transition, depending on their circumstances, including disability benefits and compensation, life insurance options, career planning support, educational benefits, housing benefits and home loans, healthcare, and State and local benefits.

DOL Employment Fundamentals of Career Transition. The DOL provides an overview of employment in the civilian sector and information to help Service members prepare for a civilian career, including resumes and networking, the application process, and interview and negotiation techniques.

Two-Day Tracks. Transitioning Service members select at least one of four additional courses determined by their identified post-transition goals. These include higher education preparation, in-depth employment preparation, vocational training, and an introduction to entrepreneurship.

Capstone/Individual Transition Plan Review. A commander or commander's designee review the Service member's individual transition plan and CRS completion, including the post-transition financial plan. This review provides an opportunity to refer Service members for additional assistance if needed, ensuring they receive support to develop the necessary financial literacy skills to successfully navigate their transition.

Financial Readiness Common Military Training

While TAP completes the financial readiness common military training lifecycle, Service members receive recurring training to build financial literacy skills throughout the years or decades of their military career. The Military Services provide training in accordance with 10 U.S.C. § 992 and Directive-Type Memorandum 19-009, *Financial Readiness Common Military Training Requirements*, at initial entry training, first duty station, permanent change of station, promotion, vesting in the Thrift Savings Plan, entitlement for continuation pay, major life events,

leadership training, pre-/post-deployment, and transition.⁶ Financial readiness common military training is intended to provide a functional baseline of common financial knowledge and skills. Armed with this knowledge and skills, Service members are better prepared to maintain their financial readiness and respond to financial changes resulting from personal and professional circumstances.

Much of this training develops and reinforces basic knowledge and skills for managing personal finances, including banking, budgeting, credit management, taxes, making major purchases, retirement planning, insurance, saving, and investing. Other topics are unique to the characteristics of military service, including the importance of maintaining financial readiness, military-specific tax advantages and consumer protections, career training and education benefits, military retirement, and survivor and dependent benefits. All financial readiness common military training builds toward supporting a successful transition.

In addition to traditional classroom and computer-based training, the Department provides financial literacy education through multiple approaches intended to meet the educational needs and preferences of today's Service members. These include sharing financial literacy education content via social media, a dedicated financial readiness website, a series of "microlearning" video modules intended to provide education in a brief and accessible format, and a mobile learning app, Sen\$e, which provides financial literacy education that Service members and families can access when and where they want it.

Service members and families can also access one-on-one financial counseling through a number of resources. The DoD Office of Financial Readiness and the Military Services employ more than 700 nationally-accredited financial counselors around the world. These certified professionals provide unbiased financial counseling and education addressing the unique needs of individual Service members. If Service members are unable to personally meet with one of these financial counselors, they also have access to free, confidential financial counseling from Military OneSource, the Department's 24/7 support call center and website, while Coast Guardsmen can receive assistance from the Department of Homeland Security's similar program, CG SUPRT. Military OneSource and CG SUPRT provide an additional valuable resource for Service members and families to access personal support from any location at their convenience.

⁶ The U.S. Coast Guard delivers financial literacy training in accordance with its own policies and procedures.

BEST PRACTICES ANALYSIS

Financial literacy education delivered to transitioning Service members during TAP, and more broadly to Service members throughout the course of their military career, is consistent with the common best practices the Department identified in its study. While best practices are intended for a general audience, the unique characteristics of military service require consideration if and to what extent any given best practice is applicable to the military population.

Know the individual to be served

Because the Department provides financial readiness common military training when Service members experience specific personal or professional life events, training is designed for the specific circumstances of that audience. All Service members participating in TAP are preparing to transition from the military; while their personal financial situations may vary, DoD financial literacy training employs this best practice by providing tailored training at the right time, rather than to a broader population or providing financial literacy content not specific to their circumstances.

Training is delivered by educators employed or contracted by the Department for the specific purpose of providing financial education and counseling to the military population. These professionals are familiar with the unique needs of the military. The Department also conducts an annual survey on financial literacy and preparedness in accordance with 10 U.S.C. § 992(d). This survey provides a means for the Department to better understand training needs of Service members by assessing their financial goals, behaviors, and knowledge.

Provide actionable, relevant, and timely information

Rather than provide general financial literacy education when Service members enter the military or at another time, financial readiness common military training, including during TAP, provides training at specific personal and professional life events in accordance with 10 U.S.C. § 992. This approach provides actionable, relevant, and timely information when Service members are best able to apply the knowledge to their current situation or an upcoming change in their financial circumstances, such as the months leading up to their transition from the military.

Improve key financial skills

DoD financial literacy education is designed to develop financial skills so Service members can take appropriate independent action. This includes educating Service members on additional resources where they can find additional information to support decision-making, whether that is a DoD financial counselor, another federal agency or department, or community resources. In particular, TAP advises Service members of an abundance of additional resources, such as the variety of available veteran benefits, so they can find further information to support their transition process.

Build on motivation

The organization of DoD financial readiness common military training provides an opportunity to reach Service members who may be motivated by upcoming or recent personal or professional life events. During TAP initial counseling, Service members identify post-transition goals. The subsequent TAP courses provide knowledge and skills that Service members can immediately put to use in support of their identified goals. TAP employs this best practice by asking Service members to consider their goals and develop their transition plan in response to those goals, and providing training at the time of need.

Make it easy to make good decisions and follow through

Because the Department provides required financial readiness common military training, it ensures all Service members have access to financial education. Training corresponds with decision-making points so that Service members can easily understand the financial implications of approaching personal or professional milestones and follow through on their acquired knowledge. Service members completing TAP are nearing the end of their service and their transition from the military. They are in a position to immediately follow through on the financial literacy knowledge and skills acquired from training and apply these to their post-transition plans. They can begin to explore and access veteran benefits, and registration in the joint VA/DoD eBenefits platform is a required CRS during TAP.

Use qualified instructors

Several requirements ensure those delivering financial literacy education to Service members are qualified. Financial counselors are required by 10 U.S.C. § 992(b) to possess the education, training, or experience to provide financial counseling to Service members and their spouses. DoD policy further requires these individuals to possess a nationally-recognized financial counselor certification. A financial counselor certification ensures the technical knowledge necessary to provide effective financial literacy education and counseling. In addition, the DoD provides continuing education through a collaboration with the Department of Agriculture's Cooperative Extension System and an annual training symposium. Continuing education ensure these professionals maintain current knowledge and skills to support Service members and families.

Provide ongoing support

DoD financial readiness common military training provides a continuum of education from initial entry training to transition, allowing Service members to build relevant knowledge and skills over time. In addition to this recurring training, Service members can access ongoing support from a network of more than 700 accredited financial counselors, as well as telephonic and virtual financial counseling. Transitioning Service members have this resource available for the remainder of their service, as well as access to in-person, telephonic, and video financial counseling from Military OneSource for up to 1 year after separation. If Service members

complete TAP but require further assistance, they receive a referral to appropriate resources for additional ongoing support.

Provide financial education in the workplace

The Department and Congress have long recognized the importance of financial readiness, and financial literacy by extension, and how it impacts the military's mission readiness to implement the National Defense Strategy. Financial readiness common military training ensures Service members receive regular financial literacy education for the duration of their service. In addition, training provided at critical personal or professional events – such as promotion or marriage – provides relevant information for Service members to make benefits decisions, such as increasing retirement contributions or designating beneficiaries. As the final piece of this training, TAP provides key financial literacy knowledge and skills so Service members are well-positioned to succeed as they leave the DoD workplace and transition to their next opportunity.

Provide unbiased information

DoD financial literacy education adheres to the principle of providing factual, unbiased information. This is consistent with the requirement in 10 U.S.C. § 992(b) that individuals providing financial education and counseling to Service members should be “free from conflicts of interest relevant to the performance of duty...” The Department employs financial educators and counselors rather than financial advisors or planners, reinforcing the emphasis on helping Service members develop the knowledge and skills necessary to make their own financial decisions free of potential bias.

CONCLUSION

The Department is committed to ensuring Service members possess the financial knowledge and skills to support their financial readiness during their military service, as well as for a successful transition from the military to their post-service goals. Congress has recognized the importance of financial literacy by requiring financial literacy training corresponding to various personal and professional life events and on specific financial topics as part of pre-separation counseling for Service members.

Section 594 of the NDAA for FY 2020 called on the Department to study best practices for providing financial literacy education for separating Service members and its current financial literacy programs for those members. To conduct this study, the Department reviewed existing research and literature on financial literacy education best practices. Publications by the GAO, CFPB, and the interagency FLEC summarize and build on much of this work and represent the federal government's cumulative recommended best practices. The Department also reviewed its financial literacy education programs, including financial readiness common military training, provided when Service members reach personal and professional life events, and TAP, provided as Service members prepare to transition. This training is intended to provide financial knowledge and skills so Service members can successfully manage their financial responsibilities and the financial impact of their military service, and ultimately successfully pursue their post-military goals.

The Department is committed to incorporating appropriate best practices in its financial literacy training to ensure Service members receive quality education. This approach to financial literacy education is consistent with the best practices commonly identified in research and literature. Training is designed with a specific population in mind – in the case of TAP, specifically for Service members transitioning from service – and builds on motivation associated with various life events, such as preparing them to fulfill their post-transition financial goals. Training is provided at critical points in a Service member's career when there are best in a position to act on newly-acquired information and intended to build key skills so they are capable of acting in their own best interest. The Department delivers training using qualified financial educators and counselors who provide unbiased, factual information. These professionals also provide one-on-one financial counseling, so Service members can always access ongoing, personal support. The Department recognizes the importance of financial readiness as a key component of mission readiness, and will continue to provide financial literacy education consistent with widely-accepted best practices.