



RESEARCH ROUNDUP: The Financial Impact of Military Service

“Men and women in uniform face many challenges and make daily sacrifices while serving our country. Financial concerns shouldn’t be one of them.”

- Susan C. Keating, National Foundation for Credit Counseling President and CEO

Background

In 2014, 46.7 million Americans – 14 percent of the population – were living in poverty.¹ Every day millions of Americans are forced to make tough choices based on their financial situation. Currently, one in three Americans report having no savings at all and 41 percent do not have enough to cover a \$2,000 emergency expense.² While the poverty rate for veterans is lower than the national average, deployment impacts military families in all aspects of life, including finances.³ Other aspects of military life such as unexpected moves, discontinuity of spousal employment, and transitioning to the civilian workforce also affect the financial stability of service members and veterans. Based on recent research, this report provides an overview of the current financial state of service members and veterans, highlights the implications for practice, and identifies existing resources to help veterans improve their financial situation.

Key Themes

The financial outlook for veterans and service members is similar to that of the general population

The financial stability of Americans – civilians and veterans alike – is worsening as individuals and families struggle to make ends meet and adapt to the increasing cost of living in the United States. Service members and civilians struggle with the burden of credit card debt. In 2012, the average American household had more than \$14,500 of credit card debt.⁴ In that same year, 27 percent of service members reported having credit card debt of \$10,000 dollars or more.⁵ Other characteristics of financial instability that veterans and civilians share include inadequate emergency savings, not planning for retirement, and difficulty making ends meet. Veterans and service members have more difficulty managing financial products such as mortgages, credit cards, and other loans, than civilians and are more likely to use these products in ways that have negative financial consequences.⁶

Military life affects financial stability in unique ways

While service members and veterans share many characteristics with civilians regarding financial stability and preparedness, military life can amplify and exacerbate financial problems. The transient nature of military service has a profound impact on finances. Frequent relocations, changes of address, and deployment often result in bank fees for lack of use or non-compliance with account terms. Combined with missed bank communications about account changes, these fees continue to accrue over time. Frequent moves also cause disruptions that compromise the ability of military spouses to achieve sustainable employment and further limit emergency saving and contributions to retirement.

Financial issues can impact quality of life and post-deployment adjustment

Financial problems can be all encompassing and lead to stress, anxiety, difficulty concentrating, and challenged sleep. In contrast, a positive financial situation characterized by less debt or higher net worth may improve perceptions about quality of life. For veterans, there is a significant connection between financial problems and post-deployment adjustment issues including homelessness, incarceration, drug or alcohol abuse, physical aggression, and suicidal ideation.⁷ Money mismanagement (e.g. writing bad checks) is strongly associated with homelessness.⁸ Lack of resources to cover basic needs, as well as diagnoses of PTSD, MDD, or TBI can exacerbate these challenges.

Implications for the Field

Education

The key to improving the financial stability of service members and veterans is education: to increase financial knowledge and promote positive behaviors. Service members often depend on the military to receive financial education through military family service centers and in some cases, through individual commands. However, according to a 2015 report by Blue Star Families, a significant majority of active duty members interviewed felt the Department of Defense needed to provide more financial literacy training or classes.⁹ Community based organizations need to do their part as well by incorporating financial literacy into their array of support services.

Many service members and veterans choose not to take advantage of programs, classes, and training offered due to a self-perception of high financial literacy. In one study, 72 percent of veterans indicated they were content with their financial status.¹⁰ Despite their overall financial satisfaction, respondents showed a high likelihood of having experienced financial hardship or difficulty meeting basic needs. Financial literacy education for service members and veterans must address this disconnect between perception, knowledge, and behavior. Creative re-thinking of how financial literacy programs are marketed to active duty service members and veterans can attract participants and reach more people.

Providing financial counseling or training before, during, and after the transition to civilian employment can help veterans evaluate their needs, overcome challenges, and become financially stable. A select list of programs and services available to help veterans navigate complex financial issues is included in the Resources section of this report.

Predatory Lending

Service members are often the target of unscrupulous practices and predatory lenders who know that transitioning veterans and service members are an economically vulnerable population. For example, the largest concentrations of payday lending businesses are located in the same zip codes as military bases.¹¹ Active duty service members may be as much as three times more likely to take payday loans than civilians.¹² Military families also have a higher willingness to rely on credit and incur debt. One study found that 36 percent of military families had four credit cards or more.¹³ Veterans and service members need to be aware of these practices and learn financial management skills to guard against predatory lenders.

Resources

ClearPoint Reconnect

ClearPoint Military Reconnect provides free one on one financial counseling services regarding budgeting, credit, and housing to recently returned service members. Most counseling sessions last an hour and help veterans understand their finances and develop personalized action plans to overcome challenges and achieve financial stability. ClearPoint offers additional resources such as online educational training modules, field manuals, and a podcast that focuses specifically on military housing.

Learn more: <http://www.clearpoint.org/military-reconnect-program>

Consumer Financial Protection Bureau Financial Coaching Initiative

In 2015 the CFPB launched the Financial Coaching Initiative at sixty partner organizations including non-profits and Department of Labor American Job Centers. The program places 60 certified financial coaches within the chosen nonprofits and job centers to provide coaching services to recently-transitioned veterans and economically vulnerable consumers.

Learn more: <http://www.consumerfinance.gov/newsroom/cfpb-launches-financial-coaching-initiative/>

National Foundation for Credit Counseling Sharpen Your Focus Program – Hands on Banking

This program, in partnership with financial institution Wells Fargo, provides financial readiness courses, one-on-one financial reviews, and budget planning to military members at 600 locations nationwide.

Learn more: <https://sharpen.nfcc.org/military-program/>

VA Fiduciary Program

The Department of Veterans Affairs Fiduciary Program allows the appointment of a fiduciary to veterans who are unable to manage their VA benefits. The selection process is based on an assessment of the proposed fiduciary. The role may be filled by a family member, court-appointed, or a hired professional.

Learn more: <http://benefits.va.gov/fiduciary/beneficiary.asp>

Adviser-Teller-Money Management Therapy Model

Advisor –Teller Money Manager Therapy can be helpful for service members or veterans who suffer from a substance use disorder. Case managers help manage funds and program participants are encouraged to deposit their funds into a third-party account and plan their monthly budget.

Learn more: <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3064073/pdf/nihms279167.pdf>

Multi-Agency Transition Assistance Programming (TAP)

The Transition Assistance Program helps service members transition successfully to the civilian workforce and civilian life. This program is run in partnership by the Department of Defense, Department of Veterans Affairs, Department of Transportation, and Department of Labor to give workshops and training to recently separated service members. These 5-7 day workshops at military installations include training on job searching, career decision-making, pursuing further education, or financial counseling.

Learn more: http://www.dol.gov/vets/programs/tap/tap_fs.htm

Summary of Research Literature

Financial Capability in the United States: 2012 Report of Military Findings, FINRA Investor Education Foundation¹⁴

Description: Based on the 2012 Military Survey consisting of 1,000 service members, including active duty, Reserve, and Guard personnel and an additional 301 service members from the 2012 State-by-State Survey, this report focuses on four key components of financial stability: 1) making ends meet; 2) planning ahead; 3) managing financial products; and 4) financial knowledge and decision making.

Key Findings: Military respondents do better than the national averages in making ends meet, planning ahead, and financial knowledge. However, they are more at risk when it comes to managing financial products, particularly mortgages and other types of debt.

Making Ends Meet

The ability to make ends meet every month was the most crucial component indicating financial stability. FINRA results suggested that veterans and service members have substantial difficulty making ends meet.

- Service members in the lowest pay grades had the most difficulty keeping up with expenses
- 41 percent of respondents reported difficulty keeping up with monthly expenses with 10 percent having a great deal of difficulty
- 25 percent of respondents reported occasionally overdrawing their checking accounts, 22 percent had been late with mortgage payments at least once in two years and 16 percent of those surveyed by FINRA had unpaid medical bills.

Planning Ahead

Veterans and service members had similar challenges to the civilian population when it came to planning ahead and developing savings.

- 43 percent of respondents had no emergency savings
- 46 percent had not begun planning for retirement

Managing Financial Products

Managing debt is a significant issue for service members and veterans. Difficulty in managing debt is further exacerbated by the lack of savings or financial preparedness for an emergency.

- 91 percent of service member respondents reported some form of debt including auto loans, credit cards, mortgage or home equity loans, non-bank borrowing, and unpaid medical bills
- 49 percent of credit card holders had engaged in behaviors with negative financial impacts such as carrying a balance, making only the minimum payment, paying late, exceeding a line of credit, or using the card for cash advances in the past year.

Financial Knowledge and Decision Making

Financial literacy is strongly correlated with key measures of financial capability. In order to make informed financial decisions, skills are needed to apply knowledge to actual financial decision making.

- While respondents reported relatively high levels of financial literacy, there was a disconnect between this perception and the measured knowledge and behavior.
- Department of Defense programs were their primary source of financial literacy education for 1/3 of respondents.

Veterans Health Administration Fact Sheet: Project CHALENG - Community Homelessness Assessment, Local Education and Networking Groups, May 2015¹⁵

Description: The annual CHALENG survey asks participants to rate the needs, both met and unmet, of homeless veterans in their communities.

Key Findings: Two of the top ten unmet needs for both men and women veterans were directly related to financial issues – financial guardianship (both), financial assistance to prevent eviction or foreclosure (men), and credit counseling (women).

A Snapshot of Complaints Received from Service Members, Veterans, and their Families, Consumer Financial Protection Bureau, April 2015¹⁶

Description: This report outlines the complaints received by the Consumer Financial Protection Bureau (CFPB) from service members or veterans between July 21, 2011 and December 31, 2014 and summarizes CFPB's response to those complaints.

Key Findings: The CFPB received approximately 29,500 complaints during the study period:

- 39 percent of all complaints dealt with various aspects of debt collection including continued attempts to collect debt not owed, improper communication tactics, and threats of legal action.
- 24 percent of complaints were about mortgages and over half of these focused on problems connected to an inability to pay (loan modification, collection, or foreclosure).

The 2015 report also includes a special section focusing on a specific financial concern associated with military service: how the policies and practices of financial institutions contribute to the difficulty of managing accounts as highlighted by the following examples:

- Bank and credit card fees based on changing terms and conditions which, due to the transient nature of military life, were not received by the consumer;
- Limitations on the ability to communicate with financial institutions while deployed overseas to address possible issues or receive notifications;
- Restrictions on the authorization for a spouse or other family member to access financial accounts even in cases where a legal Power of Attorney existed.

Survey about Financial Literacy Among the U.S. Military, The National Foundation for Credit Counseling Survey, 2014¹⁷

Description: This survey of 267 active service members was conducted online in April 2014 and compared with data from the 2014 Consumer Financial Literacy Study which looked at the general population.

Key Findings: The survey identified some key concerns about the financial health of service members:

- 77 percent worried about their finances;
- More than half (55 percent) believed they are not prepared for a financial emergency;
- Almost half, (49 percent) had taken out a loan in the past 12 months with a significant group using non-traditional sources such as credit cards, family/friends, or a cash advance/payday loan;
- 58 percent carried credit card debt from month to month, compared to 34 percent of the general population; and
- 40 percent had exceeded their credit limit, bounced or forged a check, or been reported to a credit agency in the past year.

The Impact of Financial resources on Soldiers' Well-Being, Mary M. Bell et al. The Journal of Financial Counseling and Planning, 2014.

Description: This study examined the impact of financial resources on self-identified well-being of 715 service members through a self-reported survey of feelings of worry, anxiety, and difficulty sleeping or concentrating due to financial stress. The survey was administered prior to deployment. Financial stress was evaluated and compared to self-assessed net-worth, personal financial knowledge, preparedness for a financial emergency, and military rank as an indicator of socioeconomic status.

Key Findings:

- Financial issues can impact the subjective well-being of soldiers either positively, or negatively.
- Factors associated with positive subjective well-being included having less debt, a higher net-worth, and higher perceived financial knowledge.
- Age and rank were not contributing factors in financial distress or negative well-being.

Financial Well-Being and Post Deployment Adjustment among Iraq and Afghanistan War Veterans, Eric B. Elbogen et al. Military Medicine, June, 2014.¹⁹

Description: This study looked at post-deployment issues such as PTSD, MDD, and TBI relating to financial situations. Researchers measured the quality of life of 1388 veteran participants and studied their ability to make ends meet in relation to larger mental health issues.

Key Findings: There is a significant relationship between financial issues and eight post-deployment adjustment problems (arrest, alcohol and drug misuse, suicidal behaviors, severe violence, and physical aggression).

- The strongest predictors of adjustment issues were connected to financial mismanagement (e.g. debt or writing bad checks) as opposed to income-related issues.
- Veterans who lacked finances to cover basic needs were more likely to develop post-deployment adjustment issues regardless of diagnoses.
- Post-Traumatic Stress Disorder (PTSD), Major Depressive Disorder (MDD), and Traumatic Brain Injury (TBI) were linked to negative post deployment issues.

Homelessness and Money Mismanagement in Iraq and Afghanistan Veterans, Eric B. Elbogen et al. American Journal of Public Health, December, 2013.²⁰

Description: Researchers drew from the 2009 National Post-Deployment Adjustment Survey to survey Operation Iraqi Freedom and Operation Enduring Freedom veterans who were non-active or part of the Reserves/National Guard. The survey collected information on demographics, income, service, physical and mental health, substance use, housing, and money management. A follow-up survey was sent approximately one year later.

Key Findings: The study concluded that money mismanagement was strongly associated with homelessness.

- Financial mismanagement was defined by participation in one of the following behaviors in the previous year: writing back checks; forging checks; going over their credit limit; referral to a collection agency; or falling victim to a scam.
- 30.2 percent of veterans mismanaged their finances in at least one of the ways defined above.
- Veterans may be at greater risk for money mismanagement due to lack of financial experience, targeted predatory loans, and service-related traumatic brain injury.

Homecoming of Soldiers Who Are Citizens: Re-employment and financial status of returning Army National Guard Soldier from Operation Iraqi Freedom (OIF) and Enduring Freedom (OEF), James Griffith, Work, 2015.²¹

Description: Researchers used data from over 4,500 soldiers completing the Reintegration Unit Risk Inventory (R-URI) of Army Reserve and Army National Guard (ARNG) units during 2010 to examine changes in employment and financial status in relation to deployment and post-deployment experiences.

Key Findings: Overall, the financial health of the soldiers was positive. Only 7.1 percent reported financial difficulties during deployment.

- Post-deployment, 11.8 percent of respondents reported financial difficulties, with approximately half of those reporting financial challenges during deployment as well.
- Not having resumed pre-deployment jobs was associated with more financial difficulties after deployment.
- Other factors associated with increased financial difficulties included having seen others wounded or killed in combat; reported alcohol use and sleeping problems; and having suicidal thoughts.
- Resuming the pre-deployment job, perceived unit support, and trust in the chain of command were associated with decreased financial difficulties.

2015 Military Family Lifestyle Survey, Blue Star Families, 2015.²²

Description: This 2015 lifestyle survey conducted annually surveyed 6,500 military families – of current service members and veterans – to better understand the issues they face and promote support for addressing these issues.

Key Findings: The survey identified several current issues and emerging trends in service member lifestyles. Areas of concern and potential causes were divided into subgroups for military spouses, service members, and veterans.

- Military pay and benefits were the top concern for all three groups.
- Employment/work was the biggest stressor for 66 percent of active duty members and 60 percent of military spouses.
- 60 percent of military members and their families feel secure about their financial future.
- 20 percent of active duty families have over \$10,000 in credit card debt and 10 percent of respondents have gone upside down on their mortgages.
- The highest levels of financial stress were found in post 9/11 service members and those closest to retirement.
- Less than half of military spouses are employed. Of those who are not employed, 58% indicated that they wanted to be employed.
- The vast majority of respondents felt that financial readiness training and resources need to focus on family needs.

Endnotes

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- ²The Pew Charitable Trusts, *Report on The Role of Emergency Savings in Family Financial Security What Resources do Families have in Financial Emergencies?*. Nov. 2015.
- ³National Center for Veterans Analysis and Statistics, U.S. Department of Veterans Affairs, *Veteran Poverty Trends*. May 2015
- ⁴Nerdwallet, *2015 American Household Credit Card Debt Study*, <https://www.nerdwallet.com/blog/credit-card-data/average-credit-card-debt-household/>
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- ⁶Ibid.
- ⁷Eric B. Elbogen et al., *Financial Well-Being and Post Deployment Adjustment among Iraq and Afghanistan War Veterans*, *Military Medicine*. 177.6. (2012): 669-675. Web. 20 June 2014.
- ⁸Eric B. Elbogen et al., *Homelessness and Money Mismanagement in Iraq and Afghanistan Veterans*. *American Journal of Public Health*, 103(S2), S248-S254.
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- ¹¹Elbogen, E., "Why Financial Literacy Matters After Returning from War: Reducing Veteran Homelessness by Improving Money Management" *Community Investments* Vol. 26, no. 3 pp. 26-44. Winter 2014/2015
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