Military Family Advisory Network

RESEARCH REVIEW:
Military & Veteran Family Financial Readiness

January 2023

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INTRODUCTION & APPROACH

The Military Family Advisory Network (MFAN) was founded in 2013 to fill a persisting gap in the military community: the inability to quickly and effectively understand the modern military family and connect them to the resources they need to thrive.

Since the organization's inception, MFAN has convened a vast network – coalition participants, advisory board members, alumni, and partners – in order to accomplish this mission. MFAN's network keeps a pulse on the lived experiences of military and veteran families and brings a unique perspective to the challenges that families face. Armed with this feedback and the organization's trusted doctoral-level research, MFAN takes a collaborative, data-driven, and authentic approach to develop solutions that address the needs of military and veteran families.

The Military Family Financial Readiness Coalition (MFFRC), sponsored by Wells Fargo, convenes both public and private organizations with a vested interest in the financial well-being of military and veteran families. Throughout the year, MFFRC participants share research, programs, lessons learned, and what they're hearing in order to more effectively serve military-connected families and respond to their evolving needs.

In addition to informing the work of its participants in their financial education efforts and initiatives, the MFFRC yields actionable information that educates and informs policymakers, armed services leaders, and stakeholders.

The following report, generously funded by First Command Financial Services, Inc., compiles financial research conducted by MFFRC participants to better understand the landscape of military and veteran family financial readiness.

MFFRC participants were asked to contribute their original research to the project via the Military Family Financial Readiness Landscape Questionnaire. The questionnaire was administered to all 53 MFFRC organizations. The goal of the questionnaire was to collect, better understand, and support further analysis of the recent research that coalition participants have conducted in the military and veteran family financial readiness space. Including research published over the past five years benefits this undertaking by providing a benchmark in time on progress made towards military financial readiness, as well as identifying emerging trends and issues faced by families today.

In support of this effort, MFAN's Insights team leveraged the qualitative approach, *thematic analysis*, to analyze the summaries which include data owned and provided by contributing organizations. This process identified similar patterns across the summaries which have been synthesized into key themes.

Three key themes emerged:

1. Promoting military financial readiness
2. Credit usage and overcoming money management challenges
3. Increased vulnerability of military families to malicious financial practices

SUMMARY OF MFFRC RESEARCH FINDINGS

This section provides an overview of the summaries submitted by MFFRC participants for inclusion in this report. Each summary provides a study overview and bulleted key findings. These reports are organized alphabetically by participating organizations, which include Better Business Bureau, Consumer Financial Protection Bureau, Department of Defense, Federal Trade Commission, FINRA: Investor Education Foundation, First Command Financial Services, Inc., Military Family Advisory Network, and National Federation for Credit Counseling.

BBB Institute for Marketplace Trust

[1]Military Consumers and Marketplace Trust: An Analysis of Marketplace Challenges Facing the Military Community (2019)

Study Overview

The BBB Institute for Marketplace Trust, the 501c3 educational arm of the Better Business Bureau, publishes a wide range of research analyzing the scam landscape. The business complaint and scams records compiled in this report were collected and processed by local Better Business Bureaus throughout the U.S. and Canada. Consumers self-report and self-select categories, including business location and scam type, when filing a report. While self-reporting can be limiting, it provides a clear narrative from consumers that is helpful when compiled in aggregate and considered with other quantitative studies.

BBB Institute and the Association of Military Banks of America (AMBA) are sharing this report to help military consumers understand which kinds of purchases and decisions require additional due diligence, especially those triggered by the unique challenges of military life. Their hope is that this report can also be used by those who serve our military and veteran communities as a tool to further stress the importance of marketplace education and fraud prevention as necessary elements of financial readiness training through the full military lifecycle.

Key Findings

- In 2018, BBB received 28,547 complaints from military consumers. This represents 3.3% of the total number of complaints received by BBB in 2018, a number similar to previous years. In 2018, 79% of complaints filed by military consumers were considered settled.
- The industry with the most complaints from military consumers for the last six years in a row was new car dealers, which was fourth most reported by all consumers. The complaints about car dealerships include not only the purchase of a vehicle, but also maintenance and warranty and service plans.
- Military consumers filed more complaints about securing and maintaining their homes, moving, and purchases related to relocation than the general population. Younger military consumers were more likely to contact BBB about movers, property management companies and apartments, while older military consumers reported more complaints about home improvement-related industries, including roofers and home and general contractors. Military consumers were slightly more likely to have their complaint settled versus all consumers.
- The number two industry with the most complaints from military consumers were home warranty plans, which was reported tenth for all consumers. The third most reported industry that military consumers reported was online retailers. Online retailers also had the lowest percentage of complaints settled, which is well below the average for military consumers. Military spouses and service members submitted the most online retailer complaints. Complaints about online retailers were also highest for younger consumers.

- The trend of military consumers being equal or slightly more likely to have their business complaints settled was consistent across most industries, including the financial sector. Both collections agencies and insurance companies were in the top ten industries by complaint volume, with banks and credit card companies in the top fifteen. This was similar to the ranking across all consumer types and yielded very similar percentages of complaints settled.

- In 2018, nearly 5,000 scam reports were filed by military consumers via BBB Scam Tracker™. Thirty percent of these scam reports noted a monetary loss, which is similar to the rate reported across all consumer types. However, the median dollars lost by military consumers to scammers was much higher than the general population. Military consumer scam reports to BBB Scam Tracker have steadily increased from 2016 to 2021.

- Across all scam types, 30% of reports from military consumers included a loss. Six out of the ten riskiest scams had higher susceptibility rates, including online purchase, home improvement, advance fee loan, romance, tech support, and travel/vacation scams. The difference in median loss becomes more notable for military consumers as they age. While the gap between military consumers and the general population for monetary loss is small for younger age ranges, military consumers ages 45-54 lose 33% more, and ages 55 and older lose 25% more.

- Employment scams were the riskiest scam for military consumers by a large margin. This scam was risky because of the volume and the median dollar loss – more than double when compared to all consumers. Employment scams and online purchase scams were two of the riskiest scams that were consistent across nearly all age groups. Employment scams were the number one scam risk for military consumers ages 25-34 and 45-64, and military consumers ages 55-64 reported losing twice as much money than all consumers in that age range.

- The second most risky scam was home improvement scams, with more than half of victims reporting a loss and the median dollar loss was $2,000. Home improvement scams had a larger impact on middle-aged military consumers. Median losses were double for military consumers ages older adults. The losses were more than double the median for ages middle-aged adults, who also reported being significantly more susceptible to home improvement scams.

- The third riskiest scam was online purchase scams, which had the highest number of reports and the highest likelihood of financial loss. BBB also received a high number of complaints against online retailers, especially from younger military consumers—highlighting the need to help consumers discern between trustworthy e-commerce companies and those that are fraudulent.

- The scams with the highest median financial loss were romance scams and family/friend emergency scams at $3,000 each. These scams characteristically happen in lower volumes due to the time required to research and con victims.

- Some financial-related scams resulted in higher median losses for military consumers than all consumers once segmented by age. Military consumers ages 25-34 lost 217% more to debt collection scams but reported half the susceptibility. Median reported losses for advance fee loans were highest for middle-aged adults and seniors.

- To ensure financial readiness even in the most trying of times, there are several protections and resources available to active duty service members and military families, including Servicemembers Civil Relief Act (SCRA), Military Lending Act (MLA), Personal Financial Managers, Legal Assistance (free for military members), and Military Banks and Credit Unions.

[2]Employment Scams Report (2020)

Study Overview

The BBB's Employment Scams Report was published as the COVID-19 pandemic forced many employees online or out of work altogether, focused on the phenomenon of employment scams. Employment scams were the top riskiest scam in both 2018 and 2019, according to the BBB Risk Index. The BBB Risk Index is a multidimensional approach to evaluating scam risk that considers three dimensions: exposure (prevalence of a scam type), susceptibility (the likelihood of losing money when exposed to a scam type), and monetary loss (the median dollar loss reported for a particular scam type).

An estimated 14 million people are exposed to employment scams with more than $2 billion lost per year, not counting time or emotional losses. The risk of this scam continues to rise across all three factors. This report utilized data from a survey distributed to those who reported employment scams to BBB Scam Tracker[SM] between 2017 and March 2020.

Key Findings

- One of the most popular tactics used by scammers reported was the fake check scam, in which the target is asked to deposit a check and transfer funds to another account before they realize the original check is bad.
- Some victims of employment scams performed work for which they were not paid, and some indicated that they received a fake check. Employment scams are also used to get personally identifiable information from their victims, which can later be used for identity theft.
- Most who reported employment scams said they continued to engage with the scammer because it sounded legitimate, where the fraudster impersonates well-known companies.
- Those who were unfamiliar with employment scams and their tactics were more likely to lose money.
- Over half of those reporting employment scams to BBB Scam Tracker were unemployed at the time of the scam. Half of the reporters were seeking full-time positions, with some seeking flexible job opportunities, or work from home options.
- More than three-quarters of the scam reporters indicated that they suspected it was a scam but continued to engage with the scammer, though some did not understand that it was a scam until the engagement was concluded.
- While younger groups reported more employment scams, older people had a higher median dollar loss. Young to middle aged adults had the highest exposure and susceptibility to these types of scams.
- There was a stark difference between genders, with women experiencing a much higher rate of exposure compared to men and a much lower median dollar loss.
- Students appear to be more susceptible than non-students, but student status did not appear to have an impact on the median dollar loss.
- Military spouses and veterans were more likely to lose money to employment scams than non-military consumers. More notably, the median dollar loss was significantly higher for service members, military spouses, and veterans, than non-military consumers.

[3]BBB Scam Tracker Risk Report: Online scams rise during COVID-19 pandemic (2020)

Study Overview

The BBB Institute for Marketplace Trust presented the 2020 BBB Scam Tracker Risk Report, one of a series produced each year using data submitted by consumers to BBB Scam Tracker, as part of their efforts to help consumers protect themselves during the pandemic.

In 2020, more than 46,000 scams were published on BBB Scam Tracker, a 24.9% increase over the number reported in 2019. These reports were filed by a cross-section of the population, including business owners and consumers across North America. BBB Scam Tracker accepted reports from consumers and businesses, classifying them into 30 consumer scam types, 13 business scam types, and an “other” category, which represented 5.0% of all reports. The data collected included a description of the scam, the dollar value of any loss, and information about the means of contact and method of payment. The BBB Scam Tracker tool also collected optional demographic data — age, gender, and postal code — about those who were targeted by scammers, along with military and/or student status.

The ten riskiest scam types in 2020 were the same as 2019, with some notable shifts in the rankings. The BBB Risk Index does not factor in the emotional and psychological harm scams can inflict or the damage done in diminishing trust between consumers and businesses. In the annual survey to individuals who reported a scam to BBB Scam Tracker, people were also asked to share what non-financial impacts they had due to the experience.

Key Findings

- In 2020, there was a 28.1% drop in the reported median dollar loss, the lowest median dollar loss since BBB began reporting BBB Scam Tracker data in 2016. However, that susceptibility (the percentage of consumers who lost money when exposed to a scam) increased significantly, with more consumers likely to lose money when exposed to a scam.

- Online purchase scams reappeared as the riskiest scam in a year when people were spending more time online due to the COVID-19 pandemic. Median dollar loss for online purchase scams rose in 2020 from 2019, whereas the percentage of those who lost money (susceptibility) decreased slightly. Online purchase scams were the riskiest for ages 18 through 54 and the second riskiest for ages 55+. Online purchase scams were the riskiest scams for both men and women.

- Employment scams, the riskiest scam in 2019, fell to the second most risky scam in 2020. This slip in ranking was caused by a decrease in the number of reports of this type of scam, a decrease in the dollar amount lost, and a decrease in the percentage of individuals who lost money. Employment scams dropped from the riskiest for both genders in 2019 to second riskiest for men and third riskiest for women in 2020.

- Fake check/money order, romance, and home improvement scams all rose higher on the list in 2020; these scam types have a much higher median dollar loss when compared to median dollar loss overall. Romance scams continued to be the riskiest scams for middle aged adults, and travel/vacation/timeshare scams were again the riskiest for seniors in 2020.

- In 2020, roughly two-thirds of reports to BBB Scam Tracker were submitted by women; one-third of reports were submitted by men. Overall, women were more susceptible to losing money when exposed to a scam compared to men, with a higher median dollar loss for women.

- As in previous years, younger people lost money to scammers at higher rates than older people. However, for the first time since publishing the BBB Scam Tracker Risk Report, young adults had the same median dollar loss as that of seniors. In previous years, young adults lost money more often, but when seniors did lose money, they lost higher dollar amounts.

- Consumers who self-identified as Black, Hispanic/Latinx, Asian, American Indian/Alaska Native or Native Hawaiian/Pacific Islander reported higher incidences of losing money to a scammer and reported losing more than double the financial loss of those who self-identified as white.
- Factors such as asking questions, believing individuals can influence outcomes and that government institutions get their authority from individuals, and being skeptical appear to reduce fraud risk. Risk factors that increase the chance of losing money include feelings of financial distress, stress, and loneliness.
- Individuals who self-identified as being active duty military personnel, spouses, or veterans represented 9.6% of reports submitted to BBB Scam Tracker in 2020. Military consumers consistently reported higher median financial losses than non-military consumers. However, this was the first year when susceptibility was also higher; military consumers reported both higher likelihoods of losing money and higher median dollar loss.
- According to the BBB Risk Index, employment scams were the riskiest scam for military spouses. Online purchase scams were the riskiest scam for veterans, up from the third riskiest in 2019. Reports by active duty service members were spread out among the 30 scam types, with only online purchase scams having a significant quantity of scam records.
- "Impersonation" is one of the most common tactics fraudsters use to perpetrate scams. By pretending to be well-known and trusted companies, government agencies, and organizations, scammers can better manipulate their targets. Impersonations of Amazon rose sharply in 2020 and were the second most common, likely due to the increase in online purchase scams during the pandemic.
- Based on survey results, knowing about specific scam types appeared to be more important than knowing about scam tactics in general.
- The authors estimated that BBB Scam Tracker was able to help prevent consumers and businesses from losing $21 million to fraudsters in 2020.
- In a recent survey of individuals who reported a scam to BBB Scam Tracker, 33.9% said they also contacted their financial institution, and 15.0% contacted the police or law enforcement. In addition, 23.1% asked their family/friend for advice either during or after the scam encounter.

[4]BBB Scam Tracker Risk Report (2021)

<u>Study Overview</u>

The 2021 Scam Tracker report from the Better Business Bureau enables a better understanding of the impact of scams being perpetrated in the marketplace. This report explored differences in risk borne by specific subsets of the population. In 2021, more than 46,000 scams were published via BBB Scam Tracker, a slight decrease (0.9%) from 2020. Scam reports submitted by businesses and individuals across North America were classified into 28 consumer scam types, 13 business scam types, and an "other" category, which represented 5.7% of all consumer reports. Data collected includes a description of the scam, the dollar value of any loss, and information about the means of contact and method of payment. Optional demographic data (age, gender, and postal code) about the person targeted by the scam along with military and/or student status were also reported via the BBB Scam Tracker platform.

Key Findings

- In 2021, military consumers consistently reported higher median financial losses than non-military consumers when targeted by a scam.
- Active duty military reported losing significantly more money ($300) than military spouses ($170) or veterans ($220).
- The susceptibility of active duty military (60.7%) was about 42% higher than the overall population's susceptibility.
- Online purchase scams were the top riskiest scam type for military spouses and veterans, followed by employment scams.

[5]Online Scams Report (2022)

Study Overview

For the past two years, the BBB Institute for Marketplace Trust (BBB Institute), BBB's educational foundation, has published the BBB Research Report: Start With Trust® Online to better understand how online purchase scams were being perpetrated in the marketplace.

In 2022, BBB expanded the focus of the report to spotlight all scam types that are perpetrated online to provide new information about which tactics have the biggest impact on consumers and to identify new information that can help consumers protect themselves from online fraud. The data for this report was collected from January 2022 through August 2022.

In November 2022, BBB launched an updated Scam Tracker site. The redesign holds new features including being more mobile-friendly, having a guided-question reporting function to make it easier for consumers to report their incidents, and a more robust search feature that allows people to search by scam type, web address, phone number, and more. As a result, this outcome will continue to help military and veteran families protect themselves from online scams.

Key Findings

- Claiming to be from a legitimate organization was the most reported tactic used by scammers (54%) to perpetrate fraud.
- Types of organizations most impersonated by scammers were trustworthy businesses (50%), employer/recruiter (12%), and puppy breeders (11%).
- The scam type with a monetary loss most often reported beginning online was online purchase scams (89%); followed by cryptocurrency scams (87%), romance scams (85%), investment scams (73%), and employment scams (68%)
- About 11% of online purchase scams reported to BBB Scam Tracker in this time period came from the military community (active duty, spouses, veterans).
- Active duty military were more likely to report losing money to this type of scam (84%).
- Active duty military also reported losing significantly more money ($355) than veterans ($122) and spouses ($126) to this type of scam, despite a lower exposure.
- The reported monetary loss for active duty military rose 72.3% from a reported median dollar loss of $206 in 2021.

Consumer Financial Protection Bureau

[6]Debt and delinquency after military service: A study of the credit records of young veterans in the first year after separation (2020)

Study Overview

This Consumer Financial Protection Bureau study centered on the credit usage of enlisted service members, with a specific focus on individuals that have defaulted on their payments or are otherwise in debt / delinquency. Data collection focused on randomly selected credit records from Consumer Credit Panel (CCP) and Servicemembers Civil Relief Act (SCRA) website. This study utilized previous research findings that younger service members were most likely to have defaulted on auto loans, credit cards, personal loans, or retail installment loans.

This report found that service members have a decline in credit scores just after separation from the military, with the severity of the decline dependent on several key factors. These include duration of service and prime credit score before transitioning out of the military. Factors that were not identified as significant contributors to post-service debt were the presence of medical debt or less-than-honorable discharges. Rates of employment and income were also not deemed to have a significant enough impact to explain the rates of delinquency. This report concluded that the data available does not sufficiently explain why young service members struggle with loan repayment and calls for further research.

Key Findings

- For service members, delinquencies and defaults were significantly more likely to appear on a credit report in the 6 months after separation from the military. This group also tended to have lower credit scores (subprime, or between 580 to 619). Individuals who served in the military for at least three years had higher scores (near prime, or between 620 and 659).
- There was a notable relationship between the duration of military service and the likelihood of late payments. Specifically, the report noted that late payments were most common with service members who served between seven and thirty-five months. The report speculated that this may be due to the service member having been given their first permanent assignment but had not finished their contract.
- Service members tended take out auto loans within a year of service, and this likelihood rose with length of service.
- After transitioning out of military service, over one-third of service members had an auto loan, two-thirds had revolving accounts, and one-fourth had other installment debt.
- Service members transitioning out of the military were likely to close these accounts within one year of leaving service.

[7]Financially fit? Comparing the credit records of young servicemembers and civilians (2020)

Study Overview

The Consumer Financial Protection Bureau prepared this report on financial well-being in a military context. Financial well-being, including credit history, is an important consideration in an individual's ability to join the military as well as his or her ability to maintain security clearance and continue in military service. Using a representative sample of young service members' credit reports, this CFPB study showed how these member's credit histories evolve from the time they turn 18 until their mid-twenties. It also compared service members to a cohort of same-age civilians.

Key Findings

- Young service members used different forms of credit than civilians, and their usage depended on the timing of military service. Service members tended to take out auto loans and open revolving accounts soon after joining the military. They then often took out student loans soon after leaving. Compared to civilians overall, between ages 18 and 24 service members were more likely to have an auto loan or a credit card, slightly more likely to have a mortgage, and less likely to have a student loan or a third-party collections account.

- Those who remain in service for at least five years had the healthiest credit records by age 24, even compared to civilians. These service members also accrued installment debt and opened revolving accounts shortly after joining the military but maintained higher credit scores than other groups. Those in this group who exit the military during the observation window experienced a decrease in credit score after separation of about 20 points, but on average, by age 24, this group of service members who stay for at least five years have better credit scores than civilians.

- Service members who had trouble with debt generally joined at younger ages or left active duty early. For example, among those who joined the military before age 20, approximately 30 percent had a deep subprime score at age 24. Of those who joined before age 20 and left within 2.5 years, 58% had a deep subprime score at age 24. In many cases, service members' scores dropped due to delinquencies and defaults in the years after they leave the military, not during service.

[8]Protecting Those Who Protect Us: Evidence of activated Guard and Reserve servicemembers' usage of credit protections under the Servicemembers Civil Relief Act (2022)

Study Overview

This CFPB paper was designed to rectify a significant information gap regarding the effectiveness of the Servicemembers Civil Relief Act (SCRA) in providing important legal and financial protection to active duty service members. These protections include the ability to reduce the interest rate on any pre-service obligations or liabilities to a maximum of 6 percent. Existing literature suggests that the interest rate reduction benefit is underutilized.

To address this information gap, this report sought to quantify, for the first time, the use of the SCRA interest rate reduction benefit. The authors note that this analysis is limited to members of the National Guard and Reserves (collectively, reserve component service members) serving in a federal active duty status. Members of the reserve component are likely to have financial obligations that are taken out while they are inactive, predating a subsequent period of service. As a result, the interest rate reduction benefit provides considerable financial value. However, according to the CFPB's research, only small fractions of activated Guard and Reserve service members received interest rate reductions.

Key Findings

- Between 2007 and 2018, data indicated that fewer than 10% of eligible auto loans and 6% of personal loans received a reduced interest rate.

- In addition to the $100 million of foregone benefits on auto and personal loans, members of the reserve component also infrequently benefitted from interest rate reductions for credit cards and mortgage loans.

- For longer periods of activation, when an interest rate reduction would be most beneficial, the utilization rate continued to be low.

- Recommendations to ensure the reserve component benefit from their right to interest rate reductions, CFPB recommended that creditors apply SCRA interest rate reductions for all accounts held at an institution if a service member invokes their rights for a single account.

- CFPB further recommended that creditors automatically apply SCRA rights.

- A future recommendation was toward the development of comprehensive and periodic indicators of SCRA interest rate reduction utilization.

Department of Defense

[9]Department of Defense Annual Report on the Financial Literacy and Preparedness of Members of the Armed Forces, Results from the 2020 Status of Forces Survey (2020)

Study Overview

The Department of Defense (DoD/the Department) Office of the Under Secretary of Defense for Personnel and Readiness produces an annual report on the financial literacy and preparedness of members of the Armed Forces to the Committees on Armed Services of the Senate and House of Representatives. Results from the 2020 Status of Forces Survey (SOFS) related to financial literacy and preparedness were included. The financial literacy and preparedness section of the 2020 SOFS included a series of subjective and objective questions regarding the financial condition, behaviors, goals, and potential challenges among the military population. These questions allowed DoD, the Military Departments, and the Military Services to monitor the financial readiness of service members and to identify potential educational needs.

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

Key Findings

- The financial well-being of service members was generally similar to or better than that observed across the survey's various measures in 2019.

- The majority of service members reported a comfortable financial condition, with the percentage of financially comfortable service members showing improvement over time.

- A large majority of service members indicated their financial situation was the same as or better than 12 months ago.

- A large majority of service members reported saving regularly by putting money aside, more than any prior year of the survey.

- Service members were less likely than U.S. adults overall to be at risk of material hardship, based on a comparison using a common metric developed by CFPB.

- A small percentage of service members reported financial management challenges, such as missing payments. One percent or fewer reported a serious financial issue that could directly impact financial readiness, such as bankruptcy or an adverse personnel or security clearance action due to a financial condition.

[10]Report on the Military Lending Act and the Effects of High Interest Rates on Readiness (2021)

Response to House Report 116-442, Title V, pg. 121 May 2021 Office of the Under Secretary of Defense for Personnel and Readiness

Study Overview

This DoD report provided an overview and update on legislation in section 670 of the National Defense Authorization Act (NDAA) for Fiscal Year 2007 (Public Law 109-364) that is commonly known as the Military Lending Act (MLA). The MLA established terms of certain types of consumer credit offered to covered borrowers (service members on active duty and their eligible dependents), including limiting the cost of credit to a 36 percent annual percentage rate, requiring specific lending disclosures, and prohibiting certain lending practices such as requiring a military pay allotment or waiving rights under the Servicemembers' Civil Relief Act.

The Department issued implementing regulations in 2007 and revised regulations in 2015 in response to amendments to the MLA in the NDAA for FY 2013. The MLA statute established the Military Annual Percentage Rate (MAPR), which may not exceed 36 percent, and the Department's regulations, consistent with the statute, defined the MAPR and its computation. The Department believes the MLA and its associated MAPR support the financial readiness of service members by ensuring covered borrowers are not subject to unfair credit practices that can negatively impact financial readiness and, in turn, military readiness. In particular, the MAPR prevents service members from becoming trapped in a harmful cycle of debt resulting from significantly high interest rates typical of credit products such as vehicle title loans, payday loans, and certain installment loans that were historically targeted at the military population. The Department's definition of the MAPR supports the intent of the MLA by requiring lenders to include designated fees and add-on credit products in the calculation, thereby preventing lenders from shifting costs from interest to such fees and products to evade the MLA's cost of credit limit.

Key Findings

- Congress has been a valuable partner in protecting service members and families from predatory lending practices by passing the MLA in 2007 and amending it in 2013. The Department believes the MLA, under current regulations issued in 2015, is working as intended.
- The MLA and MAPR supported service members and families by ensuring they are not subject to unfair credit practices that can negatively impact financial and military readiness. The MAPR placed a reasonable limit, with a long regulatory history, on the cost of credit that prevents covered borrowers from becoming trapped in a harmful cycle of debt resulting from egregious interest rates.
- In issuing its 2015 regulations, the Department recognized that some lenders may choose to no longer offer some of the now-broader scope of credit products to covered borrowers, while others may amend their terms and conditions to apply. Nevertheless, the Department believed that such a step was necessary to protect service members and their families and that they would still have adequate access to credit. Several years after the implementation of those regulations, these borrowers continued to enjoy access to compliant credit products to meet their needs.
- They also accessed no-cost loans or grants from military aid societies that can address several financial needs. The Department also noted appreciating the efforts of the federal regulatory agencies to educate about, supervise, and, when necessary, enforce, the MLA, the renewed efforts of the CFPB to include MLA compliance in on-going supervision of lenders under its oversight.
- While DoD took no position on the merit of lowering the MAPR limit now, it is committed to continue working with Congress to support the financial readiness of service members and their families and is willing to provide comment on any such proposal when appropriate.

[11]Blended Retirement System Implementation Study (2020)

Study Overview

The Blended Retirement System Implementation Study was dedicated to understanding how implementation of the Blended Retirement System (BRS), following passage of the National Defense Authorization Act (NDAA) for Fiscal Year 2016 (FY16), benefited service members. BRS expanded government-provided retirement benefits to a much-larger percentage of the Force while also serving as the catalyst for launching a comprehensive financial readiness program for members of the Armed Forces. This ongoing program enhanced financial literacy while preparing our members for lifelong financial well-being.

BRS was the largest change to military retirement since World War II; as such, implementing this change was no small undertaking. The Department of Defense (DoD) is proud of the success of BRS implementation, which was possible only after completing a rigorous training program for over 1.6 million people, conducting an award-winning strategic communications outreach effort, implementing major technical system changes, and with the cooperation, support, and extraordinary efforts of many agencies across the whole of government as well as numerous military and veterans service organizations and community partners.

Key Findings

- As of 2020, the report found that individual service members had already contributed a total of $2.6B of their own pay to their Thrift Savings Plan (TSP) accounts and have received $1.2B in automatic and matching contributions from DoD.
- Through the first three years, DoD saw no negative impacts on retention or recruitment because of the shift to BRS. Conversely, BRS has increased the financial readiness of our service members and has ushered in a new career-long focus on financial literacy across the Force.
- Because of the length of service requirement to vest in these defined benefit plans, only a small minority of all service members ever qualify for retired pay. Approximately 19 percent of active duty service members and just 14 percent of Reserve and National Guard members have earned the defined benefit plan.
- In 2015, Congress created a new retirement system for members of the Uniformed Services that blended elements of the existing defined benefit "pension-style" plan with a defined contribution plan, now known as BRS. All members entering service for the first time on or after this date are automatically enrolled in BRS. When the initial opt-in period concluded on December 31, 2018, over 400,000 DoD Service members had opted to make this switch to BRS.

[12]Report on Financial Literacy and Training Support Available to Military Spouses (2020)

Study Overview

DoD submitted this report in response to section 580H of the National Defense Authorization Act (NDAA) for Fiscal Year 2020 (Public Law 116-92). Section 580H(a) requires the Under Secretary of Defense for Personnel and Readiness to report to the Committees on Armed Services of the Senate and the House of Representatives on (1) "financial literacy programs currently designed specifically for military spouses" and (2) "efforts to evaluate the effectiveness of financial literacy programs."

The Department recognizes that the availability of support resources for military spouses is an important component of financial readiness, which contributes to family readiness, mission readiness, and retention. The Department surveyed and reviewed financial literacy programs and resources designed for military spouses, additional programs and resources available to spouses, and efforts to ensure such programs and resources provide effective support. Military spouses have access to a variety of programs, including educational resources and counseling provided by the Military Services and the Office of the Secretary of Defense, to support financial literacy.

Key Findings

- The financial literacy programs that the Department delivers were consistent with recognized financial education best practices.
- Through a variety of flexible delivery methods, approximately 60,000 spouses participated in financial counseling sessions during FY 2019.
- In FY 2019, more than 25,000 spouses participated widely publicized educational workshops, briefings, and seminars on a variety of financial topics based on the needs and interests of the local population.
- Technology has been leveraged for military families to promote financial readiness: July 2019, the financial readiness website (finred.usalearning.gov); March 2020, a financial literacy mobile learning application, Sen$e; the MilSpouse Money Mission website (milspousemoneymission.org).
- Approximately three-fourths of surveyed spouses felt that they were extremely or very informed regarding their finances, while more than two-thirds expressed interest in learning more about finances, indicating a moderately substantial level of interest in financial literacy among spouses.
- Spouses most indicated interest in learning about retirement savings, investing, and saving in general; they prioritized learning about investing, retirement savings, and paying off debt.
- These findings inform future DoD education efforts and delivery methods. Strategies that include convenient access, build on motivation of financial goals and key financial decisions, and are consistent with other best practices are most likely to reach their intended audience and provide effective education.
- DoD is planning follow-up to further understand the needs and preferences of young spouses.

Federal Trade Commission

[13]A closer look at the military consumer financial workshop (2017)

Workshop Overview

This report is an overview of a 2017 workshop sponsored by the Federal Trade Commission in order to address financial problems faced by military consumers. The workshop was separated into five disparate categories: auto loans, debt collection, credit decisions, legal rights for military consumers, and financial literacy.

Across all these five challenges, a few common solutions were suggested. A financial counselor on base, who can provide general financial knowledge and specific counseling before a major purchase, could be beneficial. Many service members also appeared to lack familiarity with laws that could protect them, especially as regards debt and debt collection. They were also especially vulnerable to predatory lending or financial scams. It is important to encourage service members to come forward with any debt they may be struggling with, or predatory lending they have experienced, for the respective authorities to offer aid that service members may not know exists.

Key Findings

- The panelists discussing auto loans highlighted several factors that increase the likelihood for service members to have challenges when conducting auto transactions. These included steady paychecks, but little to no credit history, which only qualifies them for disadvantageous loan terms. Many service members also had issues with negative equity when trading in an old vehicle for a new one, meaning the service member owes more on their financing for the vehicle purchased than its current value, and the unpaid balance is wrapped into the financing on the new vehicle.

- A unique challenge for service members handling debt is the potential loss of security clearance. Predatory debt collectors have also threatened to report late payments to superior officers.

- Due to frequent life disruptions, service members reported trouble paying back loans. Many opted instead to take out short-term loans, and this can lead them towards deceptive lending scams. The FTC has been combating these issues with a crackdown on predatory lending scams.

- When discussing financial education, panelists emphasized the need to educate spouses as well, due to them often handling financial matters while the service member is deployed and encouraging those serving in the military at all stages (including senior officers) to seek financial counseling.

[14]Protecting military servicemembers and veterans from financial scams and fraud: Before the U.S. House of Representatives Committee on Oversight and Reform Subcommittee on National Security (2022)

Testimony Overview

This report provided highlights of the testimony given by Malini Mithal, Associate Director of the Division of Financial Practices within the Bureau of Consumer Protection at the Federal Trade Commission, regarding fraud perpetrated against military families. It outlined the work conducted by the FTC to detect and combat "nefarious financial practices." It also detailed the challenges that the FTC faces in helping service members and other consumers, including court rulings on laws that limit their reach. Of specific note is the Supreme Court's *AMG Capital* ruling which held that the FTC does not have the authority under Section 13(b) of the FTC Act to obtain money back for consumers, for fraud and related problems. The testimony explained that the ruling and other lawsuits in progress underscore the need for Congressional action on Section 13(b) of the FTC Act, to give the FTC authority to return money to defrauded consumers.

Key Findings

- The main reporting database used by the FTC is the Consumer Sentinel Complaint Network (Sentinel). Sentinel received over 200,000 complaints from military service members in 2021.

- The most reported financial schemes against military service members included identity theft, imposter scams, and negative reviews of online retailers.

- While the FTC attempts to return money to defrauded consumers, they are limited in pursuing monetary damages by Section 13(b) of the FTC Act.

- A common scam against military members is for businesses to falsely claim they offer military discounts, or otherwise target military community members heavily in their ads. A particularly pervasive form of this scam is for-profit educational programs that target military service members due to the GI Bill's educational benefits.

- Another source of unlawful financing schemes are auto purchases. Service members are attractive to fraudsters due to three factors: “they have a steady paycheck, they often have no or minimal credit history, and a vehicle purchase may be their first big, complex financial transaction."

- The final deceptive programs that the testimony discussed are bogus “military charities” that do not actually help military service members, families, or veterans.

- The FTC has been collaborating with the Department of Veterans Affairs, the Department of Defense’s Office of Financial Readiness, and the Consumer Financial Protection Bureau’s Office of Servicemember Affairs to educate military families on common sources of financial fraud or identify theft schemes.

FINRA: Investor Education Foundation

[15]The financial welfare of veteran households (2017)

Study Overview

Using data from the 2015 FINRA Investor Education Foundation’s National Financial Capability Study, this analysis found that after controlling for important demographic variables, veterans experienced slightly better financial outcomes than non-veterans, but there are some areas where veterans could improve.

Veterans had better overall financial standing and better savings outcomes, but they also had more problems with spending relative to comparable non-veterans. Veterans also experienced better employment and health care outcomes, but worse housing outcomes. Within the veteran population, military retirees fared better than military non-retirees. In addition, veterans who separated from military service longer ago were less satisfied with their financial condition than those who separated more recently, despite reporting more stable income. For outcomes related to targeted public policies, veterans experienced better employment outcomes, slightly better health care outcomes, mixed education outcomes, and slightly worse housing outcomes. Within the veteran population, few differences by military service were observed.

To the author’s knowledge, this was the first analysis of the differences between veterans and non-veterans for financial decision-making and outcomes in the U.S. that controlled for important demographic variables. The results highlight some of the primary areas where veterans appear to be faring better (e.g., saving for an emergency) and worse (e.g., credit card behaviors) than comparable civilians. This might motivate additional study of these areas and inform the examination of policies aimed at addressing these differences.

Key Findings

- In terms of overall financial comparisons between veterans and civilians, the findings showed that veterans were slightly more likely to be satisfied with their financial situation, and less likely to report difficulty covering their expenses.

- Veterans relative to non-veterans were found to be more likely to report spending greater than income, and more likely to have problematic credit behaviors. They were also more likely to report having a household budget.

- Veterans relative to non-veterans were slightly more likely to report having a three-month emergency fund, and equally as likely to have an employer or other retirement plan.

- Veterans were found to be less likely to be unemployed, and more likely to be retired than their non-veteran counterparts.

- Compared to their non-veteran counterparts, veterans were slightly more likely to have health coverage, and comparably likely to have forgone medical treatment and to have unpaid medical bills past due.
- Regarding education, veterans were found to be more likely to be attending a four-year college or university (among those attending school), and more likely to have student loans.
- Veterans were much more likely than non-veterans to be underwater on their home or to have made a late home payment in the past year.
- Comparing veterans by their Military Service, Air Force veterans were found to be less likely to report having difficulty covering their bills and expenses than Army veterans.

[16]How are veterans faring financially? (2019)

Study Overview

Using data from the 2015 and 2018 waves of the FINRA Investor Education Foundation's National Financial Capability Study (NFCS), this research provided new and updated evidence on the financial well-being of military veterans.

The authors examined how veterans are faring over time, how they are faring in 2018 relative to comparable civilians, and how different demographic subgroups of veterans were faring in 2018. In 2018, veterans continued to fare better than non-veterans in many areas. They had less difficulty covering expenses and bills, lower likelihoods of experiencing an income drop and higher likelihoods of having emergency funds and retirement plans in addition to an employer plan. Veterans in 2018 were, however, more likely to report problematic credit card behaviors. The results relied on survey data and painted a rich, descriptive — but not causal — picture of veteran financial well-being that can hopefully inform additional research and policy development. In particular, the results provided important evidence on veteran financial well-being over time, comparative evidence on veteran well-being compared to non-veterans, and detailed evidence on important subgroups of veterans.

Past research[17] documented two motivations for public attention to this issue: patriotism and gratitude toward those who have served in the military, and a commitment to veteran well-being as part of the existing all-volunteer force. Additional research on veterans indicated that while they fare better financially than non-veterans on average,[18,19] there is substantial variation in veterans' outcomes (CFPB, 2019), suggesting that some groups of veterans warrant more attention.

Key Findings

- The financial capability of both veterans and adult Americans in general improved between 2015 and 2018 (Lin et al., 2019), though veterans appeared to have improved at a somewhat faster rate.
- Relative to non-veterans, veterans continued to fare better than non-veterans in many areas. They reported higher financial well-being, lower levels of financial anxiety, and a higher likelihood of having a will. They were also more likely to participate in the gig economy.
- Veterans who are female, who are younger, who are married, divorced or separated, or who have financial dependents were faring worse than their veteran peers. One notable similarity to the general population is that female veterans had higher reported levels of financial stress and anxiety than male veterans.
- Black veterans were faring somewhat better than white veterans, while those identifying as an "Other" race/ethnicity were faring worse.

- Black veterans exhibited slightly higher or similar levels of financial capability than white veterans, which runs counter to two studies that recently examined race-based differences in financial well-being in the general population (CFPB 2019; Lin et al., 2019).

- There was a fairly large drop in veterans attending four-year colleges from 2015 to 2018. This decline might be driven by concerns about student loan debt or may reflect an improving economy (and therefore higher opportunity cost of going to school) or simply a change in veteran demand for higher education.

- Between 2015 and 2018, there was an increase in the percentage of veterans who reported that they had foregone medical treatment.

First Command Financial Services, Inc.

[20]First Command Financial Behaviors Index® (2022)

Study Overview

The First Command Financial Behaviors Index® examines financial behaviors, attitudes, and intentions among U.S. consumers, including service members and military families. The Index was launched in February 2008 by First Command Financial Services, Inc. and Sentient Decision Science, an independent market research and consulting firm. The monthly tracking research was conducted online among approximately 500 U.S. consumers (200 military, 300 general population) ages 18 to 70 with annual household incomes of at least $50,000, or military pay grades of E-5 or higher. Survey respondents were asked questions related to savings, investment and credit behaviors, future intentions, and attitudes about financial security.

Key Findings

- Families reported getting an emotional lift from the process of savings regardless of the size of their savings accounts. Families with credit card or other short-term debt reported feeling optimistic and financially secure as long as they were disciplined in their approach to savings and paying down debt.

- The more Americans put away each month, the less financially stretched they felt.

- Those with a financial plan through a financial coach felt more secure than those without a plan through a coach.

- Those who worked with a financial coach felt more financially secure month to month, more confident that their financial situation will improve in the next year and more confident in their ability to retire comfortably.

- Military spouses reported that military service negatively affects their career and causes them to be underemployed. Frequent relocations make it difficult to find and keep employment. They reported playing the primary role of managing household finances and long-term investments and retirement savings accounts.

Military Family Advisory Network

[21]Military Family Support Programming Survey (2022)

The 2021 Military Family Support Programming Survey conducted by MFAN included a significant section addressing the financial concerns of service members and their families. Unfortunately, financial difficulties were a common source of hardship for many of the participants. Out of over 8,600 respondents, half stated that they have had trouble saving money over the past two years, and over half have experienced financial emergencies in the past. These fiscal issues have long-reaching consequences. They are significantly related to poor family well-being, cause anxiety, hinder ability to save money, cause relationship issues, and impede the family's ability to provide for their children.

Key Findings

- Forty percent (40.6%) of respondents reported making between $25,000 and $75,000, including their Basic Allowance for Housing (BAH), before taxes.
- Enlisted family respondents most often reported making $25,001 to $50,000 (26.7%) or $50,001 to $75,000 (26.7%) in gross annual income including BAH. Meanwhile, officer family respondents most often reported making more than $175,000 (21.4%) or $100,001 to $125,000 (19.5%) in gross annual income including BAH.
- In active duty families, the spouse was more likely to oversee financial management, whereas in families of military retirees and veterans, the service member tended to become responsible for household financial management.
- Over half (51.2%) of respondents stated that they had experienced barriers to saving money in the past two years.
- The top five themes regarding the challenges to saving money were that the military does not pay enough to support a family, an increased cost of living, rising costs of housing, recurring bills (such as rent and loan payments) that they have trouble paying, and trouble in understanding or implementing financial planning.
- About 20% of currently serving families, and double that number of veteran families, had less than $500 in emergency savings. Enlisted families were statistically the most likely to have low or no emergency funds.
- Fortunately, 43% of respondents stated that they have never faced a financial emergency, and the number of families putting funds into an emergency savings account has increased since 2019.
- For those military families that did experience a financial emergency, common themes were that respondents most often borrowed money or other resources from close family members, took out a personal loan, used military-specific resources (such as relief society loans), or refused to use any outside help and "handled it on their own."
- Over three quarters (75.8%) of the respondents indicated that they carry current debt.
- Mortgage debt was rated as causing the most stress, while non-bank borrowing caused the least. Most participants (61.1%) stated that they had used the latter.
- Two-thirds of participants stated that they have not used SCRA protections.
- Of the remaining participants that had used SCRA protections, the most common types were state residency protections for tax purposes and protection on interest rate cap.

- There is a significant relationship between stress over finances and family health; the higher the stress over finances, the more likely the family will have moderate to poor well-being.
- Further analysis of participant responses revealed that financial stresses cause frequent anxiety and worry, trouble affording basics (like bills, food, and gas), inability to save money, cause relationship issues due to arguments over finances, and impede the family's ability to provide for children financially.

[22]Causal Factors of Military and Veteran Family Food Insecurity (2022)

MFAN and their research partners at the University of Texas at Austin's Institute for Military and Veteran Family Wellness took a deep dive into the lived experiences of military and veteran families experiencing food insecurity in Texas and the Tidewater region of Virginia throughout 2021 and 2022.

The purpose of the study was to uncover the causal factors, or upstream impacts of food insecurities for military connected families which, if avoided, could mitigate, or prevent food insecurity down the line. Through rigorous qualitative research, MFAN identified a common story of food insecurity instigated by six causal factors including military spouse unemployment, recent Permanent Changes of Station (PCS), growing families, unexpected expenses, external systems shocks, and rising costs of living. Each of these causal factors influenced the journeys military and veteran families took throughout their food insecurity experiences. Key findings, summarized below, revolved around the importance of financial security for military and veteran families.

Key Findings

- Due to military lifestyle factors, military spouses are often forced to stay home or go without work for extended periods of time. The financial impacts of relying on a single income contribute to the experiences of food insecurity for military and veteran families.
- Similarly, as military-connected families have children, incur unexpected expenses, bear the brunt of consistent PCSing, and face external shocks to their system, they are pushed from relative financial security into financial difficulties which may instigate food insecurity down the line.
- Specific to the experience of military and veteran families in Virginia, military and veteran families feel their pay does not keep pace with the rising costs of living experienced around the country. This has broad reaching impacts on their lived experiences, including their need for additional food support and resources.
- By enhancing military and veteran family eligibility for federal benefits, lessening the burdens of PCSing, mitigating barriers to dual income, right-sizing the Basic Allowance for Housing, and promoting the importance of emergency savings for military and veteran families, families would be better financially situated for military connected life and more capable of handling challenges like food insecurity.

National Foundation for Credit Counseling

[23]Military Financial Survey: Research Report, Prepared by Harris Poll for the NFCC and Wells Fargo (2019)

Study Overview

The Financial Literacy among the U.S. Military Survey was conducted online within the United States by Harris Poll on behalf of NFCC and Wells Fargo from March 20 to April 16, 2019. The survey included 531 U.S. adults ages 18 and older who were currently active, enlisted members of the U.S. military, excluding reserve members and those in the National Guard (i.e., “service members”), and 439 U.S. adults ages 18 and older who were spouses/partners of service members.

Key Findings

- Active service members were more likely than the general population to grade themselves an A/B on their knowledge of their personal finances—and 2 in 3 would welcome professional advice.
- If they were having problems related to debt, nearly 3 in 10 active service members said that they would turn to the military (29%) and over 1 in 5 (22%) active military spouses/partners would turn to their bank.
- Nearly half of active service members and spouses/partners of service members reported keeping a budget—and most reported paying their bills on time.
- Majorities of both active service members and spouses/partners reported paying their bills on time—and were more likely than the general population to be saving.
- Active service members were more likely than their spouse/partner counterparts to be saving for retirement, but both were more likely to save than the general population.
- Less than half of active service members felt that finances control their lives.
- Despite not being controlled by their personal finances, majorities of active service members and spouses/partners of service members reported some worries.
- Active service members were 1.5 times more likely to have taken a loan in the past 12 months than they were in 2014.
- Active service members were more likely than spouses of active service members to use “tomorrow” to pay for “today.”
- About half of active service members and their spouses turned to the gig economy for additional income.
- Nearly three-quarters (72%) of spouses/partners of active service members felt like they have had to put at least one life decision “on hold” due to their spouse’s/partner’s military service
- With that said, many spouses/partners were optimistic about their financial situation in the next five years.

[24]**Military Finances Survey: Prepared by Harris Poll for the NFCC and Wells Fargo (2020)**

Study Overview

The 2020 U.S. Military Finances Survey was conducted online within the United States by The Harris Poll on behalf of NFCC and Wells Fargo from August 19 to September 18, 2020. The survey included 506 U.S. adults ages 18 and older who were currently active, enlisted members of the U.S. military, excluding reserve members and those in the National Guard (i.e., "service members"), 254 U.S. adults ages 18 and older who were spouses/partners of service members, and 516 U.S. military veterans.

Key Findings

- Active service members, spouses/partners and veterans were all more likely than the general population to grade themselves an A/B on their knowledge of personal finance— and most service members would welcome professional advice.
- If they were having problems related to debt, active service members, active military spouses/partners, and veterans were all most likely to turn to their bank for help – with fewer active military members saying that they would turn to military resources this year than in past years.
- More active service members said that they keep a budget this year than military spouses, veterans or the general population—and reported honesty with spouse/partners about household finances remained high.
- Majorities of active service members, military spouses/partners, and veterans reported paying their bills on time—and were more likely than the general population to be saving.
- Majorities of both active service members and their spouse/partner counterparts reported saving for retirement, and both continued to be more likely to save than the general population.
- Veterans were least likely to feel finances control their lives while service members were most likely to describe feeling "just getting by financially."
- Similarly, while majorities of active service members and spouses/partners of service members (though to a lesser degree) harbor financial worries – less than half of veterans say the same.
- Active service members were more than twice as likely to have taken out a cash advance or payday loan this year than in 2019 (31% vs. 13%) – a drastic increase from 2014 (6%).
- Service members were also more likely to have ever taken out other types of loans – both on and off base.
- Three in four spouses/partners of active service members felt like they have had to put at least one life decision "on hold" due to their spouse's/partner's military service.
- That said, many spouses/partners were optimistic about their financial situation in the next five years.
- While careers in the military may have helped prepared service members and veterans for COVID-19, majorities of service members still reported financial impacts of the pandemic.
- Difficulties faced in finding adequate lending/loan options during the COVID-19 pandemic may have been a contributing factor to the sharp increase in service member use of payday loans.

DISCUSSION AND KEY THEMES

An examination of the submitted MFFRC research led to the identification of key themes, reflecting critical areas of importance to military and veteran family financial readiness. These collective coalition research efforts highlight the need to better understand modern military families to best support their needs.

1. **Promoting military financial readiness behaviors and utilization of available resources** emerged in at least one report submitted by each of these coalition members, reflecting the prioritization of understanding military financial readiness, as well as benefits and resources available to them.

2. A contributing force to this concern is **trends in credit usage and overcoming money management challenges among military families**, which again, each coalition participant examined in their submitted research.

3. **The increased vulnerability of military families to malicious financial practices** is a further emerging area of interest related to military family financial readiness. Explored by BBB, CFPB, DoD, and the FTC, the need to prevent and protect military families from predatory and fraudulent financial practices is being recognized as a significant component of financial readiness.

1/ Promoting military financial readiness behaviors and utilization of available resources

Contributing research reveals the importance of financial education and a range of programs and policies that are improving financially readiness of our troops. Creating budgets, paying off credit cards, paying mortgages, managing savings, and planning for retirement require a vast amount of knowledge.

Research from MFFRC participants illustrates some positive trends and opportunities related to financial readiness opportunities. For military families, a growing investment in personal finance has been evidenced, where efforts to save and plan for retirement are of increasing interest to them[12,13,20]. Recent research reflects that military affiliated individuals are reporting saving and planning for retirement at higher rates than the general population[20,21].

However, research highlights the challenges to saving and financial management, particularly for young, growing families who often incur financial losses from frequent relocation[19]. Notably, implementation of the Blended Retirement System (BRS) has evidenced the prioritization of financial readiness at the highest level. Service members have followed suit and contributed a total $2.6B to their Thrift Savings Plans (TSP), with $1.2B in matching contributions from the Department of Defense (DoD)[11]. Further, working with financial planners on current and long-term goals has bolstered the financial confidence of many military families[17]. Active duty spouses in particular, often with more of the responsibilities for household financial management[15,18], are accessing the range of learning resources and tools in significant numbers[12]. Progress toward financial goals can be enhanced through learning opportunities, existing financial readiness and resources[3]. Additionally, research reveals the effectiveness of legal protections to protect military families from malicious financial practices. Bolstering their awareness of both issues and available resources remains a priority[1,8] to build their financial readiness.

2/ Trends in credit usage and overcoming money management challenges among military families

Numerous factors contribute to money management behaviors in the military, with varied outcomes across populations connected to rank and age, and often compounded by the transient nature of military life.

In some research, many military-connected individuals reported positive and improved financial habits: saving money, maintaining a budget, and paying their bills on time[1,6,9,13,20]. Many also reported satisfaction and/or improvement in their financial condition[9,13,14], notably for Black veterans, though less likely for younger female veterans [14].

However, many still reported feeling more secure and optimistic about their financial future[17]. Most military families reported that they carry some current debt[18]. Some debts could be considered positive, such as investments like homes or cars, which have lasting value and can build healthy credit histories, even when compared to civilians[7]. Yet, some military-connected individuals reported financial management challenges, such as limited credit histories for young military families[15], problematic credit behaviors[13], late payments[6,9,20] that are sometimes associated with frequent life disruptions[15], bankruptcy, and an increase in recent loans[21]. These financial challenges impact family financial readiness but can also create security clearance issues for the member[9,15]. Further, awareness of credit reduction programs for activated military was found to be limited[8]. It comes as no surprise that financial stress is reported by a large number of military-connected respondents[18,20], particularly for female veterans[14]. Further, these stresses are strongly connected to poor family well-being, and negatively impact other areas of family life[18]. Many military families reported having inadequate emergency funds[18], as well as financial challenges related to the rising cost of living[19]. Many active duty spouses reported putting major decisions on hold due to financial constraints[20,21]. Further, the underemployment of military spouses contributes to family finance challenges[17,18,19].

3/ Increased vulnerability of military families to malicious financial practices

The unique challenges of military life have been shown to present the increased risk for predatory lending practices, often due to the need to get established in a new location after a Permanent Change of Station (PCS). Transition expenses have been exacerbated by high interest rates in the past, which are now guarded against through the MLA (Military Lending Act) and its associated Military Annual Percentage Rate (MAPR)[10], as well as the Servicemembers Civil Relief Act (SCRA)[8]. Similarly, military families have experienced challenges with industries related to relocation (movers, property management companies), as well as vehicle and home improvement-related industries[1]. Even though these issues have been reported in large numbers[16] and noted as increasing, they are also largely reported as resolved, often at a higher rate than civilian complaints[1].

Further unsettling are the rising incidents of scams reported by military families[5], which remains higher than the civilian population[1,2,3,4,5]. Military families have also consistently reported higher financial losses than non-military consumers[1,2,3,4,5], particularly for seniors in the most recent year[3]. Fraudulent schemes are numerous, and those affiliated with the military commonly reported imposter scams, identity theft, deceptive military charities, and false military discounts, including for-profit educational programs targeting GI Bill benefits[16]. Certain populations of military appear more vulnerable to fraudulent practices, and more incidents are reported by minorities[3]. Home improvement and debt collection-scams were most common for middle-aged military members[1], online retail fraud[9,16] impacted military members across subgroups, particularly during the COVID-19 pandemic[3] and most significantly impacted military spouses and veterans[1,4]. Military spouses, who are known to be underemployed[17,18], are more vulnerable to employment fraud[1,2,4].

Tools like the *BBB Scam Tracker* have been made available to promote awareness of these malicious practices, as well as recommendations to help consumers – both military and the general population – better identify trustworthy businesses and ask critical questions to reduce their risk of fraud[1,3].

CONCLUSIONS

The context of military life is important to understand when considering these findings. Of equal importance is understanding how their financial condition changes when families transition from service. As highlighted in the research above, military families are resourceful, resilient, and by necessity, adaptable. With their transitory lifestyle, they often actively seek resources necessary to stabilize their home lives, to provide basic necessities, and to access opportunities such as college education or a secure retirement.

While military family financial readiness ensures that service members maintain operational readiness, it is apparent from these findings that efforts to support military families extend to promote overall family well-being. Exploring military family finances has been a core research priority for MFAN, and research efforts of participating MFFRC entities have added layers of insight in this report to better grasp the landscape of military family financial well-being. Stories of both their struggles and successes add nuanced understanding to their most pressing needs. Research findings portray both positive developments and concerning realities. Careers in the military have helped offer financial programs and resources to military families like those outlined by the BBB, CFPB, and DoD above. It is true that military families are experiencing many of the same financial challenges as the civilian population, but the research illustrates some themes that are unique to this population. Yet, most service members still report financial stress, as noted in both MFAN's and NFCC's research. MFAN's 2021 Military Family Support Programming Survey highlights the reality of financial stress contributing to lower levels of well-being for military families.

This report, by no means, elaborates on all the nuances of military family financial readiness. And each contributing report is written from the perspective and aims of the authoring organization. Nevertheless, this report underlines the importance of understanding the ever-changing dynamics of military family finances. Which will yield improved and more targeted support for military and veteran families. The collected research presented here offers important insights to military and veteran families' financial readiness. Findings demonstrate the need for continued exploration of this topic to improve understanding and enhance support. Further, showcasing successes achieved through existing resources, such as those provided by Wells Fargo, First Command, the Better Business Bureau, and the Department of Defense can serve to enrich overall military family well-being by emphasizing military financial readiness as an attainable reality.

Collectively, the MFFRC will keep up positive momentum by building awareness, sharing programs, and informing policy changes, and supporting collaborative solutions. The overarching goal remains to normalize discussions around military family financial readiness and work towards financial stability for service members, veterans, and their families.

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Military Family Advisory Network

The Military Family Advisory Network envisions a world where all military-connected families are empowered to thrive. MFAN's mission is to understand and amplify the needs of military-connected families and inspire data-informed change.

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