

Financial Well-Being of Veterans

Office of Servicemember Affairs



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1. Executive summary

In 2015, the Consumer Financial Protection Bureau (the Bureau or CFPB) released a scale to measure a person's sense of financial well-being. The new scale expands our understanding of consumers' financial situation beyond traditional measures of socio-economic status such as income and wealth. It also provides an opportunity to study how other factors, such as expenses, financial literacy, goals, and preferences, contribute to a person's perception of financial well-being. In late 2016, the Bureau administered the financial well-being scale in a nationwide survey of adults in the United States.

Although the survey was not specifically targeted to veterans and was not a nationally representative sample, a sizeable number of respondents identified as veterans and the Bureau analyzed the veteran responses to produce this research brief. The Bureau's review of the veterans in the survey found that veterans reported higher levels of financial well-being than the average U.S. adult. An analysis of the veteran survey responses found evidence that financial skills (e.g. making a budget, not overspending, etc.) is positively associated with financial behavior, which is also positively associated with financial situation and higher levels of financial well-being. This analysis suggests that, for veterans, there is a pathway from financial skill to financial well-being.

The analysis found that a number of socioeconomic characteristics are associated with positive financial well-being. The strongest associations were with higher education, age, physical health, and homeownership. However, the analysis also found that veterans, like other U.S. adults, have financial experiences that are negatively associated with financial well-being, including student loan debt, using non-bank, short-term credit products and being contacted by a debt collector. Similar to the Bureau's analysis of survey respondents for the U.S. adult population as a whole, veterans reported a wide range of financial well-being scores.

The Bureau's analysis also suggests for veterans that strong positive associations to financial well-being are in areas that can be acquired through education and practice. While this is good news for practitioners in the area of military financial education and intervention, the study raises additional questions. For example, the study does not answer whether the higher financial well-being scores for veterans are related to military service or are related to the demographic, attitudinal, and situational characteristics of the veteran that would be similar in non-veterans who shared those characteristics. Further research is necessary to discern whether

the associated characteristics and experiences identified herein are truly related to military service.

2. Introduction

The Office of Servicemember Affairs (OSA) within the Bureau is charged with, among other things, developing and implementing initiatives intended to educate and empower servicemembers and their families to make better informed decisions regarding consumer financial products and services. Understanding financial well-being is key to designing programs and initiatives to serve this goal. The Bureau's research-based definition of financial well-being means people being able to meet current and ongoing financial obligations, feeling financially secure in the present and future, and being able to make choices that allow them to enjoy life.¹

Military service offers unique opportunities and challenges in achieving and maintaining financial well-being during and after service. On one hand, military pay, health care, educational benefits, subsidized childcare, pensions for those who complete 20 years-of-service, and other provisions provide a level of financial stability that should promote financial well-being among servicemembers. On the other hand, frequent relocations, lack of spousal employment opportunities, deployment, combat service, and war-related trauma represent challenges to the financial well-being for the servicemember and his or her family members. Transition to civilian life is an additional challenge for servicemembers in areas such as transferability of skills, potential isolation in the civilian community, and higher levels of unemployment at least during the first year.

¹ For more information on this definition, see the Bureau's report *Financial Well-Being: The goal of financial education* (2015), available at https://files.consumerfinance.gov/f/201501_cfpb_report_financial-well-being.pdf (last visited March 4, 2019).

Previous studies suggest that career and non-career servicemembers have higher levels of financial satisfaction than civilians.² While military service offers benefits to veterans that seem to promote financial well-being, little is known about how veterans fare.

Since 2012, the Bureau has defined, measured, and studied the drivers of financial well-being in order to develop insights for use in financial education as educators work to help people to improve their financial capability and their financial well-being.³ This research brief explores the factors that are associated with financial well-being for veterans. It relies on data from the Bureau's National Financial Well-Being Survey to examine the distribution of financial well-being scores for veterans in the United States.⁴

The Bureau's work provides evidence of a potential pathway for influencing the financial well-being of future servicemembers and veterans. Prior to conducting this analysis, the Bureau commissioned a literature review on the relationship between financial well-being and military service. The literature review identified the following five major themes about financial well-being and military service.⁵

- Military families are generally doing well when compared to other groups, but there are segments of the population that are struggling to make ends meet.
- Military life has a significant impact on the financial well-being of servicemembers. Various aspects include the pay and benefits structure, frequent relocations, deployments, war-related injuries and/or trauma, and transitioning to civilian life.

² For more detail about the literature review, see Abt Associates, *Financial Well-Being among Military Veterans in the United States* (2018), Appendix D, available at abtassociates.com/veteranspathways (last visited March 4, 2019).

³ See the Bureau's guide *Measuring financial well-being* (2015), available at consumerfinance.gov/f/201512_cfpb_financial-well-being-user-guide-scale.pdf (last visited March 4, 2019).

⁴ See the Bureau's report *Financial well-being in America* (2017), available at consumerfinance.gov/data-research/research-reports/financial-well-being-america (last visited March 4, 2019). As noted above, the Bureau's survey did not provide a nationally representative sample of veterans, but the analysis herein is statistically significant.

⁵ See Abt Associates, *Financial Well-Being among Military Veterans in the United States* (2018), Section 1.2, available at abtassociates.com/veteranspathways (last visited March 4, 2019).

- Servicemembers' financial well-being, like their civilian counterparts, are influenced by other factors like cognition, age, financial knowledge, and financial skill.
- Financial readiness impacts military readiness because servicemembers with poor financial management may not be eligible to deploy, which can lead to an involuntary discharge (i.e. termination).
- Servicemembers and their families are reluctant to use the financial education resources they are provided by the military services because they either find such resources unhelpful or they have a perception that seeking financial help could harm their careers.

3. About the analysis

As noted above, this research brief relies on data from the Bureau's National Financial Well-Being Survey. The survey was conducted between October and December 2016 on a sample from the GfK Knowledge Panel®, a nationally representative, probability-based, recruited internet panel.⁶ Among the questions included in the survey are the ten items that comprise the Bureau's financial well-being scale, which was developed and validated to capture consumer's perceptions of their own financial security and ability to make financial choices. The questions that make up the Bureau's financial well-being scale are:

⁶ For details on the survey methodology, see Appendix C of the Bureau's report *Financial Well-Being in America* (2017), available at consumerfinance.gov/data-research/research-reports/financial-well-being-america (last visited March 6, 2019).

TABLE 1: FINANCIAL WELL-BEING SCALE QUESTIONS

Questions	Statement	Response Options
How well does this statement describe you or your situation?	1. I could handle a major unexpected expense. 2. I am securing my financial future. 3. Because of my money situation, I feel like I will never have the things I want in life.* 4. I can enjoy life because of the way I'm managing my money. 5. I am just getting by financially.* 6. I am concerned that the money I have or will save won't last.*	<ul style="list-style-type: none">• Describes me completely• Describes me very well• Describes me somewhat• Describes me very little• Does not describe me at all
How often does this statement apply to you?	7. Giving a gift for a wedding, birthday or other occasion would put a strain on my finances for the month.* 8. I have money left over at the end of the month. 9. I am behind with my finances.* 10. My finances control my life.*	<ul style="list-style-type: none">• Always• Often• Sometimes• Rarely• Never

* More affirmative responses indicate lower levels of financial well-being.

The financial well-being scale results in a standardized score between 0 and 100, with higher scores representing higher levels of financial well-being.⁷ In addition to the financial well-being scale, the survey includes a host of questions assessing the individual's financial knowledge, financial skill, financial behavior, objective financial situation, opportunities in their current context, personal traits, and financial socialization.

⁷ Each unit increase in the score indicates a higher level of financial well-being. For more information on the Bureau's scale development, see *Financial Well-Being Scale: Scale Development Technical Report* (2017), available at consumerfinance.gov/data-research/research-reports/financial-well-being-technical-report (last visited March 6, 2019).

About 10 percent of the responses (759) in the survey were from self-identified veterans or military retirees.⁸ In this sample of veterans, 87 percent had household incomes at or above 200 percent of the Federal Poverty Level (with 72 percent having incomes of \$50,000 or more). Table 2 provides more information about the characteristics of the veteran sample.

TABLE 2: SELECT CHARACTERISTICS OF THE VETERAN SAMPLE

Characteristics	Veteran Sample
Age (median)	69 years
Age (mean)	65 years
Male	92%
White non-Hispanic	79%
Bachelor's or graduate degree	40%
Employed	32%
Income \$50,000 or more	72%

Importantly, the sample is a “convenience sample” and may not be reflective of the veteran population as a whole. In other words, the Bureau did not seek to oversample the veteran population to provide comparative results against the U.S. adult population. Instead, because a statistically significant number of survey respondents self-reported as veterans, the Bureau examined this data to see what insights could be gained about veterans’ financial well-being.

This analysis of the survey’s veteran sample is presented in Section 4 of the research brief. In addition to presenting the financial well-being for the veteran sample overall, the Bureau provides the average financial well-being scores for subgroups of veterans defined by factors

⁸ Retired servicemembers are those who have served a full military career to qualify for a defined benefit pension. Although the survey permitted them to identify differently than veterans, they are in-fact veterans and throughout this research brief we refer to both groups collectively as “veterans.”

related to (1) individual and household characteristics; (2) savings and income; (3) financial experiences; and (4) financial behaviors, skills, and attitudes.⁹

This research brief contributes to the existing literature in two ways. First, using the Bureau's holistic financial well-being scale, this research contributes to a better understanding of veterans' overall financial situation and the subgroups of veterans where further study could be of value. The literature review that was conducted as part of this study yielded conflicting conclusions as to the financial well-being of veterans.

Second, this research brief provides evidence that veterans, like their civilian counterparts, have validated pathways that are positively associated with financial well-being. Working in collaboration with the U.S. Department of Defense, the Military Services, and the U.S. Department of Veterans Affairs, it should be possible to increase the financial well-being outcomes of veterans through the deployment of targeted resources that leverage these positive associations throughout military service and beyond.

4. Key findings

The analysis examined differences in financial well-being between veterans and non-veterans, and among key subgroups of veterans. As discussed in the Bureau's seminal report on financial well-being in America, scores up to 40 represent people experiencing very significant financial insecurity, with those in the 41–50 score range doing somewhat better but still largely struggling to make ends meet. People in the 51–60 score range seem to have more stable finances for the most part, while scores greater than 60 appear to be associated with largely secure financial circumstances with nearly universal financial security at scores greater than 70.¹⁰

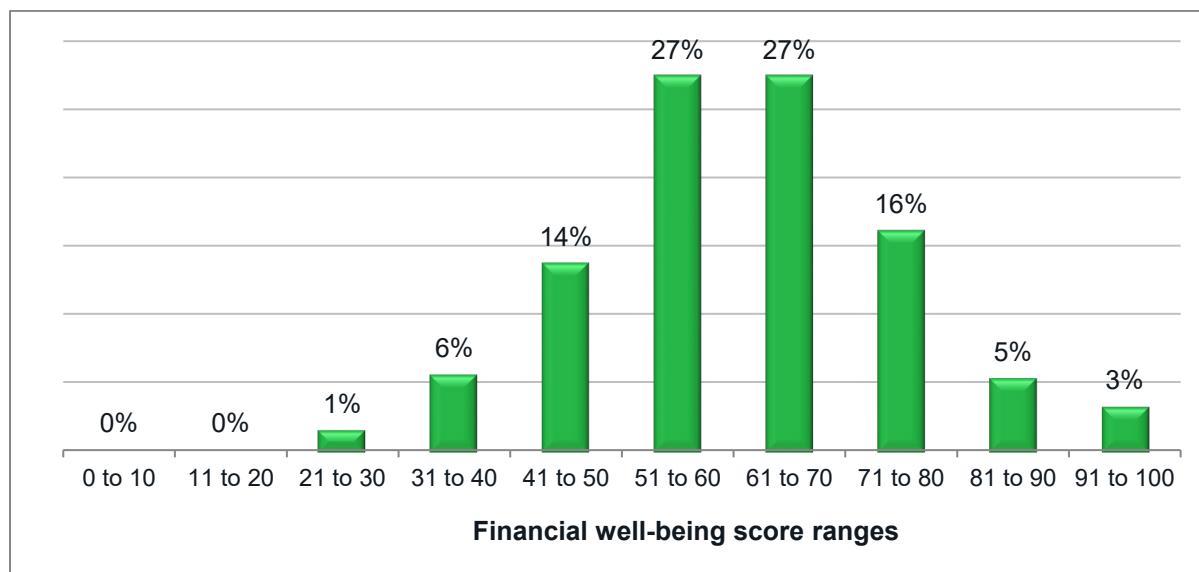
⁹ A similar analysis was conducted for the U.S. adult population that responded to the survey, which is available in Section 3.1 of the Bureau's report *Financial Well-Being in America* (2017), available at consumerfinance.gov/data-research/research-reports/financial-well-being-america (last visited March 6, 2019).

¹⁰ See id.

4.1 Overall results

The financial well-being of veterans who took the survey is relatively high, with an average financial well-being score of 61 for the veterans in this sample (on a scale from 0 to 100). As shown in Figure 1, the distribution of scores skews to the higher score ranges in the right side of the graph.

FIGURE 1: DISTRIBUTION OF FINANCIAL WELL-BEING SCORES FOR THE VETERAN SAMPLE



It is worth noting, however, that there is a wide range of scores, with a 36 point difference between the bottom 10 percent and the top 10 percent of scores, suggesting there is substantial variation in how veterans feel about their financial security and their ability to make financial choices. Nevertheless, as shown in Table 3, the distribution of scores of veterans is significantly higher than the U.S. population at every percentile.

TABLE 3: DISTRIBUTION OF SCORES AMONG THE VETERAN SAMPLE AND ALL U.S. ADULTS.

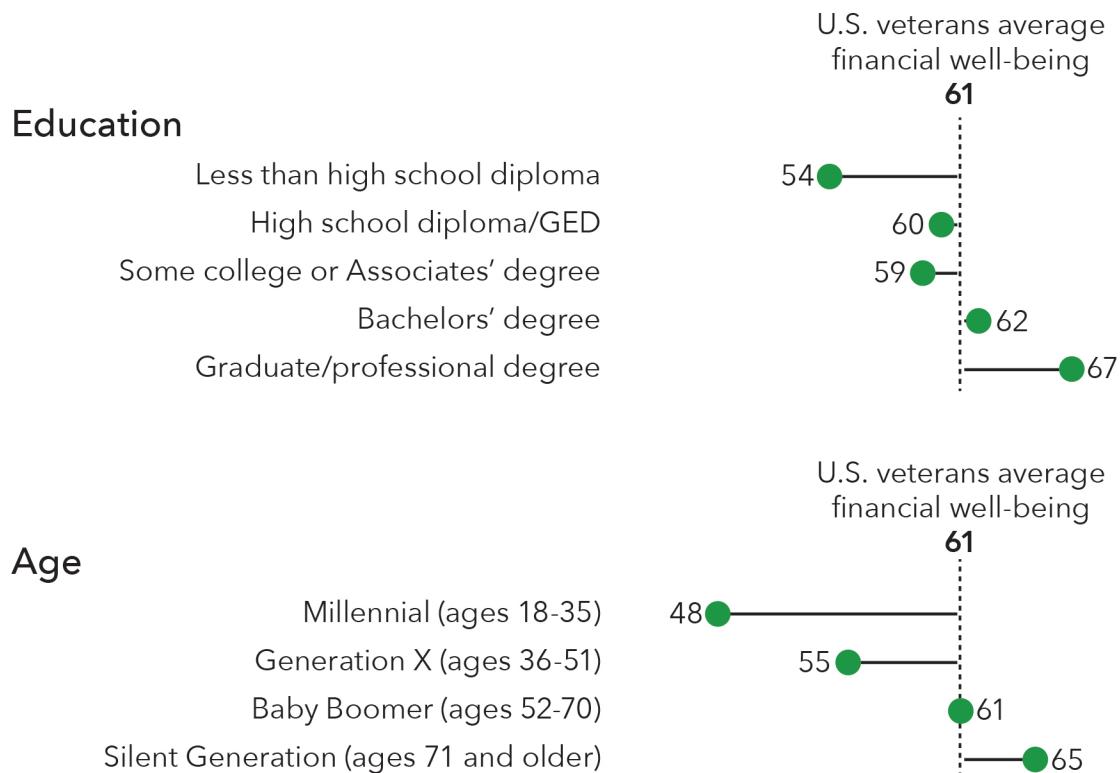
	Mean	10 th Percentile	25 th Percentile	50 th Percentile (Median)	75 th Percentile	90 th Percentile
Veterans	61	43	52	61	70	79
U.S. adults	54	37	46	54	63	72

SOURCE: Abt Associates calculations based on CFPB National Financial Well-Being Survey data.

4.2 Results by individual and household characteristics

In Figure 2 below are the financial well-being scores of veterans in the sample presented with the overall average and categorized according to the following individual characteristics: age (i.e. generation), education, homeownership status, physical health, marital status, financial support of children, and sex (i.e. gender). As you can see, the financial well-being of veterans appears to be most strongly associated with education and age, followed by physical health and homeownership.

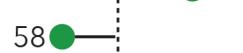
FIGURE 2: VETERAN FINANCIAL WELL-BEING RESULTS BY INDIVIDUAL AND HOUSEHOLD CHARACTERISTICS.



Physical health

- Excellent or very good health
- Good to poor health

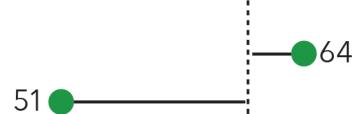
U.S. veterans average financial well-being
61



Homeownership status

- Own
- Rent

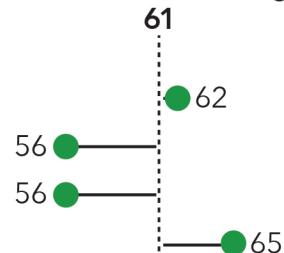
U.S. veterans average financial well-being
61



Marital status

- Married or living with partner
- Never married
- Separated or divorced
- Widowed

U.S. veterans average financial well-being
61



Financially supporting children

- Yes
- No

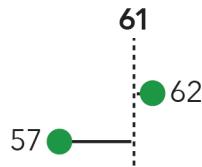
U.S. veterans average financial well-being
61



Sex

- Male
- Female

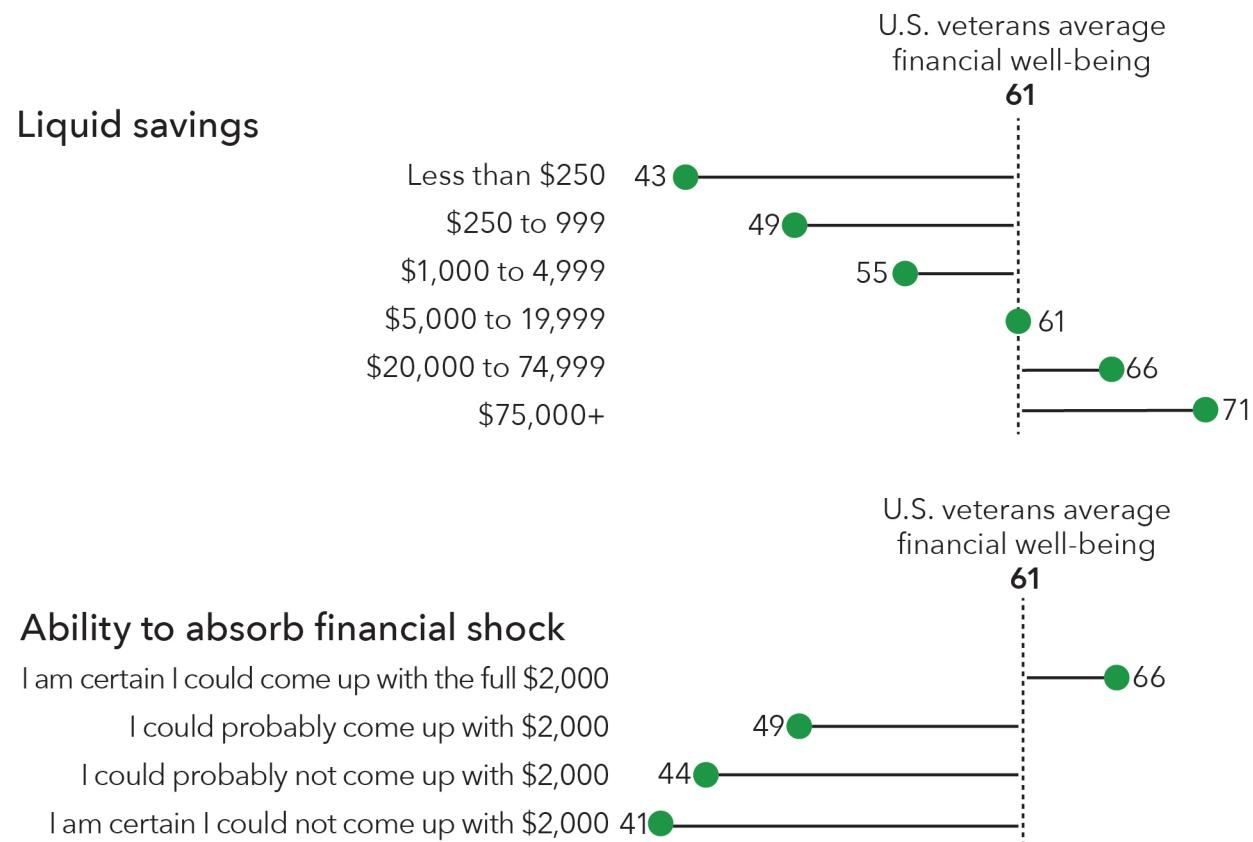
U.S. veterans average financial well-being
61

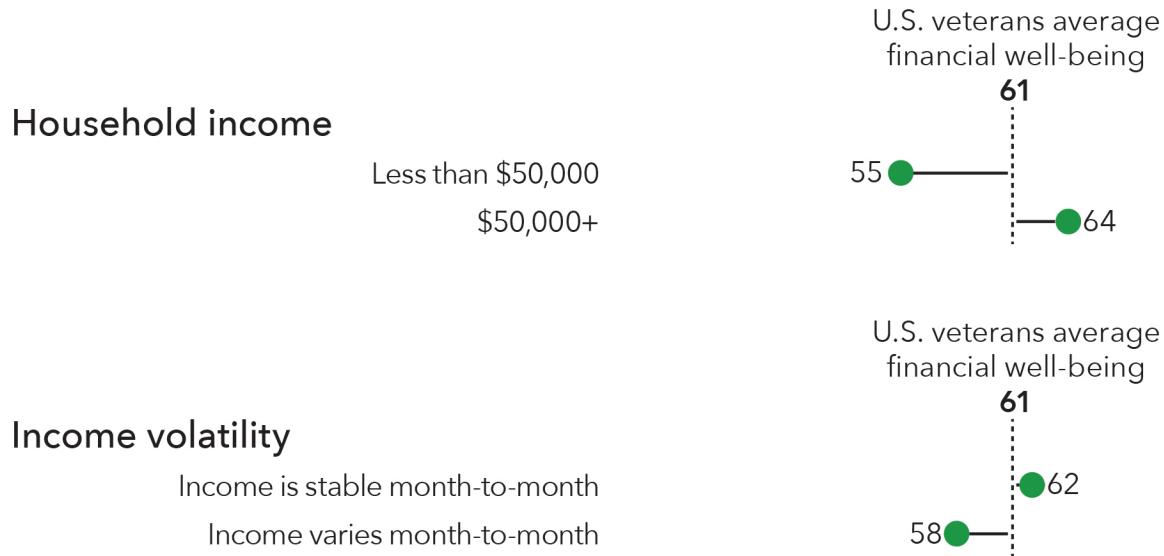


4.3 Results by savings and income

In Figure 3 below are the financial well-being scores of veterans in the sample presented with the overall average and showing the relationship with measurements of savings and income. The results are unsurprising and are consistent with the results seen for U.S. adults in the Bureau's National Survey. All of the factors examined in this category had a positive association with financial well-being.

FIGURE 3: VETERAN FINANCIAL WELL-BEING RESULTS BY SAVINGS AND INCOME.





4.4 Results by financial experiences

In Figure 4 below are the financial well-being scores of veterans in the sample presented with the overall average and showing the relationship with certain financial experiences. These experiences include, among others, difficulty making ends meet,¹¹ material hardship,¹² use of non-bank credit,¹³ and negative financial shocks.¹⁴

The data shows large swings in financial well-being scores and thus suggests that, despite the overall positive results for veterans, there are pockets of veterans who are experiencing lower financial well-being.

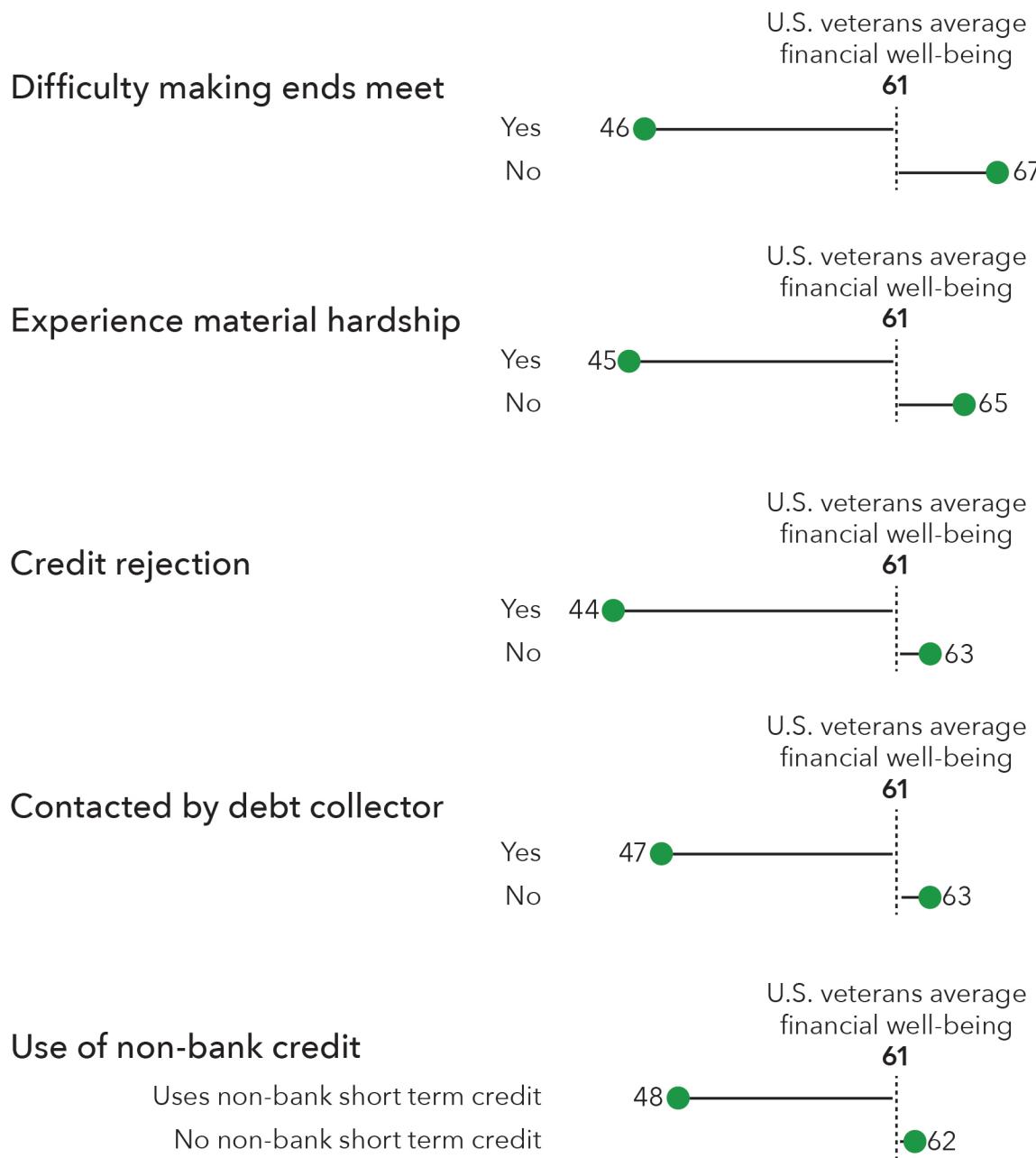
¹¹ Having difficulty making ends meet is defined as “very” or “somewhat” difficult to cover expenses and pay bills in a typical month. See Abt Associates, *Financial Well-Being among Military Veterans in the United States* (2018), Appendix C, available at abtassociates.com/veteranspathways (last visited March 4, 2018).

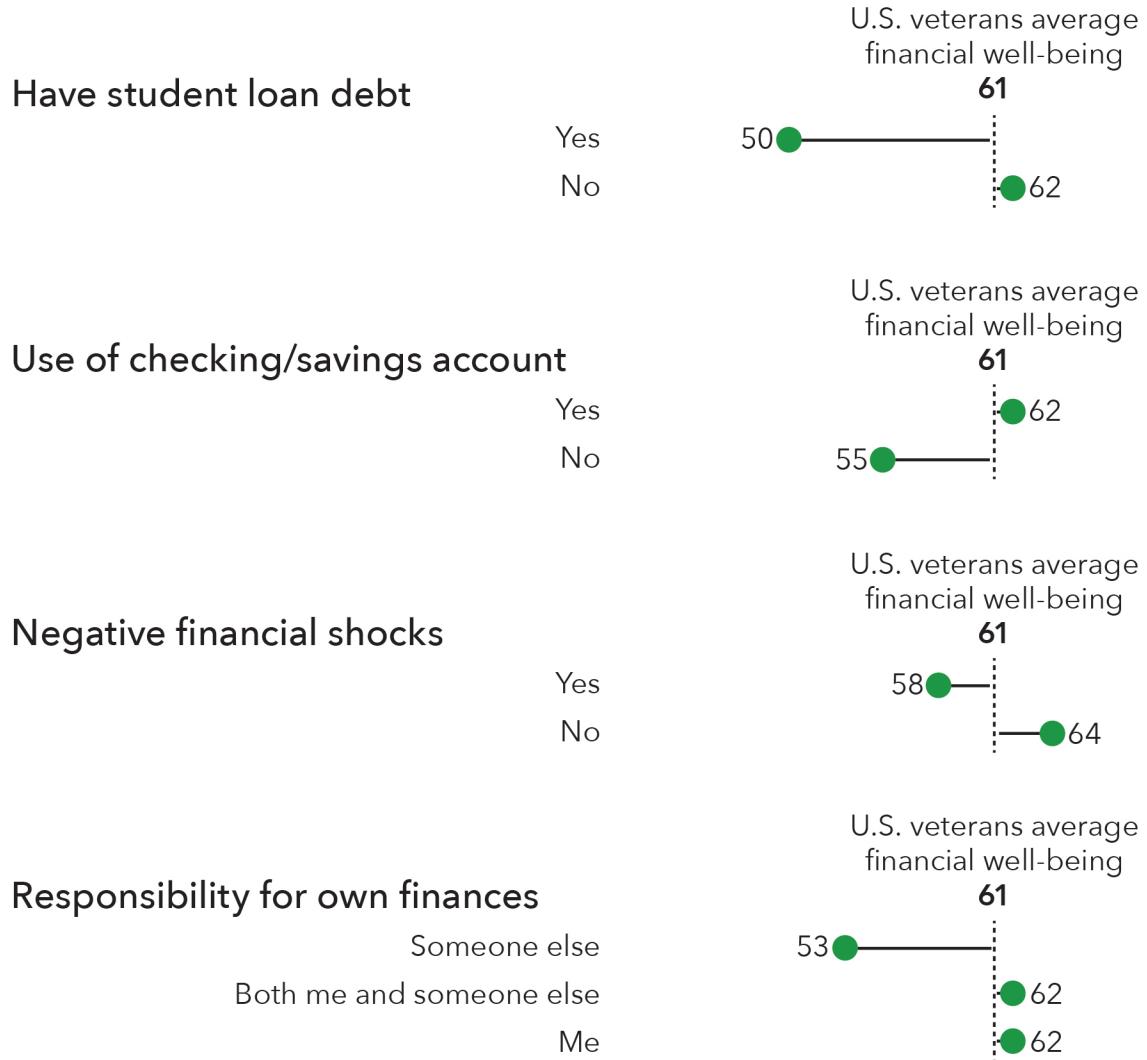
¹² Material hardships include experiencing one or more of the following forms of hardship “often” or “sometimes”: running out of food (or worrying about running out of food), not being able to afford a place to live or medical treatment, or having utilities turned off. *See id.*

¹³ Non-bank, short-term credit products are commonly known as cash-advances, payday loans, pawn loans, or auto title loans. *See id.*

¹⁴ Negative financial shocks include losing a job, having work hours or pay reduced, foreclosure, major car or home repair, health emergency, divorce or separation, new child, death of breadwinner, child(ren) starting daycare or college, or unexpected financial support to family or friends. *See id.*

FIGURE 4: VETERAN FINANCIAL WELL-BEING RESULTS BY FINANCIAL EXPERIENCES.



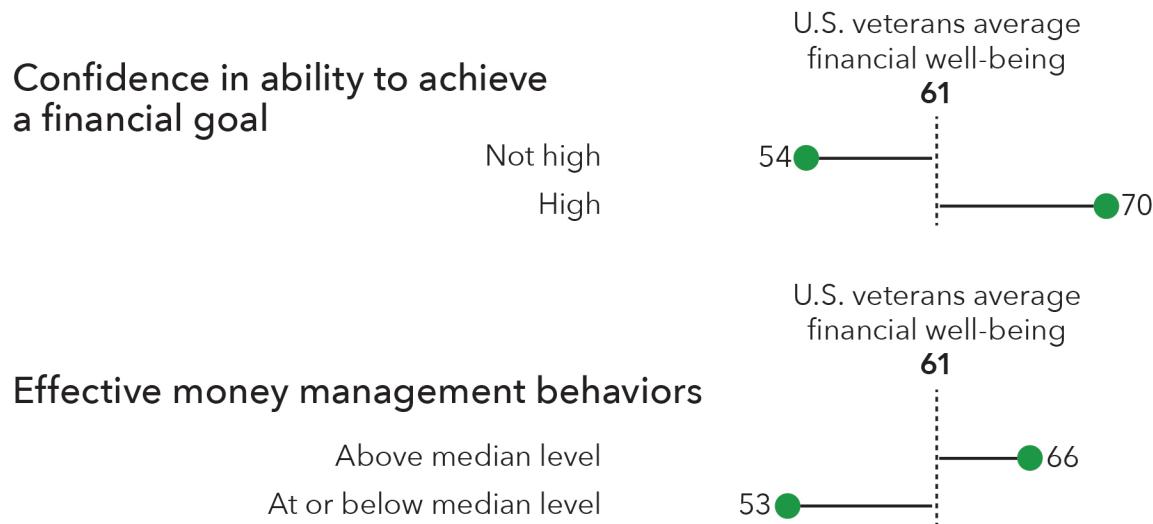


4.5 Results by financial behaviors, skills, and attitudes

In Figure 5 below are the financial well-being scores of veterans in the sample presented with the overall average and showing the associations between financial well-being and a number of routine money management behaviors and other financial planning behaviors. All of these factors appear to have a strong and positive association with financial well-being. The largest

spread of financial well-being scores is in the area of goal confidence,¹⁵ followed by money management,¹⁶ savings habits,¹⁷ financial skill and knowledge,¹⁸ and propensity to plan.¹⁹

FIGURE 5: VETERAN FINANCIAL WELL-BEING RESULTS BY FINANCIAL BEHAVIORS, SKILLS, AND ATTITUDES.



¹⁵ For purposes of this analysis, “high” confidence is defined as having answered “very confident” to the question “If you were to set a financial goal for yourself today, how confident are you in your ability to achieve it?” “Lower” confidence is defined as answering “not at all confident” to “somewhat confident.” Abt Associates, *Financial Well-Being among Military Veterans in the United States* (2018), Appendix C, available at abtassociates.com/veteranspathways (last visited March 4, 2018).

¹⁶ Effective day-to-day money management behaviors include paying bills on time; staying within a budget or spending plan; paying off credit card balances in full each month; and checking statements, bills and receipts for errors.

¹⁷ Having a savings habit is defined as someone who strongly agreed or agreed with the question of whether he or she regularly puts money into their savings accounts.

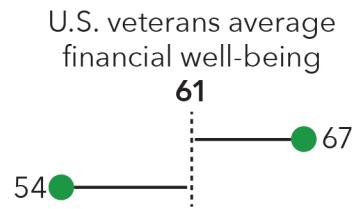
¹⁸ See *id.* for an explanation how financial skill and knowledge are calculated from the survey.

¹⁹ Propensity to plan is defined as making a budget, developing the steps to follow a budget, making financial goals, and planning the steps needed to achieve financial goals.

Have a habit of saving

Yes

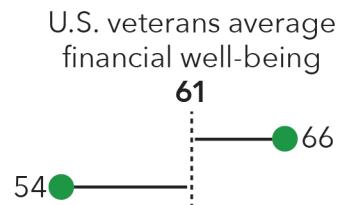
No



Financial skill

Above median level

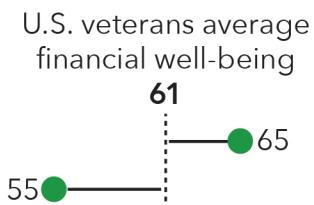
Below median level



Financial knowledge

Above median level

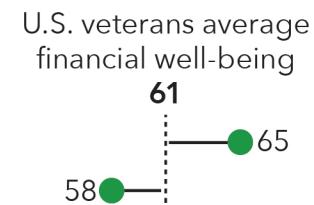
At or below median level



Planning horizon

5+ years

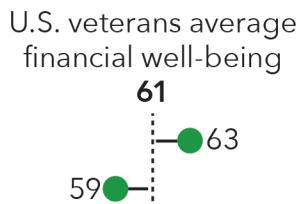
Less than 5 years



Propensity to plan

Above median level

At or below median level



5. Conclusion

Similar to the Bureau's survey results for U.S. adults on the whole, the analysis found evidence that positive financial skill is associated with financial behavior. Positive financial behavior is

associated with a more favorable objective financial situation, which, in turn, is associated with higher levels of financial well-being. Thus, as described in the Bureau's overall survey,²⁰ it is possible to construct a logical pathway from financial skill to financial well-being as follows:



This analysis raises several questions and suggests some possible avenues for future research. For example, the veteran sample tended to have higher levels of financial well-being than the average U.S. adult, who have an average score of 54 as compared to the veteran average of 61. However, given the demographics of the veteran survey respondents, it should not be surprising that the financial well-being score of our veteran sample is fairly similar to the score of older Americans. Generally, future analyses could examine the extent to which these differences are due to military service as opposed to the demographic, attitudinal, and situational characteristics of the veteran that would produce similar financial well-being in non-veterans. In addition, given that veterans in this analysis demonstrate a wide range of financial well-being scores,²¹ additional research is needed to understand what factors drive variation within the veteran population.

This analysis also suggests that a number of socioeconomic characteristics are positively associated with financial well-being, such as higher education and home ownership. Meanwhile, a number of financial experiences are negatively associated with financial well-being, such as student loan debt, using non-bank credit products, being contacted by a debt collector and being rejected for credit. These associations are consistent with the Bureau's findings on financial well-being for the U.S. population as a whole.

Finally, this analysis suggests that many of the factors that have the strongest relationships are not fixed, including financial skill, goal confidence, and certain positive financial experiences,

²⁰ See the Bureau's report *Financial well-being in America* (2017), available at consumerfinance.gov/data-research/research-reports/financial-well-being-america (last visited March 6, 2019).

²¹ There is a 36-point spread between the top 10 percent and bottom 10 percent of scores.

and that all of these are related to financial well-being. This latter finding would suggest that military service may provide a solid foundation for people to build their financial capabilities, if that foundation can be carried forward for servicemembers as they transition to veteran status.

Further research is needed to understand whether these characteristics have a causal relationship with financial well-being and, if so, whether they can be targeted through policy or programmatic interventions in ways that help support the financial well-being of servicemembers. Understanding the role of military service in producing higher levels of financial well-being has the potential to support these favorable outcomes among servicemembers, veterans and, through what is learned about these two populations, provide insights that may be applicable to the U.S. adult population as a whole.

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