

# Insights: Financial Capability

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This paper summarizes the findings from a white paper funded by the FINRA Investor Education Foundation titled “How are Veterans Faring Financially? Updates and New Evidence from a National Survey,” which can be found at [www.USFinancialCapability.org](http://www.USFinancialCapability.org) or by contacting the authors.

## How are Veterans Faring Financially?

### Summary

Using data from the 2015 and 2018 waves of the FINRA Investor Education Foundation’s National Financial Capability Study (NFCFS), this research provides new and updated evidence on the financial well-being of military veterans. We examine how veterans are faring over time, how they are faring in 2018 relative to comparable civilians, and how different demographic subgroups of veterans are faring in 2018.

In 2018, veterans continue to fare better than non-veterans in many areas. They have 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 are, however, more likely to report problematic credit card behaviors. Relative to non-veterans, veterans continue to fare better than non-veterans in many areas. They report higher financial well-being, lower levels of financial anxiety, and a higher likelihood of having a will. They are also more likely to participate in the gig economy. Within the veteran population, we find other noteworthy patterns. Veterans who are female, who are younger, who are married, divorced or separated, or who have financial dependents are faring worse than their veteran peers. Further, black veterans are faring somewhat better than white veterans, while those identifying as an “Other” race/ethnicity are faring worse.

### Background

The financial well-being of U.S. military veterans is an important but relatively understudied issue. Past research (Skimmyhorn 2017) documents 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 indicates that while they fare better financially than non-veterans on average (CFPB 2019, 2017), there is substantial variation in veterans’ outcomes (CFPB 2019), suggesting that some groups of veterans warrant more attention. Given the extant literature, continued attention to veteran financial well-being is in order to monitor changes and to assess new challenges and opportunities. We build on these previous efforts using comparative analyses (over time and relative to non-veterans), multivariate analysis techniques, more comprehensive data and the most recent national survey to provide an improved picture of veteran financial well-being.

To complete our analysis, we use the 2015 and 2018 NFCS data, which contain a number of important measures of financial well-being. The two surveys contain many of the same items, enabling us to make a comparison of veteran respondents in two successive survey waves. The 2018 NFCS also contains a number of new items of potential value, including the CFPB Financial Well-Being Scale, revised measures of labor market participation, and use of financial technology by individuals and households.

In this paper, we investigate the following research questions:

### *How are veterans faring financially in 2018 compared to 2015?*

We analyze the changes over time in a number of financial outcomes of interest for veteran respondents. Specifically, we analyze nine independent measures of financial well-being as well as 12 additional outcomes related to public policies targeted toward veterans. The outcomes we analyze follow those from Skimmyhorn (2017) and include:

- ▶ overall financial standing (satisfaction, difficulty covering expenses, unexpected income drop);
- ▶ spending (spending greater than income, household has a budget, adverse credit behavior);
- ▶ saving and investment (has a three-month emergency fund, has an employer retirement plan, has other than employer retirement plan); and
- ▶ conditions related to veteran programs and policies:
  - employment (unemployed, disabled, retired);
  - health (covered by insurance, foregone medical treatment, unpaid medical bills past due);
  - education<sup>1</sup> (has student loans, late on student loan payments, attending a four-year college or university); and
  - housing (homeowner, late with home payments, underwater on home).

### *How are veterans faring compared to non-veterans in 2018?*

Here we examine a number of new items in the 2018 NFCS to provide an updated comparative analysis on veterans relative to comparable civilians. Specifically, we analyze well-being in three areas for 13 outcomes:

- ▶ overall financial well-being (CFPB Financial Well-Being Scale, financial self-efficacy, financial anxiety, financial stress, has a will);
- ▶ technology and finance (uses online banking, uses mobile banking, uses mobile phone for payments, uses technology for financial planning); and
- ▶ labor market outcomes (participates in the gig economy, has a second job, receives federal assistance, expresses remorse about college expenses).

### *How are different subgroups of veterans faring compared to one another in 2018?*

In this analysis, we focus on the recent 2018 NFCS and make comparisons within the veteran population by gender, age, race/ethnicity, education level, marital status and number of financial dependents. We analyze the differences within these groups on the following dimensions: overall financial well-being (CFPB Financial Well-Being Scale, financial self-efficacy, financial anxiety, financial stress, has a will).

In addition to the rich outcomes in the NFCS, the data also includes a number of demographic characteristics that include gender, age, marital status, children and race/ethnicity, education level, and state of residence.

These demographics enable us to complete regression analyses that control for some of the many differences between veterans in different survey waves, between veterans and non-veterans, and between different subgroups of veterans. We focus here on the results that control for these differences and refer the reader to the full paper for the univariate comparisons.

1. Conditioned on those enrolled.

## Findings

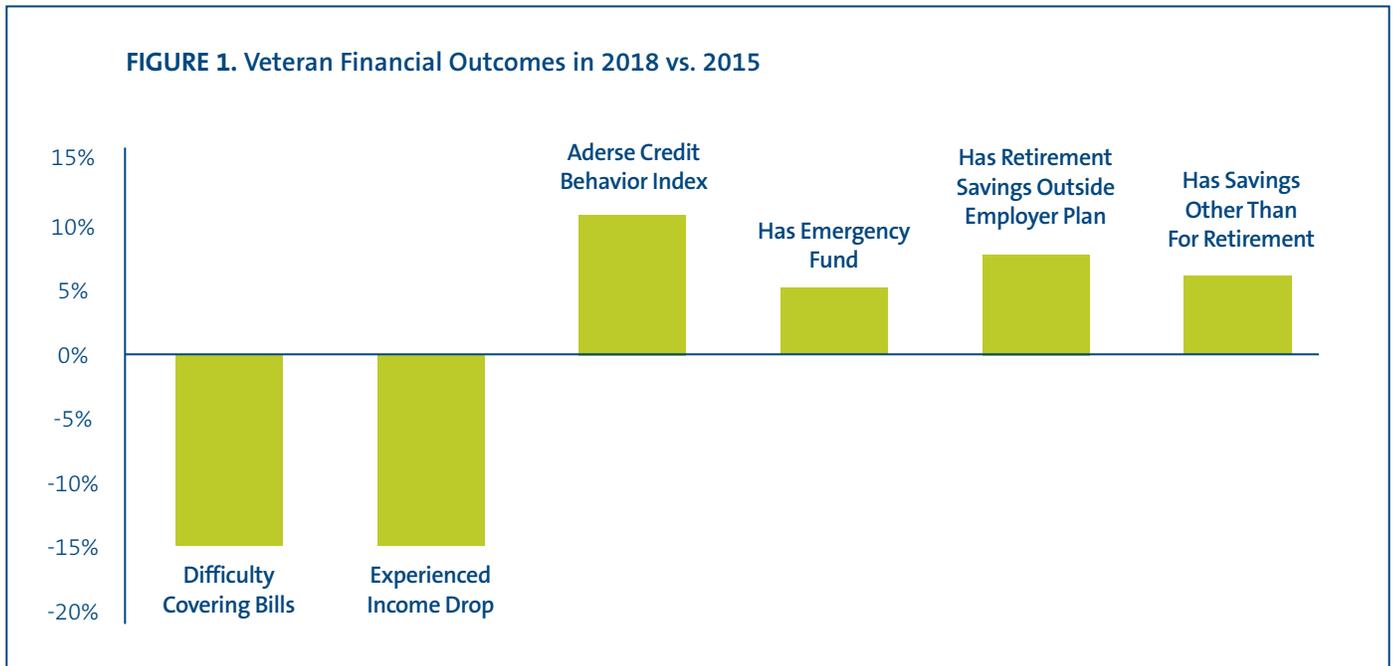
In this section, we provide the results for each of the research questions listed above. We note that our analyses are descriptive but do not enable causal conclusions. For example, we can estimate the difference between veterans and non-veterans in their financial self-efficacy, and we cannot say that an individual’s military service or veteran status is the cause of these differences. Nonetheless, these multivariate comparisons should provide useful in understanding current levels of financial well-being along a number of dimensions.

### *How are veterans faring financially in 2018 compared to 2015?*

In Figure 1, we provide evidence on the financial condition of veteran respondents in 2018 compared to those in 2015. We focus our attention on the outcomes where we observe statistically significant differences, and we report the effect magnitude of the differences

(i.e., the multivariate regression estimate of the difference between the two groups divided by the average outcome level for 2015 veterans).<sup>2</sup> These two groups did not differ on three (of nine) outcomes. Relative to veterans in 2015, veterans in 2018 are:

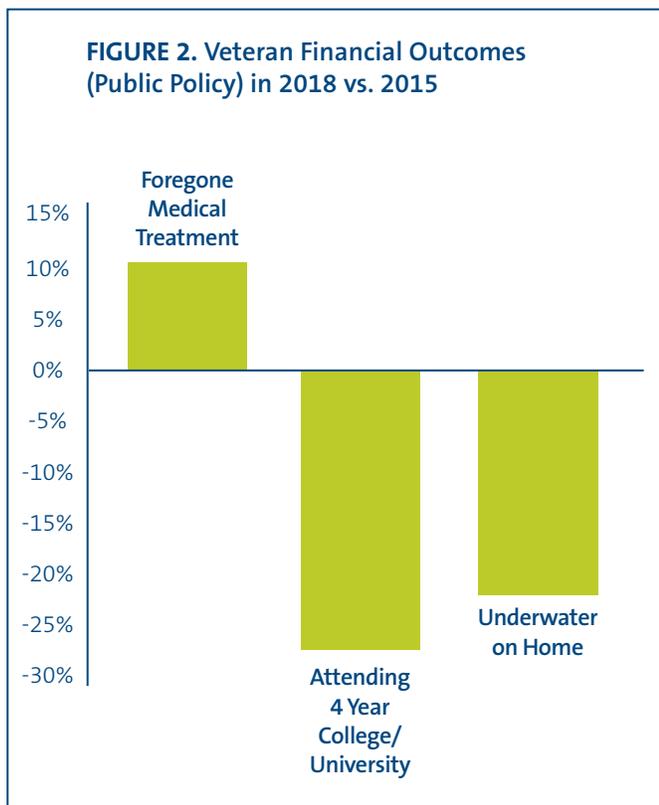
- ▶ 15% less likely to have difficulty covering bills and expenses;
- ▶ 15% less likely to have experienced a drop in income in the past 12 months;
- ▶ 11% more likely to report problematic credit card behaviors;
- ▶ 5% more likely to have an emergency fund;
- ▶ 7% more likely to have retirement savings outside an employer plan; and
- ▶ 5% more likely to have savings in non-retirement accounts.



2. For more information on the multivariate regression results, see the full research paper.

We report on measures of financial well-being related to prominent veterans benefits in Figure 2. Overall, these two groups did not differ on nine (of 12) outcomes. In this case, relative to veterans in 2015, veterans in 2018 are:

- ▶ 11% more likely to report having foregone medical treatment;
- ▶ 28% less likely to be attending a four-year college or university (among those attending school); and
- ▶ 23% less likely to be underwater on their home (among those who own a home).



**How are veterans faring compared to non-veterans in 2018?**

In Figure 3, we provide evidence on the financial condition of veteran respondents in 2018 compared to non-veteran respondents. We again focus our attention on the outcomes where we observe statistically significant differences, and we report the effect magnitudes in percentages (i.e., the multivariate regression estimate divided by the non-veteran mean). These two groups did not differ on five (of 13) outcomes. In their overall financial well-being, relative to non-veterans, veterans in 2018:

- ▶ have 4% higher scores on the CFPB Financial Well-Being Scale;
- ▶ have 4% higher financial self-efficacy;
- ▶ have 6% lower financial anxiety; and
- ▶ are 45% more likely to have a will.

With respect to their use of financial technologies, relative to non-veterans, veterans in 2018 are 12% more likely to use financial technology for planning.

In their labor market outcomes, relative to non-veterans, veterans in 2018 are 33% more likely to participate in the gig economy.

*In their labor market outcomes, relative to non-veterans, veterans in 2018 are 33% more likely to participate in the gig economy.*

**FIGURE 3. Veteran vs Non-Veteran Financial Outcomes in 2018**



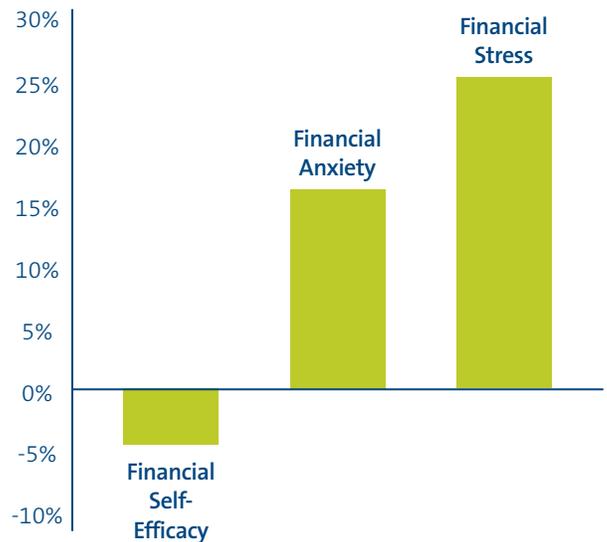
*How are different subgroups of veterans faring compared to one another in 2018?*

Our final analysis compares the relative financial well-being of different subgroups of veterans in 2018. We depict these differences in Figures 4, 5 and 6. For each demographic characteristic, we analyze five financial outcomes. We report below those where we estimate statistically significant differences, after controlling for all of the demographic characteristics described above (i.e., the multivariate regression estimate divided by the mean for all veterans).

Relative to male veterans, female veterans in 2018:

- ▶ have 4% lower financial self-efficacy;
- ▶ have 16% higher financial anxiety; and
- ▶ have 25% higher financial stress.

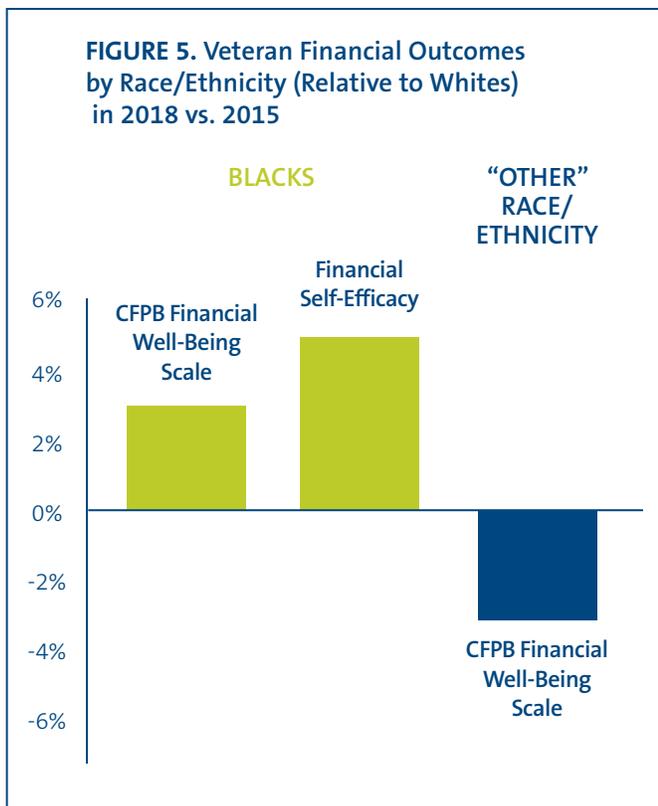
**FIGURE 4. Female Veteran Financial Outcomes in 2018 (Relative to Males)**



In our analysis, we find that age is associated with a number of financial outcomes. Older veterans relative to younger veterans have, on average, higher scores on the CFPB Financial Well-Being Scale, less financial anxiety and less financial stress, and are more likely to have a will.

We next analyze differences by race/ethnicity. Relative to white veterans, black veterans in 2018 have 3% higher scores on the CFPB Financial Well-Being Scale and have 5% higher financial self-efficacy (see Figure 5).

Relative to white veterans, those reporting their race/ethnicity as “Other” (i.e., non-Hispanic respondents who self-identified as Native American or Alaska Native, other, or two or more ethnicities) have 3% lower scores on the CFPB Financial Well-Being Scale.



Our analysis by education level, presented in Figure 6, reveals some interesting patterns. Veterans with less than a high school degree do not differ significantly on any of our five outcomes from those with a high school degree.

Compared to veterans with a high school degree, those who have some college:

- have 3% lower scores on the CFPB Financial Well-Being Scale; and
- have 19% higher financial anxiety.

Veterans with a college degree:

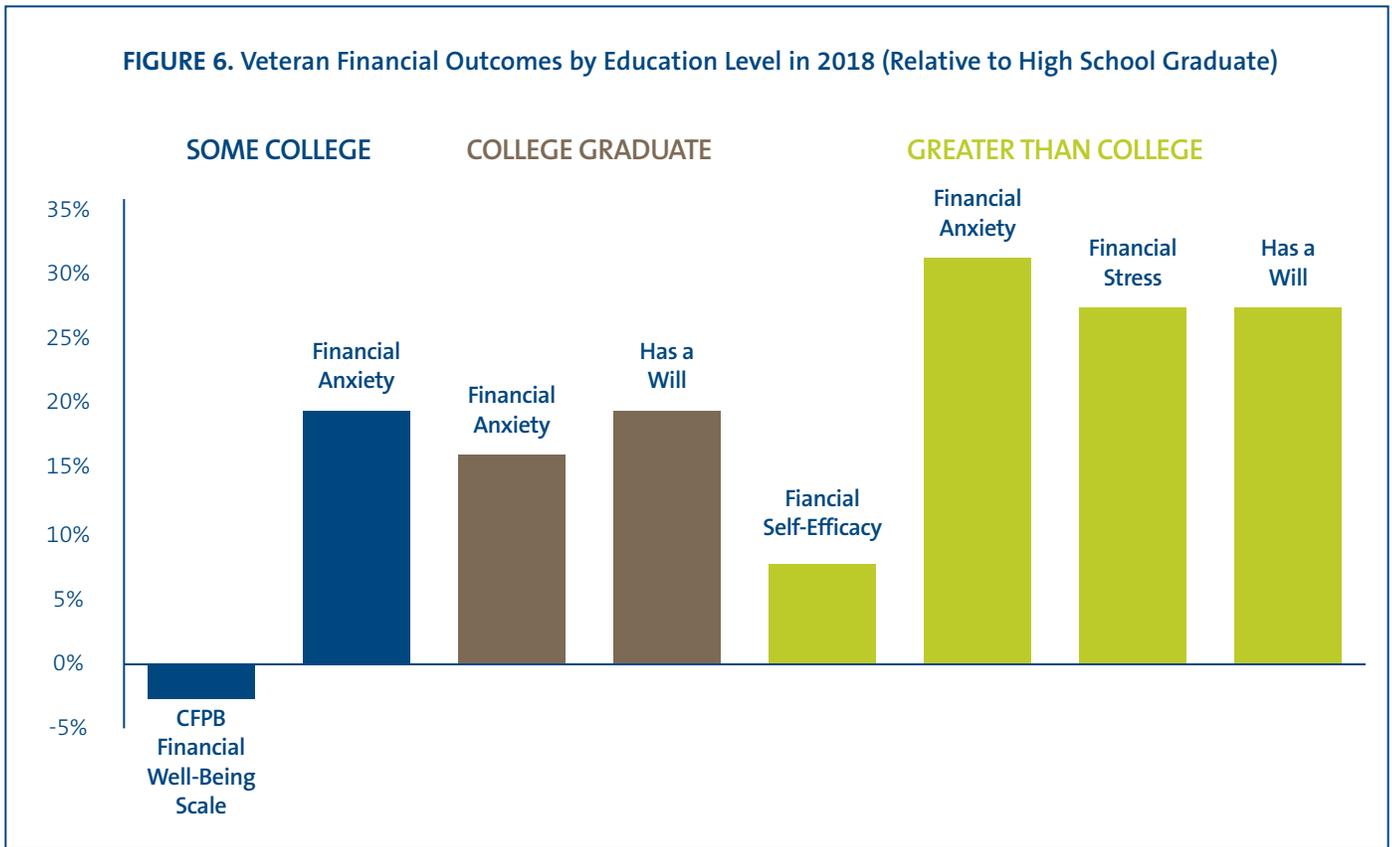
- have 16% higher financial anxiety; and
- are 19% more likely to have a will.

Veterans with more than a college degree:

- have 7% higher financial self-efficacy;
- have 31% more financial anxiety;
- have 23% more financial stress; and
- are 26% more likely to have a will.

*Relative to white veterans, black veterans in 2018 have 3% higher scores on the CFPB Financial Well-Being Scale and have 5% higher financial self-efficacy.*

**FIGURE 6. Veteran Financial Outcomes by Education Level in 2018 (Relative to High School Graduate)**



We also analyze differences by marital status. Relative to single veterans, married veterans report:

- ▶ 4% lower scores on the CFPB Financial Well-Being Scale;
- ▶ 15% higher financial anxiety;
- ▶ 22% higher financial stress; and
- ▶ 16% higher likelihood of having a will.

Separated veterans report 8% lower scores on the CFPB Financial Well-Being Scale and 36% more financial anxiety. Divorced veterans report 8% lower scores on the CFPB Financial Well-Being Scale, and widowed veterans report 30% higher likelihood of having a will.

Finally, we analyze differences by number of financial dependents. Generally, those with more dependents report lower financial well-being. We focus here on the results for veterans with one dependent and note that the magnitudes of the differences generally grow with the number of dependents. Relative to veterans with no financial dependents, those with one dependent:

- ▶ have 6% lower scores on the CFPB Financial Well-Being Scale;
- ▶ have 5% lower financial self-efficacy;
- ▶ have 24% more financial anxiety;
- ▶ have 21% more financial stress; and
- ▶ are 8% less likely to have a will.

## Discussion

Our research provides new evidence on the financial well-being of military veterans. We leverage two waves of the NFCS to provide comparative analyses of veterans over time, new data to provide comparative evidence for veterans vs. non-veterans in 2018, and recent evidence on the relative well-being of important subgroups of veterans.

We summarize our three analyses briefly below. First, veterans in 2018 are faring better overall than those in 2015. Specifically, they have 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, however, report more problematic credit card behaviors. Second, veterans in 2018 are faring better on average than non-veterans. They report higher levels of financial well-being, less financial anxiety, a higher likelihood of having a will, and a higher likelihood of participation in the gig economy. Third, there are some subgroups of veterans that appear to be faring worse than others. Female veterans report lower self-efficacy, more financial anxiety, and more financial stress. Younger veterans fare worse than older veterans on nearly all measures. Veterans identifying as “Other” race/ethnicity report lower well-being relative to their white counterparts, and blacks are doing better than whites on some measures. Perhaps surprisingly, veterans with higher than a college degree report higher levels of financial anxiety.

Many of these findings mirror national results, but there are some noteworthy differences and similarities worth pointing out. The financial capability of both veterans and adult Americans in general improved between 2015 and 2018 (*Lin et al., 2019*), though veterans appear to have improved at a somewhat faster rate. Another notable difference is that black veterans exhibit slightly higher or similar levels of financial capability than white veterans, which runs counter to two studies that have recently examined race-based differences in financial well-being in the general population (CFPB 2019; *Lin et al., 2019*). This finding may be the result of differential selection by race/ethnicity into the military, or perhaps the military serves as a socioeconomic equalizer across

race/ethnicity. In any event, understanding why black veterans have somewhat higher financial well-being than white veterans might inform our understanding of why black Americans, in general, have lower levels of financial well-being than white Americans.

One notable similarity to the general population is that female veterans have higher levels of financial stress and anxiety than male veterans. However, financial stress and financial anxiety are subjective measures, and it is possible that men and women simply perceive the same financial situation differently.

Another noteworthy finding is the fairly large drop in veterans attending four-year colleges from 2015 to 2018. This decline might be driven by concerns about student loan debt. The change also may reflect an improving economy (and therefore higher opportunity cost of going to school) or simply a change in veteran demand for higher education. In any event, the repercussions of a less educated veteran population could be significant.

Yet another potentially troubling finding is the increase in the percentage of veterans between 2015 and 2018 who reported that they had foregone medical treatment. Gaining a better understanding of what could be driving this increase might help improve both the financial and health outcomes of veterans.

Our results rely on survey data and paint a rich, descriptive — but not causal — picture of veteran financial well-being that we hope can inform additional research and policy development. In particular, the results provide 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.

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## Notes

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