Military Survey Data at a Glance
Making Ends Meet

A significant part of financial capability is the ability to make ends meet through adequate savings. Just over half of military respondents (51%) reported spending less than their income (not including the purchase of a new home, car or other big investment) and 28% reported spending about equal to their income. Yet 19% of the sample reported that over the past year, their household spent more than their income. Individuals who are not balancing monthly income and expenses are not saving and thus may find themselves struggling to make ends meet.

Individuals who report spending more than their household income (not including the purchase of a new home, car or other big investment) are not saving. In addition, individuals who spend about the same as their income are breaking even. Only those who spend less than their household income are able to save. Military respondents with lower incomes are more likely to be spending more than they earn.
Planning Ahead

A majority of military service members in the sample are responsibly saving money for financial emergencies. Among military respondents, 54% of individuals have a rainy day fund to cover expenses for three months, in case of emergencies such as sickness, job loss or economic downturn. Individuals with this emergency fund have protection against financial emergencies or other shocks which may threaten their financial stability. In addition, over three out of four (76%) service members have either an employee-sponsored or individual retirement savings account—another key aspect of planning ahead.

For military families, planning ahead is critical in light of the unique challenges posed by frequent duty station changes and deployments around the world. Individuals who have a “rainy day” fund demonstrate that they are planning ahead for their financial future. Those who lack a “rainy day” fund, however, do not have money set aside to cover expenses for three months, in case of emergencies such as sickness, job loss, economic downturn or other emergency.

Predictably, respondents with higher pay grades are more likely to have set aside emergency funds. There are no substantial differences among service branches/components.
Americans have seen a heavy shift toward more personal responsibility when it comes to saving for retirement. Recognizing that many Americans are not familiar with the technical terms and distinctions between different retirement plans, the survey employed a few “plan language” questions that touched on the various types of retirement accounts—from employer-based options like a pension or defined contribution (e.g., TSP, 401(k)) to independent options (e.g., IRA, Keogh, SEP).
Managing Financial Products

The way financial products—such as non-bank borrowing, credit cards and home loans—are used and managed can illustrate a lack of financial capability for many Americans. Among surveyed military personnel, 35% reported using one or more non-bank borrowing methods (such as payday loans) in the past five years. Additionally, 39% of those with credit cards paid only the minimum on their credit cards during some months in the last year; and 38% of military respondents who are also homeowners owe more on their home than its current market value.

Despite their nearly universal access to traditional banking services, a sizable share of military respondents reported engaging in alternative forms of borrowing, such as taking out an auto title loan or a payday loan, getting an advance on a tax refund, using a pawn shop or using a rent-to-own store. These borrowing methods may be likely to charge higher interest rates than those charged by banks, credit unions or credit card companies.

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The vast majority of military respondents (91%) have at least one credit card, and a third (33%) reported having four or more cards. Nearly half (49%) of all military respondents with credit cards say they always pay their cards in full. However, many engage in credit card usage habits that result in either interest charges or fees, such as paying the minimum payment.

By only paying the minimum amount due each month on a credit card, consumers are increasing their borrowing costs. This practice can also negatively impact their credit score and result in a long-term drain on their finances and borrowing ability.
Because self-reported home values are often inaccurate, the survey used a simple measure of home equity that asked participants, “Do you currently owe more on your home than you think you could sell it for today?”

Relative to national norms, military homeowners in the sample were more likely to be underwater. This may be due to the incidence of zero-percent down payments (30% reported putting zero-percent down) and relatively recent home purchases (84% purchased their homes within the last 10 years, a period of high volatility for home values). Respondents with financially dependent children, as well as entry-level enlisted and senior-level enlisted personnel, are more likely to owe more than their home is worth.
Financial Knowledge and Decision-Making

Financial literacy is key to understanding the relative complexities for both short-term and long-term financial strategies. Study participants were asked five questions covering aspects of economics and finance encountered in everyday life. Among surveyed military personnel, 55% were unable to answer more than three of the five questions correctly.

Further, monitoring of one’s credit report and score is a positive step towards financial capability. Efforts by the Department of Defense to encourage military personnel to check their credit reports appear to have been successful, as more than three in five (62%) military respondents had checked their credit report in the 12 months prior to being surveyed.

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Credit scores can impact borrowing on all levels of purchases—from a payment plan for a new home appliance to even the mortgage for a house. Awareness of one’s credit score can lead to better practices that will improve their score—or help flag potential fraud on their credit accounts.

The majority of service members surveyed have checked their credit reports, a practice encouraged by the Department of Defense.