



NATIONAL DEFENSE RESEARCH INSTITUTE

# ***Financial Readiness of Military Personnel***

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# ***RAND's National Defense Research Institute (NDRI)***

- NDRI is a Federally Funded Research and Development Center (FFRDC)
- FFRDCs are established in U.S. law as a special category of contractor with special access to government and supplier data
  - Provides objective analysis free of commercial and other interests
- NDRI is sponsored by OSD and supports all of the DoD except the Army and Air Force
  - Office of the Secretary of Defense and Joint Staff
  - Combatant commands
  - Navy and Marines
  - Defense agencies
- NDRI operates under a long-term renewable contract that enables
  - Maintenance of expertise on enduring policy topics
  - Development and sustainment of databases, models, and tools
  - Both in-depth analysis and quick-response policy analysis

# ***RAND's Center for Financial and Economic Decision Making (CFED)***

- Mission: understand and improve how people collect and think about financial information and how successfully they match their financial decisions to their interests and goals.
- Objective: provide critical insights to policymakers and stakeholders on fundamental economic and financial real-world issues through high-quality, objective research
- Topics include:
  - Increasing financial capability and evaluation of financial capability programs
  - Improving financial decision making, including retirement financial decision making
  - Financial advice
  - K-12 Financial education programs

# ***Project Motivation***

- American households often have difficulty managing personal finances
- Service members and their families face additional unique financial challenges
- Many service members and their families will be experiencing a fundamental change to the military retirement system
- NDAA 16 and MCRMC require increased financial education for service members

# ***Project Objectives***

- Document the financial challenges facing service members and their families
- Examine how well current military financial decision making programs and resources meet military service members' needs
- Define *financial readiness* for military service members
- Identify potential new capabilities to fill critical gaps
- Develop a strategic road map for the Office of Financial Readiness to improve financial readiness of service members and their families

## ***Year 1 Tasks***

Task 1: Conduct a systematic literature review

Task 2: Assess existing financial readiness programs and resources

Task 3: Conduct focus groups

Task 4: Convene a roundtable with key stakeholders

Task 5: Review existing data sources and analyze existing survey data

# ***Task 1: Conduct a systematic literature review***

- Document the state of knowledge on financial health of military families
  - Explore how financial challenges to military households compare with those of civilian households
- Identify and compare the various definitions of financial readiness in the literature
- Draw from numerous sources including academic, government, and think tanks

## ***Task 2: Assess existing financial readiness programs and resources***

- Document the range and breadth of existing financial decision making programs and resources made available to service members and their families.
  - Programs and resources provided by DoD, Services, other government agencies, community partners, financial services sector
- Describe existing programs in terms of target audience, delivery mechanism, and focus areas.
- Identify any important gaps in resources, such as underserved audiences, underutilized delivery mechanisms, and unaddressed financial readiness topics.



## ***Task 3: Conduct Focus Groups***

- Conduct focus groups with service members and their families, separately, to study their financial behaviors and financial experiences.
- Discuss households' key areas of financial problems and the impact of those problems on their work and personal lives.
  - How and where service members and their families obtain information to help them make financial decisions
  - Whether and how service members and their families use existing programs to help with financial decision making
  - How much military families understand about the changes to the military retirement system, how the changes have impacted their retirement planning behavior, and what additional tools, information, or resources they believe will be helpful in preparing for the retirement system change
  - Decision support that they would like to receive on making financial decisions in general

## ***Task 4: Convene a roundtable with key stakeholders***

- Host a roundtable focused on financial readiness for service members and their families with key stakeholders and interested parties.
  - Financial challenges facing military families
  - Adequacy of current available programs
  - Notable gaps in current service provision
  - Changes to the military retirement system and their impacts on military families' financial behavior and financial well-being
- Key goal is to develop a consensus definition of *financial readiness* for military service members and their families
- Will include representatives from the military, the Services, government, and research communities.

# ***Task 5: Review existing data sources and analyze existing survey data***

- Review existing data sources that can be used to analyze financial behavior and financial readiness of military households.
  - Document both survey and administrative data
    - Data from the DoD, government agencies, and outside organizations
  - Discuss the advantages and disadvantages of various data sources
  - Explore which data sets can be linked to get a broader measure of financial decision making and financial readiness
- Conduct preliminary analyses on survey data such as FINRA's 2015 NFCS.
  - Explore how military households compare to civilian households in terms of individual characteristics and how these characteristics are associated with financial behavior.
  - Estimate how key features of military life impact various financial behaviors.

# ***Project Timeline, Year 1***

Task 1: Literature Review



Task 2: Assessment of Current Programs



Task 3: Focus Groups



Task 4: Roundtable



Task 5: Preliminary data analysis



# ***Support from OSD and the Services***

- Task 2: Assist with obtaining information on financial readiness programs
- Task 3: Assist and support necessary approvals for primary data collection; provide access to service members and military families.
- Task 4: Identify representatives from the Services to participate.
- Task 5: Support data requests for DMDC personnel data, and provide support in coordinating a data sharing and analysis partnership between DMDC, RAND, the Federal Retirement Thrift Investment Board and the Social Security Administration.

## ***Year 2 Tasks***

- Task 6: Empirically examine key financial decision making challenges
- Task 7: Evaluate select existing financial readiness programs
- Task 8: Identify and develop testable strategies or resources to help improve service member financial readiness
- Task 9: Develop a strategic road map

***Questions?***

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