

## Service Member Financial Well-Being: An Overview for Commanders, Leaders and Service Providers

This fact sheet provides commanders, leaders and service providers at all levels with an overview and resources to understand, identify and take actions to strengthen the financial well-being of service members and their families.

The financial well-being of service members and their families is a critical component of their economic security and overall well-being. The overall well-being of our force is, in turn, a critical component of our military's readiness.

**Financial well-being is when a person can fully meet current and ongoing financial obligations, can feel secure in their financial future and can make choices that allow enjoyment of life.**

When individuals experience challenges to their financial well-being, those challenges, or financial stressors, may appear in several ways. Financial stress may lead to stress-related physiological or psychological factors, such as increased anxiety or insomnia, that affect the service member's duty performance and personal or unit safety.

***Scenario:** Kayla is a military spouse working full time and raising her and her service member's young child. During a deployment, a major storm inflicts significant damage requiring major home repairs. While insurance will cover some of the cost, it won't cover everything. Kayla and her spouse soon realize their emergency funds are not enough to cover their needs, and they don't know what to do. The financial stress becomes overwhelming, and soon the service member begins losing sleep, suffering from migraines and eventually, is unable to complete mission essential tasks, putting a strain on the unit and overall mission readiness.*

## Four elements of financial well-being

To mitigate the risks of service members and families experiencing financial challenges and the negative effects of those challenges, service members must possess the basic financial literacy skills to successfully navigate through the military life cycle.

Financial well-being is an outcome of financial readiness efforts. Financial well-being consists of four elements: Present and future financial security and present and future freedom of choice.

|                   | Present                                                                                                                                                                                                                                                                                | Future                                                                                                                                                                       |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Security          | Control over day-to-day, month-to-month finances                                                                                                                                                                                                                                       | Capacity to absorb a financial shock                                                                                                                                         |
|                   | Indicators: <ul style="list-style-type: none"> <li>• Expenses do not exceed income</li> <li>• Do not use financial products to cover expenses</li> <li>• Use a budget or spending plan</li> <li>• Do not experience bill payment problems (overdraft, missed payment, etc.)</li> </ul> | Indicators: <ul style="list-style-type: none"> <li>• Planning and saving for retirement</li> <li>• Building emergency savings</li> <li>• Using credit responsibly</li> </ul> |
| Freedom of Choice | Financial freedom to make choices to enjoy life                                                                                                                                                                                                                                        | On track to meet financial goals                                                                                                                                             |
|                   | Indicators: <ul style="list-style-type: none"> <li>• Responsible use of credit</li> <li>• Available discretionary income</li> </ul>                                                                                                                                                    | Indicators: <ul style="list-style-type: none"> <li>• Setting and working toward financial goals</li> <li>• Planning and saving for retirement</li> </ul>                     |

Source: [https://files.consumerfinance.gov/f/201501\\_cfpb\\_report\\_financial-well-being.pdf](https://files.consumerfinance.gov/f/201501_cfpb_report_financial-well-being.pdf)

**Scenario:** Olivia is a single E-3 with three years of service. She enlisted in the military because taking on the debt of going to college just did not appeal to her. Olivia received financial education at initial entry training at her first duty station and chose to maximize her contributions to her Thrift Savings Plan account, establish an emergency fund and set up auto payments for her recurring monthly cell phone bill, subscription services, rent and car payment. Olivia loves when it is payday, stating, “I can afford to go out with my friends and maybe do some online shopping.” Olivia is achieving and maintaining financial well-being through her financial behaviors that give her freedom to choose and participate in the things she enjoys. Olivia’s initial plan did not include staying in the military beyond her first enlistment, but the accomplishments and satisfaction she has received have made her reconsider her initial thoughts.

## Financial well-being improves readiness

Data from the annual Status of Forces Survey indicates service members exhibit higher levels of financial well-being and comparable or better levels of financial knowledge than the U.S. population. But those who experience financial challenges are more likely to experience stress, are less likely to feel ready to perform their mission and are more likely to be dissatisfied with their military career, including being less likely to reenlist. In other words, their financial well-being directly relates to the cohesion and success of your unit.

According to the 2019 SOFS, the overall financial condition of service members has generally improved over time, yet only about one-third of service members reported having sufficient emergency savings to cover three months of expenses. The combination of these two data points suggests that while efforts to support financial readiness are helping, work remains to be done in continuing to strengthen the financial well-being of our service members and families.