

**July 2014**

**Author:**

Gary R. Mottola, Ph.D.

## What's Inside:

Summary	1
Background	1
Financial Capability by Generation Among Active Duty Personnel	4
Demographic Differences in Financial Capability Among Active Duty Millennials	8
A Look at the Guard and Reserve	10
Conclusion	13
About the Report	13
Acknowledgements	14
References	14

## Millennials in the Military—An Examination of Financial Capability

### Summary

Active duty millennials exhibit higher levels of financial satisfaction, have similar savings behaviors and are equally likely to spend within their means when compared to active duty service members from generation X and the baby boom generation. However, active duty millennials have lower levels of financial literacy and are more likely to engage in high-cost forms of non-bank borrowing relative to their counterparts from the older generations. Among the military millennials, females and minorities display signs of lower financial capability compared to males and whites—but regardless of gender or ethnicity, millennial households with dependent children appear to struggle the most. Millennials in the Guard and Reserve face somewhat different challenges than active duty millennials, but both exhibit similar levels of financial capability on most measures.

### Background

Americans born between 1978 and 1994 are commonly referred to as millennials, and as with most generations they came of age in an America that is different than it was for previous generations. They grew up in a country characterized by more racial diversity,<sup>1</sup> a narrower gender gap in educational attainment,<sup>2</sup> large increases in the cost of higher education<sup>3</sup> and the defining events of September 11, 2001. They also faced the economic challenges of the Great Recession early in their lives and careers. In its wake, they continue to wrestle with the financial challenges of a struggling post-recession economy.

Readers interested in a similar analysis of millennials in the U.S. adult population should refer to the FINRA Investor Education Foundation's 2014 publication entitled *The Financial Capability of Young Adults—A Generational View*. However, due to demographic differences between the national and military samples, comparisons should be made with caution.

1. Hobbs and Stoops, 2002; Humes, Jones and Ramirez, 2011
2. Theodos, Kalish, McKernan and Ratcliffe, 2014
3. College Board, 2013

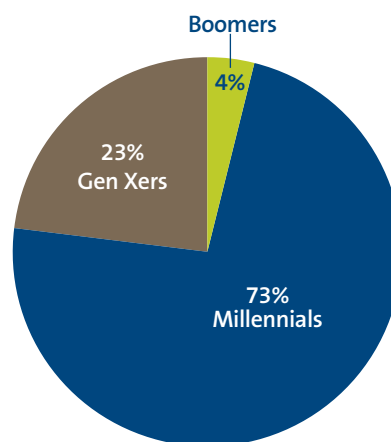
The ability to make sound, informed financial choices is important for millennials given the financial challenges they face. Evidence suggests, however, that younger Americans lack the financial knowledge to make well-informed decisions, and that they engage in behaviors that are detrimental to their financial health.<sup>4</sup>

According to a recently released FINRA Investor Education Foundation paper,<sup>5</sup> millennials make up about 30 percent of the adult population in the U.S., but they make up nearly three quarters of the National Financial Capability Study (NFCS) Military Survey sample (Figure 1).<sup>6</sup> Further, millennials in the military face different circumstances than millennials in the U.S. adult population. For example, 13 percent of millennials surveyed in the 2012 National Financial Capability Study State-by-State Survey indicated that they were unemployed.<sup>7</sup> By contrast, all active duty millennials are, by definition, fully employed. Millennials in the military often have to uproot themselves and their families in response to Permanent Change of Station orders, and moving can have negative financial consequences on an individual or a family.

Given the large representation of millennials in the military and the unique circumstances they face, understanding their financial capability is an important step toward understanding the financial capability of the military in general. Toward that end, this issue brief uses data from the FINRA Investor Education Foundation's 2012 NFCS Military Survey to provide stakeholders with a better understanding of the financial capability of millennials who are serving in the United States Armed Forces.<sup>8</sup> The 2012 NFCS Military Survey has 1,000 respondents, supplemented by 301 service members from the 2012 NFCS State-by-State Survey—for a total sample size of 1,301.<sup>9</sup> The Military Survey was fielded in August and September 2012 and the State-by-State Survey was fielded between July and October 2012.

Financial capability encompasses multiple aspects of behavior related to how individuals manage their resources and make financial decisions. This brief presents data analyzing many dimensions of financial capability, including how respondents make ends meet, plan ahead, manage financial products and demonstrate financial knowledge.

**Figure 1. Military Personnel by Generation in the 2012 National Financial Capability Study Military Survey**



Source: 2012 National Financial Capability Study Military Survey; includes active duty, activated Guard and Reserve and not activated Guard and Reserve (n=1,299).

4. FINRA Investor Education Foundation, 2013

5. Mottola, 2014

6. By comparison, data from the Department of Defense's *2012 Demographics: Profile of the Military Community* indicate that 75 percent of active duty members and selected reserve members are between 18 and 35.

7. See *Financial Capability in the United States: Report of Findings from the 2012 National Financial Capability Study* at [www.USFinancialCapability.org](http://www.USFinancialCapability.org).

8. This report focuses on data from active duty service members as well as activated and not activated Guard and Reserve.

9. Two respondents were dropped from the analyses because they were over 66 years old and members of the Silent Generation, which we did not examine in this brief.

Before exploring these aspects of financial capability, it is important to understand the demographic characteristics of each generation so that data can be interpreted in the appropriate context. Figure 2 contains demographic profiles of the generations.<sup>10</sup>

**Figure 2. Demographics of Military Respondents by Generation and Component**

	Millennials		Gen Xers and Boomers	
	Active Duty	Guard and Reserve	Active Duty	Guard and Reserve
Birth Years	1978 to 1994	1978 to 1994	1946 to 1977	1946 to 1977
Age Range <sup>11</sup>	18 to 34	18 to 34	35 to 66	35 to 66
Mean Age	27	27	40	43
Sample Size	615	245	295	144
<b>Variable</b>				
Female	15%	21%	15%	11%
Minority	33%	42%	31%	23%
Household Income < \$50,000	51%	55%	18%	18%
Married	61%	45%	78%	76%
Dependents	50%	43%	74%	73%
College Degree	38%	46%	56%	48%
Part-Time Student	30%	23%	21%	7%

Source: 2012 National Financial Capability Study Military Survey. Reported sample sizes are unweighted.

Demographically, millennial service members differ from the older generations in a number of important ways.<sup>12</sup> Given the age differences that are naturally associated with generational comparisons, it is not necessarily surprising that millennials are more than two times as likely as gen Xers and boomers to have household incomes under \$50,000. They are also less likely to be married and to have dependents. Fewer millennials have a college degree relative to the older generations, but about a third of millennials in the military are taking college classes part time.

Among the millennials, active duty and Guard and Reserve respondents differ in some meaningful ways. For example, a much higher percentage of active duty millennials are married relative to millennials in the Guard and Reserve—61 percent for active duty and 45 percent for Guard and Reserve. The Guard and Reserve also have a higher concentration of minorities (42 percent compared to 33 percent) and respondents with a college degree (46 percent compared to 38 percent).

10. For additional demographic data see *2012 Demographics: Profile of the Military Community*.

11. Ages are as of 2012.

12. Given the small number of boomers in the sample, boomers were combined with gen Xers for the analyses in this report.

## Not All Millennials in the Military Are the Same

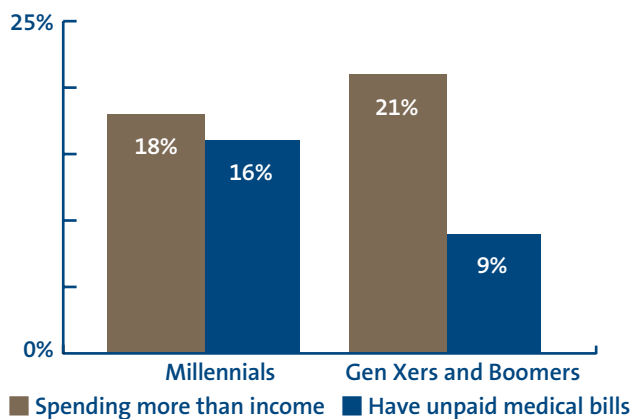
As with all generations, there is demographic and behavioral diversity among millennials. Young millennials in the military (ages 18 to 26) face different circumstances than older millennials in the military (ages 27 to 34). For example, 39 percent of young millennials in the military are married, compared to 65 percent of older millennials. Similarly, 36 percent of young millennials have dependents compared to 55 percent of older millennials, and the younger respondents in this generation are over 66 percent more likely to have household incomes under \$50,000 than the older respondents. Thirty-four percent of young millennials exhibit high levels of financial literacy—that is, they can answer four or five questions on a five-question financial literacy quiz correctly—compared to 43 percent for their older counterparts.

Source: 2012 National Financial Capability Study Military Survey; includes active duty, activated Guard and Reserve and not activated Guard and Reserve. Unweighted sample size is 348 for the young millennials and 512 for the old millennials.

### Financial Capability by Generation Among Active Duty Personnel

Since millennials are younger and have lower household incomes, one might expect to see them struggle financially more than the older generations—but there is mixed data on this point. As Figure 3 shows, 18 percent of active duty millennials spend more than their income—a figure that is on par with the 21 percent of gen Xers and boomers.

Figure 3. Making Ends Meet Among Active Duty Respondents



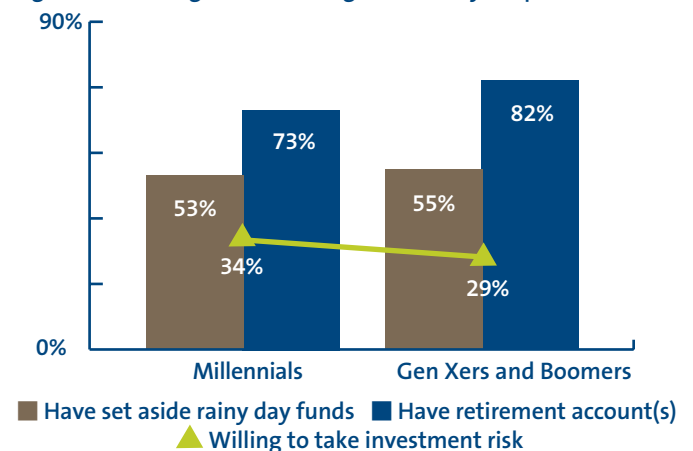
Source: 2012 National Financial Capability Study Military Survey

Sixteen percent of millennials in the military have unpaid medical debts that are past due—a figure that is almost twice as high as the 9 percent of gen Xers and boomers

with unpaid medical debt. It may be surprising that active duty military respondents would have medical debt given that they have medical coverage, but respondents may have incurred medical bills prior to entering the military.

Active duty millennials in the military save at about the same rate as the older generations in the military. Fifty-three percent of millennials have set aside a rainy day fund, a figure that is nearly identical to that of gen Xers and boomers (Figure 4).<sup>13</sup> Nearly three quarter of millennials are saving for retirement—a figure that is quite respectable given their age although slightly lower than the 82 percent of gen Xers and boomers saving for retirement.

Figure 4. Planning Ahead Among Active Duty Respondents



Source: 2012 National Financial Capability Study Military Survey

13. According to an infographic produced by the Defense Credit Union Council and based on data from the Department of Defense, three-quarters of service members have at least \$500 in emergency savings. This figure is higher than the emergency savings reported in Figure 4 because the NFCS survey asks if respondents have emergency savings sufficient to cover at least three months of expenses, which is likely a significantly higher level of savings than \$500.

Saving for a rainy day or retirement often involves using investments that contain some degree of risk—like mutual funds in a defined contribution retirement plan, such as the Thrift Savings Plan (TSP). The line in Figure 4 shows the percentage of all respondents who said they were very willing to take risk with their investments.<sup>14</sup> While the overall willingness to take investment risk is fairly low, active duty millennials exhibit risk tolerance similar to gen Xers and boomers. Thirty-four percent of millennials are willing to take on investment risk compared to 29 percent for their older counterparts.

Military millennials manage financial products differently than the other generations in some important ways (Figure 5). Non-bank borrowing—that is, using typically costly forms of borrowing like payday loans, pawn shops, rent-to-own stores, auto title loans and tax refund services—is fairly common among millennials. Thirty-seven percent of active duty millennials have used one of these five forms of non-bank borrowing in the last five years. The gen X and the boomer service members are less likely to use non-bank forms of borrowing. For example, only about a quarter (27 percent) of active duty respondents from these generations engaged in non-bank borrowing.

**Figure 5. Managing Financial Products Among Active Duty Respondents**

	Millennials	Gen Xers and Boomers
<i>Non-Bank Borrowing</i>		
Used non-bank borrowing methods in last five years <sup>15</sup>	37%	27%
<i>Credit Card Behavior</i>		
Owns at least one credit card	93%	93%
Engaged in three or more costly credit card behaviors <sup>16</sup>	35%	25%
<i>Loans</i>		
Have mortgage	32%	52%
Have auto loan	68%	68%
Have student loan	35%	21%
<i>Payment Methods</i>		
Uses pre-paid debit cards	23%	25%
Uses mobile payments	20%	17%

Source: 2012 National Financial Capability Study Military Survey

14. Respondents were classified as willing to take on investment risk if they chose an 8, 9 or 10 on a 10-point Likert scale, where 1 indicated they were not at all willing to take risks and 10 indicated they were very willing. All respondents were asked about their investment risk, regardless of whether or not they indicated that they had investment accounts.

15. Used at least one method in the last five years.

16. Over a 12-month period, and among credit card holders.

Credit card usage is high among all service members—regardless of generation. For example, over nine in 10 active duty service members have at least one credit card. However, millennials do exhibit somewhat more problematic credit card behavior than gen Xers and boomers. Specifically, there are several credit card behaviors that can be costly for card holders. These include carrying a balance, paying only the minimum, being charged late fees, being charged over-the-limit fees, taking out a cash advance and not comparison shopping for the best deal on a credit card. Thirty-five percent of active duty millennials participating in the NFCS Military Survey engaged in three or more of these costly credit card behaviors over a 12-month period. Compare this with gen Xers and boomers, among whom only 25 percent engaged in three or more costly credit card behaviors.

Active duty millennials are less likely than the other generations to have a mortgage, but more likely to have student loans. (The higher rate of student loan usage among millennials may be due to gen X and boomer respondents having paid off their student loans.) In addition, millennials, gen Xers and boomers in the military use newer forms of payment—including pre-paid debit cards and mobile payments—at about the same rate. This is somewhat surprising given that newer technologies, products and services are often adopted by the young prior to the old.

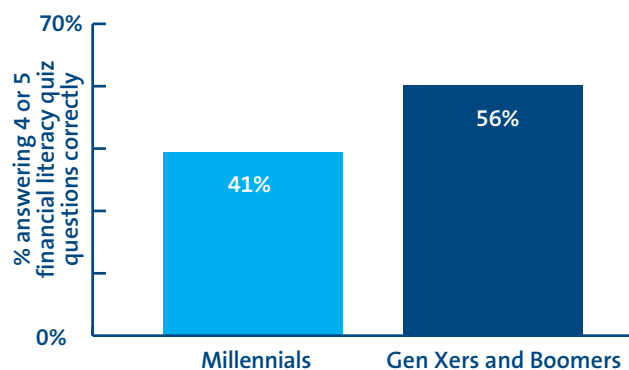
### Debt Concerns Among Active Duty Respondents

Forty-seven percent of active duty millennials with student loans are concerned that they may not be able to pay off their debt. Beyond student loan debt, there are concerns across the generations about too much debt in general. Over half (52 percent) of millennials are concerned that they have too much debt, slightly less but on par with gen Xers and boomers (55 percent) who feel they have too much debt.

Source: 2012 National Financial Capability Study Military Survey. Unweighted sample size for active duty millennials with student loans is 229; unweighted sample size for millennials concerned they have too much debt is 615; unweighted sample size for gen Xers and boomers concerned they have too much debt is 295.

To evaluate financial knowledge, respondents were asked five questions covering fundamental concepts of economics and finance expressed in everyday life, including calculations involving interest rates and inflation, principles relating to risk diversification, the relationship between bond prices and interest rates, and the impact that a shorter term can have on total interest payments over the life of a mortgage.<sup>17</sup> Millennials exhibited fairly low levels of financial literacy—41 percent of active duty millennials answered four or five questions correctly on a five-question financial literacy quiz (Figure 6). The financial literacy level is higher for gen Xers and boomers, among whom 56 percent of active duty respondents answered four or five questions correctly.

Figure 6. Financial Literacy by Generation Among Active Duty Respondents



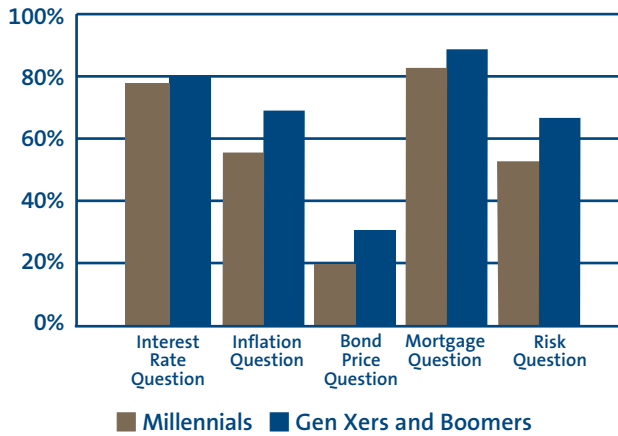
Source: 2012 National Financial Capability Study Military Survey

A closer look at active duty respondents shows that millennials tend to be a little further behind gen Xers and boomers on the inflation question—perhaps because millennials came of age in an era when inflation was under control, so their low score on this question may reflect the fact that inflation has not been a salient issue in our economy in recent years.<sup>18</sup> Conversely, millennials performed well relative to the other generations on the interest rate question, and keeping interest rates low has been a prominent issue in the post-recession economy. Millennials performed well on the mortgage question as well, which makes sense given that nearly one-third of active duty millennials have a mortgage (Figure 7).

17. The five-question financial literacy quiz can be found at [www.USFinancialCapability.org](http://www.USFinancialCapability.org).

18. Lusardi (2013) found that knowledge of inflation correlates with an individual's financial experiences.

Figure 7. Financial Literacy Quiz Questions by Generation Among Active Duty Respondents



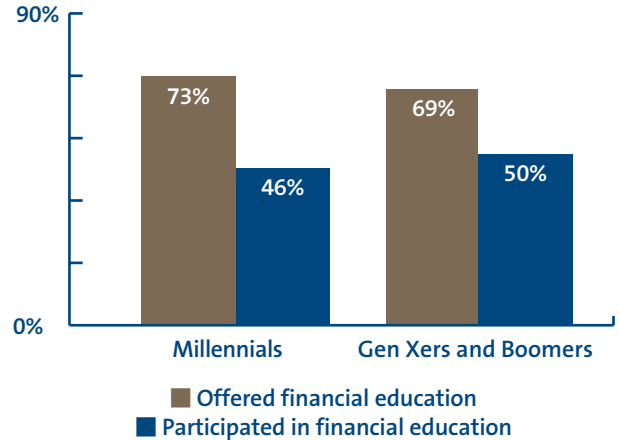
Source: 2012 National Financial Capability Study Military Survey

Active duty millennials have been offered financial education at about the same rate as gen Xers and boomers, and they are equally as likely to participate if offered. Seventy-four percent of active duty millennials were offered financial education either in high school or college, or by an employer (including the military), and 46 percent availed themselves of this opportunity (Figure 8). This compares to 69 percent of active duty gen Xers and boomers being offered financial education and 50 percent taking advantage of the opportunity once offered.

**“Eighty-eight percent of active duty millennials who indicated that they participated in financial education reported that they received financial education in the military.”**

Eighty-eight percent of active duty millennials who indicated that they participated in financial education reported that they received financial education in the military. Similarly 88 percent of active duty gen Xers and boomers who said they participated in financial education reported that they received financial education in the military.

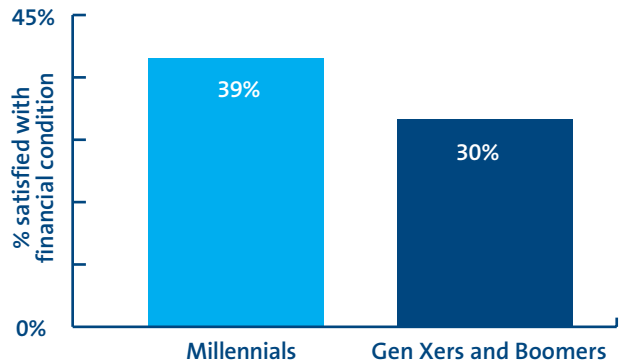
Figure 8. Financial Education by Generation Among Active Duty Respondents



Source: 2012 National Financial Capability Study Military Survey

Despite the fact that millennials have lower incomes and lower levels of financial literacy relative to gen Xers and boomers, they exhibit levels of satisfaction with their personal financial situation that are higher than gen Xers and the boomers. Thirty-nine percent of active duty millennials indicate high levels of financial satisfaction compared to 30 percent for active duty gen Xers and boomers (Figure 9). Again, this may reflect the greater financial responsibilities that gen Xers and boomers face relative to millennials, or may reflect lower financial expectations among the millennials in the wake of the Great Recession.<sup>19</sup>

Figure 9. Financial Satisfaction by Generation Among Active Duty Respondents



Source: 2012 National Financial Capability Study Military Survey

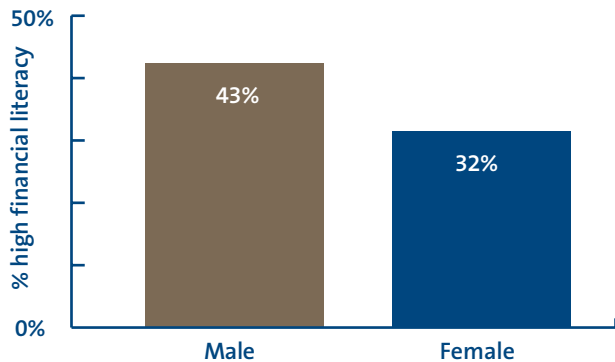
19. Respondents are classified as satisfied with their financial condition if they respond with an 8, 9 or 10 on a 10-point Likert scale that assesses satisfaction with their personal financial condition (1=Not at All Satisfied and 10=Extremely Satisfied).

### Demographic Differences in Financial Capability Among Active Duty Millennials

Millennials are not a monolithic group, and there is a fair amount of variability in financial capability levels among the different demographic subgroups within the generation. Relative to millennial males, millennial females display signs of lower financial capability. Similarly, relative to white service members, minorities show some signs of lower financial capability. However, it is lower-income households and households with dependents who seem to struggle the most.

Like males in general, millennial males in the military have higher financial literacy levels than female millennials in the military—43 percent of active duty males have high financial literacy compared with 32 percent for active duty females (Figure 10).

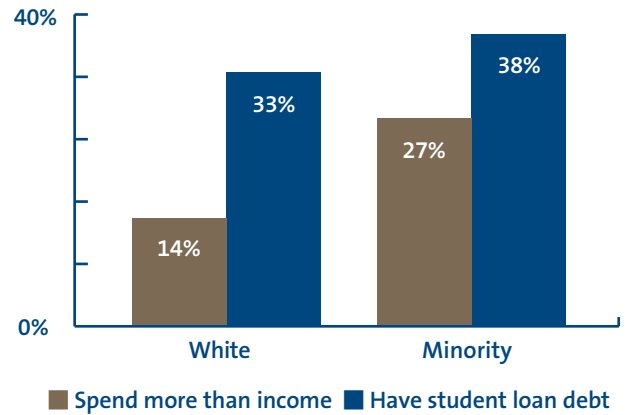
**Figure 10. Gender and Financial Literacy Among Respondents Who Are Active Duty Millennials**



Source: 2012 National Financial Capability Study Military Survey  
 Note: Unweighted sample size is 492 for males and 123 for females.

Most financial capability measures do not vary by race much within the millennial generation, but there are exceptions among active duty respondents. Active duty minorities are nearly twice as likely to spend more than their income relative to active duty whites (14 percent for whites compared to 27 percent for minorities), and active duty minorities are slightly more likely to have student loans (Figure 11).

**Figure 11. Financial Strain by Race Among Respondents Who Are Active Duty Millennials**



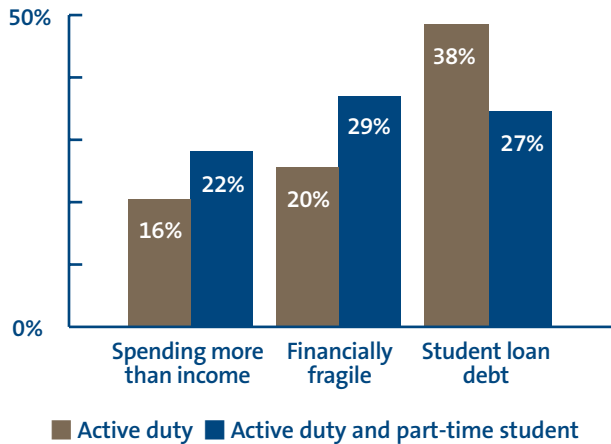
Source: 2012 National Financial Capability Study Military Survey  
 Note: Unweighted sample size for white is 417 and minority is 198.

As noted earlier, 30 percent of millennials on active duty in the military are currently taking college courses part time. Perhaps due to the costs associated with higher education, the part-time students appear to be struggling financially a little more than the active duty respondents who are not attending college part time. For example, 29 percent of the active duty millennials attending school part time are financially fragile—meaning that they could not come up with \$2,000 in 30 days in the event of an emergency—compared to 20 percent for the active duty millennials not attending college part time.

Military millennials who are part-time students are also slightly more likely to spend more than their income relative to respondents not taking part-time coursework, 22 percent to 16 percent, respectively (Figure 12). And 27 percent of active duty millennials who attend school part time have student loan debt compared to 38 percent for those not attending school. This may seem like a counter-intuitive finding, but the higher percentage of respondents with student loans among those not currently attending school is likely due to the fact that over half (54 percent) of active duty millennials who are not taking classes part time already have a college degree.



**Figure 12. Financial Strain by Student Status Among Respondents Who Are Active Duty Millennials**

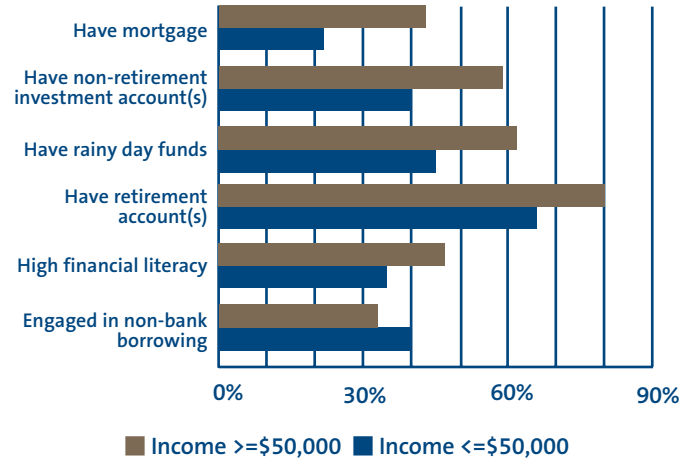


Source: 2012 National Financial Capability Study Military Survey  
 Note: Unweighted sample size is 469 for active duty and 146 for active duty and part-time student. Sample sizes vary slightly depending upon the response rates to the questions.

More pronounced differences in financial capability among millennials emerge when you look at financial capability by household income. Figure 13 shows several key financial capability measures split by millennials who make less than \$50,000 in household income and those who make \$50,000 or more in household income. The variables in the figure are ordered from largest to smallest based on the absolute difference between higher- and lower-income households on the measures.

As seen in Figure 13, lower-income millennial households in the military are much less likely to have mortgages, investment accounts (retirement or non-retirement) and rainy day savings. They also have significantly lower levels of financial literacy. Thirty-five percent of millennials with less than \$50,000 in household income can answer four or five questions on a five-question financial literacy quiz correctly compared to 47 percent for households with \$50,000 or more in household income. Respondents in households with less than \$50,000 are also more likely to use non-bank forms of borrowing relative to their more affluent counterparts—that said, 33 percent of households with \$50,000 or more in household income have used at least one form of non-bank borrowing in the last five years.

**Figure 13. Financial Capability Measures Among Respondents Who Are Active Duty Millennials, Based on Household Income**



Source: 2012 National Financial Capability Study Military Survey  
 Note: Unweighted sample size is 253 for the household income < \$50,000 group and 362 for the household income >= \$50,000 group.

**“Like household income, marriage and the presence of dependent children in the household tend to be strongly related to performance on several financial capability measures.”**

Like household income, marriage and the presence of dependent children in the household tend to be strongly related to performance on several financial capability measures. For example, three times as many married respondents with dependents have unpaid medical bills past due relative to married respondents without dependents, 21 percent and 7 percent respectively (Figure 14). Similarly, 44 percent of married households with dependents engaged in three or more costly credit card behaviors compared to 20 percent for married households without dependents and 26 percent for unmarried respondents without dependents.

Figure 14. Financial Capability by Marital Status and Dependents Among Respondents Who Are Active Duty Millennials

	Married		Not Married	
	Dependents (n=242) Mean age = 28	No Dependents (n=138) Mean age=27	Dependents (sample size too small)	No Dependents (n=183) Mean age=25
<i>Making Ends Meets</i>				
Spending more than income	18%	14%	-	17%
Have unpaid medical bills	21%	7%	-	10%
<i>Planning Ahead</i>				
Have retirement account(s)	71%	75%	-	73%
Have rainy day funds	48%	57%	-	55%
<i>Managing Financial Products</i>				
Have mortgage	41%	27%	-	20%
Engaged in non-bank borrowing	42%	21%	-	31%
Engaged in three or more costly credit card behaviors	44%	20%	-	26%
<i>Financial Knowledge</i>				
High financial literacy	35%	57%	-	48%

Source: 2012 National Financial Capability Study Military Survey

Note: Sample sizes reported in this table are unweighted and vary slightly depending upon the response rates to the questions.

There was not a large enough sample to examine not married active duty millennials with dependents.

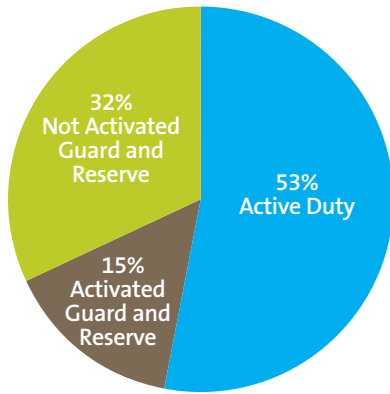
## A Look at the Guard and Reserve

The Guard and Reserve play a vital role in the military, and from a financial capability standpoint they face different issues than active duty personnel. For example, Guard and Reserve respondents might not have the steady income that active duty respondents can rely on. They may also have to wrestle with unemployment, underemployment and income shocks—and they might not have healthcare coverage or their coverage may be inferior to the coverage received by active duty personnel. On the plus side, Guard and Reserve might have more upside potential from an income standpoint and greater housing stability and flexibility. Given the different circumstances that Guard and Reserve face, it is possible that they exhibit their own unique patterns of financial capability, and it is to these patterns that we now turn.

The Guard and Reserve make up 47 percent of the NFCS military sample. Fifteen percent of the sample is activated Guard and Reserve, and 32 percent of the sample is not activated Guard and Reserve; the remainder is active duty (Figure 15).<sup>20</sup>

20. Department of Defense figures show that the Guard and Reserve make up 49 percent of the military. (The 49 percent figure includes Ready Reserve, Standby Reserve and Retired Reserve and does not include civilian personnel). See *2012 Demographics: Profile of the Military Community* for more information.

**Figure 15. Military Component and Status in the 2012 National Financial Capability Study Military Survey**



As evident in Figure 16, intergenerational comparisons among the Guard and Reserve exhibit similar patterns to active duty respondents. For example, millennials in the Guard and Reserve have lower levels of financial literacy (37 percent) than gen Xers and boomers in the Guard and Reserve (64 percent)—although, this 27 percentage point difference is larger than the 15 percentage point difference among active duty respondents (see Figure 6). Similarly, millennials in the Guard and Reserve utilized non-bank forms of borrowing more than gen Xers and boomers in the Guard and Reserve, 40 percent and 25 percent respectively.

Source: 2012 National Financial Capability Study Military Survey

**Figure 16. Financial Capability by Generation Among Respondents in the Guard and Reserve**

	Millennials (n=245)	Gen Xers and Boomers (n=144)
<i>Making Ends Meet</i>		
Spending more than income	22%	16%
Have unpaid medical bills	19%	15%
Financially fragile	24%	9%
<i>Planning Ahead</i>		
Have rainy day funds	52%	60%
Have retirement account(s)	71%	90%
<i>Managing Financial Products</i>		
Used non-bank borrowing methods in last five years	40%	25%
Have mortgage	34%	73%
Have student loan debt	53%	28%
Have auto loan	56%	64%
<i>Financial Knowledge</i>		
High financial literacy	37%	64%

Source: 2012 National Financial Capability Study Military Survey

Note: Sample sizes reported in this table are unweighted and vary slightly depending upon the response rates to the questions.

A comparison of active duty millennials and millennials in the Guard and Reserve indicates that their financial behaviors are similar—except for two measures concerning debt (Figure 17). Active duty millennials are much more likely to have auto loan debt but less likely to have student loan debt, compared to millennials in the Guard and Reserve. The higher level of student loan debt among the Guard and Reserve millennials could be due to a higher percentage of millennials in the Guard and Reserve with college degrees compared to active duty millennials. But it is less clear why active duty millennials would have a greater level of auto loan debt. Perhaps it is due to a greater need for personal transportation around bases that are often located in rural areas without public transportation.

**Figure 17. Financial Capability by Component Among Millennials**

	Active Duty (n=615)	Guard and Reserve (n=245)
<i>Making Ends Meet</i>		
Spending more than income	18%	22%
Have unpaid medical bills	16%	19%
Financially fragile	23%	24%
<i>Planning Ahead</i>		
Have rainy day funds	53%	52%
Have retirement account(s)	73%	71%
<i>Managing Financial Products</i>		
Used non-bank borrowing methods in last five years	37%	40%
Have mortgage	32%	34%
Have student loan debt	35%	53%
Have auto loan	68%	56%
<i>Financial Knowledge</i>		
High financial literacy	41%	37%

Source: 2012 National Financial Capability Study Military

Note: Sample sizes reported in this table are unweighted and vary slightly depending upon the response rates to the questions.

## Conclusion

Each generation in America faces its own unique financial challenges and opportunities, and millennials are no exception. Millennials grew up in a country and financial environment that was very much shaped by the Great Recession, and many of their behaviors and attitudes reflect this fact. Millennials in the military—particularly lower-income households and households with dependents—appear to face some degree of financial strain. Further, to the extent the financial literacy level of both active duty and Guard and Reserve millennials is low, these respondents may not be fully prepared for many of the financial challenges they may face.

On some financial capability dimensions, however, millennials are on par with gen Xers and boomers. For example, they have similar savings behaviors and are equally likely to spend within their means. Further, despite their financial situation, millennials in the military report higher levels of financial satisfaction than gen Xers and boomers, which may reflect different financial expectations for millennials as a result of the Great Recession.

It is encouraging that a high percentage of millennials in the military report being offered financial education and participating in financial education programs. While the evidence on the effectiveness of financial education is mixed,<sup>21</sup> higher levels of financial literacy have been correlated with a number of positive financial outcomes—like a greater propensity for retirement planning, lower levels of non-bank borrowing and fewer costly credit card behaviors.<sup>22</sup> Of course, financial education is only one contributing factor to financial capability—age and experience contribute to overall financial capability as well. As such, given the high proportion of millennials in the military and their relative youth, the military faces a unique challenge in addressing the financial education needs of its service members.

## About the Report

This brief uses data from the Military Survey of the 2012 NFCS (n=1,000), supplemented by 301 service members from the 2012 State-by-State Survey of the NFCS—for a total sample size of 1,301. The Military Survey was fielded in August and September 2012 and the State-by-State Survey was fielded between July and October 2012. The National Financial Capability Study was funded by the FINRA Investor Education Foundation and conducted by Applied Research and Consulting. The respondents were obtained from Research Now, SSI (Survey Sampling International) and EMI Online Research Solutions via proprietary, online panels of individuals who have agreed to participate in the panel and who are compensated for completing surveys. Nonprobability quota sampling was used to obtain the sample, and respondents are over 18 years old. A pure probability sample of this size would have an estimated margin of error at a 95 percent confidence level of plus or minus three percentage points, with the margin of error increasing somewhat for sub-groupings of the sample.

All statistics reported are weighted to approximate the population of military service members by gender, pay grade and active versus reserve component, based on the Department of Defense's *2010 Demographics Report*.<sup>23</sup> Reported sample sizes are unweighted. Breakdowns of sub-populations may not necessarily be representative. All personal and financial information data obtained from the questionnaire—including military status—is self-reported and not corroborated by any independent sources (e.g., account statements and credit reports).

As in all survey research, there are possible sources of error, such as coverage, nonresponse and measurement error that could affect the results. More information about both the Military Survey and the State-by-State Survey of the National Financial Capability Study—including the questionnaire and detailed methodology documents—can be found at [www.USFinancialCapability.org](http://www.USFinancialCapability.org).

21. Fernandes, Lynch and Netemeyer, 2014

22. FINRA Investor Education Foundation, 2013; Lusardi and Mitchell, 2014

23. The 2010 report was used because it was the report that was available at the time the weights were calculated.

## Acknowledgements

The author would like to thank Pete Chandler, Christine Kieffer, Bud Schneeweis, George Smaragdis, Marshall Taylor, Michelle Volpe-Kohler and Gerri Walsh for their insightful comments and suggestions. The author is also grateful for very helpful comments from the Department of Defense and for the excellent design and layout work of Shari Crawford and Mimi Masse.

## References

Barton, Christine, Lara Koslow and Christine Beauchamp. 2014. *How Millennials are Changing the Face of Marketing*. Boston Consulting Group.

College Board. 2013. *Trends in College Pricing*.

Department of Defense. 2013. *2012 Demographics: Profile of the Military Community*.

Fernandes, Daniel, John G. Lynch, Jr. and Richard Netemeyer. 2014. *Financial Literacy, Financial Education and Downstream Financial Behaviors*. Social Science Research Network, Abstract ID 2333898.

FINRA Investor Education Foundation. 2013. *Financial Capability in the United States: Report of Findings from the 2012 National Financial Capability Study*.

Hobbs, F., and Nicole Stoops. 2002. *Demographic Trends in the 20th Century*. Census 2000 Special Reports, U.S. Census.

Humes, K. R., Nicholas Jones and Roberto R. Ramirez. 2011. *Overview of Race and Hispanic Origin: 2010*. 2010 Census Briefs, U.S. Census Bureau.

Lusardi, Annamaria (2013). *Financial Literacy Around the World*. FINRA Investor Education Foundation.

Lusardi, Anna, and Olivia Mitchell. (2014). *The Economic Importance of Financial Literacy: Theory and Evidence*. Journal of Economic Literature, 52(1), 6-44.

Mottola, Gary (2014). *The Financial Capability of Young Adults—A Generational View*. The FINRA Investor Education Foundation.

Theodos, Brett, Emma Kalish, Signe-Mary McKernan and Caroline Ratcliffe. 2014. *Gender Differences: Do They Exist in Financial Knowledge, Behaviors, and Well-Being?* Urban Institute.