

## **FINRA Investor Education Foundation The 2008 Military Financial Confidence Survey**

### **Overview**

In October and November 2008, the FINRA Investor Education Foundation—in partnership with the Employee Benefit Research Institute and Mathew Greenwald & Associates—conducted an online survey of 716 active duty military servicemen and women regarding retirement, their preparations for retirement, their confidence with regard to various aspects of retirement and related issues. The survey finds that servicemen and women may be attitudinally better suited than American workers overall to prepare for a financially secure retirement, but they may not feel as comfortable managing their finances. Moreover, they may think that they do not have sufficient resources to prepare as well as they would like. Findings from the MFCS include:

- Servicemembers are goal oriented (62 percent strongly agree). They are also willing to take some risks—just 18 percent strongly agree that they try to minimize risk. However, only 28 percent strongly agree that they enjoy managing their finances.
- While 25 percent of servicemembers cite saving or planning for retirement as their most pressing financial issue, most are preoccupied with current concerns, such as paying down debt or loans (29 percent) and making ends meet (18 percent).
- Approximately half of servicemembers are very (11 percent) or somewhat (36 percent) confident that they will have enough money to live comfortably throughout their retirement years. Similar percentages are confident that they will have enough money to take care of medical expenses (51 percent) or that they are doing a good job of preparing for retirement (50 percent).
- Servicemembers are less likely than American workers overall to subscribe to several attitudes that may falsely bolster retirement confidence. Only 25 percent strongly agree that they can rely on lifestyle cuts in retirement to make up for a shortfall in savings, while only 13 percent consider themselves to be knowledgeable investment managers.
- In addition, servicemembers are more likely than workers overall to provide a realistic response when asked how much money they will need to accumulate for a comfortable retirement. Only 10 percent cite an amount under \$250,000, while 32 percent expect to need \$1 million or more.
- Forty-three percent of servicemembers report they and/or their spouse have tried to calculate how much money they will need to have saved by the time they retire so that they can live comfortably, which is in line with the general population (44 percent of 2008 RCS workers). When asked how they performed the calculation, 39

percent of servicemembers (vs. 19 percent of workers in general) reported doing their own estimate and 24 percent of servicemembers (vs. 7 percent of workers) reported using an on-line calculator to predict how much they will need to accumulate for retirement. Only 33 percent of servicemembers (vs. 49 percent of workers) simply guess at how much they will need to accumulate.

- Almost seven in ten (69 percent) have saved money for retirement, reporting habits similar to those of workers age 18 and older (68 percent). While the propensity to save for retirement may not differ, a larger percentage of servicemembers (61 percent) than workers (52 percent) report having savings and investments other than what they have set aside for retirement.
- The most popular vehicles for these retirement savings are workplace retirement savings plans: the Thrift Savings Plan (TSP) (68 percent of savers) and/or a regular employer's plan (56 percent of savers in the National Guard or Reserve). While 49 percent of servicemembers have less than \$10,000 in savings and investments, this amount increases significantly with household income or rank.
- A large majority of servicemembers are aware of the military pension (86 percent) and what it takes to qualify for it (94 percent of those aware). Furthermore, most of those aware intend to stay in the military long enough to qualify for the benefit (86 percent).
- Knowledge of the Thrift Savings Plan (TSP) is somewhat lower, with 78 percent of respondents saying they know that the military offers them a retirement savings plan that allows them to make contributions to an individual account set up in their name. Sixty percent of those aware of the plan contribute to it.
- The large majority of servicemembers who participate in the TSP state that a personal decision led them to begin contributing to the plan (68 percent). Education also clearly plays a role in convincing servicemembers to contribute, with 26 percent stating that a finance briefing given by military financial educators encouraged them to participate. Furthermore, advice from superiors (16 percent) and peers (14 percent) also leads servicemembers to participate.
- Servicemembers favor automated plan features that would encourage participation in the Thrift Savings Plan (TSP). More than 60 percent each say they favor having contributions automatically invested in a Lifecycle (L) Fund (66 percent), automatically enrolling servicemembers in the plan (65 percent), and automatically increasing the percentage of salary contributed with each raise (62 percent) unless the individual opts out of these options.
- When asked which of several plan alternatives would do the best job of helping them achieve their retirement savings objectives, servicemen and women most often select a matching contribution (70 percent).

## **Attitudes Affecting Finances and Financial Management**

### General Attitudes

Although some of the attitudes held by the majority of servicemembers might assist them in managing their finances and planning for retirement, others may impede their progress. Far more than the working population surveyed in the Retirement Confidence Survey (RCS), servicemen and women are goal oriented and willing to take risks. Sixty-two percent strongly agree that they have a lot of goals for their future (among those age 25 and older, 61 percent vs. 48 percent of American workers overall). Only 18 percent say they try to take as few risks as possible (among those 25 and older, 18 percent vs. 38 percent of workers) (Figure 1). It should be noted that some of the differences in responses between the MFCS and RCS mentioned here and elsewhere in the report may be attributable to the difference in the timing of the surveys. The MFCS was conducted in October and November 2008, while the two RCS were conducted in January 2008 and January 2007, both well before the extent of financial crisis became apparent.

Figure 1  
**General Attitudes**

	<b>Service- members Age 18+ (n=716)</b>	<b>Service- members Age 25+ (n=647)</b>	<b>2007 Workers Age 25+ (n=1001)</b>
<b>You have a lot of goals for your future</b>			
Strongly agree	62%	61%	48%
Somewhat agree	34	35	37
Somewhat disagree	3	4	10
Strongly disagree	<.5	<.5	4
<b>You are an optimist</b>			
Strongly agree	28%	29%	43%
Somewhat agree	56	55	41
Somewhat disagree	12	12	10
Strongly disagree	3	3	5
<b>You enjoy managing your finances</b>			
Strongly agree	28%	28%	39%
Somewhat agree	37	36	28
Somewhat disagree	24	25	16
Strongly disagree	11	11	16
<b>You are a disciplined saver</b>			
Strongly agree	20%	21%	32%
Somewhat agree	40	39	35
Somewhat disagree	31	31	18
Strongly disagree	9	9	12
<b>You try to take as few risks as possible</b>			
Strongly agree	18%	18%	38%
Somewhat agree	52	53	35
Somewhat disagree	26	25	18
Strongly disagree	4	4	8
<b>You like owning brand name items or the latest models</b>			
Strongly agree	11%	10%	13%
Somewhat agree	41	41	33
Somewhat disagree	31	32	32
Strongly disagree	16	17	21
<b>You tend to be impulsive</b>			
Strongly agree	9%	8%	13%
Somewhat agree	36	36	27
Somewhat disagree	40	41	28
Strongly disagree	15	15	30

Source: FINRA, 2008 Military Financial Confidence Survey; Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey

At the same time, servicemembers are less likely than American workers in general to see themselves as optimistic and to report they enjoy managing their finances. Twenty-eight percent consider themselves optimistic (among those age 25 and older, 29 percent strongly agree vs. 43 percent of workers). Twenty-eight percent also strongly agree they enjoy managing their finances (among those age 25 and older, 28 percent vs. 39 percent of workers), and 20 percent consider themselves to be disciplined savers (among those age 25+, 21 percent vs. 32 percent of workers).

There appear to be fewer differences between the military and worker population when it comes to brand consciousness and impulsiveness. Roughly one in ten each strongly agree they like owning brand name items or the latest models (11 percent; among those age 25 and older, 10 percent and 13 percent of workers) and they tend to be impulsive (9 percent; among those age 25 and older, 8 percent and 13 percent of workers).

Strong agreement often increases with household income. This may be why strong agreement with the statements regarding optimism, goals, disciplined saving, and managing finances tend to be higher among officers than among enlisted personnel, particularly among E-1 to E-6. This level of agreement is also generally higher among those age 35 and older than among younger servicemembers. Somewhat surprisingly, those who participate in the Thrift Savings Plan are no more likely than non-participants to consider themselves disciplined savers, and non-participants are even more likely than plan participants to strongly agree they enjoy managing their finances. Servicemembers without a college degree (compared with those with a degree) and those with less than \$25,000 in savings and investments (compared with those having more) are especially likely to report they are impulsive, while those under age 25 (compared with older servicemembers) and those with less than 10 years of service (compared with longer service) are more apt to be brand conscious.

### Most Pressing Financial Issues

Many servicemembers' concerns about their finances are immediate—paying down debt, making ends meet, and paying for housing. But an appreciable proportion are looking to the future. When asked what they think is the most pressing financial issue they confront regarding their financial situation, 25 percent of servicemembers cite saving or planning for retirement. Others mention:

- Paying down debt or loans (29 percent)
- Making ends meet (18 percent)
- Saving for an emergency fund (7 percent)
- Saving for children's education (6 percent)
- Making rent or mortgage payments (5 percent)

As might be expected, the likelihood of selecting planning or saving for retirement increases with age, length of service, household income, financial assets, and rank.

## Retirement Confidence

### Overall Retirement Confidence

Active duty servicemembers tend to be less confident about their retirement prospects than do American workers overall. Only 11 percent of servicemembers say they are very confident they will have enough money to live comfortably throughout their retirement years, compared with 19 percent of workers. Similarly, 36 percent are somewhat confident in comparison, compared with 44 percent of workers. Instead, just over half of servicemembers are not confident they will have enough money to live comfortably, with 37 percent describing themselves as not too confident and 16 percent saying they are not at all confident (Figure 2).

Figure 2

### **Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years**

	Service- members (n=716)	2008 Workers (n=1206)	Rank		
			E-1 to E-6 (n=395)	E-7 to E-9 (n=173)	W-1 to O-6 (n=138)
Very confident	11%	19%	7%	8%	24%
Somewhat confident	36	44	30	39	54
Not too confident	37	19	44	37	15
Not at all confident	16	15	19	16	7

Source: FINRA, 2008 Military Financial Confidence Survey; Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey

As might be expected, servicemember confidence in having enough money for a comfortable retirement increases with household income and is higher for officers than for enlisted personnel. Confidence also increases with education and household financial assets. Others more likely to be confident about their financial security in retirement include those who expect to retire from their working career at age 65 or before.

### Confidence in Other Financial Aspects of Retirement

Confidence about specific financial aspects related to retirement also tends to be lower among servicemembers than among American workers overall. Although servicemember confidence is highest in having enough money to pay for basic expenses during retirement, only 22 percent of servicemembers (versus 34 percent of workers) report they are very confident about being able to afford basic expenses when they retire. Forty-four percent are somewhat confident. Even fewer are confident about having enough money to meet medical expenses, with just 13 percent very confident (versus 19 percent of workers) and 38 percent somewhat confident. Servicemembers are almost half as likely as workers overall to feel they are doing a very good job

preparing financially for their retirement (12 percent vs. 23 percent), as well as less likely to say they are somewhat confident (38 percent vs. 47 percent). They are also half as likely to state they are very confident about having enough money for long-term care expenses (7 percent vs. 14 percent of workers), though they are almost as apt to say they are somewhat confident (28 percent vs. 33 percent) (Figure 3).

Figure 3  
**Confidence in Financial Aspects of Retirement**

	Very Confident	Somewhat Confident	Not Too Confident	Not at All Confident
Having enough money to take care of basic expenses				
Servicemembers (n=716)	22%	44	26	9
2008 Workers (n=1206)	34%	46	11	8
Having enough money to take care of medical expenses				
Servicemembers (n=716)	13%	38	34	16
2008 Workers (n=1206)	19%	38	21	20
Doing a good job of preparing for retirement				
Servicemembers (n=716)	12%	38	35	15
2008 Workers (n=1206)	23%	47	16	13
Having enough money to pay for long-term care				
Servicemembers (n=716)	7%	28	39	26
2008 Workers (n=1206)	14%	33	27	25

Source: FINRA, 2008 Military Financial Confidence Survey; Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey

Confidence about these aspects of retirement among subgroups of the survey population is generally similar to that observed for retirement confidence overall, increasing with income, education, financial assets, and officer status.

Perhaps one reason for the lower level of confidence among servicemembers is that they tend to be less likely to subscribe to several comfortable fictions that can bolster confidence in retirement financial security. Twenty-five percent of servicemembers (compared with 45 percent of American workers in general) *strongly* agree they can always cut back on their lifestyle in retirement if it looks like they might use up all of their savings. Similarly, 54 percent of servicemembers, but 65 percent of workers, feel strongly or somewhat that they or their spouse are knowledgeable about investments and investment strategies. Finally, 28 percent (versus 44 percent of workers) agree that they may not live long enough to use up all of their savings (Figure 4).

Figure 4  
**Attitudes About Managing Money in Retirement**

	<b>Service- members (n=716)</b>	<b>2008 Workers (n=1206)</b>
You (and your spouse) can always cut back on your lifestyle in retirement if it looks like you might use up all of your savings		
Strongly agree	25%	45%
Somewhat agree	51	36
Somewhat disagree	17	9
Strongly disagree	7	7
Neither/Don't know	--	2
You (or your spouse) are knowledgeable about investments and investment strategies		
Strongly agree	13%	19%
Somewhat agree	41	46
Somewhat disagree	26	19
Strongly disagree	20	14
Neither/Don't know	--	3
You (and your spouse) are not likely to live long enough to use up all of your savings		
Strongly agree	6%	15%
Somewhat agree	22	29
Somewhat disagree	39	26
Strongly disagree	33	25
Neither/Don't know	--	5

Source: FINRA, 2008 Military Financial Confidence Survey; Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey

Higher-income servicemembers and those with higher levels of education are more likely than those with lower income and education levels to agree that they can cut back on their lifestyle and are knowledgeable about investments. Retirement savers (compared with nonsavers) are also more apt to consider themselves knowledgeable about investments and to think they can cut back on their lifestyle. Those who have calculated their retirement needs are more likely than those who have not to say they are knowledgeable about investments and to believe they are not likely to outlive their savings.

### Confidence in Social Security

The MFCS finds that confidence in Social Security's ability to maintain the value of benefits paid to retirees is very low. Just 21 percent of servicemembers report they are very (2 percent) or somewhat (19 percent) confident that the Social Security system will continue to provide benefits of at least equal value to the benefits received by retirees

today. This is just slightly lower than American worker confidence in Social Security (5 percent very and 21 percent somewhat confident). At the same time, 79 percent of servicemembers are not too (41 percent) or not at all (38 percent) confident that future Social Security benefits will match or exceed the value of today's benefits (Figure 5).

Figure 5

**Confidence That Social Security Will Continue to Provide Benefits Of at Least Equal Value to Benefits Received by Retirees Today**

	<b>Service- members</b> (n=716)	<b>2008 Workers</b> (n=1206)
Very confident	2%	5%
Somewhat confident	19	21
Not too confident	41	34
Not at all confident	38	38

Source: FINRA, 2008 Military Financial Confidence Survey; Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey

Servicemember confidence that Social Security will continue to provide benefits that are at least equal in value to today's increases sharply with age. Those with at least a bachelor's degree or who have more than \$100,000 in savings or investments are also more likely than their counterparts to be confident about the future value of Social Security benefits.

Servicemembers are mostly unaware of when they can expect to be eligible to receive Social Security retirement benefits without a reduction for early retirement. Although very few servicemembers are eligible to receive full Social Security benefits at age 65, the majority of those venturing a response (32 percent of all respondents) say they will be eligible at age 65 or even earlier. Only 22 percent supply an age of 66 or older. Workers overall are no more likely to give a correct response. Among those age 25 and older, 24 percent of servicemembers and 26 percent of workers state they will be eligible to receive Social Security retirement benefits without an early-retirement reduction at age of 66 or older. Workers may be more likely to guess incorrectly at when they will be eligible.<sup>1</sup> Forty-three percent of servicemembers age 25 and older, but just 20 percent of workers, say they do not know when they will be eligible (Figure 6).

<sup>1</sup> Some of the difference in the "don't know" response may be the result of differing survey methodologies. It is possible that the social pressure created by the telephone interviewers prompted a higher proportion of RCS respondents to guess at an answer. This social pressure would have been absent from the MFCS which was conducted online.

Figure 6

**Age at Which Respondent Thinks He/She Is Eligible for Social Security Retirement Benefits Without Reduction for Early Retirement**

	<b>Servicemembers Age 18+ (n=716)</b>	<b>Servicemembers Age 25+ (n=647)</b>	<b>2007 Workers Age 25+ (n=1001)</b>
Under 62	4%	4%	7%
62	5	5	11
63 or 64	1	1	2
65	22	23	31
66 or 67	15	16	17
68 or older	7	8	9
Never/Not eligible	2	1	2
Don't know	45	43	20

Source: FINRA, 2008 Military Financial Confidence Survey; Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2007 Retirement Confidence Survey

The propensity to mention an age of 66 or higher increases sharply with age and education.

**Preparing for Retirement**

Saving for Retirement

Servicemembers and American workers in general report similar retirement saving habits. Sixty-nine percent of servicemembers and 68 percent of workers age 18 and older say they and/or their spouse have personally saved money for retirement. Moreover, 63 percent of servicemembers and 60 percent workers say they are actively saving for retirement (Figure 7). The likelihood of having saved for retirement is strongly related to household income, education, and rank.

Figure 7

**Saving Money for Retirement**

	<b>Service- members (n=716)</b>	<b>2008 Workers (n=1206)</b>	<b>Rank</b>		
			<b>E-1 to E-6 (n=395)</b>	<b>E-7 to E-9 (n=173)</b>	<b>W-1 to O-6 (n=138)</b>
Have saved money for retirement	69%	68%	62%	73%	86%
Currently saving money for retirement	63%	60%	55%	68%	80%
Have non-retirement savings	61%	52%	51%	65%	86%

Source: FINRA, 2008 Military Financial Confidence Survey; Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey

While the propensity to save for retirement may not differ, a larger percentage of servicemembers (61 percent) than workers (52 percent) report having savings and investments other than what they have set aside for retirement.

Servicemembers use a variety of vehicles to save for retirement. Foremost among these is the Thrift Savings Plan (TSP), used by 68 percent of those who have saved for retirement. Other popular savings vehicles are a regular employer’s retirement savings plan (used by 56 percent of those in the National Guard or Reserve) and a retirement plan with their spouse’s employer (used by 51 percent of those with a spouse employed outside of the U.S. government or military). Sizable minorities also use a Roth individual retirement account (Roth IRA) (44 percent) and a Thrift Savings Plan to which the spouse contributes (41 percent of those with a spouse employed by the U.S. government or military), but fewer use a regular individual retirement account (IRA) (24 percent) (Figure 8).

Figure 8  
**Vehicles Used to Save for Retirement Among Those Who Saved for Retirement<sup>2</sup>**

	Service- members	Rank		
		E-1 to E-6	E-7 to E-9	W-1 to O-6
Thrift Savings Plan (TSP) to which you contribute	68%	69%	66%	69%
Your regular employer’s retirement savings plan (among those in the National Guard or Reserve)	56%	49%	62%	64%
A retirement savings plan with your spouse’s employer (among those with a spouse employed outside of the U.S. government or military)	51%	47%	50%	62%
Roth individual retirement account (Roth IRA)	44%	31%	45%	67%
Thrift Savings Plan (TSP) to which your spouse contributes (among those with a spouse employed by the U.S. government or military)	41%	36%	50%	33%
Traditional individual retirement account (IRA)	24%	16%	31%	32%
Some other account	58%	47%	62%	76%

Source: FINRA, 2008 Military Financial Confidence Survey

<sup>2</sup> Sample sizes are not given for this table because they vary for each cell. These are available in the posted questionnaire and/or the data tabulation books.

Although the likelihood of contributing to the Thrift Savings Plan is level across demographic groups including rank, the propensity to use other savings vehicles often increases with age, household income, and household assets.

### Total Savings and Investments

Servicemembers appear to have accumulated somewhat lower levels of financial assets than workers overall. In particular, almost half of servicemembers (49 percent), compared with 40 percent of workers overall, report that the total value of their household's savings and investments, excluding the value of their primary home and any defined benefit plans, is less than \$10,000. Twenty-eight percent of servicemembers have total savings and investments of \$10,000–\$49,999. Less than one in ten each report savings of \$50,000–\$99,999 (9 percent), \$100,000–\$249,999 (9 percent, compared with 13 percent of workers), and \$250,000 or more (5 percent, compared with 11 percent of workers) (Figure 9).

Figure 9  
**Reported Total Savings and Investments Among Those Providing a Response  
(not including value of primary residence or defined benefit plans)**

	Service- members (n=659)	2008 Workers (n=979)	Rank		
			E-1 to E-6 (n=370)	E-7 to E-9 (n=156)	W-1 to O-6 (n=127)
Less than \$10,000	49%	40%	65%	35%	17%
\$10,000- \$24,999	16	14	16	21	13
\$25,000-\$49,999	12	11	11	12	14
\$50,000-\$99,999	9	11	4	12	17
\$100,000-\$249,999	9	13	2	2	24
\$250,000 or more	5	11	2	6	15

Source: FINRA, 2008 Military Financial Confidence Survey; Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey

Older servicemen and women tend to report higher amounts of assets, as do those with more years in service. As one might suspect, total savings and investments increase sharply with household income and with education. Officers (followed by E-7 to E-9 and then E-1 to E-6) and those who have done a retirement savings needs calculation (compared with those who have not) also tend to have higher levels of savings.

### Retirement Savings Needs

One reason for the modest totals of savings and investments may be that many servicemembers, like workers overall, do not realize how much they need to save for retirement. Forty-three percent of servicemembers report they and/or their spouse have

tried to calculate how much money they will need to have saved by the time they retire so that they can live comfortably. This is in line with the general population where 44 percent of 2008 RCS workers report making this calculation.

The likelihood of doing a retirement savings needs calculation increases with household income, education, and household assets. Officers (compared with enlisted personnel), servicemembers age 35 and older (compared with younger servicemembers), retirement savers (compared with nonsavers), and participants in the Thrift Savings Plan (compared with non-participants) more often report trying to do a calculation.

The methods used to determine how much savings are needed for retirement vary widely. Thirty-nine percent of servicemembers (vs. 19 percent of workers in general) calculated their own estimate. Approximately a quarter (24 percent vs. 7 percent of workers) report using an on-line calculator to predict how much they will need to accumulate for retirement. Others report asking an independent financial professional (17 percent), filling out a worksheet or form (14 percent vs. 5 percent of workers), read or hear how much is needed (9 percent), or asked a military financial educator or Personal Financial Manager (PFM) (7 percent). Particularly noteworthy is that only 33 percent of servicemembers, compared with 47 percent of workers, simply guess at how much they will need to accumulate (Figure 10).

Figure 10  
**Method of Determining Savings Needed for Retirement  
 Among Those Providing Needed Among  
 (multiple responses accepted)**

	Service- members (n=553)	2008 Workers (n=1162)	Rank		
			E-1 to E6 (n=297)	E-7 to E-9 (n=126)	W-1 to O- 6 (n=121)
Do your own estimate	39%	19%	38%	38%	44%
Guess	33	47	37	34	18
Use an online calculator	24	7	20	21	40
Ask an independent financial professional	17	17	12	15	32
Fill out a worksheet or form	14	5	11	14	21
Read or heard how much needed	9	11	10	4	14
Asked a military financial educator or military Personal Finance Manager	7	--	5	8	8
Don't know	1	2	2	2	1

Source: FINRA, 2008 Military Financial Confidence Survey; Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey

Other results from the MFCS confirm that servicemembers may be less likely than American workers overall to guess at how much they will need to accumulate for a comfortable retirement. About one in ten servicemembers each believe they need to save less than \$250,000 (10 percent vs. 26 percent of workers), \$250,000–\$499,999 (12 percent vs. 18 percent of workers), \$500,000–\$749,999 (13 percent), and \$750,000–\$999,999 (11 percent). One-third (32 percent) believe they need to save \$1 million or more, compared with just 18 percent of workers (Figure 11).

Figure 11  
**Amount of Savings Needed for Retirement**

	Service- members (n=716)	2008 Workers (n=1206)	Rank		
			E-1 to E-6 (n=395)	E-7 to E-9 (n=173)	W-1 to O-6 (n=138)
Less than \$250,000	10%	26%	9%	14%	5%
\$250,000–\$499,999	12	18	12	14	7
\$500,000–\$749,999	13	15	16	10	9
\$750,000–\$999,999	11	8	9	11	14
\$1 million–\$1.49 million	14	9	13	14	16
\$1.5 million–\$1.9 million	9	2	8	5	17
\$2 million or more	9	7	7	3	19
Don't know/Don't remember	12	11	13	15	9
Could not do calculation	8	2	10	8	2
Will never retire	2	<.5	2	4	1

Source: FINRA, 2008 Military Financial Confidence Survey; Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey

The amount mentioned tends to increase as household income, education, or household assets increase. It is also higher among those who have done a retirement needs calculation (compared with those who have not) and officers (compared with enlisted personnel).

## Expectations About Retirement

### Retirement Age

Most servicemembers responding to the MFCS are planning on an extended career in the military. While 12 percent say they will stay on active duty military service for less than 10 years and 7 percent say they will stay 10 to 19 years, 60 percent state they will stay for 20 years or more. In addition, virtually all servicemembers (95 percent) plan to work for pay in another career after they leave active duty military service.

Yet perhaps because of an expectation about receiving a pension after 20 years of service, military servicemembers are more apt than workers in general to plan to retire before age 55 (20 percent of servicemembers vs. 4 percent of workers). On the other hand, workers are more than twice as likely as servicemembers to state they will wait at least until age 65 to retire (23 percent of servicemembers vs. 53 percent of workers). Six percent each say they will never retire, but servicemembers are considerably more likely than workers to say they do not know when they will retire (31 percent vs. 7 percent) (Figure 12).<sup>3</sup>

Figure 12  
**Planned Retirement Age**

	<b>Service- members</b> (n=716)	<b>2008 Workers</b> (n=1206)
Before 55	20%	4%
55–59	8	8
60–61	9	12
62–64	3	10
65	15	25
66–69	3	9
70 or older	5	19
Never retire	6	6
Don't know	31	7

Source: FINRA, 2008 Military Financial Confidence Survey; Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey

Those without a college degree (compared with those who have a degree) and enlisted personnel (compared with officers) are especially likely to plan to retire before age 55.

### Expected Sources of Income in Retirement

While workers in general expect to patch their retirement income together from a wide variety of sources, most servicemembers look to a military pension to provide them with a major source of income in retirement (70 percent), with another 22 percent saying it will be a minor source of retirement income. By comparison, 61 percent of workers say an employer-provided pension will be a major or minor source of retirement income. About two-thirds or more of servicemembers expect to receive income from Social Security (85 percent), the Thrift Savings Plan (TSP) (67 percent), and money they or their spouse save through another employer (64 percent). Fewer think retirement income will come from a Roth IRA (54 percent), traditional pension from a past or future employer other than the military (53 percent), or a traditional IRA (43 percent) (Figure 13).

<sup>3</sup> Again, the larger percentage of respondents saying “don’t know” in the MFCS may be the result of the different survey methodologies (online vs. telephone for the RCS).

Figure 13  
**Expected Sources of Income in Retirement**

(n=716)	Major Source	Minor Source	Not a Source
Military Retirement	70%	22	8
Social Security	26%	59	14
Money you (or your spouse) save through another employer (other than the military)	24%	40	36
A traditional pension from a past or future employer (other than the military)	24%	29	47
Thrift Savings Plan (TSP)	23%	44	33
Roth individual retirement account (Roth IRA)	21%	33	46
Traditional individual retirement account (IRA)	11%	32	58

Source: FINRA, 2008 Military Financial Confidence Survey

Older servicemembers are more likely than those who are younger to count on a military pension and Social Security to provide them with retirement income. On the other hand, younger servicemembers are more apt to say the Thrift Savings Plan will be a source of income. In addition, larger proportions of officers and enlisted grades E-7 to E-9 than enlisted grades E-1 to E-6 expect retirement income from military retirement. Not surprisingly, workers with higher household income or higher levels of assets are more likely than lower-income workers to cite savings as a source of retirement income, although many of these workers may not be saving at rates necessary to provide the needed income.

Given that a large proportion of servicemembers are counting on a military pension to help them through retirement, it is not surprising that 86 percent of respondents are aware that the military offers this type of retirement benefit. Moreover, among those who are aware of the pension, 86 percent intend to stay in the military long enough to qualify for the benefit. Although awareness of the pension is high in all demographic groups, it increases with length of service and is higher among officers and enlisted personnel grades E-7 to E-9 than among grades E-1 to E-6.

Almost all are fully aware of what they must do to receive this pension. Eighty-six percent of those aware of the pension say they must serve a minimum of 20 years of active duty and another 8 percent state they must serve a minimum number of creditable years in the National Guard or Reserve.

At the same time, some servicemembers are undermining the financial security that the pension can provide in retirement. Among those who have currently served 15 years or longer in the military, 16 percent report that they opted to receive the \$30,000 Career Status Bonus. These responses are evenly divided between those who opted for the bonus because they thought it was a better deal (51 percent) and those who chose it

because they wanted the cash immediately (49 percent). While an average of 11 percent of the bonus was invested in the Thrift Savings Plan and in an IRA or Roth IRA, the bonus was much more likely to go toward paying off debt (46 percent of the bonus, on average). Others used the bonus—or portions of the bonus—for other personal savings or investments (average of 16 percent), spending (10 percent), and a home that would eventually serve as a primary residence (7 percent).

## Improving Retirement Preparation

### Grounding Retirement Confidence

While one might expect confidence in having a comfortable retirement to decrease after even a superficial review of what it takes to plan for a financially secure retirement, servicemembers' confidence actually increases very slightly as they make their way through the MFCS questionnaire. Survey respondents were asked at both the beginning and at the end of the survey about their confidence that they would have enough money to live comfortably throughout their retirement years. At the end, 41 percent said they were somewhat confident, a slight increase from the 36 percent that responded this way at the start of the survey. Conversely, the percentage saying they were not at all confident decreased from 16 percent to 12 percent (Figure 14).

Figure 14

### **Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years**

(n=716)	Start of Survey	End of Survey
Very confident	11%	12%
Somewhat confident	36	41
Not too confident	37	35
Not at all confident	16	12

Source: FINRA, 2008 Military Financial Confidence Survey

### Enhancing the Thrift Savings Plan (TSP)

The first step in improving the retirement security of servicemembers could well be to ensure that all military personnel are aware of the Thrift Savings Plan (TSP). While the majority of those aware of the plan (60 percent) contribute, 22 percent of servicemembers remain unaware of its existence. This lack of knowledge is especially acute among those in the Army (compared with those in other branches of the service) and enlisted personnel in grades E-1 through E-6 (compared with officers).

Those who participate in the plan most often say they first started contributing to the plan as soon as it became available to the military in 2002 (49 percent). However,

others began contributing at their first duty station (14 percent) or during basic training (9 percent). In addition, 18 percent of participants cited the actual year they began contributing, unconnected with a specific event.

The large majority of participants state that a personal decision led them to begin contributing to the plan (68 percent), however education also clearly plays a role in convincing servicemembers to contribute. One-quarter (26 percent) say that a finance briefing given by military financial educators encouraged them to participate. Furthermore, advice from superiors (16 percent) and peers (14 percent) also leads servicemembers to participate.

Servicemembers who are aware of the Thrift Savings Plan but who do not contribute to it cite a number of different reasons for not contributing. Most often, they mention needing the money to cover current expenses (51 percent). Other commonly cited reasons include:

- Contributing to other retirement savings accounts (22 percent)
- Expectation of a military retirement (20 percent)
- Having other savings priorities (11 percent)
- Planning to save later when they have more money (11 percent)
- Being advised not to (5 percent)
- Lack of matching funds (5 percent)

Only 4 percent mention difficulty in registering as a reason for not participating. Those with at least 10 years of service are more likely to cite receiving a military retirement as an excuse for not contributing, while officers are more likely than enlisted personnel to say they contribute to other retirement savings accounts.

Somewhat surprisingly, 13 percent of service personnel (including 13 percent of those who say they contribute) think that the military matches all or part of contributions to the Thrift Savings Plan. Another 35 percent (21 percent of those who contribute) do not know whether servicemember contributions are matched.

Nevertheless, implementing matching contributions may be an effective means of encouraging increased participation. Almost two-thirds of servicemembers (64 percent) report that matching contributions are very important in encouraging them to participate in the plan. Another 20 percent say matching contributions are somewhat important. Those with less than \$75,000 in household income (compared with those having higher income) are particularly likely to say a match is important.

Automated plan features can also be a way of increasing participation, and a majority of servicemembers state they favor such measures. Two-thirds (66 percent) say they favor having contributions automatically invested in a Lifecycle (L) Fund unless the participant chooses investments on his/her own. A similar percentage (65 percent) favors automatically enrolling servicemembers in the plan unless they chose not to participate. Almost as many (62 percent) favor automatically increasing the percentage

of salary contributed to the plan with each raise unless the member chooses for this not to happen (Figure 15).

Figure 15  
**Favorability Toward Automated Plan Features**

(n=716)	Strongly Favor	Somewhat Favor	Somewhat Oppose	Strongly Oppose
You were automatically enrolled in the plan and your contribution was set up through payroll deduction, unless you chose not to participate.	34%	31	16	19
The percentage of your salary contributed to the plan were automatically increased when you got a raise, unless you chose for this not to happen.	29%	33	19	18
Your contributions were automatically invested in a Lifecycle (L) Fund for you, unless you chose investments on your own.	25%	41	18	16

Source: FINRA, 2008 Military Financial Confidence Survey

By a wide margin, servicemembers are most interested in having their contribution automatically invested in a Lifecycle (L) Fund if they fail to specify alternate investments (76 percent very or somewhat interested). Broadly similar percentages express interest in the Common Stock Index (C) Fund (64 percent), the Fixed Income Index Investment (F) Fund (60 percent), the Government Securities (G) Fund (59 percent), the International Stock Index Investment (I) Fund (57 percent), and the Small Capitalization Stock Index Investment (S) Fund (56 percent) (Figure 16). Interest in the C, I, and S Funds increases with household income and education.

Figure 16

**Interest in Default Investment Funds**

(n=716)	Very Interested	Somewhat Interested	Not Too Interested	Not at All Interested
A Lifecycle (L) Fund, a mix of Thrift Savings Plan (TSP) funds which are invested more aggressively when you are a long way from retirement and more conservatively as you near retirement	32%	44	13	11
Common Stock Index (C) Fund which invests in stocks that match the performance of the S&P 500	17%	47	23	14
Government Securities (G) Fund which invests in short-term government securities	16%	43	28	14
International Stock Index Investment (I) Fund which invests in stocks that match the performance of the Morgan Stanley Capital International EAFE (Europe, Australia, and Far East) index	16%	41	27	17
Small Capitalization Stock Index Investment (S) Fund which invests in stocks that match the performance of the Dow Jones Wilshire 4500 index (stocks not included in the S&P 500)	14%	42	29	15
Fixed Income Index Investment (F) Fund which invests in investment grade bonds	12%	48	27	13

Source: FINRA, 2008 Military Financial Confidence Survey

Finally, when servicemembers are asked which one of several alternatives would do the best job of helping them achieve their retirement savings objectives, they are far more likely to select a matching contribution (70 percent) than any of the other alternatives. Just one in ten each say automatic enrollment (11 percent), having their contribution automatically increased based on a pay increase (10 percent), or a lifecycle fund (9 percent) would best help them meet their retirement savings goals. Nevertheless, those with less than \$10,000 in assets are twice as likely as those with higher assets to say automatic enrollment would be most helpful.

## Sources of Education and Advice

Not only are servicemembers most likely to use the advice of a financial professional when making decisions about their retirement savings and investments (68 percent), they are also most likely to consider this source of guidance to be most helpful (37 percent). While almost as many say they have sought information from the Thrift Savings Plan (62 percent), far fewer cite it as having been the most helpful (10 percent). Similarly, while 59 percent report seeking advice from family, friends, and co-workers and 54 percent sought advice from an objective financial education website, only 12 percent each say these sources were the most helpful. Fewer servicemembers indicate they turned to the media (48 percent), a military financial educator or military Personal Financial Manager (41 percent), online professional investment service (34 percent), or seminar (32 percent) for advice about how to manage their retirement savings and investments (Figure 17). Those with a college degree are especially likely to use a financial professional, financial education website, or the media.

Figure 17

### **Sources of Savings and Investment Advice Among Those Who Saved for Retirement**

(n=485)	Use	Most Helpful
The advice of a financial professional	68%	37%
Information from the Thrift Savings Plan (TSP), such as benefit statements, other written materials, or the TSP Web site	62%	10
The advice of family, friends, or co-workers	59%	12
An objective financial education website	54%	12
Information from the media, such as newspapers, magazines, television or radio	48%	5
Military financial educator or military Personal Financial Manager (PFM)	41%	11
Online professional investment advice services	34%	3
Information from seminars	32%	3

Source: FINRA, 2008 Military Financial Confidence Survey

When making decisions specifically about money in the Thrift Savings Plan, servicemembers say they would be most likely to turn to the information provided by the plan (84 percent very or somewhat likely) and to the advice of a financial professional (85 percent). Three-quarters (74 percent) would likely turn to a military financial educator or military Personal Financial Manager and two-thirds (67 percent) would look to an objective financial education website. Somewhat fewer would seek advice from family, friends, or co-workers (60 percent), seminars (52 percent), online professional investment advice services (50 percent), and the media (43 percent) (Figure 18). Younger servicemembers (compared with those who are older) and those with less than

\$25,000 in savings and investments (compared with those having more) are more likely to report they would seek advice from family, friends, or co-workers.

Figure 18

**Likelihood of Seeking Advice From Various Sources**

(n=716)	Very Likely	Somewhat Likely	Not Too Likely	Not at All Likely
The advice of a financial professional	43%	41	11	5
Information from the Thrift Savings Plan (TSP), such as benefit statements, other written materials, or the TSP Web site	33%	52	10	6
Military financial educator or military Personal Financial Manager (PFM)	31%	43	16	9
An objective financial education website	23%	44	23	10
The advice of family, friends, or co-workers	19%	41	28	11
Information from seminars	15%	37	34	14
Online professional investment advice services	13%	37	34	16
Information from the media, such as newspapers, magazines, television or radio	8%	35	37	21

Source: FINRA, 2008 Military Financial Confidence Survey

**Respondent Characteristics**

Figure 19 presents selected demographic characteristics of the survey sample.

Figure 19

**Demographic Characteristics of Survey Respondents**

	Service-members (n=716)
<b>Service Affiliation</b>	
Army	45%
Navy	23
Air Force	21
Marine Corps	7
Coast Guard	5
<b>In National Guard or Reserves</b>	
Yes (on federal active duty)	19%
No	81

<b>Year Joined Military</b>	
1984 or before	8%
1985-1989	16
1990-1994	18
1995-1999	20
2000-2004	26
2005 to present	11
<b>Pay Grade</b>	
E-1 to E-4	14%
E-5 to E-6	41
E-7 to E-9	24
W-1 to W-5	3
O-1 to O-3	7
O-4 to O-10	9
Prefer not to say	1
<b>Age</b>	
Under 25	10%
25-29	20
30-34	20
35-39	22
40-44	16
45-49	8
50 or older	6
<b>Gender</b>	
Male	83%
Female	17
<b>Marital Status</b>	
Married	80%
Divorced or separated	9
Single, never married	11
<b>Education</b>	
High school	15%
Some college/trade or business school	53
Bachelors degree	21
Graduate degree	11
<b>2007 Household Income</b>	
Less than \$25,000	8%
\$25,000-\$34,999	15
\$35,000-\$49,999	21
\$50,000-\$59,999	15
\$60,000-\$74,999	14
\$75,000-\$99,999	11
\$100,000 or more	11
Prefer not to say	6

## **MFCS Methodology**

These findings are part of the FINRA-sponsored Military Financial Confidence Survey (MFCS), a survey that gauges the views and attitudes of U.S. military servicemen and women regarding retirement, their preparations for retirement, their confidence with regard to various aspects of retirement, and related issues. The survey was conducted by Mathew Greenwald & Associates, Inc. between October 13 and November 14, 2008 through a 19-minute internet survey with 716 active duty military personnel. Because of the difficulty in obtaining addresses and phone numbers for this group, a convenience sample was obtained by placing advertisements in electronic newsletters mailed weekly to servicemembers by Military.com. To increase participation, respondents completing the survey were eligible to participate in a drawing for one of three prizes valued at approximately \$220 each.

Responses from the MFCS are compared with data from the 2008 or 2007 Retirement Confidence Survey (RCS), sponsored by the Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc. Where possible, RCS comparison data is provided for workers age 18 and older, therefore these data may differ from those published elsewhere for workers age 25 and older. Data presented in figures in this report may not total to 100 due to rounding and/or missing categories.

In theory, a random sample of 716 yields a statistical precision of plus or minus four percentage points (with 95 percent certainty) of what the results would be if all active-duty servicemembers were surveyed with complete accuracy. Because this survey used a convenience sample design, error may be present that is unaccounted for in this calculation. In addition, there are other possible sources of error in all surveys that may be more serious than theoretical calculations of sampling error. These include refusals to be interviewed and other forms of nonresponse, the effects of question wording and question order, and screening.