

THE FINANCIAL WELFARE OF MILITARY VETERANS: DESCRIPTIVE EVIDENCE FROM A NATIONAL SURVEY

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Abstract

Using a large national household survey, this analysis provides evidence on the differences in financial decision-making and outcomes between military veterans and non- veterans, as well as between different types of military veterans. I find that veterans have slightly better overall financial standing, more problems with spending, and slightly better savings outcomes relative to comparable non-veterans. For outcomes related to targeted public policies, veterans experience better employment outcomes, slightly better health care outcomes, mixed education outcomes, and slightly worse housing outcomes. Within the veteran population, I observe few differences by military service. Military retirees fare better than military non-retirees, and veterans who separated longer ago are less satisfied with their financial condition than more recently separated veterans despite more stable income.

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1. Introduction

There are more than 22 million military U.S. veterans in America, representing more than 8% of the U.S. population (Livingston, 2016). And while this number is down relative to previous decades, it still constitutes a sizable population of interest. Interest in this group arises from at least two motivations. First is a public commitment to recognize, honor, and provide for the individuals who have served their country, often in dangerous and challenging conditions. We observe evidence of this motivation in Presidential speeches (Trump, 2017; Obama, 2016), Congressional testimony (Shulkin, 2017; MacDonald, 2016) and other public and private displays of appreciation (e.g., military and veteran discounts, parades, and other tributes).

A second important motivation, somewhat instrumental in nature, is the desire to ensure veteran well-being as part of maintaining the military's All-Volunteer Force (AVF). Since the AVF relies on voluntary service from individuals with other opportunities, it must provide a net beneficial employment opportunity for them. Prospective military entrants are concerned about their future, both during and after service, and they may judge the attractiveness of military service by observing the conditions of other military veterans. As a result, public policies designed to help veterans succeed financially are an important element in the nation's long-term national security.¹

Academic researchers (e.g. Becker, 1957) and policy-makers (e.g. Brehm, 1976) have long-recognized the direct links between veteran's benefits and the effectiveness of the AVF.² More recently, economists have analyzed a number of related issues dealing with, for example, the effects of military service on labor market earnings (Angrist, 1998), the effects of veteran disability

¹ This was noted long ago by George Washington, who said "The willingness with which our young people are likely to serve in any war, no matter how justified, shall be directly proportional to how they perceive veterans of earlier wars were treated and appreciated by our nation."

² See Rostker (2006) for a summary of the large body of economic analysis on the AVF.

benefits on labor market participation (Autor, Duggan, Greenberg, and Lyle, 2016), and the effects of veteran education benefits on educational enrollment and earnings (Barr, 2015; Angrist 1993).

Despite this interest and motivation, there remains, surprisingly little evidence on the financial conditions or financial well-being of veterans.³ Even rarer is comparative evidence against the non-veteran population. This paper provides initial descriptive evidence on these questions utilizing a large, recent national survey. Specifically, I compare the financial decision-making and well-being of veterans and comparable non-veterans for twenty-one outcomes across four areas: overall financial standing, spending behavior, saving and investment, and conditions related to veteran programs and policies (i.e., employment, health, education, and housing.). I also compare the overall financial standing among veterans along three dimensions: military service, military retiree status, and military separation era.

In my analysis, I find that veterans have slightly better overall financial standing, more problems with spending, and slightly better savings outcomes relative to comparable non-veterans. For policy-related outcomes, veterans experience better employment outcomes, slightly better health care outcomes, mixed education outcomes, and slightly worse housing outcomes. In the within-veteran population analysis, I observe few differences by military service. Two exceptions are that military retirees fare better than military non-retirees, and earlier separation era veterans are less satisfied with their financial conditions than more recently separated veterans, despite more stable income.

The paper proceeds as follows. In Section 2, I describe the National Financial Capability Study (NFCS) and the data. In Section 3, I describe my methodology. I present the results

³ Ongoing efforts by the Social Security Administration will survey more veterans as part of the Understanding America Survey (<https://uasdata.usc.edu/surveys>) and make data available for research. The Consumer Financial Protection Bureau is also conducting related research into the financial well-being of veterans using its National Financial Well-Being Survey and a newly developed well-being measure.

comparing veterans and non-veterans in Section 4 and the results comparing veterans by military service, military retiree status, and military separation era in Section 5. In Section 6, I discuss the results and conclude.

2. Background

2.A. The National Financial Capability Study

I utilize data from the 2015 NFCS, a project of the Financial Industry Regulatory Authority (FINRA) Investor Education Foundation.⁴ As with previous versions of the NFCS, the FINRA Foundation developed the surveys after consulting with individuals in the government (e.g., the U.S. Department of Treasury) and other leading academics and researchers. Applied Research and Consulting, on behalf of the FINRA Foundation, generated the samples using non-probability quota sampling from existing online panels of individuals that include, but are not limited to, military veterans.⁵ The NFCS also provides weights for each observation that I use to produce results that are representative of Census distributions.

The surveys were completed online from June 2015 through October 2015 and respondents were compensated for their participation. In short, while the NFCS is national in scope and produced with a transparent and deliberate methodology, there still may exist sources of error that include: selection into participation, non-response bias among participants, and measurement error within questions. With these cautions in mind, my analysis should provide some initial descriptive evidence on important questions related to the financial conditions and outcomes of veterans relative to non-veterans, and within the veteran population. I omit those respondents who indicate they are currently a member of the U.S. Armed Services (n=518), since the purpose of this analysis

⁴ The NFCS surveys and data are publicly available at: <http://www.usfinancialcapability.org/downloads.php>.

⁵ For more information on the NFCS survey methodology, see: http://www.usfinancialcapability.org/downloads/NFCS_2015_State_by_State_Meth.pdf

is to compare veterans and non-veterans. For comparable evidence on the differences between civilian and currently serving military members, see Skimmyhorn (2016). I also omit those who do not indicate their military status (n=355). The resulting sample size is n=26,691, with some variation in sample sizes based on responses to demographic and outcome questions.

2.B. NFCS Outcomes

While the NFCS contains a large number of financial outcomes of interest to researchers and policy-makers, I analyze four sets of outcomes that highlight the most basic financial conditions and behaviors and that facilitate meaningful comparisons between veteran and non-veteran groups. In total, I analyze 21 different outcomes that include overall financial standing (e.g., satisfaction with current financial condition), spending (e.g., spending greater than income), saving and investment (e.g., presence of an emergency fund), and policy-related outcomes (e.g., employment status, health insurance coverage, use of student loans, and home ownership). I describe each outcome by group below:⁶

Group 1: Overall Financial Standing

1. *Overall financial satisfaction* (question J1) takes on a value of 1 for those who indicated that they were satisfied (i.e., answer greater than 5 on a 1-10 scale) with their current personal financial condition; and equals 0 otherwise.
2. *Difficulty covering expenses* (question J4) takes on a value of 1 for those who indicated that in a typical month it is very or somewhat difficult to cover their bills; and equals 0 otherwise.
3. *Experienced a large drop in income* (question J10) takes on a value of 1 for those who indicated that they had experienced a large unexpected drop in income in the last year; and equals 0 otherwise.

Group 2: Spending

4. *Spending greater than monthly income* (question J3) takes on a value of 1 for those who indicated that over the past year their household spending was more than their household income; and equals 0 otherwise.

⁶ I omit individuals who responded “Don’t know” or “Prefer not to say”; so observation counts may vary by outcome.

5. *Use of a budget* (question J31) takes on a value of 1 for those who indicated that their household uses a budget; and equals 0 otherwise.
6. *Poor credit card behavior index* (question F2) takes on values of 0 to 4, where 0 represents no bad credit card behaviors and 4 represents all of the following bad credit card behaviors. To create this variable, I first generate an indicator for each of the following credit behaviors: carrying over a balance and being charged interest; being charged a late fee; being charged an over the limit fee, or using a credit card for a cash advance. Then I construct the overall index by summing the four indicators.

Group 3: Saving and Investment

7. *Has an emergency fund* (question J5) takes on a value of 1 for those who indicated that they have set aside funds to cover expenses for 3 months in the case of sickness, job loss, economic downturn or other emergencies; and equals 0 otherwise.
8. *Has a retirement plan through their employer* (question C1) takes on a value of 1 for those who indicated that they have a retirement plan (e.g., a pension plan, Thrift Savings Plan, or 401(k)) through a current or previous employer; and equals 0 otherwise.
9. *Has retirement accounts not from an employer* (question C4) takes on a value of 1 for those who indicated that they have a retirement account (e.g., a IRA, Keogh, SEP, myRA) that they have set up themselves; and equals 0 otherwise.

Group 4: Policy-Related Outcomes

Employment

10. *Unemployed* (question A9) takes on a value of 1 for those who indicated that they are unemployed; and equals 0 otherwise.
11. *Disabled* (question A9) takes on a value of 1 for those who indicated that they are disabled; and equals 0 otherwise.
12. *Retired* (question A9) takes on a value of 1 for those who indicated that they are retired; and equals 0 otherwise.

Health

13. *Has health insurance* (question H1) takes on a value of 1 for those who indicated that they are covered by health insurance; and equals 0 otherwise.
14. *Foregone health treatment* (question H30) takes on a value of 1 for those who indicated that because of the cost, they did not fill a prescription for medicine, and/or skipped a medical test, treatment, or follow-up recommended by a doctor, and/or had a medical problem but did not go to a doctor or clinic; and equals 0 otherwise.
15. *Has unpaid medical bills past due* (question G20) takes on a value of 1 for those who indicated that they currently have unpaid bills from a health care or medical service provider that are past due; and equals 0 otherwise.

Education

16. *Has student loans for self* (question G30) takes on a value of 1 for those who indicated that they have student loans for themselves; and equals 0 otherwise.
17. *Had late student loan payments* (question G35) takes on a value of 1 for those who indicated that they had students loans and had any late payments in the past 12; and equals 0 otherwise.

18. *Type of school attended* (question A22) for those attending school, takes on a value of 1 for those who indicated that they are attending a four year college or university; and equals 0 otherwise.

Housing

19. *Home ownership* (question EA1) takes on a value of 1 for those who indicated that they or their spouse currently own their home; and equals 0 otherwise.
20. *Had late mortgage payments* (question E15) takes on a value of 1 for those who indicated that they owned their home and had any late payments in the past 12 months; and equals 0 otherwise.
21. *Underwater on home* (question E20) takes on a value of 1 for those who indicated that they currently owe more on their home than they think they could sell it for today; and equals 0 otherwise.

2.C. NFCS Demographic Data

The NFCS also contains several individual characteristics that I use in my analysis, which include: gender, age, marital status (single, married, divorced, separated, widowed), children (none, 1, 2, 3, 4 or more), race/ethnicity (Asian/Pacific Islander, Black, Hispanic, White, other), education level (less than high school, high school graduate, some college, college graduate, more than college).⁷ See Table 1 for summary statistics on these demographic characteristics. I also describe their use in more detail below as part of my methodology.

[Insert Table 1 About Here]

As Table 1 reveals, there are a number of statistically significant differences in the demographic characteristics of veterans and non-veterans. In brief, the veteran respondents are: more likely to be male, older, more likely to be white and less likely to be a minority (except Black), more educated, more likely to be married and more likely to be divorced, and they have fewer dependents on average. The comparative analyses conducted below will control for these differences, but they highlight that the groups may differ on other, unobservable dimensions as

⁷ The NFCS also includes data on annual income levels (i.e., <\$15K, \$15-25K, \$25-35K, \$35-50K, \$50-75K-100K, \$100K-150K, >\$150K), but I omit these from the analysis. While income levels are potentially useful control variables (to enable comparisons that hold income fixed), income is also a potential outcome of interest and more importantly, strongly related to Veteran status (see Angrist 1998 for evidence). Including income as a control would likely confound the analyses of other outcomes of interest.

well. These differences are unsurprising given the voluntary nature of military service. For similar comparisons within the veteran sample, see Tables A1, A2, and A3 in the Appendix.

3. Empirical Methodology

My primary comparison method utilizes linear regressions of the following form:

$$Y_i = \alpha + \beta_1 \text{Veteran}_i + X_i \delta + \theta_s + \varepsilon_i \quad (1)$$

Here, Y_i is an outcome of interest for individual i . Veteran_i is an indicator that equals one for those respondents indicating they were previously a member of the U.S. Armed Services, either in the active or reserve component (question AM21) and equals zero for those indicating they were never a member. β_1 is therefore the coefficient of interest and represents the average difference between veterans and non-veterans for each outcome, after accounting for the demographic characteristics included in X_i (i.e., gender, age, marital status children, race/ethnicity, and education level). Note that this estimate is not the causal effect of military service or of veteran status, since individuals select into the military and to obtain veteran status. θ_s reflects state fixed effects to account for any state-level policy or macroeconomic differences.

Since all of the outcomes (except the adverse credit card behavior index) are indicator variables, I estimate linear probability models.⁸ I compute heteroscedasticity robust standard errors. The adverse credit card is a continuous variable and so its estimation is a typical OLS regression.

When I turn to the comparisons within the veteran population, I estimate the following equations within the veteran sample only:

$$Y_i = \alpha + \gamma_1 \text{AF}_i + \gamma_2 \text{Navy}_i + \gamma_3 \text{Marine}_i + \gamma_3 \text{CG}_i + \gamma_3 \text{Unk}_i + X_i \delta + \theta_s + \varepsilon_i \quad (2)$$

⁸ As a robustness check for the functional form of my regressions, I completed logit regressions for all outcomes except the credit card behavior index. In all cases, the results are very similar to the linear probability model results.

The γ estimates reflect the average differences between veterans from each service and the omitted group, veterans from the Army. Unk_i reflects veterans who did not indicate their military service.

I then compare retirees (typically 20+ years of service) to those who separated earlier in their career using the following model:

$$Y_i = \alpha + \pi_1 Retiree_i + \pi_2 Unk_i + X_i \delta + \theta_s + \varepsilon_i \quad (2)$$

The π estimates reflect the average differences between veterans based on their military retiree status and the omitted group, veterans who are not military retirees. Military retiree status reflects a respondents' answer that they retired from the military, which most often means the individual served at least 20 years on Active Duty. Other possible military retirements include active duty service less than 20 years associated with a service-connected injury or disability, or National Guard or Reserve service that qualifies the individual for military retirement compensation. To be clear, military retiree status is not the same thing as being a veteran and being retired from the civilian labor market. Many military retirees continue working in the civilian labor market, even as they receive a pension for their military service. Unk_i reflects veterans who did not indicate their military retiree status.

Finally, I run the following regression to test the differences between veterans from different eras of service.

$$Y_i = \alpha + \sigma_1 Era1to3_i + \sigma_2 Era4to10_i + \sigma_3 Era10plus_i + \sigma_4 Unk_i + X_i \delta + \theta_s + \varepsilon_i \quad (4)$$

The σ estimates reflect the average differences between veterans from each era of separation from military service (i.e., 1-3 years ago, 4-10 years ago, and 10 or more years ago) and the omitted group, veterans who separated from the military in the last year. The Unk_i reflects veterans who did not indicate their separation era.

For these within-veteran comparisons, the parameters of interest remain descriptive and not causal. I include data for respondents indicating unknown statuses and estimate their coefficients, but I do not discuss these results in detail since their interpretation is unclear.

4. Comparing Veterans and Non-Veterans

In this section I complete descriptive analyses for four important questions:

- How do veterans and non-veterans differ in their overall financial conditions?
- How do veterans and non-veterans differ in their spending?
- How do veterans and non-veterans differ in their saving and investment?
- How do veterans and non-veterans differ for policy-related outcomes?

To preview the presentation of my results, in each table I present Linear Probability Model regression results for different outcomes. For each outcome I provide results without individual characteristics (odd numbered columns) and with the individual characteristics (even numbered columns) from Table 1. I focus my discussion on the even numbered columns since they reflect any differences between veterans and non-veterans after controlling for differences in gender, age, race/ethnicity, education level, marital status, and number of dependents. To reiterate the descriptive nature of these results, the coefficients on the veteran indicator are more meaningful than unconditional comparisons between veterans and non-veterans, but they should not be interpreted as the causal effects of military service or veteran status as the groups may differ on other unobservable dimensions.

4.A. How do Veterans and Non-Veterans Differ in their Overall Financial Standing?

In Table 2, I provide evidence on the overall financial standing of veterans compared to non-veterans. Column 2 results suggest that, on average, veterans are 3.01 percentage points (pp)

more likely to be satisfied with their current financial condition and the difference is statistically significant ($p < 0.01$). When compared to the mean satisfaction for non-veterans (56.78%), this reflects a modest 5% effect (i.e., $3.01/56.78$). Veterans are 4% (2.06pp) less likely to report having difficulty in covering their expenses and paying their bills (Col. 4), and this result is also statistically significant ($p < 0.05$). Veterans appear no more or less likely to have experienced an unexpected income drop in the past 12 months (Col. 6) since the estimate is statistically insignificant and the coefficient is only 1.25pp.

These overall measures suggest that veterans appear to be experiencing slightly better financial outcomes. The sections below explore their behavior in more detail.

[Insert Table 2 About Here]

4.B. How do Veterans and Non-Veterans Differ in their Spending?

In Table 3, I provide results related to spending outcomes. I focus on the even columns where the controls are included. On average, veterans are 12% more likely (2.01pp compared to a non-veteran mean of 17.93%) to report that their spending is greater than their income over the past year and the result is statistically significant ($p < 0.01$). Veterans are 6% more likely (3.47/57.98) to report having a household budget, a statistically significant result ($p < 0.01$). In terms of adverse credit behaviors, veterans report, on average, 9% more problematic behaviors (0.0709/0.7505), which is also statistically significant ($p < 0.01$).

[Insert Table 3 About Here]

An interesting aspect of these findings is that veterans express higher levels of satisfaction with their finances (see Section 4A above) while also acknowledging more problematic spending behaviors. Whether this is due to misreporting, potentially different reference points for veterans and non-veterans, or another factor warrants more attention.

4.C. How do Veterans and Non-Veterans Differ in their Saving and Investment?

In Table 4, I provide results related to saving and investment. On average, veterans are 4% more likely to have a three month emergency fund (0.0194/47.64) and this result is statistically significant ($p < 0.05$). Veterans are equally likely to have an employer retirement plan (Col. 4) and an other than employer retirement plan (Col. 6) as their non-veteran counterparts. The latter results further reinforce the importance of controlling for additional differences between veterans and non-veterans, as the unconditional differences suggest that veterans are more likely to have both employer retirement plans and other than employer retirement plans, but these differences are eliminated (economically and statistically) once we account for the demographic differences in the two groups. These spending and saving results for veterans are consistent with Skimmyhorn (2016), which finds that current military servicemembers have better savings outcomes and worse spending/credit outcomes.

[Insert Table 4 About Here]

4.D. How do Veterans and Non-Veterans Differ for Policy-Related Outcomes?

In Table 5 I provide results related to a broad array of policy-related outcomes. Panel A results suggest that veterans are experiencing better employment outcomes. Veterans are 22% less likely on average to be unemployed (Col. 2, 1.34/6.15) and 62% more likely to be retired (Col. 6, 10.82/17.37), both statistically significant results ($p < 0.01$). They appear less likely to be disabled (Col. 4), but the results are not statistically significant.

The Table 5 Panel B results suggest slightly better health-related outcomes for veterans. They are 2% more likely to be covered by health insurance (Col. 2, 1.61/89.56), a statistically significant result. However, they are comparably likely to have forgone medical treatment (Col.

4) and to have unpaid medical bills past due (Col. 6), since neither result is statistically significant and the coefficients are less than one percentage point.

The Table 5 Panel C results suggest that veterans have varied education-related financial outcomes. They are 21% more likely to have student loans (Col. 2, 4.46/20.57), a statistically significant result ($p < 0.01$). For those with loans, they are equally likely to be late on payments (Col. 4, 0.49/24.16) since the result is not statistically significant and the coefficient is only 0.49pp on an average of 24.2%. Veterans are 13% more likely to be attending a 4 Year College or University (Col. 6, 7.73/61.80), a marginally statistically significant difference ($p = 0.087$). The higher rates of student loan use are not necessarily problematic, especially if the loans fund education and degrees with high rates of return.

Finally, the Table 5 Panel D results suggest that veterans are experiencing significantly worse outcomes related to housing. Their home ownership rates (Col. 2) do not differ significantly from their Non-veteran counterparts. However, veterans are 28% more likely to have been late with a home payment in the past year (Col. 4, 3.61/12.87) and 40% more likely to be underwater on their home (Col. 6, 5.01/12.60), with both results being statistically significant ($p < 0.01$).

[Insert Table 5 About Here]

5. Comparing Veterans by Military Service, Military Retiree Status, and Separation Era

I now provide comparisons within the sample of military veterans to determine if there are any subgroups faring especially better or worse than their counterparts. I make these comparisons along three potentially important dimensions: military service (i.e., Army, Navy, Air Force, Marine Corps, and Coast Guard), Military Retiree Status (i.e., those who retired from the military vs. those who did not), and separation era (i.e., 0-1 years ago, 1-3 years ago, 4-10 years ago, and 10 or more years ago). I focus my analysis on the outcomes related to overall financial conditions

(as in Table 2). For each dimension, I choose an omitted group (i.e., Army, Military Non-Retirees, and 0-1 years ago, respectively) for the regressions and then compare the regression coefficients against the mean outcome for these groups. For all three dimensions, I flag individuals who did not respond to their status as having a missing status and include them in the regressions for completeness; I forego interpreting the results as I cannot determine the unobservable differences that these individuals might also have.

5.A. How does the Overall Financial Standing of Veterans Differ by their Military Service?

In Table 6A, I provide results comparing veterans based on their military service. Generally speaking, there are very few meaningful differences. In terms of overall satisfaction with their current financial conditions (Col. 2), Coast Guard veterans report the highest levels (at 6% more than Army veterans) and Marine Corps veterans report the lowest levels (at 6% less than Army veterans), but none of the differences by Service are statistically significant. Veterans from the Air Force are 20% less likely to report having difficulty covering their bills and expenses (Col. 4, 7.52/39.41) than Army veterans and this difference is statistically significant. The differences for the Navy (5% less), Marine Corps (9% more) and Coast Guard (27% less) are all statistically insignificant. The results for the probability of experiencing an unexpected income drop in the past 12 months (Col. 6) follow a similar pattern (i.e., Navy 1% more, Air Force 9% less, Marine Corps 1% more, and Coast Guard 17% less relative to the Army), with no statistically significant differences. These results may occur due to the smaller samples (typically around N=3,100) or due to the fact that the different military service experiences do not translate into large differences in financial outcomes, consistent with Skimmyhorn (2016).

[Insert Table 6A About Here]

5.B. How does the Overall Financial Standing of Veterans Differ by their Military Retiree Status?

In Table 6B I provide results comparing veterans based on their Military Retiree Status. Those who retired from the military are 18% more likely to be satisfied with their current financial condition (Col. 2, 11.38/64.94) and the result is statistically significant ($p < 0.01$). Retirees are also 14% less likely to report difficulty with covering bills and expenses (Col. 4, 5.51/38.81), a statistically significant result ($p < 0.01$). Military retirees are equally likely to report an unexpected income drop (Col. 6) as the difference is statistically insignificant and the coefficient is less than 1 percentage point.

[Insert Table 6B About Here]

5.C. How does the Overall Financial Standing of Veterans Differ by their Military Separation Era?

In Table 6C, I provide results comparing veterans based on their separation era. Those who separated from the military ten or more years ago are 29% less likely to be satisfied with their current financial condition (Col. 2, 21.87/64.94) compared to those who separated in the past year, and the result is statistically significant ($p < 0.01$). Interestingly, and perhaps counter-intuitive, the dissatisfaction increases with time since separation, though the 1-3 year and 4-10 year results are statistically insignificant. These findings run counter to the expectation that the initial transition may be the most difficult, but that eventually veterans' financial conditions stabilize. However, given that the NFCS is a cross-sectional survey, these separation tenures also reflect separation cohort effects. So for example, the group who separated 10 or more years ago would have left the military just before the financial crisis, and they may have experienced more time in a poor macroeconomic environment. More recent separations may have found better prospects as the economy improved. Another possibility is that veterans with more tenure apart from the military

have higher expectations for their financial standing, and so they judge comparable financial conditions more critically. This explanation cannot however, be attributed to age alone, since the regressions control for age levels.

[Insert Table 6C About Here]

There do not appear to be any meaningful differences in the difficulty with covering bills and expenses (Col. 4), as all of the effects are around 4% and none are statistically significant. Individuals who separated from the military 4-10 years ago and 10 or more years ago are much less likely to report an unexpected income drop (Col. 6), the differences being 40% and 42% respectively and statistically significant ($p < 0.01$ for both). So these results suggest that recent veterans are more satisfied with their current conditions despite having comparable levels of difficulty in covering expenses and bills, and higher likelihoods of experiencing an unexpected income drop. These results seem counter-intuitive if more recently transitioned servicemembers face the most challenges in adapting to civilian life, but they might also reflect the macroeconomic conditions that these groups faced. With only one survey date, separation cohort effects and separation year effects are confounded. However, the results are consistent with previous research using the NFCS (Mottola 2014) in which millennials report higher levels of satisfaction despite apparently worse financial outcomes and conditions.

6. Discussion & Summary

Summary

Using data from the 2015 National Financial Capability Study and multivariate regression analysis, this paper evaluates the financial outcomes for veterans in four areas: overall financial standing, spending, saving, and policy-related outcomes. In the primary analyses, I compare veterans and non-veterans along all four dimensions. I also complete some within-veteran

comparisons for the overall financial conditions based on military service, military retiree status, and military separation era. I find that veterans have slightly better financial standing (i.e., more satisfaction with current financial condition and fewer problems covering expenses and paying bills). They also fare better in their savings behaviors (i.e., presence of an emergency fund). However, veterans report more problems with spending (i.e., spending greater than income and more problematic credit behaviors). For outcomes related to targeted public policies, veterans experience better employment outcomes (i.e., lower unemployment), slightly better health care outcomes (i.e., more likely to have insurance), mixed education outcomes (i.e., more likely to have student loans but also more likely to be enrolled at a 4 year college or university conditional upon being enrolled), and slightly worse housing outcomes (i.e., late with payments and underwater).

Within the veteran population, I observe few differences by military service. However, veterans who are military retirees fare better than non-retirees (i.e., more satisfaction with current financial condition and fewer problems covering expenses and paying bills). Finally, earlier separation era veterans are less satisfied with their financial condition than more recent separation era veterans despite reporting more stable income.

Research Challenges

This analysis utilizes a well-designed and executed national survey, but its results should be interpreted carefully. As mentioned above, survey respondents may not be representative of the underlying groups and survey respondents may omit answers or answer with different biases. These concerns are somewhat mitigated if the potential biases are similar between the groups being compared (e.g., if veterans and non-veterans exhibit similar response patterns).

In addition, the observational nature of the data mean that the results are only descriptive. I utilize a relatively rich set of demographic characteristics, including age, race, family situation, but there are likely omitted variables that bias the current estimates. These estimates do not provide an estimate of the causal effects of being a veteran (or being a certain type of veteran); instead, they tell us how veterans and non-veterans (or certain types of veterans) differ, on average.

Finally, the sample sizes for the within-veteran comparisons are based on a relatively small sample (around N=3,000). This results in an inability to determine if the lack of statistically significant differences in many areas (e.g., the differences by military service in Section 5A) is due to the sample size or if there are truly no differences between the comparison groups.

Contributions

To my knowledge, this is the first analysis of the differences between veteran and non-veterans for financial decision-making and outcomes in the U.S. It is also the only existing analysis that attempts to control for the many demographic differences between these two groups. The results do not support any specific policy development, but they do highlight some of the primary areas where veterans appear to be faring better (e.g., saving for an emergency) and worse (e.g., credit card behaviors) than comparable civilians. This might motivate additional study of these areas and any existing or proposed policies aimed at addressing these differences.

Future research could document any longitudinal trends in these differences as well as work to identify the reasons for the differences I observe. Nonetheless, these findings should inform researchers, practitioners, and policy-makers on the current financial standing of veterans and non-veterans and different groups of veterans in today's economy.

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Table 1. Individual Characteristics by Veteran Status

	(1)	(2)	(3)	(4)
	Non-	Veterans	Difference	p-value
Variable	n=23,521	n= 3,170		
Female	57.33	12.93	-44.40	0.000
Age	45.12	56.89	11.77	0.000
White	64.64	70.88	6.24	0.000
Black	11.79	11.59	-0.20	0.781
Hispanic	15.45	11.99	-3.47	0.000
Asian or Pacific Islander	5.73	3.14	-2.59	0.000
Other Race	2.38	2.40	0.02	0.949
Less than High School	2.83	0.67	-2.16	0.000
High School Graduate	27.24	21.82	-5.42	0.000
Some College	42.86	48.85	5.98	0.000
College Graduate	16.89	17.05	0.15	0.835
More than College	10.17	11.61	1.44	0.019
Married	49.74	66.88	17.15	0.000
Single	34.04	13.92	-20.13	0.000
Separated	1.41	1.56	0.15	0.559
Divorced	10.48	12.62	2.13	0.003
Widowed	4.33	5.02	0.69	0.155
No Dependents	64.19	69.97	5.79	0.000
1 Dependent	15.71	12.29	-3.42	0.000
2 Dependents	12.69	10.36	-2.34	0.000
3 Dependents	4.89	4.64	-0.25	0.585
4 or More Dependents	2.52	2.74	0.23	0.543

Note. 2015 NFCS data. The table reports the means for each characteristic for Non-Veterans and Veterans, the difference in the means, and the p-value of the difference. The statistics come from an OLS regression of the characteristic in each row on an indicator for veteran status using the national weights and robust standard errors.

Table 2. Overall Financial Standing Outcomes

Outcome	Satisfied with Current Condition		Difficult to Cover Expenses & Bills		Experienced Income Drop	
	(1)	(2)	(3)	(4)	(5)	(6)
Veteran	0.1201*** (0.0089)	0.0301*** (0.0094)	-0.1354*** (0.0093)	-0.0206** (0.0097)	-0.0450*** (0.0073)	0.0125 (0.0079)
Observations	26,691	26,691	26,158	26,158	26,125	26,125
R-Squared	0.0117	0.0792	0.0140	0.1052	0.0073	0.0414
Covariates	No	Yes	No	Yes	No	Yes
Sample Mean	0.5678	0.5678	0.5084	0.5084	0.2154	0.2154

Note. 2015 NFCS Data. The table reports OLS regression results for the outcome in each column on the individual characteristics in each row and state fixed effects. For indicator variable outcomes, these are linear probability models. The even numbered columns include the the individual characteristics (e.g., age, race, education, marital status, number of children) in Table 1. The omitted categories are: white, high school graduates, single, and no dependents. Heteroskedasticity robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

Table 3. Spending Outcomes

Outcome	Spending > Income		Household has a Budget		Adverse Credit Behavior Index (0-4)	
	(1)	(2)	(3)	(4)	(5)	(6)
Veteran	-0.0159** (0.0071)	0.0211*** (0.0077)	-0.0044 (0.0095)	0.0347*** (0.0101)	-0.0846*** (0.0186)	0.0709*** (0.0199)
Observations	25,790	25,790	25,721	25,721	20,484	20,484
R-Squared	0.0031	0.0220	0.0070	0.0233	0.0071	0.0952
Covariates	No	Yes	No	Yes	No	Yes
Sample Mean	0.1793	0.1793	0.5798	0.5798	0.7505	0.7505

Note. 2015 NFCS Data. The table reports OLS regression results for the outcome in each column on the individual characteristics in each row and state fixed effects. For indicator variable outcomes, these are linear probability models. The even numbered columns include the the individual characteristics (e.g., age, race, education, marital status, number of children) in Table 1. The omitted categories are: white, high school graduates, single, and no dependents. Heteroskedasticity robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

Table 4. Saving and Investment Outcomes

Outcome	Has 3 Month Emergency Fund		Has Employer Retirement		Has Other than Employer Retirement	
	(1)	(2)	(3)	(4)	(5)	(6)
Veteran	0.1297*** (0.0094)	0.0194** (0.0098)	0.0864*** (0.0091)	-0.0067 (0.0094)	0.1340*** (0.0095)	0.0080 (0.0098)
Observations	25,636	25,636	25,531	25,531	25,417	25,417
R-squared	0.0140	0.1203	0.0206	0.1919	0.0230	0.1783
Covariates	No	Yes	No	Yes	No	Yes
Outcome mean	0.4764	0.4764	0.5773	0.5773	0.3381	0.3381

Note. 2015 NFCS Data. The table reports OLS regression results for the outcome in each column on the individual characteristics in each row and state fixed effects. For indicator variable outcomes, these are linear probability models. The even numbered columns include the the individual characteristics (e.g., age, race, education, marital status, number of children) in Table 1. The omitted categories are: white, high school graduates, single, and no dependents. Heteroskedasticity robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

Table 5. Public Policy Outcomes

	(1)	(2)	(3)	(4)	(5)	(6)
Panel A. Employment						
Outcome	Unemployed		Disabled		Retired	
Characteristics						
Veteran	-0.0357*** (0.0032)	-0.0134*** (0.0036)	-0.0060 (0.0038)	-0.0066 (0.0041)	0.2721*** (0.0092)	0.1082*** (0.0076)
Observations	26,691	26,691	26,691	26,691	26,691	26,691
R-squared	0.0096	0.0548	0.0057	0.0358	0.0519	0.4149
Covariates	No	Yes	No	Yes	No	Yes
Outcome mean	0.0615	0.0615	0.0460	0.0460	0.1737	0.1737
Panel B. Health						
Outcome	Covered by Health Insurance		Has Foregone Medical Treatment		Has Unpaid Medical Bills Past Due	
Characteristics						
Veteran	0.0456*** (0.0048)	0.0161*** (0.0053)	-0.1037*** (0.0075)	-0.0087 (0.0081)	-0.0455*** (0.0071)	0.0083 (0.0077)
Observations	26,347	26,347	26,691	26,691	26,102	26,102
R-squared	0.0271	0.0760	0.0156	0.0649	0.0153	0.0741
Covariates	No	Yes	No	Yes	No	Yes
Outcome mean	0.8956	0.8956	0.2809	0.2809	0.2031	0.2031
Panel C. Education						
	Has Student Loans		Late on Payments		Attending 4 Year College or University	
Characteristics						
Veteran	-0.0885*** (0.0063)	0.0446*** (0.0065)	0.0255 (0.0195)	0.0049 (0.0203)	-0.0386 (0.0434)	0.0773* (0.0451)
Observations	26,479	26,479	6,522	6,522	2,130	2,130
R-squared	0.0102	0.2169	0.0107	0.0419	0.0582	0.1287
Covariates	No	Yes	No	Yes	No	Yes
Outcome mean	0.2057	0.2057	0.2416	0.2416	0.6180	0.6180
Panel D. Housing						
	Home Owner		Late with Home Payment		Underwater on Home	
Characteristics						
Veteran	0.1505*** (0.0082)	-0.0016 (0.0082)	-0.0082 (0.0098)	0.0361*** (0.0105)	0.0132 (0.0100)	0.0501*** (0.0107)
Observations	26,466	26,466	9,485	9,485	9,631	9,631
R-squared	0.0220	0.2444	0.0144	0.0737	0.0185	0.0616
Covariates	No	Yes	No	Yes	No	Yes
Outcome mean	0.6111	0.6111	0.1287	0.1287	0.1260	0.1260
<p>Note. 2015 NFCS Data. The table reports OLS regression results for the outcome in each column on the individual characteristics in each row and state fixed effects. For indicator variable outcomes, these are linear probability models. The even numbered columns include the the individual characteristics (e.g., age, race, education, marital status, number of children) in Table 1. The omitted categories are: white, high school graduates, single, and no dependents. Heteroskedasticity robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.10.</p>						

Table 6A. Overall Financial Standing Outcomes by Military Service

Outcome	Satisfied with Current Condition		Difficult to Cover Expenses & Bills		Experienced Income Drop	
	(1)	(2)	(3)	(4)	(5)	(6)
Navy Veteran	-0.0086 (0.0224)	0.0008 (0.0221)	-0.0110 (0.0237)	-0.0202 (0.0227)	0.0033 (0.0186)	0.0026 (0.0180)
Air Force Veteran	0.0109 (0.0209)	0.0046 (0.0202)	-0.0949*** (0.0214)	-0.0752*** (0.0204)	-0.0295* (0.0165)	-0.0150 (0.0162)
Marine Corps Veteran	-0.0715** (0.0339)	-0.0413 (0.0329)	0.0846** (0.0352)	0.0346 (0.0343)	0.0338 (0.0284)	0.0012 (0.0281)
Coast Guard Veteran	0.0364 (0.0678)	0.0382 (0.0649)	-0.0839 (0.0709)	-0.1083 (0.0704)	-0.0150 (0.0569)	-0.0295 (0.0513)
Unknown Service Veteran	0.0849 (0.0843)	0.1488* (0.0871)	0.1255 (0.1072)	0.0350 (0.1011)	0.1098 (0.0967)	0.0330 (0.1005)
Observations	3,170	3,170	3,129	3,129	3,130	3,130
R-Squared	0.0196	0.0839	0.0275	0.1216	0.0249	0.0910
Covariates	No	Yes	No	Yes	No	Yes
Army Veteran Mean	0.6869	0.6869	0.3941	0.3941	0.1760	0.1760

Note. 2015 NFCS Data. The table reports OLS regression results for the outcome in each column on the characteristics in each row and state fixed effects. For indicator variable outcomes, these are linear probability models. The even numbered columns include the individual characteristics (e.g., age, race, education, marital status, number of children) in Table 1. The omitted categories are: white, high school graduates, single, no dependents, and Army Veterans. Heteroskedasticity robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

Table 6B. Overall Financial Standing Outcomes by Military Retiree Status

Outcome	Satisfied with Current Condition		Difficult to Cover Expenses & Bills		Experienced Income Drop	
	(1)	(2)	(3)	(4)	(5)	(6)
Military Retiree	0.1362*** (0.0176)	0.1138*** (0.0179)	-0.0548*** (0.0196)	-0.0551*** (0.0191)	0.0246 (0.0159)	0.0079 (0.0152)
Unknown Retiree Status	0.0254 (0.0806)	0.0519 (0.0806)	0.0423 (0.0910)	-0.0548 (0.0956)	0.1421 (0.0898)	0.0776 (0.0835)
Observations	3,170	3,170	3,129	3,129	3,130	3,130
R-Squared	0.0333	0.0931	0.0194	0.1187	0.0241	0.0909
Covariates	No	Yes	No	Yes	No	Yes
Non-Military Retiree Mean	0.6494	0.6494	0.3881	0.3881	0.1638	0.1638

Note. 2015 NFCS Data. The table reports OLS regression results for the outcome in each column on the characteristics in each row and state fixed effects. For indicator variable outcomes, these are linear probability models. The even numbered columns include the the individual characteristics (e.g., age, race, education, marital status, number of children) in Table 1. The omitted categories are: white, high school graduates, single, no dependents, and Non-Military Retiree Veterans. Heteroskedasticity robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

Table 6C. Overall Financial Standing Outcomes by Era of Military Service

Outcome	Satisfied with Current Condition		Difficult to Cover Expenses & Bills		Experienced Income Drop	
	(1)	(2)	(3)	(4)	(5)	(6)
Separated 1-3 Years Ago	-0.0117 (0.0659)	-0.0097 (0.0625)	0.0384 (0.0767)	0.0224 (0.0766)	-0.0948 (0.0754)	-0.1076 (0.0750)
Separated 4-10 Years Ago	-0.0182 (0.0634)	-0.0734 (0.0597)	-0.0346 (0.0739)	0.0228 (0.0737)	-0.2024*** (0.0718)	-0.1834** (0.0718)
Separated 10 or More Years Ago	-0.0749 (0.0589)	-0.2187*** (0.0587)	-0.1666** (0.0690)	0.0256 (0.0724)	-0.3108*** (0.0678)	-0.1940*** (0.0703)
Missing Separation Time	-0.4272*** (0.1478)	-0.4304*** (0.1260)	0.4054*** (0.1245)	0.4105*** (0.1043)	-0.1995 (0.1559)	-0.2152 (0.1663)
Observations	3,170	3,170	3,129	3,129	3,130	3,130
R-Squared	0.0221	0.0959	0.0379	0.1184	0.0562	0.0959
Covariates	No	Yes	No	Yes	No	Yes
Separations <1 Year Mean	0.7593	0.7593	0.5185	0.5185	0.4528	0.4528

Note. 2015 NFCS Data. The table reports OLS regression results for the outcome in each column on the characteristics in each row and state fixed effects. For indicator variable outcomes, these are linear probability models. The even numbered columns include the the individual characteristics (e.g., age, race, education, marital status, number of children) in Table 1. The omitted categories are: white, high school graduates, single, no dependents, and Separations in the past year. Heteroskedasticity robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

Appendix 1: Additional Results

Table A1. Individual Characteristics for Veterans by Military Service

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Army	Navy	Air Force	Marine Corps	Coast Guard	No Service Indicated	p-value
Variable	n=1482	n=621	n=750	n=243	n=48	n=26	
Female	13.82	14.01	10.29	9.11	16.38	36.92	0.000
Age	56.75	56.20	60.13	52.28	52.68	49.02	0.000
White	70.04	71.52	76.70	60.19	74.11	48.36	0.000
Black	13.11	9.39	8.84	15.14	4.89	31.09	0.000
Hispanic	11.26	13.28	8.96	20.63	8.32	20.55	0.000
Asian or Pacific Islander	3.80	3.47	2.60	0.88	1.01	0.00	0.000
Other Race	1.78	2.35	2.89	3.15	11.67	0.00	0.000
Less than High School	0.58	0.68	0.40	1.65	0.00	3.29	0.018
High School Graduate	22.30	25.14	17.38	21.09	20.15	41.75	0.000
Some College	46.01	49.49	53.57	53.93	41.27	27.40	0.000
College Graduate	18.46	13.81	17.36	16.94	18.88	9.44	0.000
More than College	12.65	10.88	11.29	6.39	19.70	18.12	0.000
Married	65.90	67.58	68.86	65.12	72.54	58.90	0.000
Single	14.53	14.00	11.21	16.39	19.21	16.58	0.000
Separated	1.36	1.21	1.21	4.19	1.42	4.15	0.178
Divorced	12.50	12.58	13.43	12.18	2.27	20.36	0.000
Widowed	5.71	4.62	5.29	2.12	4.55	0.00	0.000
No Dependents	69.33	70.63	72.42	65.94	72.75	59.41	0.000
1 Dependent	13.04	12.99	10.95	10.63	11.98	7.24	0.000
2 Dependents	10.32	9.92	9.54	15.30	3.42	8.72	0.000
3 Dependents	5.09	3.25	4.28	4.11	11.85	14.73	0.000
4 or More Dependents	2.22	3.21	2.81	4.01	0.00	9.89	0.000

Note. 2015 NFCS data. The table reports the means for each characteristic for Veterans by Service and the p-value for a test of mean equality for all groups. The statistics come from an OLS regression of the characteristic in each row on an indicator for each veteran's military service using the national weights and robust standard errors.

Table A2. Individual Characteristics for Veterans by Military Retiree Status

	(1)	(2)	(3)	(4)
	Not a Military	Military	No Military	
	Retiree	Retiree	Retiree Status	p-value
Variable	n=2319	n=817	n=34	
Female	12.64	13.31	23.40	0.000
Age	58.05	54.16	43.75	0.000
White	73.34	64.93	47.23	0.000
Black	11.17	12.62	15.61	0.000
Hispanic	10.58	15.47	23.85	0.057
Asian or Pacific Islander	2.44	4.86	9.14	0.817
Other Race	2.47	2.12	4.18	0.001
Less than High School	0.76	0.43	0.00	0.001
High School Graduate	23.71	16.20	29.29	0.000
Some College	50.88	43.94	29.26	0.000
College Graduate	15.72	20.79	17.05	0.000
More than College	8.93	18.65	24.39	0.687
Married	65.24	72.30	48.05	0.000
Single	13.66	13.69	36.52	0.000
Separated	1.78	0.88	2.81	0.001
Divorced	13.91	9.27	5.93	0.000
Widowed	5.41	3.85	6.69	0.000
No Dependents	73.49	60.74	53.66	0.000
1 Dependent	11.58	14.21	13.86	0.000
2 Dependents	8.49	15.47	13.94	0.707
3 Dependents	4.07	6.25	4.45	0.262
4 or More Dependents	2.37	3.33	14.10	0.125

Note. 2015 NFCS data. The table reports the means for each characteristic for Veterans by Military Retiree status and the p-value for a test of mean equality for all groups. The statistics come from an OLS regression of the characteristic in each row on indicators for each veteran's military retirement status using the national weights and robust standard errors.

Table A3. Individual Characteristics for Veterans by Era of Separation

	(1)	(2)	(3)	(4)	(5)	(7)
	< 1 Year	1-3 Years	4-10	>10 Years	No Era	p-value
	Ago	Ago	Years	Ago		
Variable	n=54	n=207	n=320	n=2577	n=12	
Female	30.41	25.61	22.88	9.90	54.39	0.000
Age	34.08	33.11	39.77	61.76	42.56	0.000
White	67.98	48.05	55.31	75.08	50.61	0.000
Black	9.27	18.24	11.48	11.07	13.69	0.102
Hispanic	22.25	23.30	26.32	8.77	35.70	0.000
Asian or Pacific Islander	0.00	9.31	5.81	2.34	0.00	0.000
Other Race	0.50	1.11	1.08	2.74	0.00	0.008
Less than High School	0.00	0.79	0.53	0.65	6.24	0.006
High School Graduate	25.44	16.55	16.21	22.74	54.11	0.006
Some College	41.58	44.84	46.06	49.81	32.71	0.066
College Graduate	14.97	24.22	20.61	16.11	0.00	0.016
More than College	18.01	13.59	16.58	10.68	6.94	0.006
Married	66.16	57.77	67.86	67.43	87.06	0.000
Single	28.06	36.35	21.96	10.66	9.32	0.000
Separated	0.00	1.14	1.04	1.71	0.00	0.000
Divorced	5.78	4.05	6.37	14.38	3.62	0.000
Widowed	0.00	0.69	2.77	5.82	0.00	0.000
No Dependents	29.36	35.72	43.03	77.31	70.58	0.0000
1 Dependent	36.72	24.15	18.07	10.03	5.12	0.000
2 Dependents	25.75	22.59	23.56	7.25	9.38	0.000
3 Dependents	5.09	10.78	10.48	3.37	0.00	0.000
4 or More Dependents	3.07	6.76	4.86	2.04	14.91	0.020

Note. 2015 NFCS data. The table reports the means for each characteristic for Veterans by era of separation and the p-value for a test of mean equality for all groups. The statistics come from an OLS regression of the characteristic in each row on indicators for each veteran's service era using the national weights and robust standard errors.