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## **First Command Reports: Financial readiness lagging in career military**

*First Command's financial readiness survey reveals that seven out of ten military test takers were unable to earn a passing grade on annual quiz*

FORT WORTH, Texas –Seven out of ten career military families were unable to earn a passing grade on a recently-administered financial readiness test, raising concerns about service member preparedness for increased financial decision making under the new Blended Retirement System.

Results of the sixth annual financial readiness test and survey commissioned by First Command Financial Services, Inc., in partnership with the [First Command Educational Foundation](#) reveal that middle-class military families (commissioned officers and senior NCOs in pay grades E-5 and above with household incomes of at least \$50,000) earned an average grade of 62. That's a record low and marks the third consecutive year that military families received a failing score. Sixty-eight percent of military test takers scored a six or lower on the nine-question test. Just five percent earned a perfect score.

Members of general population families with similar household incomes performed notably better, earning an average grade of 76 – the sixth year civilian families scored a passing grade. Two out of five (39 percent) civilian test takers scored a six or lower on the nine-question test. Seventeen percent earned a perfect score.

“The results of this year’s financial readiness quiz are particularly concerning in light of new challenges facing our active duty military force through the Blended Retirement System,” said Scott Spiker, chairman/CEO of First Command Financial Services. “While frequently praised as a way to give deserving service members new opportunities to control their own financial futures, the new system places the weight of increased financial decision making and its attendant risk on the shoulders of our career military families. Career service members will need increased financial expertise and understanding to negotiate the decisions and avoid the pitfalls of the new program. We cannot afford to allow the financial readiness of military families to lag behind that of the general population.”

The Blended Retirement System features a 20 percent reduction in current guaranteed retirement pay generated by the old traditional pension in exchange for a variety of new benefits that include automatic and matching Thrift Savings Plan contributions, a mid-career continuation pay bonus and options to receive a portion of the reduced pension as a lump sum. Service members who enter the military on or after Jan. 1, 2018, will be automatically enrolled in the new system. The new plan is also available to many current service members, specifically those who will have less than 12 years of service as of Dec. 31, 2017. They can choose to either stay with the old retirement system or opt in to the new one.

The Department of Defense has been developing financial education instruction and training programs to help service members make decisions related to the new military retirement system. Will these government education efforts generate successful results? The survey reveals that military respondents are significantly more likely than their general population peers to say they have completed a financial education program (45 percent versus 21 percent), but the benefits of those programs are not significantly reflected in test scores.

Among the subset of military respondents who report completing a financial education program, 60 percent were unable to earn a passing grade on the test. That's only slightly better than the overall 68 percent rate.

“Although this year’s quiz and survey results reveal a clear need for improved financial training, without action nothing happens,” Spiker said. “Personal financial coaching is a time-tested way to improve outcomes. Our survey reveals that families who work with a financial advisor perform better on the financial readiness test than those without an advisor. But the real benefit

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of coaching is in changing behaviors. Career military families who work with an advisor are more likely to save for retirement – and put away more dollars – than their go-it-alone colleagues. Coaching leads to positive action, which will be critical for service members to make the most of the new retirement system. They need the best possible information and guidance to help them deal with the financial challenges of today and pursue their goals for tomorrow.”

First Command Financial Services supports financial readiness and education to the military through charitable gifts and hands-on assistance. Those efforts include providing ongoing support to the First Command Educational Foundation, a separate 501(c)(3) charity, provides in-person and online financial readiness tools for service members across the globe as well as increased scholarship opportunities for service members and their families.

“Service members and their families have often expressed concern over their financial readiness to our staff and volunteers,” said Vickie Coleman, CEO of First Command Educational Foundation. “Many are still living paycheck-to-paycheck and they don’t know how they are going to make the changes needed to adequately fund their retirement under the new system.”

Looking ahead, the majority of current service members who qualify to opt in to the new retirement system expect to seek professional help making that decision. Recent results of the First Command Financial Behaviors Index® reveal that 64 percent are extremely or very likely to consult a financial advisor. And among those who are already working with a financial advisor, 68 percent say they are extremely or very likely to ask their advisor for help with the opt-in decision (compared with only 36 percent of those who do not have a financial advisor).

#### **About the First Command Financial Behaviors Index®**

Compiled by Sentient Decision Science, Inc., the First Command Financial Behaviors Index® assesses trends among the American public’s financial behaviors, attitudes and intentions through a monthly survey of approximately 530 U.S. consumers aged 25 to 70 with annual household incomes of at least \$50,000. Results are reported quarterly. The margin of error is +/- 4.3 percent with a 95 percent level of confidence. <http://www.firstcommand.com/fbi/>

#### **About Sentient Decision Science, Inc.**

Sentient Decision Science was commissioned by First Command to compile the Financial Behaviors Index®. SDS is a behavioral science and consumer psychology consulting firm with special vertical expertise within the financial services industry. SDS specializes in advanced research methods and statistical analysis of behavioral and attitudinal data.

#### **About First Command Educational Foundation**

First Command Educational Foundation (FCEF) has been proudly supporting scholars and their families since 1983. FCEF is a 501(c)(3) public charity, and has worked tirelessly to promote their mission to educate those who serve. To that end, FCEF has awarded over \$4.5 million in scholarship grants to help offset the costs of higher education, and has educated over 60 thousand individuals on numerous financial readiness topics. [www.fcef.com](http://www.fcef.com)

#### **About First Command**

First Command Financial Services and its subsidiaries, including First Command Financial Planning and First Command Bank, coach our Nation’s military families in their pursuit of financial security. Since 1958, First Command Financial Advisors have been shaping positive financial behaviors through face-to-face coaching with hundreds of thousands of client families.

*First Command Financial Services, Inc., is the parent of First Command Financial Planning, Inc. (Member [SIPC](#), [FINRA](#)), First Command Advisory Services, Inc., First Command Insurance Services, Inc. and First Command Bank. Financial planning services and investment products, including securities, are offered by First Command Financial Planning, Inc., a broker-dealer. Financial planning and investment advisory services are offered by First Command Advisory Services, Inc., an investment adviser. Insurance products and services are offered by First Command Insurance Services, Inc., in all states except Montana, where as required by law, insurance products and services are offered by First Command Financial Services, Inc. (a separate Montana domestic corporation). Banking products and services are offered by First Command Bank. In certain states, as required by law, First Command Insurance Services, Inc. does business as a separate domestic corporation. Securities products are not FDIC insured, have no bank guarantee and may lose value. A financial plan, by itself, cannot assure that retirement or other financial goals will be met. First Command Financial Services, Inc. and its related entities are not affiliated with, authorized to sell or represent on behalf of or otherwise endorsed by any federal employee benefits programs referenced, by the U.S. government, or the U.S. armed forces.*

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