

**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. Findings from the Military Financial Confidence Survey (MFCS) include the following:

Attitudes Affecting Finances and Financial Management

- Servicemembers are goal oriented (62 percent strongly agree) and are 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.

General Attitudes			
	Service- members Age 18+ (n=716)	Service- members Age 25+ (n=647)	2007 Workers Age 25+ (n=1001)
You have a lot of goals for your future			
Strongly agree	62%	61%	48%
Somewhat agree	34	35	37
Somewhat disagree	3	4	10
Strongly disagree	<.5	<.5	4
You enjoy managing your finances			
Strongly agree	28%	28%	39%
Somewhat agree	37	36	28
Somewhat disagree	24	25	16
Strongly disagree	11	11	16
You try to take as few risks as possible			
Strongly agree	18%	18%	38%
Somewhat agree	52	53	35
Somewhat disagree	26	25	18
Strongly disagree	4	4	8

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

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 RCSs were conducted in January 2008 and January 2007, both well before the extent of financial crisis became apparent.

- While 25 percent of servicemembers cite saving or planning for retirement as their most pressing financial issue, most are preoccupied with current concerns:
 - 29 percent cite paying down debt or loans
 - 18 percent cite making ends meet
 - 7 percent cite saving for an emergency fund
 - 6 percent cite saving for children's education
 - 5 percent making rent or mortgage payments

Retirement Confidence

- 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.

Confidence in Having Enough Money to Live Comfortably in 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)
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 Foundation, 2008 Military Financial Confidence Survey; Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey

- However, servicemembers are less likely than American workers overall to subscribe to several attitudes that may falsely bolster retirement confidence. For example:
 - Only 25 percent of servicemembers (compared with 45 percent of American workers in general) strongly agree that they can rely on lifestyle cuts in retirement to make up for a shortfall in 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.
- 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.

Calculating Retirement Savings Needs

- 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).
 - 39 percent of servicemembers (vs. 19 percent of workers in general) calculated their own estimate.
 - 24 percent of servicemembers (vs. 7 percent of workers) report 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.

Preparing for Retirement

- Almost seven in ten servicemembers (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.

Saving Money 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)
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 Foundation, 2008 Military Financial Confidence Survey; Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2008 Retirement Confidence Survey

- 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.

Vehicles Used to Save for Retirement Among Those Who Saved for Retirement

	Service- members Overall	By 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 Foundation, 2008 Military Financial Confidence Survey. Sample sizes are not given for this table because they vary for each cell.

- While 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), knowledge of the Thrift Savings Plan (TSP) is lower:
 - o 22 percent of respondents state that they did 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.
 - o 60 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:
 - o One-quarter (26 percent) say that a finance briefing given by military financial educators encouraged them to participate.
 - o Furthermore, advice from superiors (16 percent) and peers (14 percent) also leads servicemembers to participate.

Sources of Education and Advice

- Not only are servicemembers more likely to use the advice of a financial professional when making decisions about their retirement savings and investments (68 percent), they are also more likely to consider this source of guidance to be most helpful (37 percent).

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 Foundation, 2008 Military Financial Confidence Survey

MFCS Methodology

These findings are part of the FINRA Foundation-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 non-response, the effects of question wording and question order, and screening.

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The FINRA Investor Education Foundation supports innovative research and educational projects that give underserved Americans the knowledge, skills and tools necessary for financial success throughout life. Since its inception in December 2003, the foundation has approved approximately \$46 million in financial education and investor protection initiatives through a combination of grants and targeted projects. For details about grant programs and other FINRA Foundation initiatives, visit www.finrafoundation.org.

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