

Financial Behaviors of Military Households: The Role of Financial Literacy and Financial Education

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Despite the attention of both the popular press and the government on the topic of finances in military households, there is still limited empirical research in this area (Carlson, Nelson, & Skimmyhorn, 2015; Skimmyhorn, 2016). Developing a better understanding of the financial behaviors of military households is an important topic as it may facilitate ways to help military personnel reduce stress and strain (Luther, Leech, & Garman, 1998). Research from the military has identified that financial management skills and well-being are positively affected by financial knowledge (Bell et al., 2014; Bell, Gorin, & Hogarth, 2009). In descriptive analyses, younger members of the military had greater financial security than their civilian counterparts (Morath, 2014; FINRA, 2016). In multivariate analyses, Carlson, Britt, & Goff (2015) found that financial behaviors were positively affected by high levels of financial knowledge (subjective), high self-mastery, and lower levels of financial anxiety for military members. Extended from previous studies on military families,, this study explored financial behaviors of military households in the U.S. in two ways; long-term and short-term financial behaviors. We specifically investigate the role of financial literacy and financial education on financial behaviors as salient factors.

The data used for this study came from the 2015 National Financial Capability Study (NFCS) State-by-State Survey Instrument sponsored by the Financial Industry Regulatory Authority (FINRA). The total sample size of the NFCS is 27,564, and our analytic sample includes 3,688 households, including only households with a head of household who is currently or previously a member of the U.S. armed service. Within our analytic sample 518 were currently serving in the U.S. armed service, while 3,170 were formerly members of the armed service. Descriptive analyses and Ordinary Least Squares (OLS) (OLS) regressions on short-term (0-4), and long-term financial behavior (0-4) were utilized to provide a general overview on financial behaviors of military households.

Both short-term and long-term behaviors identify that objective financial knowledge, subjective financial knowledge, and having had financial education were positively associated with higher scores on each of the composite indices of financial behaviors. Income levels (relative to income less than \$25,000) were also positively associated with both the short-term and long-term behaviors; with the strength of the association increasing with higher income levels. Additionally, income levels were positively associated with the short-term behaviors to a larger degree than the long-term behaviors. Being employed and married were positively associated with short-term behaviors while years after military service completion was negatively associated with short-term behaviors. Having dependent children as compared with not having children was negatively related with long-term behaviors.

For future research, we would like to conduct a similar analysis with civilian households as a reference group. How these households are different from one another and how educators can reach out to and understand the needs of military households. We would also like to conduct an analysis with logistic regression on varied financial behaviors, which provide more specific financial profile of military households. Empirical results from the 2015 NFCS provide an important insight into policymakers as well as financial practitioners and educators as they seek to gain a greater understanding of how to reach military families through education that not only increases their objective level of knowledge, but also increases their subjective as well.

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