



## Timing, Counseling Approach Key to Empowerment of Financially Struggling Veterans

The struggles of military personnel to receive help for the unique challenges they face post-service are well documented. Often overlooked, though, are the financial struggles certain segments of the veteran population deal with on an ongoing basis.

Complicating the issue is the fact that, when viewed in the aggregate, veterans appear to be outpacing the general population in financial wellness. But by taking a closer look at which veterans are struggling and how, it's possible to begin the process of understanding which financial literacy approaches and techniques can uplift those not riding the wave of success.

Perhaps counterintuitively, the available research seems to indicate that for a significant portion of the veteran population, the best strategy may be to increase available resources after a hardship has occurred.

An examination of the unique financial obstacles and circumstances encountered by those who have served our country in the military helps tell the story of why a reactive wellness approach might be most effective for some.

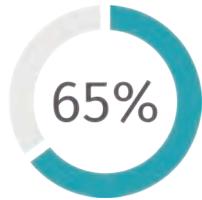
**Veterans face a complex financial transition to civilian life**

To appropriately assess the financial quagmire faced by veterans who are struggling, it's crucial to avoid the temptation to lump them in with the general population of cash-strapped Americans. Yes, these veterans are joined by many other non-military families facing hard times. But the money challenges for military personnel transitioning back into civilian life are not only unique, but multi-faceted. Anyone looking to empathize with this arduous process can think back on the last four or five major financial hurdles they had to navigate and then imagine dealing with them all at the same time.

Distinct financial struggles for those transitioning out a military career can include:

- Difficulties obtaining or maintaining certain types of employment due to physical or mental conditions related to their service
- Spouse's difficulty in achieving career advancement due to past relocations
- Increased expenses due to paying for previous moves out of pocket
- Missed financial communications due to moves resulting in escalating penalties or fees
- Challenges or delays in receiving government benefits

- The need to newly plan for expenses previously covered, like food, housing and healthcare
- A dramatic increase in tax liability
- Existing debt issues related to a higher usage of payday loans and greater willingness to accrue debt while in the military
- A greater likelihood of being targeted for financial scams
- Dramatic changes in social support systems



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Research shows the strain of this turbulent time. According to the Blue Star Families 2021 Military Family Lifestyle Survey, *65% of post-9/11 veteran family members who responded said moving into civilian life was “difficult” or “very difficult.”*

The intricacy behind these difficulties means there is an acute need for financial education at this critical time. Exacerbating the issue may be what multiple researchers have posited is a culture of

reluctance to ask for help among ex-military personnel. Most often in research this issue has been raised in relation to veterans seeking mental health assistance. Hopefully, more studies will be conducted in the years ahead exploring possible reticence among veterans to seek financial help.

### Financial difficulties often start early on

Researchers have found over the years that many veterans appear to manage their money in ways more conducive to overall wellbeing than the general population does. For example, veterans tend to live in poverty at a significantly lower rate than the overall populace.

However, there are also strong indications that many veterans fall between the cracks at a relatively young age and experience recurring or perpetual financial difficulties beginning with the transition from military to civilian life. Various studies have shown that many veterans are sent

out into their post-military life ill-prepared to deal with the complicated nature of adult money management and planning.

It’s understandable that upon being discharged from the military, veterans want to start having the financial life they feel they deserve and that many of their non-military cohorts are already enjoying. Because of the low salaries they received during their military service and the other challenges mentioned previously, veterans may in fact have fewer resources to accomplish those goals. Studies have shown that in addition to a lack of savings, veterans may also have heightened levels of unsecured debt.

As many researchers have noted, most newly discharged veterans are coming off a period of service in which the government made the bulk of their financial decisions for them. This can not only leave transitioning veterans with a lack of knowledge, but a false sense of the scope of the money issues now on their plate.

The Pew Research Center found around a third of veterans struggling to pay their bills, significantly higher than the public in general. With more seasoned veterans typically reporting healthier financial outlooks, the inference can be drawn that many younger veterans are learning financial lessons the hard way.

Supporting this idea is a 2020 survey by the Consumer Financial Protection Bureau (CFPB) finding that *for veterans who served at least 7 months, “delinquencies and defaults are between two and 10 times more likely to appear on a credit record in the six months after separation as compared to the six months before.”*

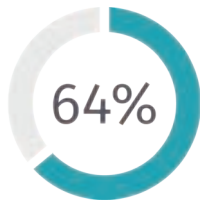
### Certain subsections of the veteran population are more susceptible to financial instability

Findings from the 2018 FINRA Investor Education Foundation’s National Financial Capability Study revealed these factors as increasing the likelihood of a veteran experiencing heightened financial distress:

- Female
- Young
- Married, divorced or separated
- Has financial dependents

Additionally, the Pew Research Center found that veterans without a college degree and those who were enlisted personnel rather than officers experienced a higher incidence of financial stressors.

Finally, Pew discovered that veterans with post-traumatic stress disorder, traumatic brain injury or major depressive disorder had more troubles covering basic needs and were more likely to handle their finances poorly. For example, research published by Pew in 2019 showed that *61% of veterans studied who have post-traumatic stress expressed difficulties paying their bills in the first few years after their transition to civilian life. The number drops to 30% for veterans without the condition.*



said they couldn't make ends meet during at least one point in the past 12 months.

Seeming to confirm these findings are the results of the 2023 Annual Warrior Survey from Wounded Warrior Project. Of veterans registered with the nonprofit, *64% said they couldn't make ends meet during at least one point in the past 12 months.*

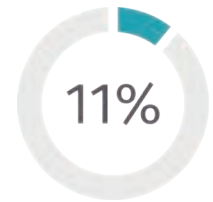
While the reasons for these disparities haven't been fully investigated, it seems clear that veterans meeting these demographic subcategories would likely benefit from enhanced financial counseling and/or education.

### Veterans rely disproportionately on credit cards

Carrying large amounts of ongoing unsecured debt—such as that on credit cards—is usually seen as an indicator of poor financial health. In addition, credit card debt can signal a looming downstream threat of cascading cashflow woes. With this being the case, veterans are showing some scary numbers.

The National Foundation for Credit Counseling recently found that *veterans outpace civilians in the likelihood of carrying over credit card debt each month by a whopping 58% to 34% margin.*

Furthermore, a study by the Financial Industry Regulatory Authority (FINRA) in 2019 revealed that veterans were *11% more likely to engage in poor credit habits—like amassing late fees—than the general public.*



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Veterans back up these troubling findings with their own feedback. The 2021 Blue Star Families Military Family Lifestyle Survey found *veterans citing excessive credit card debt as their biggest source of financial stress, with 30% of respondents singling it out.*

### Financial stress contributes to negative mental health outcomes

Various studies show veterans struggling with mental health at greater frequency than the general population. With this being the case, there is a very real danger of psychological feedback loops as it relates to money woes.

According to a report from the 2016 Forum on Health and National Security, “financial stress directly and indirectly affects servicemembers’ mental and behavioral health as well as servicemember and family functioning.” Not only is mental health impacted, but multiple studies have drawn a direct line between financial problems and physical health issues among former servicemembers.

### Veterans show higher rates of severely negative outcomes from financial hardship

Food insecurity among veterans was at alarming rates even before COVID-19. The US Department of Agriculture (USDA) released data in 2019

indicating *veterans aged 18-64 were 7.4 times more likely to live in a household facing food insecurity, when compared to non-veterans with similar demographic characteristics.* According to the USDA, “food insecurity occurs when individuals have limited or uncertain access to enough food because they lack economic resources.”

*Estimates are that veterans make up between 11 and 20% of the adult unsheltered population, despite only making up 7% of the total adult population.* While the recent trend has seen the number of unsheltered veterans declining overall, this statistic points to a troubling reality of the dire financial hardships experienced by many veterans.

Evidence from multiple studies indicates a link between financial stress among veterans and increased risk of suicide. Pew Research Center research noted that veterans who were unable to cover basic financial needs were three times more likely to experience suicidal ideation than veterans who could meet their basic requirements. Sadly, a 2019 study from the VA indicated an increased occurrence of suicide attempts among veterans with financial struggles.

## Financial education and counseling are needed

A recurring theme in research conducted on financial literacy levels among veterans is that they “don’t know what they don’t know.” Multiple studies have found those who served reporting high levels of money know-how while in reality possessing relatively low knowledge levels.

The National Veterans Technical Assistance Center explains that “many service members and veterans choose not to take advantage of programs, classes, and training offered due to a self-perception of high financial literacy.”

While members of the military are provided with financial education resources to prepare for their life after their service, the tools and guidance often fail to adequately prepare recipients. A 2022 Iraq and Afghanistan Veterans of America

Member Survey found *35% of respondents admitting they weren’t prepared to handle their financial responsibility after transitioning to civilian life.*

According to a 2021 United States Departments of Veterans Affairs study, “continuing to supplement housing assistance... financial education and debt management services are vital to diminishing the risk of future homelessness among Veterans.”

The National Veterans Technical Assistance Center concurred, noting that, “the key to improving the financial stability of service members and veterans is education: to increase financial knowledge and promote positive behaviors.”

## Educational and counseling interventions have been shown to work

A 2016 study led by Dr. Eric Elbogen of Duke University showed that veterans who took part in a one-to-three-hour financial counseling session showed significant improvements in saving, responsible spending and lowered impulse buying, among other positive outcomes.

Bolstering the case for financial counseling, Congress passed into law at the end of 2022 the Homeless Veterans Credit Repair, Enhancement, and Debt Improvement for Tomorrow (CREDIT) Act, which sought to provide for credit and financial counseling aimed at decreasing the number of unsheltered veterans.

## Conclusions

Without a doubt, many veterans are enjoying peace in their financial lives after their active duty has ended. Just as assuredly, though, a



of respondents admitted they weren’t prepared to handle their financial responsibility after transitioning to civilian life.

significant portion of the ex-military population is struggling to integrate healthy financial behaviors into their life.

*Evidence shows that while there is no shortage of resources for veterans looking to enhance their money skills, the current approaches to delivery are failing to connect with certain segments of the veteran population.*

Evidence shows that while there is no shortage of resources for veterans looking to enhance their money skills, the current approaches to delivery are failing to connect with certain segments of the veteran population. More research is needed to understand why those struggling financially are either failing to avail themselves of the help being offered or are unable to implement positive behaviors.

Because the data points to some former servicemembers best learning to improve their finances through counseling after negative outcomes, the best approach for those veterans

may be to bolster and heavily promote crisis abatement resources.

In a perfect world, preventative medicine would stave off all financial problems, but because of the false sense of financial confidence many veterans may possess, a strategy of “meeting them where they are” may be more effective for certain people.

Dr. Elbogen’s research points to promising outcomes for an individualized financial counseling approach to helping veterans. More study of the intervention-based strategy is needed, but the results to date are encouraging as a model for future rollouts.

As the real impact of COVID-19 on the finances of veterans becomes clearer over the coming years, it may become even more readily apparent how important it is for veterans to have financial counselors available and ready to assist.



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