

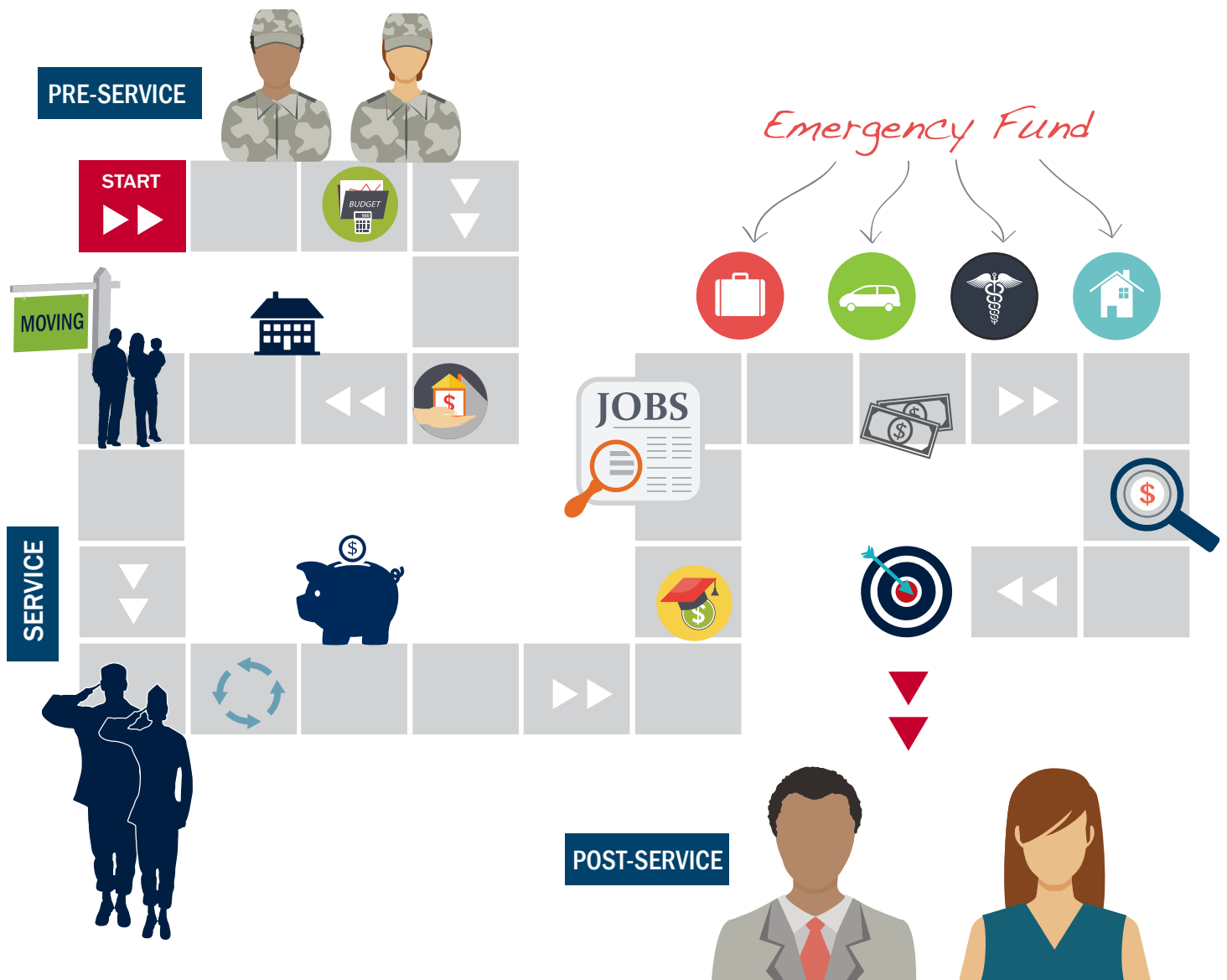
PATHWAYS TO OPPORTUNITY:

Financial Flexibility and Workforce Readiness

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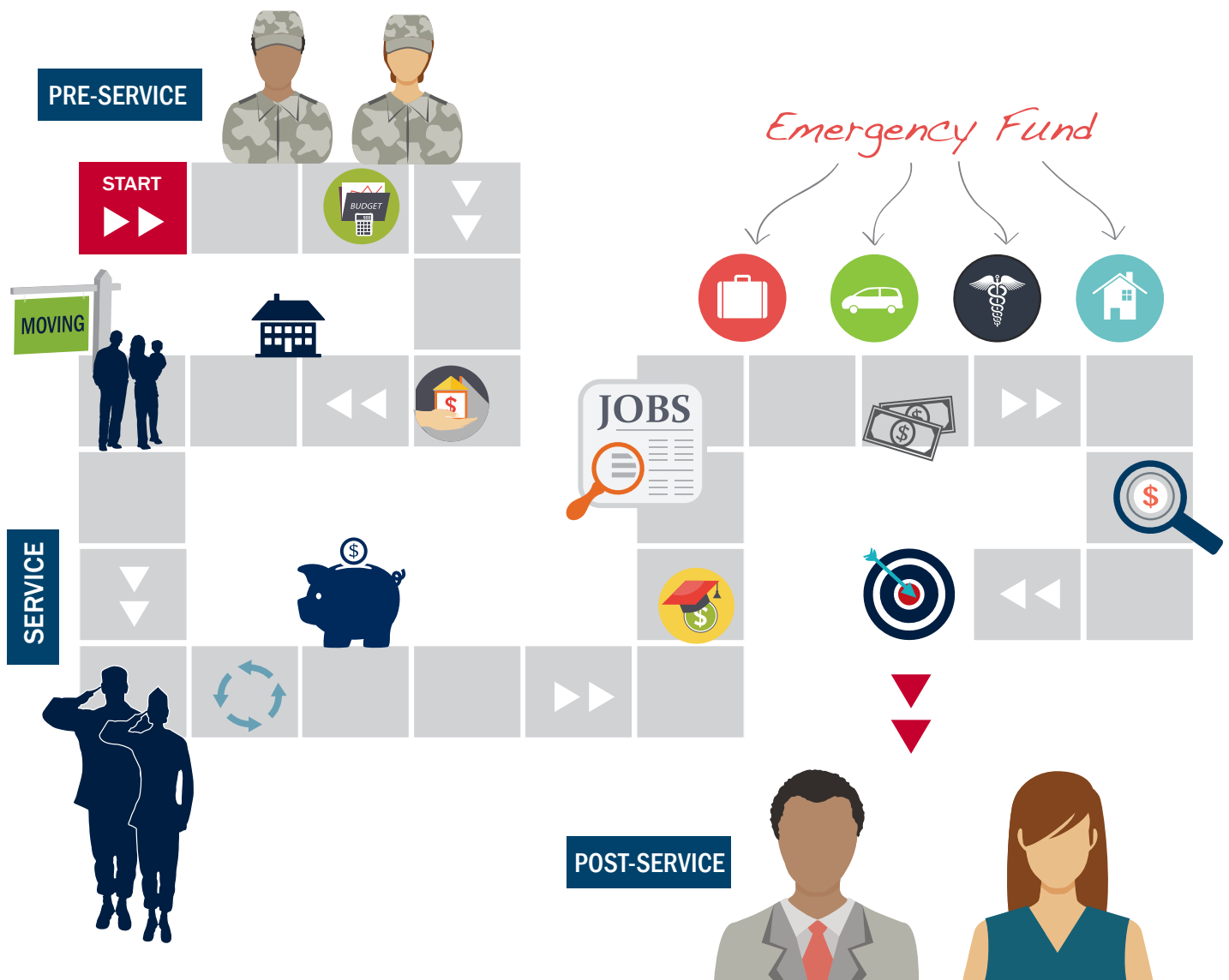
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EXECUTIVE SUMMARY

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My message to transitioning service members is simple: plan early and stay engaged because transition is the mission.”¹

-Department of Veteran Affairs, Secretary Robert A. McDonald



Executive Summary

Financial preparation is an often overlooked component of a service member's transition from the military.

Service members who are financially unprepared for transition, at best, limit their ability to respond to new opportunities, and, at worst, risk their (and possibly their family's) long-term economic well-being from employment gaps or unforeseen emergencies. By comparison, those who are financially ready for their transition will have greater flexibility to make critical choices—related to employment, advanced training, education, relocation, and more—that will have lasting effects on their lives, for better or for worse.

Still, most service members and veterans face atypical financial circumstances—both assets and liabilities—that affect their financial outlook differently than the average person making a career change. Thus, the goal for any service member is to maximize their range of options in transition by capitalizing on their unique assets² (education benefits, intangible leadership skills, etc.) and limiting potential liabilities (limited professional network, advanced education or training) through sound financial preparation.³

This report, the fourth in a series focused on workforce readiness for veterans, shares insights for financial success before, during, and after military life. Titled “Pathways to Opportunity: Financial Flexibility and Workforce Readiness,” the paper highlights:

- **related concepts of financial readiness and financial flexibility, and their connection to long-term workforce readiness;**
- **key factors such as education, employment, and debt that impact financial flexibility over time;**
- **unique military circumstances such as service-connected disabilities, spouse unemployment, and caregiving that may directly impact finances; and**
- **recommendations for veterans and government agencies who are best positioned to positively impact the financial behaviors of service members before and after their transition.**

Approximately half of all U.S. veterans hold a job in the civilian workforce and the majority of the one-million service members set to transition out of the military by 2020 will join the civilian workforce. For these individuals and their families, workforce preparation and vocational planning are critical to ensure family and financial stability during and after transition.⁴

Providing the military community financial readiness skills early and often will increase the likelihood of a successful transition into civilian work life and enable their long-term

economic empowerment. By working together, public, private, and nonprofit sectors can amplify the message that meaningful employment, combined with financial literacy, sets veterans up for success by enabling them to make informed decisions about their finances, benefits, education and careers.

Papers in the Workforce Readiness Series Include:

Paper one, “Work After Service: Developing Workforce Readiness and Veteran Talent for the Future,” marks the first in a series of short papers that will cover several veteran workforce readiness topics to include career preferences, financial readiness, job matching and employer perspectives on retention and workplace performance.

Paper two, “Revisiting the Business Case for Hiring a Veteran,” responds to a recent focus and debate on measuring companies’ return on investment for their veteran hiring programs, and emphasizes how employers can turn veteran talent into a competitive advantage in talent acquisition, talent deployment and talent development.

Paper three, “Workforce Readiness Alignment: The Relationship Between Job Preferences, Retention, and Earnings,” addresses the complex and interrelated relationship between veteran job preferences, skills-matching and performance and positive career outcomes such as retention and earnings.





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Overview and Purpose

This paper, the fourth and final paper in a Workforce Readiness series by the Institute for Veterans and Military Families (IVMF), was conducted with the generous support and collaboration of USAA and builds upon the ideas presented in the other papers in the series. When veterans' finances are in order, they have greater flexibility of choice to pursue meaningful employment opportunities that build their long-term wealth versus their short-term income.⁵ The best-case scenario for a transitioning service member is to quickly find meaningful, lucrative employment aligned with career preferences and military-conferred skills. But this is typically a tall order. The ideal path to meaningful, long-term employment is often elusive and unclear. And financial matters can either unlock or altogether block these pathways.

The primary audience for this paper is active duty service members, veterans, and those charged with helping them financially prepare for their transition, including the U.S. Departments of Defense (DoD), Veterans Affairs (VA), and nonprofit leaders. Employers also play a key role in helping advance veterans' economic opportunity. Through existing collaborative efforts, such as the Veterans Job Mission, the U.S. Chamber of Commerce's Hiring our Heroes Initiative, and the Coalition for Veteran Owned Business, employers can facilitate

hiring efforts and integrate financial readiness components into their work and messaging. Each of these sectors—public, private and nonprofit—can work together to amplify the message that meaningful employment, combined with financial literacy, sets veterans up for success by enabling them to make informed decisions about their finances, benefits, education, and work, both prior to and following their transition.

The purpose of this paper is to define key factors that contribute to military family financial readiness—prior to transition—so that service members may exercise control over their finances and optimize their choices at transition to optimize economic opportunity and minimize the risk of financial hardship. **This paper is organized into four sections:**

- 1 key concepts such as financial readiness and financial flexibility and how they apply to veteran workforce readiness,
- 2 key factors such as education, employment, and debt that impact financial flexibility over time,
- 3 unique issues pertinent to the military experience including: service-connected disabilities, spouse unemployment, and caregiving, and
- 4 recommendations for veterans and government agencies who are most likely to impact the financial behaviors of service members before and after their transition.



THE WORKFORCE READINESS SERIES

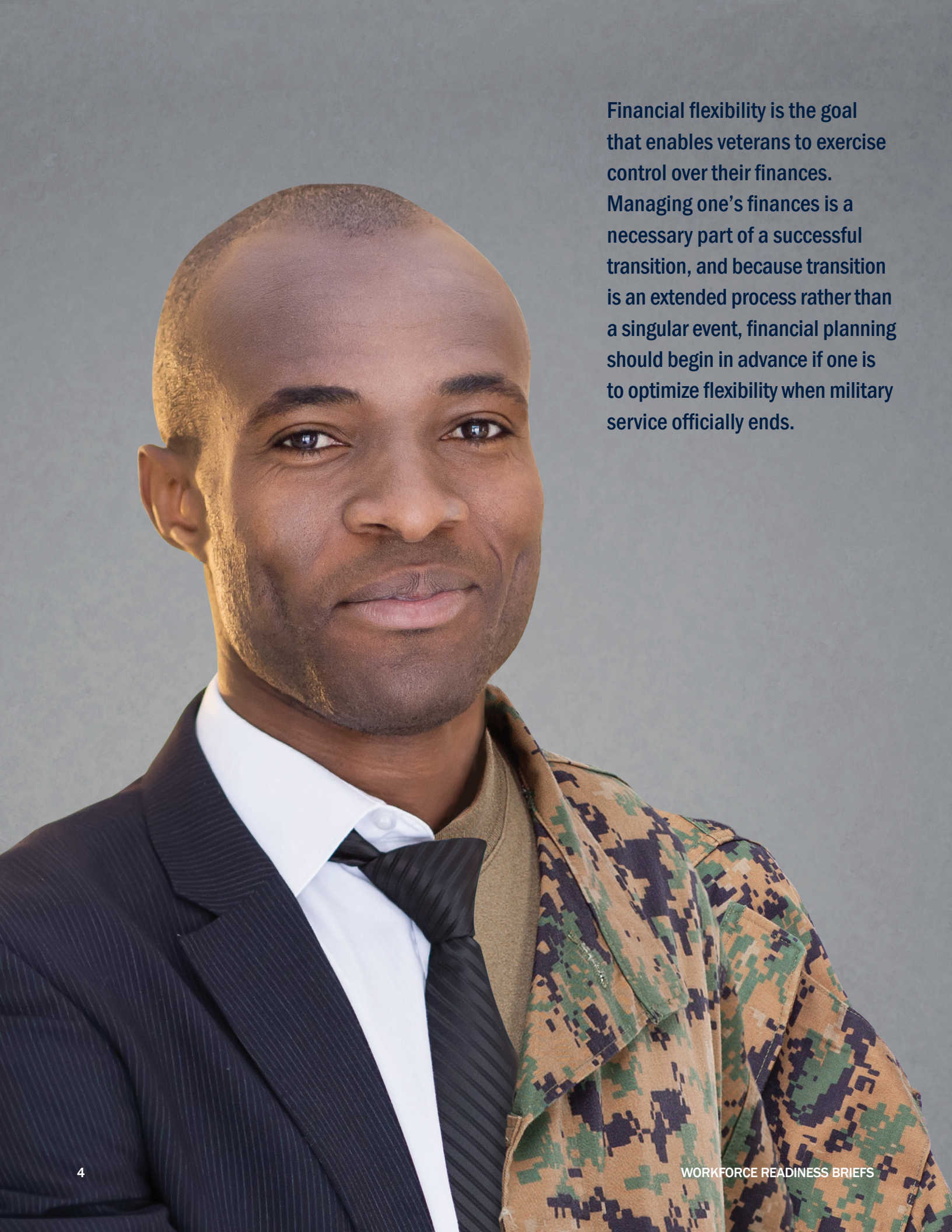


PAPER ONE: defines workforce readiness as it pertains to the unique relationship between veterans and employers.

PAPER TWO: revisits the business case for hiring veterans, asserting that businesses generate the most value from hiring veterans when their rare, valuable, and differentiating military-conferred skills are leveraged proactively and strategically.

PAPER THREE: examines data that indicates an alignment between a veteran's military-conferred skills and those sought by an employer that utilizes those skills leads to improved retention, earnings and salaries over time.





Financial flexibility is the goal that enables veterans to exercise control over their finances. Managing one's finances is a necessary part of a successful transition, and because transition is an extended process rather than a singular event, financial planning should begin in advance if one is to optimize flexibility when military service officially ends.

Introduction

The term “financial readiness” captures a combination of individual knowledge, behaviors, and access to and use of financial resources. Financial readiness is a term primarily used within the military community to link, semantically, sound financial planning and preparation to military readiness. The closest comparable civilian terminology is “financial capability.”⁶

Financial readiness and workforce readiness are also related, though their relationship is less obvious. Financial readiness, prior to and during transition from the military, enables veterans to make choices about their life after service, especially with respect to employment and education, that might not otherwise be possible. Finances impact the well-being of transitioning service members and their families,⁷ and it is critical to address finances proactively as a core part of the military transition process.

Why is financial readiness important for veterans? Employment decisions are generally the most central to transitioning veterans. Financial readiness accomplishes two important goals central to a successful military transition:

- 1 providing a veteran financial flexibility to navigate a more preferred pathway to the career that maximizes lifetime earnings versus the alternative of taking the first job available; and
- 2 helping the veteran maximize wealth, manage setbacks, and avoid financial hardships.⁸

A holistic approach to veteran finances is critical as it acknowledges the interrelated and reciprocal nature of issues such as housing, employment, and education that impact veteran finances.⁹ While this paper addresses only a portion of those issues, the premise is that transition is a long-term process rather than an event. Financial flexibility is the goal that enables veterans to exercise control over their finances.

Veterans and service members face atypical financial circumstances—both assets and liabilities alike—that affect their financial outlook. It is important, thereby, to imbue financial readiness training into all phases of the military lifecycle so veterans have the knowledge and financial flexibility to adjust to economic conditions in service and thereafter. Because managing one’s finances is a necessary part of a successful transition, and because transition is an extended process rather than a singular event, financial planning should begin in advance if one is to optimize flexibility when military service officially ends.

FINANCIAL READINESS ACCOMPLISHES TWO IMPORTANT GOALS CENTRAL TO A SUCCESSFUL MILITARY TRANSITION:

- 1 Providing a veteran financial flexibility to navigate a more preferred pathway to the career that maximizes lifetime earnings versus the alternative of taking the first job available.
- 2 Helping the veteran maximize wealth, manage setbacks, and avoid financial hardships.

THE CONTEXT

Only a small percentage of service members remain in the military for the duration of their work life.¹⁰ The majority eventually transition and pursue civilian employment. Today, more than 11 million people,¹¹ representing approximately half of all U.S. veterans, are active participants in the civilian labor force. Of post-9/11 veterans, 81 percent are participating in the labor force,¹² and one million service members will transition to civilian life by 2020.¹³ While some will successfully navigate the transition from military service to a civilian job,¹⁴ others may experience a period of unemployment once they transition, underscoring the importance of financial preparation. For example, one out of two (53%) separating post-9/11 veterans will face a period of unemployment with an average length of 22 weeks.¹⁵ For all these individuals and their families, workforce preparation and vocational planning are critical to ensure long-term family and financial stability. In fact, a recent longitudinal study of active-duty military spouses found that spouses with better financial conditions report higher satisfaction with the military way of life, and that improvements in financial condition positively impacts satisfaction with the military way of life. The same study also found that financial condition and financial saving are positively related to spouse support for their service member to stay on active duty, ostensibly impacting retention.¹⁶ Yet, financial readiness is an overlooked component of a successful transition even though there is some evidence that both financial literacy and meaningful employment may both be powerful factors in promoting veteran well-being and quality of life.¹⁷



I strongly believe every branch should invest the time to teach new recruits money management. This would ensure financial safety to not only our currently active service members, but also for future veterans giving them the ability to utilize the great opportunities afforded.”

-Air Force veteran

The extent to which one is financially ready at the point of transition can determine the degree of choice one has to realize the personal and professional opportunities that exist beyond the military, including education, employment, entrepreneurship, volunteerism, additional public service, travel and more. In fact, a recent study that surveyed more than 8,500 veterans found that 49 percent said they joined the military to pursue new experiences, adventures or travel. The same survey also found that 40 percent of veterans had experienced financial challenges during their transition.¹⁸

These numbers suggest that the dreams, adventures and experiences that may have attracted veterans to the military in the first place may be challenging for some veterans to realize afterward. Conversely, there is some evidence that poor financial practices have negative consequences and supports the need for institutionalized financial literacy training throughout the duration of a service member's career, as well as throughout the transition process. Although some financial components are included in the recently revised transition assistance program provided by the U.S. Department of Defense (DoD), only recently has there been more wide-reaching recognition that it may be important to systematically include information about finances and transition earlier and throughout the military lifecycle.¹⁹ To frame the discussion, consider the following:

- Eighty-one percent of post-9/11 veterans participate in the labor force.²⁰
- Civilian employment choice impacts salary, earnings, and retention,²¹ all of which may have an indefinite and often pervasive impact on financial security after the military and often influences all other decisions.
- Financial flexibility allows veterans to successfully navigate their transition and all of its unknowns (unexpected costs, time to find employment, ability to leave first job as desired, ability to pursue education, ability to pursue entrepreneurship, etc.) while minimizing hardships or risks.

Paradoxically, although the military lifestyle is often considered highly uncertain and fraught with risk, military life—at least where finances are concerned—is relatively stable. Service members, for example, receive steady pay and generous benefits that often exceed those provided by civilian employers.²² Likewise, upon entering the military, service members specialize in careers that have circumscribed pathways that are largely predetermined early in one's career, assuming one can perform as expected. With regard to finances however, some veterans at transition may, for the first time, have to actively manage their finances, understand the benefit options that are available to them, and navigate fluctuations in their income and understand how their income is taxed.

FINANCIAL FLEXIBILITY

enables veterans to not only navigate unknowns encountered during transition but also respond to opportunities such as education, job offers, geographic relocations and family responsibilities with maximum flexibility.



Defining Financial Readiness for Veterans

FINANCIAL FLEXIBILITY REQUIRES PLANNING AND FORETHOUGHT

In thinking about veteran transition and the associated financial implications, one useful concept to consider is “financial flexibility,” an accounting term used to describe a company's ability to react to unexpected expenses and investment opportunities. But how does financial flexibility apply to transitioning service members and veterans?

Here, we apply the term to personal finances, specific to veterans during transition, and suggest that financial flexibility enables veterans to not only navigate unknowns encountered during transition but also respond to opportunities such as education, job offers, geographic relocations, and family responsibilities with maximum flexibility. Such flexibility minimizes a veteran's risk of financial distress while maximizing the probability of finding attractive employment. We posit that for service members and veterans, there are certain behaviors they can engage in over time that will lead to greater financial flexibility at transition. Ultimately, the goal in highlighting these behaviors is to show how a range of positive financial habits, if practiced over time, will improve a service member's ability to make choices at transition. Examples of these behaviors are outlined in Figure 1.

Figure 1

BUILDING FINANCIAL FLEXIBILITY		
FINANCIAL READINESS BEHAVIOR	GENERAL EXAMPLE	VETERAN-SPECIFIC EXAMPLE
The ability to react to unexpected or unanticipated expenses.	Having ample savings or emergency funds.	Having a transition savings fund in addition to emergency savings (e.g. money saved to handle both emergencies and to cover potential financial issues during transition, including unemployment, underemployment, or for educational needs).
The ability to cover existing expenses and to respond to financial and employment opportunities.	Having ample savings or discretionary funds and the ability to apply for loans or credit.	The flexibility to weigh the pros and cons of job offers in a desired location, and the ability to complete educational or certification programs and meet other expenses in case of a period of unemployment.
The knowledge to leverage existing benefits and respond to changes in benefits.	Having savings to recover shortfalls from benefit changes and leveraging available benefits.	Staying abreast of benefit changes and their financial consequences. Understanding the cost of healthcare and other benefits after military separation or retirement.
The knowledge to make informed financial decisions.	Minimizing excessive debt, understanding interest rates, practicing good saving habits, using a budget and living within one's financial means.	Choosing educational programs with a good return on investment (e.g. job prospects, potential for employment). Reducing expenses during periods of transition or unemployment.
Minimizing excessive debt.	Understanding debt and minimizing credit card debt.	Avoiding payday lenders, making good educational investments, and leveraging all available benefits and VA home loans.
The flexibility to adjust to changes in geographic location after transition.	Understanding cost of living, tax advantages, and job market conditions.	Understanding state tax benefits for veterans and in-state tuition rates.
The ability to adjust to changes in employment, family income and salary over time.	Having realistic expectations about salary changes after transition and planning proactively.	Understanding the impact of alignment between education, MOS and earnings over time.
The ability to address educational or certification deficits that might require a period of unemployment.	Having awareness of available educational options, their costs, benefits, and planning to allow time to complete them.	Leveraging veteran and service member specific educational benefits, reducing expenses temporarily, relying on an employed spouse's income and transferring benefits to a spouse when appropriate or financially beneficial.



Most folks are not financially ready to separate or retire.”

-Air Force veteran

BALANCING PERSONAL ASSETS AND LIABILITIES UNIQUE TO VETERANS

Veterans can maximize their financial flexibility by understanding how to leverage all their advantages—including tangible assets such as educational benefits to intangible assets such as their military-conferred “brand” and skills such as leadership, adaptability, and teamwork—to accelerate their financial success.²³ On the other hand, veterans also have some unique liabilities (few financial assets, debt, poor professional network, dependents, diminished professional opportunity for spouses, service-connected disabilities) that can be barriers to that success. **Financial flexibility is achieved when veterans can maximize assets and minimize liabilities to their advantage.**²⁴

Military service presents service members and veterans with specific financial challenges at times. At the point of transition, service members and their families are typically faced with more life choices and financial decisions than they may be accustomed to while serving. Veterans have a plethora of resources to assist them in their transition, but choosing among those options has significant financial implications—education, employment (and spouse employment), geographic location, and healthcare, among others. Moreover, financial planning resources are more limited, with most of them focusing on employment rather than finances specifically. Thus, one poor choice can have lasting negative consequences (e.g., debt, poor credit, and unemployment).

Additionally, transition choices may be experienced as stressors if the service member and their family is unable to leverage their assets because they are financially unprepared, do not have the financial means to react, or have not accessed

the information in time to make thoughtful or informed financial decisions (e.g., choosing where to live, if education is needed, how to cover expenses during a period of unemployment or underemployment). Service members may also be predisposed to think about their transition as an event rather than a process, so they may inadvertently make shortsighted decisions or offer poor advice about their finances simply because they do not recognize the advantages or need for advance preparation. In sum, being financially prepared while transitioning from the military is desirable but unlikely without advance planning or preparation.

TREAT TRANSITION AS A JOURNEY RATHER THAN AN EVENT

The Military Transition and Its Relationship to Financial Flexibility

Service members, unlike their civilian counterparts, often enter the military with the presumption that eventually, they will transition into the civilian workforce. Decisions can be made in advance when one is aware that a move to civilian life is pending. For others, their transition may be unplanned or unexpected, but realistically, even when transition is expected, many service members may not prioritize, care, or even be aware of the need to plan in advance. Still, others may not have the financial means to save extensively. Figure 2 shows some of the possible consequences of planned versus unplanned transitions.

Some service members view military service as their one and only career path, yet only a fraction remain in the force long enough to receive a full pension. For example, in 2015:

- 29.3 percent of all military separations were due to retirement;
- 25.5 percent of military separations were involuntary; and
- 44.8 percent of military separations were voluntary.²⁵



Knowledge or foresight that transition from military service will eventually occur does not necessarily translate into relevant or timely preparation. Some service members may erroneously assume, or are taught, that advance preparation for a civilian career is unnecessary. This is likely exacerbated by the fact that a service member's peer group may consist of other service members who have not yet experienced the transition themselves.

Figure 2

VETERAN TRANSITION: PLANNED AND EXPECTED VS. UNPLANNED AND UNEXPECTED



POSITIVE

EXPECTED AND PLANNED

The veteran was expecting to transition and planned for it.

Examples:

- Veteran has prepared financially.
- Veteran is workforce ready (has industry recognized certification or education or has secured employment).

EXPECTED AND UNPLANNED

The veteran was expecting to transition but did not plan for it.

Examples:

- Veteran may be at risk for financial difficulties and may be exhibiting poor financial literacy skills.
- Veteran may need access to resources such as education, certification, and information about how to expedite their benefits.



NEGATIVE

UNEXPECTED AND PLANNED

The veteran was not expecting to transition but planned financially.

Examples:

- Veteran maximized benefits.
- Veteran identified resources for certification or education and had a transition savings account.

UNEXPECTED AND UNPLANNED

The veteran did not know they were transitioning and did not plan for it.

Examples:

- Veteran may be at risk for financial difficulties, which is also associated with adjustment problems.
- Veteran may be most in need of financial and employment assistance.

Service Members Need Time to Devote to Transition Tasks

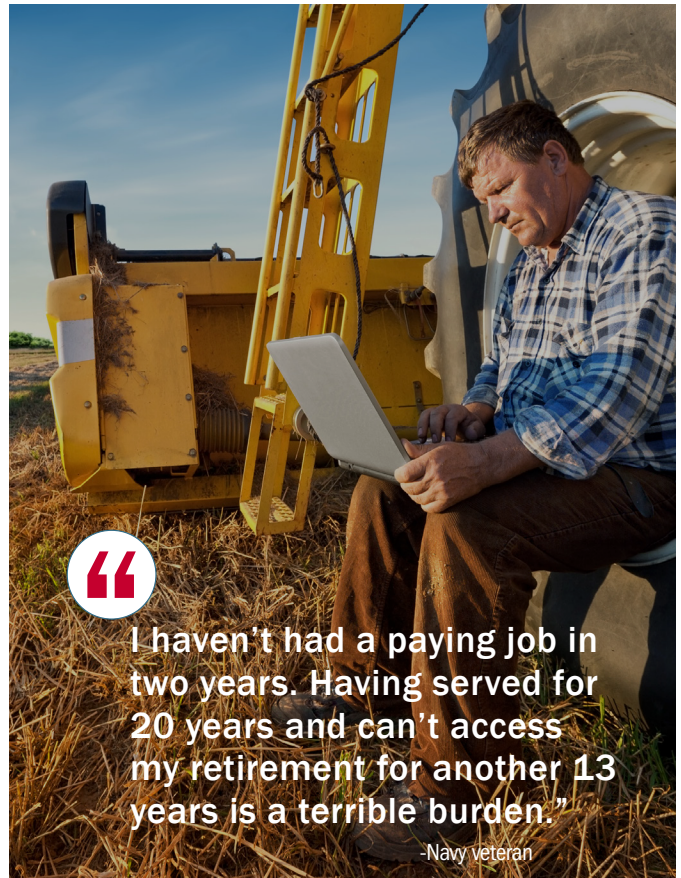
The opportunity to prepare financially is a liability when time is limited or if it is compressed. Optimally, preparation should begin early in one's military career to allow for incremental planning, balancing the financial, time, and opportunity costs of various post-transition choices, and to allow for the planning that informs decisions about education, certification or available benefits. Data collected from the 2015 Blue Star Families' Annual Military Family Lifestyle Survey showed that among veteran participants:

- 28 percent described their overall transition from active duty to veteran status as either "difficult" or "very difficult;"
- 40 percent described their employment transition as "difficult" or "very difficult;" and
- 41 percent indicated that their finances were either a "difficult" or "very difficult" aspect of their transition.²⁶

One liability worth noting is the fact that service members often have demanding schedules that do not necessarily wane as separation from the military approaches. Military schedules, including deployments, training, overseas assignments, and unpredictable work schedules may interfere with participation in preparatory activities such as school, certification programs or networking opportunities that could expedite a smooth transition. In theory, anticipated transitions from the military could allow a service member to plan and pace some preparatory activities. However, service members are increasingly transitioning without the benefit of planning, which can lead to a compressed preparation period and a missed opportunity for advance financial preparation—some of which would only be possible over time. Understandably, a compressed or unanticipated transition may lead to making short-sighted decisions with long-term consequences. This could include choice of job, location, or choices about educational options that may or may not lead to a desirable or optimal outcome financially.

Basic Financial Literacy is Needed, Especially for High Risk Groups

Given these findings, it makes sense for all service members to develop an emergency savings plan, as well as additional savings to provide a cushion to ease transition stress, especially if there is a period of reduced income or unemployment. Practically speaking, savings may be difficult or impossible for some service members and veterans since some do not have extra money to apply to savings and many have incurred debt. Over-indebtedness is inversely correlated with one's satisfaction with personal finances,²⁷ and as Figure 3 shows, veterans who reported using a higher percentage of their income to pay off debt also reported difficulty



I haven't had a paying job in two years. Having served for 20 years and can't access my retirement for another 13 years is a terrible burden."

Navy Veteran

transitioning. Analysis of data, collected from the 2014 Blue Star Families' Annual Military Family Lifestyle Survey, also found that those who reported higher credit card debt also reported a more difficult military transition.²⁸

As a group, enlisted service members (particularly junior enlisted and non-commissioned officers, E1-E7) tend to earn the least, have the least disposable income and may have acquired more debt. As a result, early planning is especially important. Consequently, those with lower salaries have more difficulty finding reserves to apply to their savings, making it more important to try to accrue savings over time. When taken together with other data examining employment across age groups, younger veterans (especially those who are 18-24 years old) have significantly higher rates of unemployment.²⁹ In addition, some research has shown that enlisted personnel who enter the civilian workforce are among the most likely to see a drop in their earnings when they leave the military, and the difference becomes more pronounced the longer they serve.³⁰ However, the difference between veteran and non-veteran unemployment decreases with age and time separated from active duty service.³¹

ANALYSIS OF FINANCIAL WELLNESS AND TRANSITION

KEY HIGHLIGHTS

- ✓ Using data from the 2014 Blue Star Families' Annual Military Family Lifestyle Survey, a credit card debt-to-income ratio was calculated for veterans and military spouses who have transitioned. The survey found the higher the ratio, the more debt the respondent has.
- ✓ Overall, the more difficult the transition, the higher the credit card debt-to-income ratio.

A debt-to-income ratio was calculated for veterans and military spouses who have transitioned. This ratio is the percentage of outstanding credit card debt relative to income. The higher the ratio, the more debt the respondent has relative to their income (note this is a relative measure, not absolute).

The debt-to-income ratio was analyzed with the transition question: "How would you describe your transition from active duty to veteran status?" The responses ranged from "Very difficult" to "Very smooth." The figure below presents the mean values of the debt-to-income ratio for each of the response options available for the transition question.

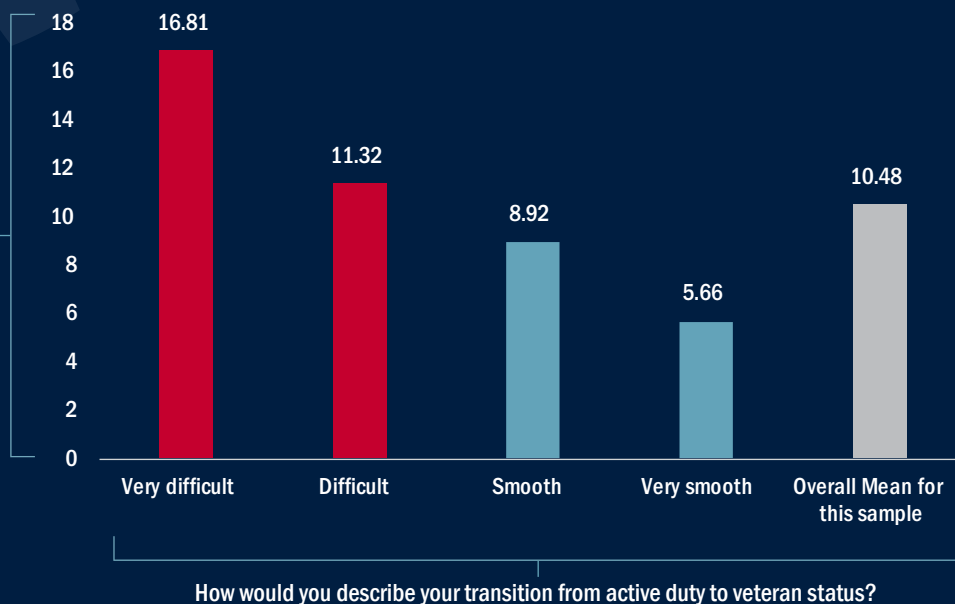
The overall mean of the debt-to-income ratio for this sample (10.48) is also included in the figure. Overall, the ratios of credit card debt to income increases the more difficult the transition from military to civilian life. Thus, this suggests that high credit card debt-to-income ratios may make transition from military to civilian life more difficult.

TRANSITION FROM MILITARY TO CIVILIAN LIFE AND RATIO OF CREDIT CARD DEBT TO INCOME

Figure 3



Ratio of Credit Card Debt to Gross Annual Household Income





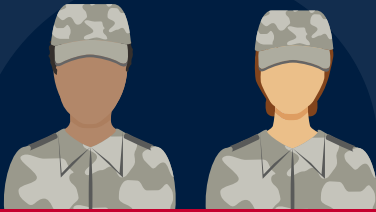
TAP [transition assistance program] needs to start on day one for enlisted soldiers who do not get the personal, professional and financial mentorship given to officers and who are not recognized as leaders in the civilian market and therefore do not qualify as management.”

-Army veteran

The combination of an inability to accrue savings, the potential for accumulation of debt, and the possibility of unemployment suggests that the 18- to 24-year-old age group is one of which targeted financial strategies may be especially helpful. In addition, because of their age, this same group may have less experience managing money or lack basic knowledge about finances (e.g. saving vs. investing, using a budget, understanding interest rates). In fact, those service members whose pay grade was below O-3 (a junior ranking officer) or lower than E-7 (a junior non-commissioned officer or below) were more than three times as likely to report financial distress.³²

Some veterans struggle to meet their basic needs and expenses. For these service members, economic prosperity or financial opportunities are simply not their immediate

concern. Rather, they may be preoccupied with paying bills and covering basic expenses (e.g., food, rent, utilities). A 2012 study of 1,288 Iraq and Afghanistan war veterans showed an association between financial difficulties and post-deployment adjustment. The same study also found that veterans who had enough money to meet their basic needs were less likely to report adjustment issues (e.g., criminal arrest, homelessness, substance abuse, suicidal behavior, and aggression).³³ In addition, veterans are not insulated from changes in the overall economy, which impacts veterans (albeit differently in some cases) just as it does civilians. Some financial practices are targeted directly at service members and veterans, such as predatory lending, to exploit possible financial mismanagement, inexperience, or other vulnerabilities.³⁴



TARGETING MILITARY PERSONNEL AND VETERANS' BENEFITS: Unfair and Predatory Practices Limit Financial Flexibility



HIGH-INTEREST LOANS, OVERDRAFT PROTECTIONS, AND ACCUMULATED COSTS

Military personnel are a target for predatory lending. Efforts have been made to reduce predatory lending practices directed toward the military community, but some deceptive practices still occur. In 2007, the Military Lending Act limited interest rates to 36 percent of the APR on many payday-style loans, but similar protections do not exist for overdraft charges. There are now protections in place that limit interest rates for products such as payday loans, but some service members accrue debt through overdraft protections (typically an “opt-in” option), which causes the service members to incur large fees that can accumulate over time, especially if the consumer isn’t monitoring their account and does not immediately recognize a problem. Critics suggest these fees are similar to short-term loans with high interest rates. Educating military consumers about these products, how they work and how to proactively avoid paying accumulated fees (e.g. by opting out of overdraft protection options and/or regular monitoring of accounts) could help military families avoid debt and unnecessary costs. Additionally, proactively saving (even small amounts), budgeting, establishing realistic spending habits and distinguishing between “wants” and “needs” can help service members, veterans, and their families avoid unnecessary and expensive fees.

SOURCE: <http://time.com/money/3577387/predatory-lenders-military-veterans/>



HOUSING LOANS

Downturns in the housing market have impacted many military families. For example, when they receive orders to move, some military families are (1) unable to sell their home for enough money to pay off the mortgage, (2) can’t rent their home for enough to cover their mortgage payments, (3) are told they can’t get a loan modification or short sale because they’re not yet delinquent on their payments, or (4) the interest rate on a refinance loan is too high because the property is not considered their principal residence once they leave. The Consumer Financial Protection Bureau (CFPB) has reported some positive movement on this issue. For example, the Treasury Department has issued new military-related guidance for its Home Affordable Foreclosure Alternatives (HAFA) program, and Fannie Mae and Freddie Mac are adjusting their guidance. Little is known about how veterans are impacted around their housing at transition, making this an area ripe for future research. It also is worth noting that some advisors argue that VA home loans for active soldiers are sometimes not advisable because it decreases financial flexibility (because the veteran cannot access the benefit during transition if it is being used for a loan taken during active duty).

SOURCE: <http://www.consumerfinance.gov/about-us/blog/protecting-military-members-from-predatory-lending/>



STUDENT-LOAN DEBT

The government provides two important educational benefits to service members: The Tuition Assistance program for service members on active duty, and the GI Bill. Veterans want and need post-secondary education, but this desire for education has been exploited by unscrupulous for-profit colleges. Until recently, some for-profit colleges were taking advantage of loopholes in the way the educational benefits were administered, using it as an incentive to exploit service members. They have deployed aggressive marketing techniques to encourage enrollment, requiring some veterans to incur debt from private loans to cover expenses not covered by federal grants (e.g., the full cost of tuition). For some service members this can lead to significant educational loan debt and the completion of unmarketable degrees. The Department of Education recently began to impose stricter regulations on this type of exploitation, including the de-recognition of the Accrediting Council for Independent Colleges and Schools (ACICS), and the primary accrediting body for many for-profit institutions, in order to protect those students impacted by predatory practices.

SOURCE: <http://www.military.com/education/2016/09/27/federal-government-deals-another-blow-to-for-profit-colleges.html>

WHAT WE KNOW ABOUT TRANSITION, AND HOW TO PREPARE FINANCIALLY

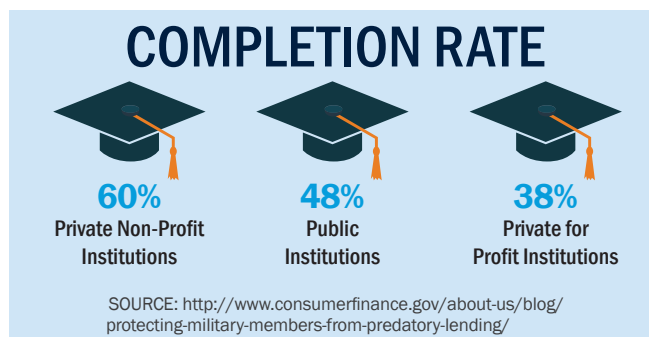
Most Transitioning Service Members Do Something Different in Their Civilian Career: Access to Education and Upskilling are Key Assets for Veterans

Saving money is one strategy to plan for transition. Planning for education and training is another. Educational opportunities provide veterans and service members with tangible training, a common point of reference for civilian employers, and a bridge from their military experience to the civilian workforce. Education can assist in the readjustment to civilian life by enabling exposure to resources and opportunities missed because of their military service. On a broader level, access to education helps to develop a more highly educated and productive national workforce. Likewise, educational benefits for military service members and their families also are meant to provide a tangible way to help the Armed Forces recruit and retain members.

Education is an important workforce readiness tool because a college degree provides a recognizable reference point for employers to assess job candidates. Moreover, college or university education allows veterans to access an alternative network of civilian mentors and peers, including classmates, professors and university-based career services where exposure to resources, people, and job search tools may differ from those confined to military settings. In sum, transitioning service members are entering the workforce armed with robust educational benefits that enable hiring, advancing or retaining veteran talent.

The Post-9/11 GI Bill and Other Educational Benefits

The very purpose of pursuing an education is to increase the potential to pursue additional careers, job opportunities, and increase income or professional advancement. Education is often a top reason why service members join the military.³⁵ Veterans and their families have access to robust educational benefits including the Post-9/11 GI Bill, Tuition Assistance and the Yellow Ribbon Program in which many states participate.³⁶ As of 2014, there were more than one million users of the Post 9/11 GI Bill benefit, which significantly increased the higher-education benefits available to those who served on active duty after September 10, 2001.³⁷ In fact, 58 percent of the Post-9/11 GI Bill beneficiaries are under the age of 25. Ninety-two percent of veterans use the benefit themselves compared to eight percent who transfer the benefit to a family member.³⁸ Records from the U.S. Department of Veterans Affairs (VA) reveals that in 2014 there were 1,088,411 GI Bill users. This total number of GI Bill users represents less than half of eligible veterans and about \$12 billion per year in benefits and covers higher education and training, licensing, and credentialing programs.³⁹



Both during and after service, service members have access to generous educational benefits. However, some veterans report problems or barriers to their education that may hinder their pursuit of education, including the lack of financial resources, personal or family obligations, expiration of their GI Bill benefits, health or disability issues, or conflicts between job and school.⁴⁰ Many veterans are using, or plan to use, the Post-9/11 GI Bill benefit (if not transfer it to their spouse or child), but student veterans (often a transitioning service member) are often older, married and must work while continuing their education.⁴¹ In essence, education can provide a bridge from the military to civilian work, but only if veterans are able to access it prior to their transition or instead of and need for civilian employment.

Return on Investment

Educational decisions are complicated because there are a variety of options, but only some choices enable veterans to attain their educational goals within the context of their military service. With regard to education, veterans may differ from their civilian counterparts on a number of characteristics. For example, student veterans are often older when they enroll in school, and they are more likely to have dependent family members. Veterans also frequently come to the classroom with significant work experience. Likewise, many experience interruptions in their education due to PCS moves, unexpected deployments, or because of difficulties balancing work, school and family life.⁴² The return on investment for education is generally positive, but service members must weigh a number of different factors including the cost, time away from paid work, and the number of years they are likely to work against the level of income they believe they can attain to recover the costs.⁴³

Research suggests that there are large differences in earnings by college quality.⁴⁴ Providing service members with information to help them select an institution will help them optimize the use of their education benefits. The likely return on investment for education might include factors such as the balance of total accumulation of education debt against projected lifetime earnings, and access to civilian networking opportunities and civilian employment services.

Educational Debt

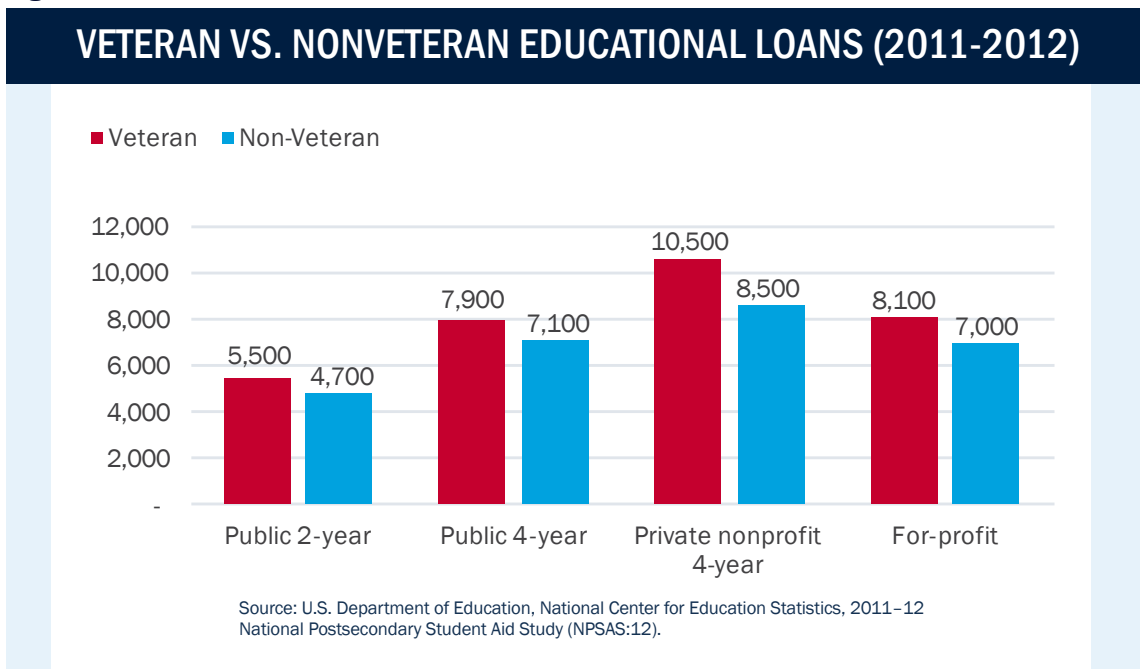
The amount of education debt upon graduation and/or school completion can be helpful in predicting a veteran's ability to purchase a home, accrue wealth, save for emergencies or set aside money for retirement.⁴⁵ As Figure 4 shows, veterans are accruing debt beyond their GI Bill and other educational benefits. It is unknown whether veterans understand their educational benefits or if they are maximizing those benefits when they attend school. What is known, however, is that they are accruing debt beyond what those benefits cover. Evidence suggests that historically, for-profit colleges have been tied to veterans' educational debt levels through aggressively recruiting veterans into programs to gain federal funds.⁴⁶ Until recently, some for-profit colleges were exploiting a funding loophole and were receiving 100 percent of their funding from the federal government until a recent bill closed it.⁴⁷

Preparation

Many veterans (about 55 percent in a recent IVMF survey) pursue careers different from those they held in the military.⁴⁸ However, it is still unclear as to the type of career they would like to pursue. For those wishing to pursue a career different from their work while serving, or for those transitioning from military careers that do not have a civilian equivalent (e.g., combat arms), an education, certification or some type of job-related experience is often necessary to prepare for and secure employment.⁴⁹

Assets veterans have access to include a formal education and industry recognized certifications compatible with or similar to those in the civilian world. When states work to minimize barriers to recognize already completed military certifications, or remove barriers to achieve the civilian equivalent, they enable the transitioning veteran to quickly and seamlessly leverage the qualifications they have already earned while focusing their resources on other skills, certifications, or workforce readiness gaps. At the federal level, a number of efforts have focused on these certification-related issues.⁵⁰

Figure 4





- Prior preparation facilitates job match-making and transition. Those who felt strongly that they were “well-prepared to successfully navigate the transition from military to civilian life” had a job that (1) matched their preferred career field, (2) matched the occupation for which they were trained while in the military, and (3) recognized their veteran/military status to obtain their job.
- Finding an employment fit is a learning process that takes time. Opportunities for service members to learn about civilian careers may accelerate the process and their success. Veterans are more likely to work in their preferred career field over time, as well as in each subsequent job after their first civilian job, likely due to the accumulation of experience. This implies that relevant work experience, gained prior to military transition (e.g. pre-military employment or training programs such as DoD SkillBridge or Onward to Opportunity,) may provide accelerated pathways for separating service members to secure a job and ultimately find a fit in their preferred career field.

Read more from the third paper of this series: [“Workforce Readiness Alignment: The Relationship Between Job Preferences, Retention, and Earnings”](#)



Creating flexible pathways (e.g., apprenticeships, internships or other on-the-job experiences) allows transitioning service members to work and gain invaluable industry-specific skills while finishing their bachelor's or master's degree and may prove a valuable investment from a workforce development perspective. Additionally, it may help to minimize the time it takes for veterans to find employment in general, along with employment that matches their career preferences.

SALARY, INCOME AND WORKFORCE ALIGNMENT

While veterans of previous eras have not always benefited financially from their prior military service, the preponderance of evidence on post-9/11 veterans is that although their income immediately following transition may be negatively impacted (e.g. they experience a decline in income), over time their pay is positively impacted by military service. Likewise, over time their salary and earnings are on par with civilians with similar education and work experience.⁵¹

However, post-9/11 veterans may also experience other shortfalls, such as a loss of income immediately following their military transition, income that may not be recovered until they have gained additional experience, seniority, and perhaps further education or civilian certifications. These shortfalls may also be impacted when the point of transition intersects with a poor overall economy. For example, when the economy is poor, veteran income decreases after transition, and financial recovery may take longer.⁵² A financial shortfall, even if temporary, requires planning and preparation. The current context, which includes uncertain and unpredictable benefit changes, military downsizing, rapid workforce changes, and high rates of military spouse unemployment, all have discrete financial impacts for transitioning service members, veterans and their families.

The financial impacts of these circumstances have not been explored in-depth and lead to the impetus for this current paper series. Considering career field preferences and existing skills in a job search also helps facilitate a smoother transition from military to civilian life or to a new career. Veterans who secure employment in their preferred career fields exhibit longer average job tenure, higher salary and greater perceived quality of life.⁵³

RETENTION

Employers can help veterans realize their financial goals by being cognizant of the factors that appear to influence retention of veterans in the workplace, including establishing a workplace culture that openly values veterans' skills, matching veteran hires based on career preferences and abilities, and by proactively leveraging their military-conferred skills, which ultimately benefits the business by improving its own bottom line. This may also serve a secondary but equally



important goal ensuring veterans are not experiencing underemployment.

Career preferences, military background, and employer use of military skills all matter to retention. Being in one's preferred or desired career field is an important factor that determines the best employment match for a transitioning veteran. Prior military occupational specialty (MOS) may be another factor in job matching, but it is not the only one. Working for an employer that utilizes the skills and training from the military (e.g., teamwork, leadership, management skills, etc.) is another.

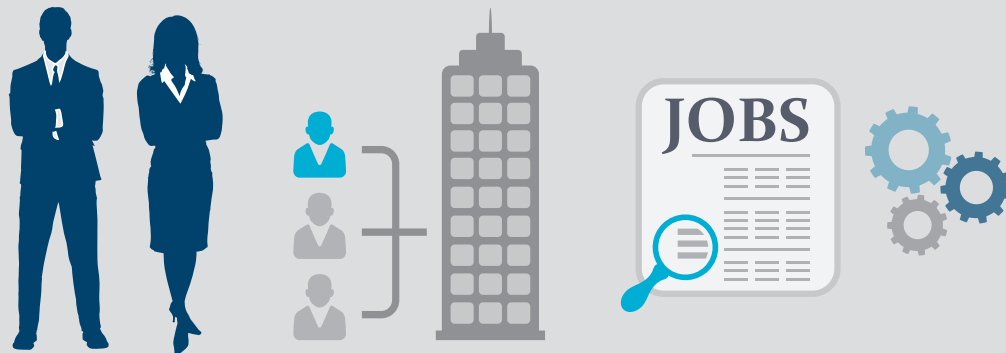
BENEFITS AT TRANSITION

Unemployment

The average duration of unemployment is on the rise from 18 weeks in the last six years to 22 weeks in 2013. Many veterans want and need to work. Data collected from the Department of Veterans Affairs in 2015 suggests that veterans are not relying on the full-term of their unemployment benefits. The data also shows that the vast majority (95 percent) connect to employment prior to using the full 26- weeks of unemployment benefits available to those eligible.⁵⁴

Educational Benefits

A recent survey shows that only half of the veterans eligible for the GI Bill report use of their educational benefits. The same survey also found that 86-percent of veterans say they were motivated to pursue education specifically because of career/job opportunities, 56 percent indicate they lack the financial resources to pursue education, 25 percent say their GI Bill benefits had expired prior to completing their education, and 22 percent report conflicts between work and school.⁵⁵



- ➔ **Matching career fields increases retention and earnings.** Obtaining a job that matches one’s preferred career field increases the likelihood of remaining in the job or career field, leading to higher job retention and higher personal income. Additionally, matching existing skills to future employment opportunities increases the veteran’s chances and decreases the time necessary to procure meaningful work, especially when considering the competitiveness for civilian roles.
- ➔ **Matching military occupation increases retention and earnings.** Obtaining a job that matches the occupation for which the veteran was trained, while serving in the military, also increases job retention and personal income.
- ➔ **Veteran status increases retention and earnings.** Military experience is often viewed positively by employers, which increases the likelihood of being hired and in turn leads to increased job retention and higher personal income.
- ➔ **Many veterans seek different civilian occupations and careers but still want to apply their military skills.** When veterans enter the workforce, the majority seek employment that does not align with prior military jobs. However, the majority of veterans reported that they prefer to utilize the skills gained through the military.

Read more from the third paper of this series: **“Workforce Readiness Alignment: The Relationship Between Job Preferences, Retention, and Earnings”**



Unique Financial Issues Impacting the Military Community

SERVICE-CONNECTED DISABILITIES

As Figure 5 shows, there has been an increase in service-connected disabilities since the beginning of conflicts in Iraq and Afghanistan in 2001, with the number of service-connected veterans at 0-20 percent disability remaining high but relatively stable. In comparison, the number of persons with more significant disabilities has increased over the same period time, with steady increments every year since 2000. Little is known about the employment situation of veterans with service-connected disabilities.

Currently, there are 3.9 million service-disabled veterans in the U.S.⁵⁶ In a recent survey of veterans, 58 percent reported a service-connected disability. According to the Bureau of Labor Statistics, veterans with a service-connected disability had an unemployment rate of 5.4 percent in August 2015, not statistically different from veterans with no disability.⁵⁷ However, another study found that of those who reported a service-connected disability:

- 79 percent report their disability/disability status was an obstacle in transition in the following:
 - o 87 percent in their personal life,
 - o 40 percent in holding a job,
 - o 38 percent in getting a job,
 - o 28 percent in completing their education, and
 - o 12 percent in starting their education.⁵⁸

Disability payments can represent a significant asset. For example, a monthly disability payment of \$500 implies an annuity value of approximately \$150,000-200,000.⁵⁹

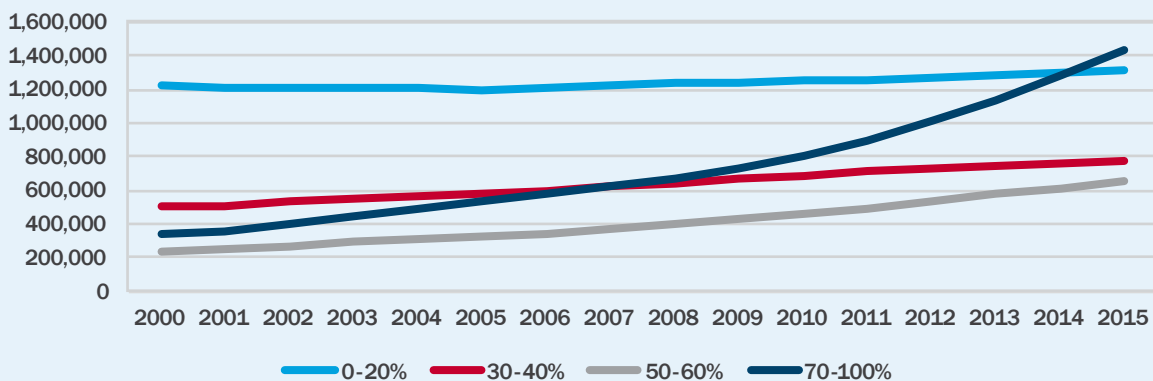


“If it is possible to extend the VRAP funding that would be great. I was given funding for one-year in order to complete a two-year degree. Because I was changing my career field, very few of my previously awarded credits were applicable to my new career path. Basically, that meant that I was starting off as a freshman and still had well over 50 credits to acquire. I am now struggling financially to complete what I started without having to return to work full-time and drag out the time it will take for me to finish my degree and start working in my new career.”

-Navy veteran

Figure 5

NUMBER OF SERVICE-CONNECTED DISABILITY RATINGS FROM 2000-2015



Source: Department of Veterans Affairs, Veterans Benefits Administration; 1985-1998: COIN CP-127 Reports; 1999-2013: Annual Benefits Reports



Due to TBI, life in general has been challenging for the last 35 years, holding a job, stability in living in general, and not having support or assistance most of those years, causing lack of opportunities for career and personal advancement, and [maintaining my] social, financial, and [personal] health.”

-Air Force veteran

MILITARY SPOUSE EMPLOYMENT

Military spouses frequently encounter difficulties aligning their employment ambitions with the unpredictable nature of the military lifestyle. Military families move every three to four years⁶⁰ and 2.5 times more frequently than their civilian counterparts.⁶¹ Military personnel are often assigned to remote locations, and the supply and demand in the labor market does not necessarily align with a spouse's given background, experience or education, leading to either unemployment or underemployment. Because spouses are only in a given location for a specified period of time and may wish to retain job continuity on their resumes, they may be inclined to accept positions that are offered—even if they do not match in terms of required skill level, educational requirements, or opportunities for advancement. Conversely, employers may be dissuaded from offering jobs that require extensive training or a financial investment if they believe military spouses will be short-term versus long-term employees.⁶¹

Time and location can also limit educational choices. The demands of single parenting while a service member is deployed or away can also interfere with the demands of a career, as can the availability of childcare. Given these barriers, spouses often face periodic and sometimes lengthy periods of unemployment, while some spouses may choose to leave the job market altogether, delay their job search or accept underemployment. All of these factors have economic and fiscal implications for a family by significantly reducing their lifetime earnings, their ability to earn social security, the ability to save for retirement, college or emergencies.⁶²

The demands and frequent moves of military life can prevent a military spouse from maintaining consistent employment or contributing to household income over time. Spouses are more likely to work part-time rather than full-time, and military spouses are more likely to be overeducated for the job they hold, with about one-fourth of female military spouses working part-time and three-fifths working full-time.

Compared to civilian counterparts, female military spouses are:

- 9 percent less likely to work,
- 10 percent less likely to work full-time, and
- 14 percent less likely to work 33 weeks or more out of the year.⁶³

Currently, the majority of American families are dual income, and the number is increasing.⁶⁴ The most recent study shows that in 2015, 48 percent of all married couples had two adult earners, and when looking at married couples with children, the number of dual income households increased to 61 percent. Both of these numbers are higher than military families with dual incomes, which is estimated at 41 percent.⁶⁵ This is putting military families at a financial disadvantage compared to civilian families. When a military spouse is unemployed, a military family's lifetime



earnings are reduced over the course of a military career. In fact, longitudinal data collected by the DoD found that financial well-being and emotional well-being are both related to military spouse support for their service member to remaining on active duty. The study also found spouses who become unemployed are less satisfied with military life.⁶⁶ Specifically, a non-working spouse forfeits the opportunity to earn retirement savings and social security benefits, as well as opportunities for seniority, and long-term unemployment reduces the ability to establish financial independence and total household earnings.

In 2015, the unemployment rate for military spouses was approximately 23 percent.⁶⁷ Unemployment rates for military spouses in the past five years have varied between 23 percent and 26 percent.⁶⁸ In general, military spouses have higher unemployment rates, estimated as much as three times higher than their civilian peers.⁶⁹ Military spouses also have higher rates of *underemployment* than unemployment, meaning they possess more education or experience needed for the job. Their higher rate of underemployment suggests military spouses are sacrificing experience and education to avoid unemployment while 61 percent of employed military spouses have more formal education than is required for the job.⁷⁰



MILITARY SPOUSE EARNINGS BY EDUCATION

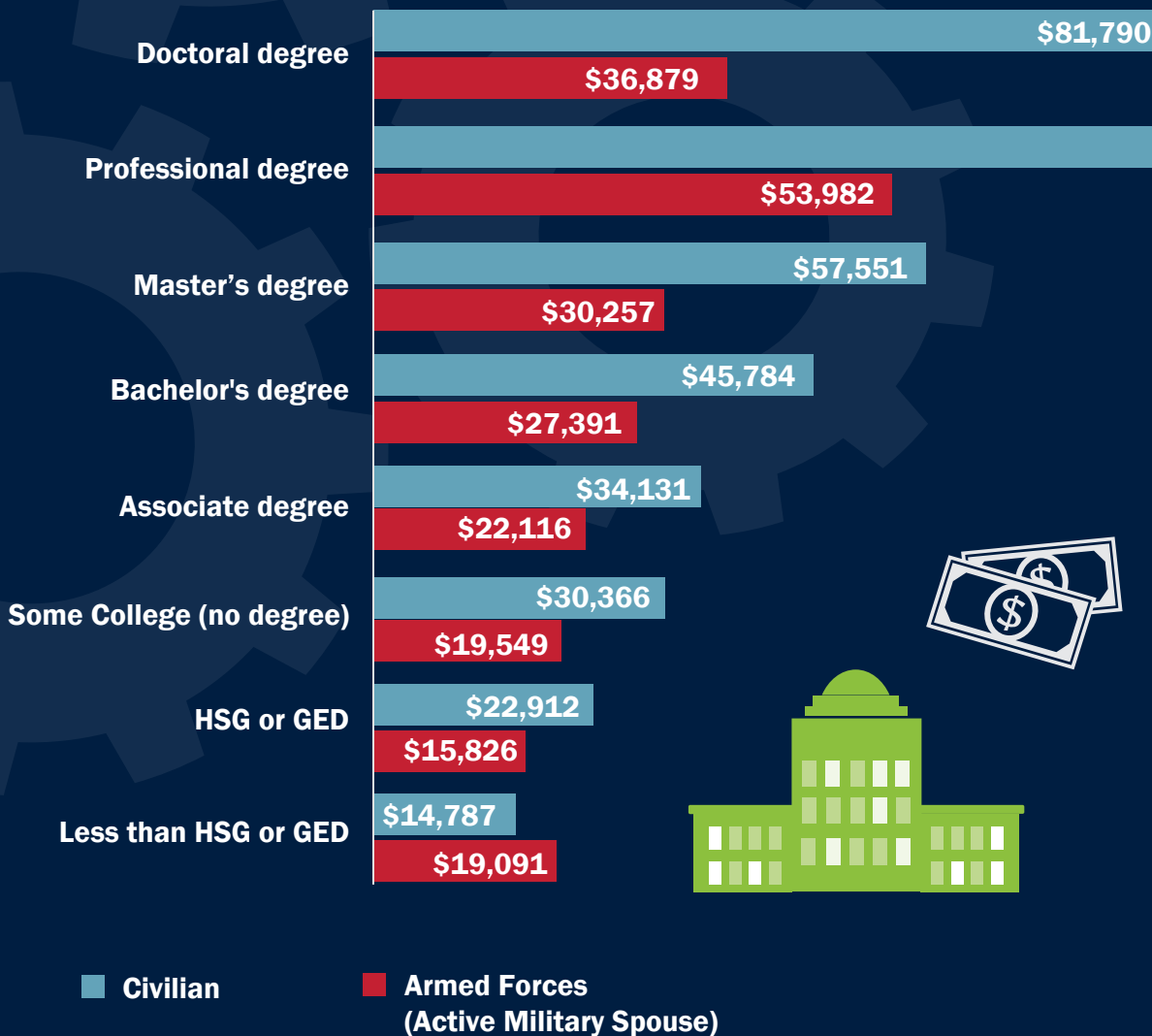


Figure 6

The figure above presents the average total personal income by educational attainment for female spouses both active military and civilian using the 2012 ACS. The average total personal income for civilian female spouses is statistically higher than the average total personal income for active military female spouses across educational attainment levels, with the exception of those with “less than a high school diploma or GED” (the active military female spouses that have a less than a high school diploma/GED is a very small sample). The difference between active military and civilian female spouses’ incomes increases as the level of educational attainment increases. Thus, the gap between active military and civilian female spouses incomes increase with higher levels of educational attainment. The cause of this income gap may be the result of career interruptions caused by military relocations and deployments.

SOURCE: Maury, R. & Stone, B. (2014). Military Spouse Employment Report. Institute for Veterans and Military Families, Syracuse, NY.

CAREGIVING

Being a caregiver has financial consequences, and the number of caregivers has increased significantly since the beginning of the conflicts in Iraq and Afghanistan. Currently, there are 5.5 million military caregivers in the U.S. and nearly 20 percent (19.6) are caring for someone who served in the post-9/11 military. Post-9/11 care recipients are more likely to have a disability rating than their pre-9/11 counterparts, and they are less likely to have health insurance. Caregiving may impact the ability to work, but the number of programs and services that help caregivers compensate for income losses are limited. Further, there are gaps in services whereby older beneficiaries (e.g. 60 or older) are eligible for services, and younger or non-family caregivers are not, differentially impacting post-9/11 caregivers, who as a group are younger.⁷¹

Several programs provide financial assistance for eligible caregivers. For example, the Department of Veterans Affairs oversees the Program of Comprehensive Assistance for Family Caregivers where eligible family caregivers can apply to receive a monthly stipend, travel expenses, health coverage, mental health services, counseling and caregiver training. The caregiver

is also offered 30 days or more of respite care per year, during which the veteran can be watched over by someone else while the caregiver takes a break. The DoD also administers the Special Compensation for Caregiver Support (SCAADL) program, which provides financial assistance for those caring for service members with injuries or illness and does not require that the person is a family member.⁷² Figure 7 shows some of the financial differences between the two programs.

Compared to pre-9/11 caregivers and civilian caregivers, their post-9/11 counterparts are more likely to be in the labor force (48 percent are employed, compared to seven percent of pre-9/11 caregivers and nine percent of civilian caregivers). Providing care, however, is time consuming and can impact availability to work. In fact, 47 percent of post-9/11 caregivers reported needing to make work adjustments, and 62 percent reported that caregiving caused financial strain. Costs are twofold: first, the actual cost of providing care and second, through lost income. Income can be lost in a variety of ways, including taking time off from work, temporarily leaving the labor force, early retirement or losing one's job.⁷³

Figure 7

DIFFERENCES BETWEEN SCAADL AND THE VA PROGRAM OF COMPREHENSIVE ASSISTANCE FOR FAMILY CAREGIVERS

SPECIAL COMPENSATION FOR ASSISTANCE WITH ACTIVITIES OF DAILY LIVING (SCAADL)

- Covers injuries and illness
- Without caregiver assistance, service member would be in hospital, nursing home, or institution
- Stipend is paid to the service member
- Stipend is considered taxable income
- Caregiver is not required to be a family member
- Training is available, but not required

VA'S PROGRAM OF COMPREHENSIVE ASSISTANCE FOR FAMILY CAREGIVERS

- Covers only injuries
- Criteria do not specify that veteran would be in a hospital, nursing home, or institution without caregiver assistance
- Stipend is paid to caregiver
- Stipend is not considered taxable income
- Caregiver must be a family member or live with the veteran
- Caregivers must complete required training

Adapted with permission from: Ramchand, Rajeev, Terri Tanielian, Michael P. Fisher, Christine Anne Vaughan, Thomas E. Trail, Caroline Batka, Phoenix Voorhies, Michael Robbins, Eric Robinson and Bonnie Ghosh-Dastidar. Hidden Heroes: America's Military Caregivers. Santa Monica, CA: RAND Corporation, 2014. http://www.rand.org/pubs/research_reports/RR499.html. Also available in print form.



FINANCIAL READINESS RESOURCES

Transition resources to help service members and their families are evolving and improving, but have traditionally prioritized the employment aspect of transition, rather than the financial aspect, which is often overlooked or addressed secondary to employment. Economic mobility and opportunity to advance are often central reasons why service members say they joined the military, which is why it is important to optimize their success not only while they are serving, but also afterwards. Many contemporary service members have families that include working spouses. Economic opportunity for veterans also includes their spouses who seek employment and wish to utilize their skills in the workplace.

Financial Resources:

- ★ **The Asset Recovery Kit (ARK)** program has provided more than 15,000 interest-free loans totaling nearly \$7 million worth of emergency loans and financial counseling.
- ★ **The CFPB's Financial Coaching Initiative** provides guidance to recently transitioned veterans and vulnerable families in places where they're already going for help. Professionals provide one-on-one free coaching to help veterans develop a personalized plan for financial success. The initiative is part of a partnership between the CFPB, the Department of Labor (DOL) and more than two dozen nonprofit social services providers to place 60 certified coaches in DOL American Job Centers and community-centered nonprofits across the country.
- ★ **Family Inc.: Using Business Principles to Maximize Your Family's Wealth** *Family Inc.* can serve as a valuable tool for our service members in their journey toward financial independence.
- ★ **How to Help Military and Veteran Families** is part of a series of informational guides designed to equip communities to better serve service members, veterans and their families. The series offers effective, evidence-based guidance on how best to help military and veteran families given the unique challenges they face. The guide focused on financial professionals can be access at https://www.purdue.edu/hhs/extension/docs/HowToHelp_FinancialProfessional-print-INDIANA.pdf.
- ★ **Military Consumer** is an online toolkit created by The Federal Trade Commission (FTC) and offered by the DoD and other collaborators. The tool gives service members and their families the information to make sound financial decisions and is tied to various transitions common to the military lifecycle. The toolkit can be accessed at <https://www.military.consumer.gov/toolkit>.
- ★ **Military OneSource and the Military and Family Life Counselors** programs are available at no cost to service members and their families. Although they vary by service branch, personal financial management (PFM) programs include classes, seminars, one-on-one counseling and additional information to educate service members and their families about consumer rights and how to achieve financial stability.
- ★ **USAA Educational Foundation** Provides tools, tips and tactics to help military service members develop sound financial habits and take control of their personal finances.

Education:

- ★ **Student Veterans of America (SVA)** Provides military veterans with the resources, support, and advocacy needed to succeed in higher education and after graduation.
- ★ **The GI Bill Comparison Tool** is an online tool to help make the most of the GI Bill benefits and allows comparison between various options, including college classes and on-the-job training.

Benefits:

- ★ **eBenefits** is a joint VA/DoD web portal that provides resources and self-service capabilities to veterans, service members and their families to research, access and manage their VA and military benefits and personal information.
- ★ **The Department of Veterans Affairs (VA) Montgomery and Post-9/11 GI Bill** provide funds for educational costs (and some living expenses) for eligible veterans, spouses and family members.
- ★ **Frequently Asked Questions about the New Military Retirement System** are available on the Military OneSource website and outline upcoming changes to the military retirements system expected to begin in 2018.
- ★ **The Military Spouse Career Advancement Account (MyCAA) Scholarship** is a workforce development program that provides up to \$4,000 of tuition assistance to eligible military spouses. The scholarship helps military spouses pursue licenses, certificates, certifications or associate degrees necessary to gain employment in high demand and high-growth portable career fields and occupations. Spouses may use their MyCAA funds at any academic institution approved for participation in the MyCAA Scholarship.

Employment:

- ★ **DoD SkillBridge** allows service members meeting certain qualifications to participate in civilian job and employment training, including apprenticeships and internships. Training can take place starting up to six months prior to a service member's separation, and must offer a high probability of employment and be provided to the service member at little or no cost.
- ★ **Employer Support of the Guard and Reserve** is a DoD program that develops and promotes supportive work environments for service members in the reserve components through outreach, recognition and educational opportunities that increase awareness of applicable laws and resolves employment conflicts between the service members and their employers.
- ★ **The Gold Card Initiative** is a joint effort of the Department of Labor's Employment and Training Administration (ETA) and the Veterans' Employment and Training Service (VETS). The initiative provides unemployed Post-9/11 era veterans with intensive training needed to succeed in today's job market.
- ★ **Hiring our Heroes U.S. Chamber of Commerce Foundation** is a nationwide initiative to help veterans, transitioning service members, and military spouses find meaningful employment opportunities.
- ★ **Onward to Opportunity** provides in-demand, industry-specific training in information technology and customer excellence to transitioning service members, all Guard and Reserve, and active duty spouses who are navigating the transition to civilian employment. Offered on U.S. military installations across the country.

- ★ **Military Spouse Employment Partnership (MSEP)** part of the Department of Defense (DoD) is a targeted recruitment and employment solution whose goal is to create employment connections between employers who are actively recruiting and military spouses seeking employment.
- ★ **Small Business Administration (SBA)** offers a variety of resources to veterans interested in small business ownership and entrepreneurship, including information about financing for veteran-owned businesses, and loan and grant information, including states and organizations that provide loans to veterans, access to training, counseling and assistance, and business resources for people with disabilities and service-disabled veterans.
- ★ **Transition GPS** is the DoD's updated five-day workshop focused on the transition from military service to civilian life and includes information about job-seeking tools, military skills translation, educational opportunities, use of benefits such as the Post-9/11 GI Bill and information about entrepreneurship, credentialing opportunities and financial readiness.
- ★ **VA's Vocational Rehabilitation and Employment (VR&E)** services includes its Education and Career Counseling Program, which allows service members and veterans to get personalized counseling and support to help guide their career paths and encourage the most effective use of their VA benefits and assistance with job training, employment accommodations, resume development and job seeking skills coaching. Other services may be provided to assist veterans in starting their own businesses or independent living services for those who are severely disabled and unable to work in traditional employment.
- ★ **Veterans Career Transition Program (VCTP)** is a 12 month, advisor-led, online learning program, delivered to post 9/11 veterans and military spouses; includes 21 pathways leading to a Syracuse University Certificate of Completion. Students may choose to work toward an industry certification through globally recognized organizations. Certifications include project management (PMP), human resources (SPHR), and systems security (CISSP).
- ★ **Veteran Employment Centers (VEC)** provide critical paths to employment through workforce development programs and services connected at the state level through American Job Centers and online through vet.gov. VEC provides a one year job-seeker account to LinkedIn and access to 800 free Coursera online courses, as well as an online location for job seekers and employers to connect.

Recommendations

While service members are ultimately responsible for attending to their personal finances, our government and our nation must bear some responsibility to ensure they have the tools and resources to do so. Since the large majority of service members transition to the civilian workforce, the Departments of Defense, Veterans Affairs, Labor, and other public and private sector organizations all have a vested interest in helping veterans achieve economic security. After all, the all-volunteer force cannot be sustained if prospective members believe they will suffer financially for their service. Toward this end, we make the following recommendations:

FOR VETERANS AND SERVICE MEMBERS:

- ✓ Consider pursuing the goal of financial flexibility as soon as possible, ideally at the outset of one's military service.
- ✓ Consider saving beyond emergency savings to allow greater flexibility during transition.
- ✓ Weigh the return on investment (ROI) for educational choices. Use online tools and resources.
- ✓ Leverage educational opportunities while on active duty. Plan for a lengthier and perhaps more expensive transition from military service, considering the likelihood of being able to complete degree requirements or credit transfers (e.g., in the event of relocation) in order to maximize the GI Bill benefit.
- ✓ Understand the benefits available to you after transition, as well as the cost, time, and individual responsibilities required to properly access and receive them.
- ✓ Leverage free or low-cost training programs to receive industry-recognized certifications and familiarize yourself with resources. Familiarize yourself with Veteran Service Organizations (VSO) and Military Service Organizations (MSO) organizations that provide information, access to resources and free or low cost programming.
- ✓ For married service members, consider the implications of your spouse's employment status; consider leveraging educational benefits such as the Post-9/11 GI Bill, MyCAA, or scholarship or credentialing opportunities for spouses.
- ✓ Talk to other veterans about the financial barriers they encountered during transition and strategies they used to overcome.
- ✓ When considering employment options, think about long-term financial prospects versus short-term income gains.
- ✓ Prepare for a time period where income is reduced due to unemployment, underemployment, part-time employment or contract work.
- ✓ When making career choices, pursue opportunities that maximize lifetime earnings over near term earnings.
- ✓ Align educational opportunities, geographic location, and meaningful employment to maximize financial and workforce readiness at transition.



RECOMMENDATIONS FOR DOD, VA, AND NONPROFITS:

- ✓ Adopt a lifecycle model for the All-Volunteer force that begins preparing service members for future civilian employment when at enlistment or commissioning rather than at transition.
- ✓ Provide employment services (e.g., career counseling) for military spouses with particular emphasis on providing strategies and access to resources to mitigate the negative implications of frequent moves on career.
- ✓ Consider more expansive financial literacy training, which includes range of topics to account for the disparate needs of service members. Options can range from simple to more advanced to include:
 - basic skills such as balancing a check book, avoiding payday loans saving versus building wealth through investment
 - disparate needs of service members based on income, age,
 - stage of life, and financial literacy
 - other key or atypical aspects related to military service (e.g., taxes, healthcare, etc.).
- ✓ Help service members align career choices with personal preferences; time and effort placed on the front end may enable veterans to make more discerning choices about education and employment, thus facilitating quicker alignment of their career preferences and employment opportunities along with improved financial outcomes.
- ✓ Provide targeted services to at-risk groups (junior enlisted and noncommissioned officers) to assist them in planning in advance of their transition, particularly those with low-incomes, burdened with debt, or who exhibit poor financial behaviors.
- ✓ Prepare for unexpected changes to military benefits prior to or after transition that may threaten financial flexibility for veterans and military families.
- ✓ Work with nonprofit partners to cover gaps in services, access to programs, or benefits or to minimize time lags which could have a financial ripple effect
- ✓ Consider the financial consequences of DoD mobility policies and frequency of active duty relocations on spouse employment, cost to families, and employment of service members professional network upon departure.
- ✓ Expand eligibility of government contracting preferences to spouses and cultivate contracting opportunities with corporate employers.



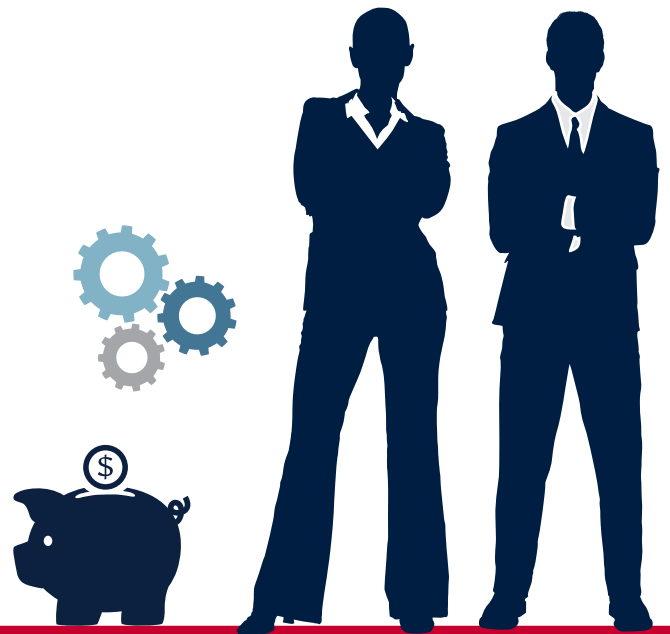
Conclusion

To address veteran finances effectively, stakeholders across sectors, both prior to, during, and after transition must commit to making financial readiness a collective goal. To summarize, financial readiness exercised through (1) leveraging educational options that lead to employment opportunities, (2) practicing sound financial decision making prior to transition, (3) considering spouse employment opportunities and potential periods of unemployment to offset income losses, and (4) proactively utilizing the available benefits and resources to support veterans with service-connected disabilities and their caregivers impacts the financial flexibility veterans can proactively exercise to pursue their passion during and after their transition from military service.

When the time comes, most service members will want to make a successful transition to the civilian workforce. This four-part workforce readiness series has outlined some of the factors that determine how veterans can successfully navigate personal employment and achieve financial goals. It also highlights a clear association between the match between the employer and the employee and the employee's long-term prosperity.

Finding meaningful and long-term employment is often the most important influence on financial flexibility for all Americans, and veterans are no different in this regard. But, as we have shown, veterans bring unique strengths as well as unique challenges to this endeavor. While military service provides unparalleled opportunities for leadership, and a

service member's military-conferred skills can assist them as they transition into the civilian workforce, the pathway to a successful and prosperous military transition still eludes many veterans. Veterans can optimize their chances of a successful transition through attention to their finances prior to their transition, maximizing their ability to choose pathways to greater economic opportunity. Stakeholders, by adopting a proactive stance and supporting veterans as they work towards achieving their financial and employment goals, can help veterans on this pathway, accentuating the importance of attending to their finances throughout their military career and by exposing them to resources that set them up for success.



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ABOUT THE WORKFORCE READINESS BRIEFS

Upon military separation, veterans often enter the civilian workforce to either extend their career in a similar civilian role or embark on an entirely new and unrelated career path. The **Institute for Veterans and Military Families (IVMF)**, as part of its broader employment research series, and with the generous financial support and collaboration of **USAA**, is exploring the topic of workforce readiness as it relates to transitioning service members and veterans in the civilian labor force. This paper marks the fourth in a series of short **Workforce Readiness Briefs** that covers several related topics such as:

- understanding how the concept of workforce readiness applies to transitioning service members and veterans;
- revisiting the business case for hiring veterans;
- examining interactions between career preferences, job matching, performance, and retention; and
- factors that impact the finances of transitioning veterans and their families.



ABOUT THE INSTITUTE FOR VETERANS AND MILITARY FAMILIES (IVMF)

The IVMF is the first interdisciplinary national institute in higher education focused on the social, economic, education, and policy issues impacting veterans and their families post-service. Through the focus on veterans programming, research and policy, employment and employer support, and community engagement, the Institute provides in-depth analysis of the challenges facing the veteran community, captures best practices, and serves as a forum to facilitate new partnerships and strong relationships between the individuals and organizations committed to making a difference for veterans and military families.



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