

Financial Education: Information and Execution are Vital

An analysis of the need for financial education for military families

By Joe Freeman and Randy McKee

February 2006

Executive Summary

This document is a collection of facts, figures, stories, and case studies assembled by Pioneer Services Representatives addressing predatory practices and the need for a responsible alternative for our men and women in uniform.

The intent of this paper is to explore the negative impact of predatory lending “practices” on service members and to offer possible solutions through financial education. The paper is not aimed at any one company or industry, but rather predatory practices in general.

- **Military Lifestyle**—Our nation’s military lives a unique and mobile lifestyle that makes them particularly vulnerable to financial practices that place them in harm’s way—while service members may have a steady paycheck, their pay is often below that of their civilian counterparts. This presents a unique challenge and makes preparing them for fiscal challenges even more important.
- **The Problems**—Due to their low pay, every military family will need sources of credit to finance a variety of purchases. But when a family chooses a poor alternative for that need, it has a direct impact on operational readiness.
- **The Importance of Financial Education**—The need for a proactive, rather than reactive, solution to financial education is apparent, as shown through a story of a military spouse who went through financial hardships herself. There are some essentials that can help prevent such hardships from occurring, including budgeting, a savings strategy, and information on the true cost of borrowing. There also needs to be an explanation of how credit scores affect lending options, as well as a focus on the fact that bad financial decisions can have a negative impact on readiness.
- **Solutions**—Learning what constitutes predatory lending practices, dispelling the myths around the “good guys and bad guys”, and providing key items to look for in responsible alternatives, can help service members become better prepared both at home and in the field. Also, subject matter experts, including civilian companies that have the necessary experience, can provide this information.

Together, responsible members of the financial services industry, the Department of Defense, and military leadership can address this problem. But they can only do this if they allow all three members to have open discussions about solutions that will work. It is our intention that this research paper be a catalyst to begin those conversations and most of all begin developing efficient and effective solutions to this problem.

For further information about this paper, more information on the statistics, or to find ways you can help, please contact Mr. Joe Freeman at 816-448-2300 or email jfreeman@PioneerServices.com.

Financial Education: Information and Execution are Vital

Individuals from across the country enlist in some branch of the Armed Forces every single day. These new enlistees are primarily young (often right out of high school), and have not yet ventured into the life of bills, balancing a budget or learning how to make ends meet, much less planning for the future. The remarkable transformation that occurs as these young people go through the metamorphosis from civilian to military service is firmly grounded in the strict training and discipline that occurs during the boot camp experience and, afterward, in the schools they attend for their specialty training. The critical nature of their primary mission requires that this functional training, specific to their occupational specialty, comes first.

Beyond occupational training, they become physically fit. What is overlooked is an effective training program to help them become *fiscally* fit. Although service members are exposed to certain financial training, that training does not instill the same discipline that prepares them for deployment or retirement, nor inform them of the available solutions to create financial wellness. It is a common observation that the military enlists individuals, but re-enlists families—and that means dealing with marriage, children, divorce and even death.¹ Each of these family transitions represents stress and complicates good financial management. Too many studies suggest that dealing with a wide range of financial matters is a leading cause of stress on an entire family, and is often exacerbated for military families when spouses are deployed.²

The Problem

It is well documented that military families receive lower than average pay for the job of protecting our nation.³ Add to that the reality that their wages can be variable amounts. Their pay consists of basic pay, special pays (specialty or dangerous), allowances (food or housing), with the total monthly pay varying due to promotions, deployments, BAS (Basic Allowance for Subsistence) or BAH (Basic Allowance for Housing). Reliance on special pay or allowances can be problematic after those pays are stopped (i.e., \$450 per month recruiter pay stops when the 3 year tour expires; jump pay

is eliminated when no longer jumping). Because wage distribution is so complicated, service members can be over-paid one month and then receive a “no pay due” notice the next month. The situation is further complicated by frequent moves attributed to training, temporary changes in duty station or from moving a spouse and children back home during extended TDY (Temporary Duty) missions or deployments. Simply put, unexpected cash flow crises occur.⁴

Several military relief agencies have been established to provide financial counseling or monetary assistance to families in trouble. Many families, however, may not qualify for assistance, or have an emergency that requires a rapid response these agencies cannot provide. Some service members are afraid to seek counseling for fear that it could affect their career should their chain of command become involved.

The key is finding subject matter experts that can provide service members with an appropriate financial education that will help them create a plan to achieve financial discipline and readiness, and solve their cash flow needs without putting them in financial harms way.

According to a recent study by MetLife, almost a third of American workers have not yet started a retirement savings plan and nearly 70 percent do not have any kind of financial plan, even if they have started saving. The numbers for those between the ages of 21 and 30 are even lower.⁵ In the military, financial problems are often the first listed by leaders when asked about personnel problems.⁶ Often, “immaturity, a lack of spending restraint, and naiveté regarding financial matters [are] the most significant drivers of financial problems.”⁷ Likewise, in the 2004 study by the Jump\$Start Coalition for Personal Financial Literacy, high school graduates received an “F” in personal finance, as they only answered 53% of the questions correctly.⁸ Young men and women out of high school are simply not prepared to cope with major financial issues. But research shows that this problem can be addressed with education. The National Council on Economic Education reported that nearly 50% of the adult population receives a failing grade on basic economic knowledge, but it also noted that just 10 hours of financial education can improve spending and savings habits.⁹

Effects of Personal Finances on Operational Readiness

In recent years there has been a realization that financial stressors have a direct impact on a service member's ability to train and deploy when called upon. Being "ready" includes being financially ready, and many service members are not. A report released in 2003 by the Department of Defense and the Rand Corporation revealed that financial difficulties could have significant mission impact, such as requiring an individual to return from a deployment to resolve a financial emergency.¹⁰ After Operation Desert Storm, retired Army General Norman Schwarzkopf corresponded with the Armed Services YMCA stating, "It was the soldiers who were most preoccupied with concerns of their families' well being who were least able to focus on the job at hand." If a military family experiences financial difficulty, theirs can be a long path to financial fitness, given the typical level of income and the difficulty in seeking a second job.

Start with Financial Education

In the foreword to *Personal Finance for Military Families*, Jack L. Tilley, the former Sergeant Major of the Army wrote: "If I knew 20 or 30 years ago what I know now, I would have made better [financial] choices." Tilley's passion since his retirement has been to help soldiers realize the importance of financial planning. The three fundamentals that the military instills in their troops -- training, discipline and readiness—are vital for a successful military career, but they can also be applied to financial training and planning. The goal for all military families should be to create a financial plan to help them during their active military service, and to prepare them for the next chapter of their lives. It should also be to end the cycle of debt and to retire with a secure financial future.

Interviews with current and former military spouses reveal the strong opinion that it is they, as well as the service member, that should be a focus for financial training in the military. With a heavy load of training and deployments, the spouse is more often the one confronted with bills, budgets, balancing checkbooks, or solving cash flow shortages. The need for financial education, focused on their unique questions and opportunities, is significant if they are to be good stewards of their family's finances. Teaching the

military family to act in lock step during separation/deployment is very important—the family must confront spending, borrowing, saving and related habits together.

A healthy financial profile is important for a successful military career. At every step toward promotion in a military career (assuming a position of leadership, gaining a security clearance or attending an additional specialty school), the service member's financial stability is assessed. For those that were never exposed to the right kind of financial education and discipline, financial setbacks can be an obstacle to attaining their goals. All too often, financial knowledge has been acquired in the “school of hard knocks” or from bad advice attributed to friends or leaders that have not obtained proper and complete training themselves. Even the resources available on military installations do not meet all the needs of every service member or military family. This story from a spouse who has been “married to the Army” for 18 years, illustrates both the importance of financial training and the need to have more informed subject matter experts and resources available:

As a new military spouse back in 1987 I did what I could and what I knew to do to become involved and educated on the military way of life. The first thing I encountered was financial difficulties. My husband did not receive his pay for two months upon signing into the unit. They sent him to the field five days after arriving at Ft. Campbell. This left me with no money or resources to get money. I had heard of Army Emergency Relief (AER) and Army Community Services (ACS) and that they may be able to assist. They said my husband could take out a loan, but he would need to be there to apply and pick it up. The unit would not authorize him to come home for such an event. I recall thinking that I did not want anyone in the unit, let alone his boss, to know that we did not even have a savings account to cover such circumstances. What I soon learned was we would have been the exception if we had had a savings account whether we were new to the military or had been getting ready to retire.

I was told I could go to ACS and get some counseling and maybe handouts to help with food, etc. Well, I didn't want either. I wanted my husband to be paid for his time and for us to take care of our household. But, knowing I was alone, knew no one, I felt I had no choice. I went to in processing to locate the on post ACS building. It was like going into a welfare line and you felt as if everyone was looking at you as though you were a screw-up. To this day I am convinced they do not believe what caused our financial struggles.

ACS started my briefing that would put my husband and I back on our feet. They taught me how to fill out a checkbook, how to take my bills and subtract them from what we made and that would be the money left over to spend. I tried to tell them that I had no pay to subtract from. The military hadn't sent our check, but the bills were still sent. She continued to give me the class on very basic math and due dates and grace periods.

As I struggled through that growing pain, I recall what I felt would have been more helpful to our military household and me. I wish someone had taught me the value that time has on money. Give me a comparison to how we could be sitting financially 18 years later if we would have made one of our bills that of "paying ourselves first."

We went on to make financial mistakes in the military and wishing we hadn't. We saw my husband's soldiers make mistakes and many of them waited far too long to seek assistance. Some were informed that they needed to enroll in Consumer Credit Counseling Service (CCCS) or file bankruptcy. Many of them took what they thought was an easier route and filed bankruptcy.

When I went through the process it was very basic and only a two-hour block of instruction. I am told now that it is a longer block, but still very basic and that the soldier is forced to go only when their finances get so bad that the phone calls from creditors reach their First Sergeant in the command.

We should spare no resource or eliminate any option when it comes to providing financial education for military families. We need to consider that the military is a VERY large corporation and spread across the world. It would not only be unreasonable, but also detrimental to entrust that degree of education to a "check the box" mentality.

Luckily for this military spouse there are many educational opportunities available today, whether service members seek them out in the civilian sector or whether they look to military resources. Regardless of the source, a comprehensive training program needs to be delivered at an appropriate level for an audience or customized for an individual person or unit. A comprehensive solution means all topics are presented, and all myths eliminated. The education must be a "nothing-but-the-facts" approach to all financial matters.

Most subject matter experts in the financial services industry would agree that there is a basic list of topics that should be presented in financial awareness training:

Budgeting: The first step is knowing where the money is going. This includes working with military families hand-in-hand to construct a budget for their family and following up in 30, 60, and 90 days to determine if the budget is the right fit. If not, adjustments can be made accordingly.

An Emergency Fund to Protect the Budget: Every family needs to find money each month to set aside into an emergency fund so that when the unexpected happens they are not immediately forced into a borrowing situation. Borrowing during a crisis can be a contributor to unwise financial choices.

Protecting Credit & the Options the Credit Score Provides: When there are borrowing needs in a family, and even before the needs exist, it is important that individuals understand the impact their credit score will have on their options. A credit score determines where they can borrow funds and at what costs/terms. Any financial education needs to include a review of the service member's credit bureau under the guidance of someone certified in credit report reviewing. Making it a one-on-one process allows a more detailed look, and can provide personalized information on how to improve a credit score, versus a mass audience approach that allows them no opportunity to transfer information into execution.

Planning for the Future – Short-Term and Long-Term: As of September 2005, less than 50% of service members participated in the Thrift Savings Plan. Levels of participation varied by branch: 41.1 percent of Sailors, 30 percent of Marines, 26.6 percent of Air Force members, 25.6 percent of Coast Guard personnel, and 18.7 percent of Soldiers.¹¹ With this overall low participation in planning for retirement, the need for future financial planning education is evident, whether short-term or long-term. Doing so can get families engaged in how to establish the previously discussed emergency fund, establish education funds for their children, save for large purchases, and how to retire the way that they want to retire. Too

many service members are forced into taking a second job or selecting a job immediately following a military career because they didn't have access to the training that would allow them to retire debt-free and in control of their financial decisions.

The True Cost of Borrowing: There are times in almost every person's life when they need to borrow money for some reason. The importance of education is to teach the good uses of debt versus the bad and demonstrate, through practical application, how to evaluate debt options. A sample of those options includes:

- The difference between minimum payments on revolving, high-interest debt and installment loans.
- The true cost of a payday loan when rollovers begin.
- The cost of overdraft fees.

The goal of all financial education should be to provide complete, accurate and usable information so every military family can gain essential information, be good stewards of their finances, and remain focused on their primary mission. In addition, the training must include the tools or resources to equip military families to act—information without execution is meaningless.

Confront the Truth

As noted earlier, if service members began approaching their finances in the same disciplined, responsible way they approach a mission or objective, they could find ways to save and become financially fit. Inadequate training and poor discipline, however, can alter the financial course of a military family's life. Here is one example from Fort Hood, Texas:

A Sergeant brought four separate revolving credit cards to the table with true interest rates ranging from 19.74% to 27.00%. The Sergeant was making minimum monthly payments on all four debts. When he learned how to calculate the long-term cost of staying the current course, the service member realized that current balances of \$5186.99 would end up costing over \$46,289 to fully repay. And, it would have taken over thirty years to do so. With that powerful and eye-opening educational experience, he was ready to take action. By paying off those revolving credit cards with a single and responsible installment loan, the Sergeant would repay the debts in just 30 months. The total payback of \$8,080.80, including all interest and disclosed fees, saved over \$38,208.

Prior training did not provide this service member with the tools, nor the incentive, to alter his spending patterns or create a disciplined payment plan. Another examples involves a senior noncommissioned officer (NCO) who was in need of emergency funds and whose education did not provide enough factual information to prevent financial mistakes:

The brother-in-law of a Staff Sergeant had a car accident and his son was killed. The Staff Sergeant's family did everything they could to help cover the funeral expenses, but they had insufficient funds. The Staff Sergeant turned to the only thing he knew – fast cash and a payday loan. The family incurred FIVE different \$500 payday loans from FIVE different companies. All due in two weeks. The amount due 14 days later was more than the base pay before taxes that this service member received. There was no chance that they would be able to recover and repay those debts. The trickle down effect of the debt cycle began, and within two weeks it affected their ability to cover basic household expenses.

The family faced this emergency with neither an emergency fund set aside, nor with the critical information needed before making important borrowing choices. This NCO lacked adequate information and access to emergency funds, and did not know his best choice was an installment loan with manageable payments. Therefore, he was vulnerable to short-term, single payment, high APR loans that cannot be reasonably repaid in two weeks—and if not repaid continue to rollover and accrue fees.

This family was ultimately helped out of this situation by converting those five payday loans into a responsible installment loan with manageable payments, all fees and interest fully disclosed and a known end-point to the transaction. More importantly, this family, including their 17-year old daughter, participated in a financial education class that allowed them to really see the true cost of borrowing and to make sure they never found themselves in this situation again.

It only takes a single trip into any military-oriented city or town to immediately see the pitfalls awaiting unknowing service members in financial trouble. Advertisements promising to let customers write a check and not cash it until the next paycheck hits are everywhere. What are not as well advertised are the fees and annual percentage rates (APR) associated with those transactions. Also missing is the key question that every military family in a financial emergency should ask: “If I don’t have the \$500 today, what will change to allow me to have that money in two weeks?” If the answer is nothing, the rollover cycle is bound to begin. According to the Center for Responsible Lending,

military families are three times more likely to use payday loans than civilian counterparts.¹² During 2004 alone, one in five military families used a payday loan service. Military families, however, do have more responsible alternatives.

How Credit Scores Affect Lending Opinions

In today's financial climate, "access to loans" or "competitive risk-based price loans" are frequently a function of the service member's credit score. While information can come from many sources, most of the current scoring systems rely on information in consumer credit bureau reports. The most familiar is FICO[®], which was developed by Fair Isaac and Co in the late 1950's.

Why should service members understand their credit or FICO score? Simply put, their credit score can significantly affect the cost of borrowing, or the cost of auto insurance.

Some research suggests that FICO[®] scores are weighted 35% by payment history, 35% by the amount and type of debt, and 15% by the length of credit history. The remaining percentage considers the length of time a person has lived at their present address and their employment history.¹³ The end result of the model is a single number or score.

Experts in the financial services industry know that military families often receive lower FICO scores because they are "penalized" for a short employment history, short time at present address, frequent moves, minor charge-offs for unknown bills after moves, renting versus owning, and other factors. These credit scores are often the primary source used by financial and insurance companies to evaluate an individual's financial worthiness-- the lower the FICO score, the higher the cost of credit. But low FICO scores should not mean that our military families should pay the highest prices or resort to purchasing predatory lending products --their unique lifestyle should be taken into account, not just their credit score.

Confronting Predatory Practices

In recent years, predatory practices aimed at service members have been publicized by many reports and publications. It is hard to pick up a newspaper or

magazine, or visit a Web site, that does not report on any one of a series of predatory practices or concerns such as pay day lending, ATM overdrafts, overdraft protection plans, car title loans, pawn shops and other such practices.

Thousands of military families make financial decisions without realizing the real cost of their action. If a payday loan is “rolled over” or “flipped” because of an inability to repay, this starts them on a financially dangerous cycle of debt. Despite substantial publicity and frequent debates, all too often the conclusion points toward “good guys” or “bad guys” and fail to uncover the real issue—predatory practices. It is not about a good or bad industry. It is not about a good or bad company. It is all about the *practices implemented* by a company or industry. A common belief that predatory lending to military personnel is an “outside the gate” issue created by small or unscrupulous lenders is *false*. These practices can and often times do occur on military installations. Location is irrelevant.

For example, the practice of allowing ATM withdrawals on funds that are not in an account, then charging a large overdraft fee, can cause prior written checks to bounce and more fees to be added to the account. This can happen at an on-installation bank just as much as an outside-the-gate credit union.

Despite considerable press on these practices, much of the formal education and, perhaps more importantly, the informal education and advice from peers and leaders remains focused on companies and industries. Equipped with labels such as ‘Bank’ or ‘Credit Union’ or “on post,” these companies are allowed to offer the same types of financial transactions that may be considered predatory. Recent surveys revealed that many, if not most, of the banks or thrifts offering services offer overdraft banking protection, charge fees for ATM withdrawal when the customer does not have the requested funds, and fail to educate customers on the significant cost and APR related to monthly minimum repayments.¹⁴ Some have even offered triple digit payday loans. And these same types of predatory loans are being made by the bank or credit union that has been authorized as the on-installation financial institution.

Financial education cannot be limited to sharing myths. It cannot be limited to steering unsuspecting military families away from predatory practices by warning them about companies with names that deal with “CASH”, “PAYDAY” or “ADVANCE.” And

it cannot be limited to telling military families to avoid loans with high APR's as the blanket "rule" covering every lending choice.

Financial education needs to teach the difference between secured loans for homes and autos, versus unsecured signature loans for which prices and APR's cannot be compared. It also must explore predatory practices and predatory products. A look at several cases illustrates this point:

Overdraft fees are a huge source of revenue for banks and credit unions. Take for instance a specific example of a banking customer who brought a statement showing NINE different overdraft charges assessed to his account for \$27.50 each – a total of \$247.50. While the charges may be appropriate, the credit union allowed nine ATM or debit card transactions when the account had insufficient funds. The credit union knowingly allowed the customer to draw funds that did not exist from his bank account and then proceeded to charge him \$27.50 each time because his account was in overdraft.

Last year an on-post credit union in Washington offered payday loan type products to service members. After advertising triple digit APR's, they chose to pull the plug on it, citing repeat use by only a small number of service members and more interestingly, opposition to the program by local military leadership.¹⁵

A senior NCO from Jacksonville, Fla., knew his debts were growing, but did not recognize that his credit cards, including a Star card, had used their universal default provision to significantly increase interest rates—to near 30 percent. By paying the minimum amount on the bank statement, the Navy family would need nearly 3 decades to repay the debt. Learning about installment loan options, this family reported saving over \$59,000 in fees and interest. The responsible installment loan helped end their debt spiral.

Inadequate training and holding on to financial myths contribute to poor, and costly, financial decisions. It is unrealistic to believe that military families will not require lending options, so training is needed to educate them about their credit bureau history, calculating their debt threshold, determining how to find competitive prices, and how to establish responsible repayment plans that will not contribute to a cycle of debt.

The following chart highlights seven criteria that might be helpful when selecting responsible alternatives. The "Red Flags" column represents advertised issues that could be predatory, and the next two columns differentiate between predatory and responsible practices:

Criteria	Red Flags	Predatory Practice	Responsible Practice(s)
Access to requested funds	Immediate or guaranteed 100% approval	No credit bureau review No debt ratio analysis No repayment assessment	Complete credit analysis Conservative lending guidelines High ratio of turn downs Guarantee/return policy
Full disclosure	Unlimited renewals Unreasonable collateral Use post dated checks	NO transaction disclosure Incomplete TILA review Hidden costs	Known terms, conditions and cost Every transaction disclosed All costs reflected per TILA
Credit bureau reporting		No credit history reported	All bureaus updated monthly
Financial training Financial counseling Financial support		No education about single payment or bullet risks No education about minimum payment consequences No education about overdraft fees	Credit bureau review Debt ratio analysis APR calculations Debt cycle red flags How to create savings How to budget for retirement
Competitive pricing	Unlimited renewals Unreasonable collateral	Triple digit APR	Risk-based pricing
Disciplined repayment	Unlimited renewals Unreasonable collateral	Unknown repayment terms Unknown total costs	Known repayment terms Known total costs

This chart represents a compilation of information from the Center for Responsible Lending and years of expertise in the financial services industry.¹⁶ Key is that criteria for seeking credit does not hinge upon the type of financial institution, rather the PRACTICES that institution employs. To reiterate,

It is not the industry or the company; it is the predatory practice or product that causes problems. While some lending products may be categorized as a sub-prime or higher APR lending option, it may be a needed service and is not necessarily predatory. There is a very clear line between predatory and sub-prime lending, and it is important to be clear about what distinguishes responsible, risk-based pricing from predatory practices. Military families need to ask all of the right questions, insist on full disclosure and know the true costs and terms to ensure that they are making informed decisions.

Product Options

Once service members understand the true cost of lending and how that cost comes to be, they can then go out and take responsible actions that solve their problems, yet protect their families' finances. There are several alternatives to high-cost borrowing specifically designed for the military community:

All branches of the military have official aid and assistance organizations that offer low-cost alternatives. Some of these include the Air Force Aid Society, Army Emergency Relief, Navy-Marine Corps Relief Society, and Coast Guard Mutual Assistance.

Civilian companies that work with the military have also stepped up to offer assistance to military families. Pentagon Federal Credit Union, Langley Federal Credit Union in Norfolk, Va., and Pioneer Services (who has offices across the country) all offer access to short-term, low-cost loans that are financially responsible alternatives to payday lending. The advantages of using these companies are same-day service, privacy, and the relative ease of applying.

For example, The Pentagon Federal Credit Union offers short term-cash advances for a small fee and an agreement that the service member will get credit counseling. The Navy Federal Credit Union offers a line of credit that requires a monthly minimum payment. Pioneer Services, a financial solutions provider that works exclusively with the military community, offers the \$500 HELP Loan that features repayment in four equal installments and a total cost of \$25.24. It is also only offered once, so service members are unable to roll the debt over into another loan.

The Solution

While financial training and counseling has received considerable attention in that past 10 years, it should be clear that many families are still not financially literate, and the educational materials offered have not been converted into practical life skills. Military families continue to make poor financial decisions and, in too many cases, expand their cycle of debt versus building emergency savings accounts and planning for life after the military.

Interviews with many military leaders suggest that much of the prior financial training produced a “mission accomplished” or “that box is now checked” mentality. But most agree that it did not work or that “it was not practical.” Others have said that current training ensures the “status quo, to take a courteous stab at this education.” Beyond the urgent need for quality information for service members, the major conclusion was the need to offer relevant financial education for spouses - those responsible for most, if not all, of the financial decisions during deployments.

A senior leader commented that, “training is a last resort and teaches them what they have already screwed up. They tell them how to fill out a checkbook, when most of them shouldn’t even have one until better educated.” Others confirmed that many are not concerned with what they are being taught, just as long as they attend. “We tell them until they get their box checked, they can’t go any further.” Most conclude that, “we still see just as many bad checks, negative credit and more payday loans despite more unit-level training.” In short, current training is not translating into execution. A comprehensive and consistent training program would help young men and women entering the military, as well as the seasoned family that has not been educated but can still be rescued from the cycle of debt.

While these solutions are not complicated, they are not a given either. It does become more difficult, however, if the available resources and subject matter experts that stand ready and able to deliver comprehensive training are shut out of the process. Senior leadership within the different branches of the service couldn’t be more passionate about securing financial education for their troops, regardless of the source, as long as the education is comprehensive, balanced, sound in its content and instills the discipline required to be fiscally healthy.

When questioned, one NCO stated, “The Armed Forces deserve the professionalism that the civilian market can provide, from privatizing the barracks, to MWR and housing. Why should personal finances be of less importance?”

¹ Deputy Under Secretary of Defense (Military Community and Family Policy), “2003 Demographics—Profile of the Military Community,” http://www.militaryhomefront.dod.mil/dav/lsn/LSN/BINARY_RESOURCE/BINARY_CONTENT/1869841.swf

-
- ² Richard Buddin and D. Phuong Do, "Assessing the Personal Financial Problems of Junior Enlisted Personnel," Rand: 2002 (MR-1444-OSD), http://www.rand.org/pubs/monograph_reports/MR1444/
- ³ James Hosek and Jennifer Sharp, "Keeping Military Pay Competitive: The Outlook for Civilian Wage Growth and Its Consequences," Rand: 2001 (IP 205), http://www.rand.org/pubs/issue_papers/IP205/index2.html
- ⁴ Buddin and D. Phuong Do, Chap. 4.
- ⁵ "Workers Sweat The Big Stuff—Healthcare, Disability Insurance, Retirement—But Value Vacation Time More," Dec. 27, 2004, <http://www.metlife.com/Applications/Corporate/WPS/CDA/PageGenerator/0,1674,P250%257ES618,00.html>
- ⁶ Peter Tiemeyer, Casey Wardynski, and Richard Buddin, "Financial Management Problems Among Enlisted Personnel," 1999, RAND National Defense Research Institute, pg. 4
- ⁷ *Ibid*, pg. 16
- ⁸ Heather Morton, "Financial Literacy—A Primer for Policymakers," April 2005, <http://www.jumpstartcoalition.com/upload/NCSL%20FinLitPolicymakerPrimer-4-2005.pdf>
- ⁹ "NCEE Standards in Economics: Survey of Students and the Public," Louis Harris and Associates, Inc., 1999, <http://www.ncee.net/cel/results.php?print=1>
- ¹⁰ Sgt. 1st Class Doug Sample, *DoD Campaign to Improve Financial Readiness*, American Forces Press Service, June 3, 2003.
- ¹¹ Tom Philpott, "Military Update: Savers urged to consider 'L fund,'" Stars and Stripes (Pacific Edition) October 13, 2005
- ¹² Ozlem Tanisk, "Payday Lenders Target the Military," Center for Responsible Lending, September 29, 2005 (CRL Issue Paper No. 11), <http://www.responsiblelending.org/pdfs/ip011-PaydayMilitary-0905.pdf>
- ¹³ "Understanding Your Credit Score," Fair Isaac, Inc., <http://www.fairisaac.com/NR/rdonlyres/6F127C6D-E5D2-4EB3-B0CC-A0BD3FE00D94/0/UnderstandCreditScoreBklt.pdf>
- ¹⁴ Jacqueline Duby, Eric Halperin and Lisa James, "High Cost & Hidden From View: The \$10 Billion Overdraft Loan Market," May 26, 2005 (CRL Issue Paper No. 9), http://www.responsiblelending.org/pdfs/ip009-High_Cost_Overdraft-0505.pdf
- ¹⁵ Eric Engleman, "New Payday Players—Credit Unions Join the Fray," Puget Sound Business Journal, June 10, 2005, http://www.bizjournals.com/seattle/stories/2005/06/13/story1.html?from_rss=1
- ¹⁶ "Common Abuses: Seven Signs of Predatory Lending," and "Nine Signs of a Predatory Payday Loan," Center for Responsible Lending, www.responsiblelending.org

About the Authors

Joe Freeman is the Chief Strategy Officer for Pioneer Financial Services. Mr. Freeman has over 15 years of experience in accounting, consulting, marketing and entrepreneurship. Prior to joining Pioneer, he co-founded a successful Internet company.

Randy McKee is the Chief Franchise Officer for Pioneer Financial Services. He has over 31 years experience in franchise management, retail sales and service and merchandising. Prior to joining Pioneer Mr. McKee served as the Senior Vice President of Franchising for Blockbuster Inc.