

■ Americans Resolve to Save and Reduce Debt in 2010

Financial Behaviors Index rises to highest level since May 2008 as families continue to cut back

Due largely to Americans' intentions to save and reduce debt, the First Command Financial Behaviors Index rose consistently across the fourth quarter of 2009 to close at 98, its highest level since reaching 101 in May 2008. Financial behaviors and intentions both rose from the beginning of the quarter with American family financial attitudes remaining relatively stable across that same time period.

The data suggest that Americans have made a resolution: to improve their savings to debt ratio and ensure their financial security in 2010.

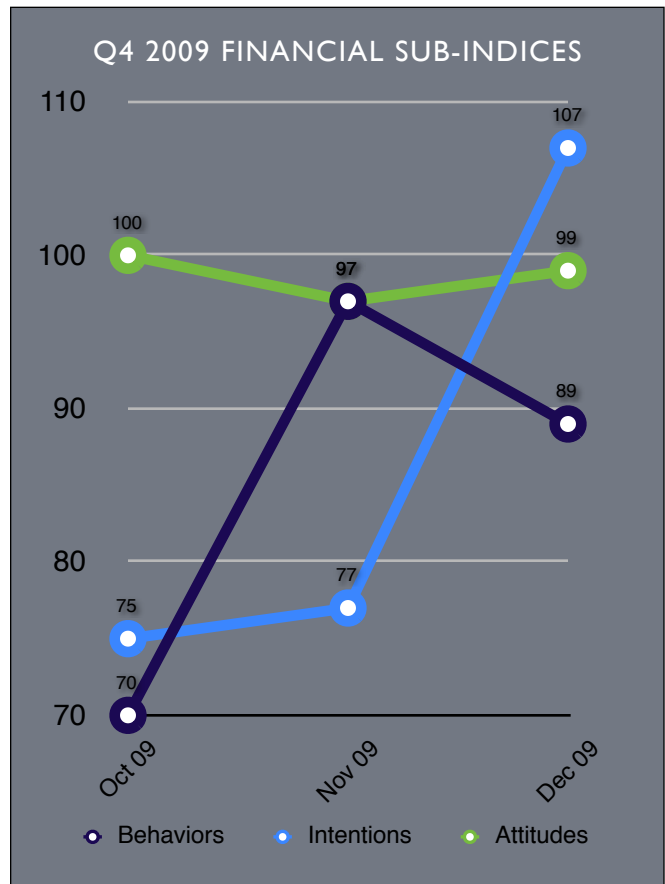
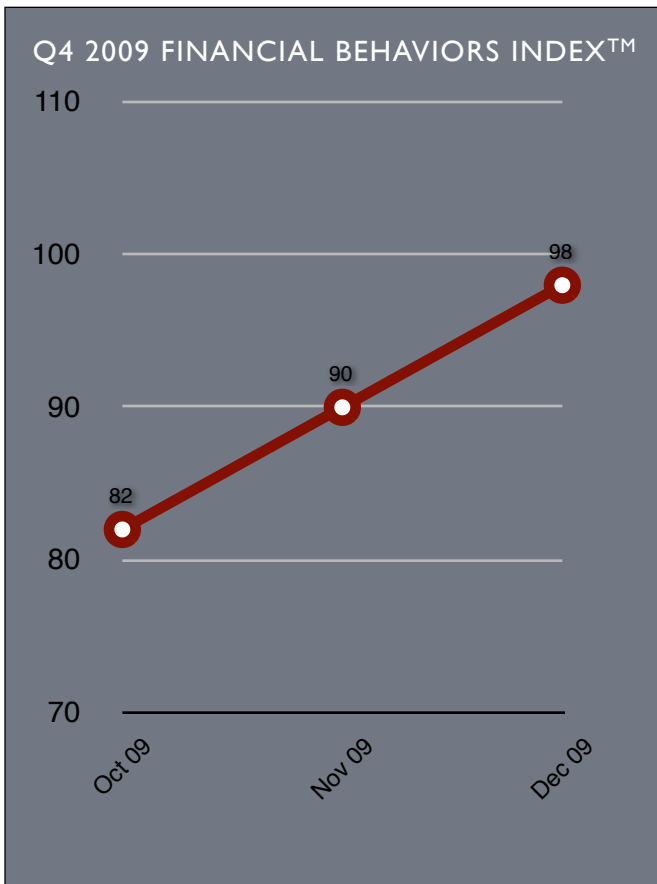
AMERICANS RESOLVE TO SAVE AND REDUCE DEBT IN 2010

The Financial Behaviors Index rose consistently across the fourth quarter to close at 98, its highest level recorded in over a year and a half since reaching 101 in May of 2008. The upward acceleration of the Index was due in large part to Americans' renewed intentions to save and reduce debt. In fact, financial behaviors and intentions both rose from the beginning of the quarter with American family financial attitudes remaining relatively stable across that same time period.

The data suggest that Americans have made a resolution: to improve their savings to debt ratio and ensure their financial security in 2010. The savings-to-debt ratio is defined as the amount of total savings compared to the amount of total debt a family carries. The Index indicates that many Americans began working on this resolution in the fourth quarter of 2009. The percentage of Americans with a *positive* savings-to-debt ratio increased 5-points from 37% in July 2009 to 42% in December 2009, its highest point in the history of the Financial Behaviors Index. Moreover, the percentage

of respondents with a *positive* savings-to-debt ratio reached 55% among families with a financial planner with - an 11-point increase since July, indicating that those with financial plan are redoubling their efforts to secure their financial future.

With this renewed desire to increase savings and reduce debt, the behavioral trends indicate that Americans have cut back overall across 2009. The number of families indicating that their cut-back in spending is a permanent change has nearly doubled since the beginning of the year - showing a push toward a new frugality in America. In December, 27% of Americans indicated that they have *cut back for good*, a striking increase from the 14% who expressed the same sentiment in the beginning of 2009. As part of those cut-backs, 58% of Americans indicated that they would spend *less* during the holidays than they did last year, a revealing result given that the recession was in full swing and consumers had already cut back on holiday spending at the end of 2008.



Other evidence of the yearning to reduce debt is the continued intent to decrease usage of credit cards for purchases. In November, approximately one-half of Americans (49%) indicated that they would pay for their holiday purchases by *credit card*, while two-thirds (67%) planned to pay with *cash*. Moreover, 23% of these respondents who planned to use credit cards said that they planned to use them *less* for their holiday spending this year than last year.

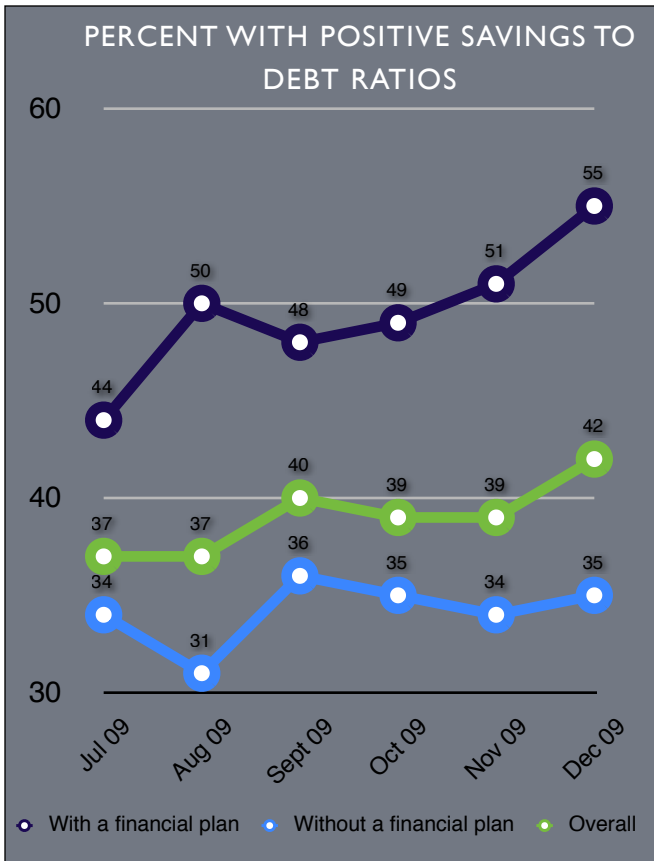
In general, approximately one-third of Americans (32%) reported that they are using their credit card *less* than they were one year ago, while only 11 percent reported increased credit card usage. In addition, many Americans who are aware of the credit card reform legislation going into effect in February 2010 are making changes to their credit card usage now in ways that attempt to reduce their debt, including:

- using their credit card less (22%)
- paying more of their balance each month (15%)
- paying off their balance **in full** each month (15%)
- permanently paying off all their credit cards (13%)

The American family desire to increase savings and decrease debt can also be seen in the financial aspirations for 2010. Many respondents mentioned financial aspirations related to curbing spending habits, reducing debt and becoming more responsible with their finances. Americans resolve to:

- cut back on excessive spending (40%)
- get out of debt (35%)
- use cash or debit more often instead of credit cards (29%)
- learn not to live beyond their means (25%)
- start saving money for retirement or put more money into retirement savings (23%)
- learn to budget responsibly (22%).

Given these sound financial aspirations, Americans seemed poised to enter 2010 with the resolution of fiscal responsibility. If January resolve leads to February follow-through we could see an upward trend of feelings of financial security and optimism by the end of March.



BEHAVIOR INDEX TABLES	Q4 2009		
	OCT	NOV	DEC
Short-term Savings			
Mean	\$755	\$801	\$973
Long-term Savings			
Mean	\$202	\$349	\$347
Retirement Accounts			
Mean	\$613	\$976	\$939
Pay on Short-term debt			
Mean	\$932	\$930	\$1,070
Pay on Long-term debt			
Mean	\$1,186	\$1,153	\$1,341

METHODOLOGY

The First Command Financial Behaviors Index™ examines financial behaviors, attitudes and intentions among U.S. consumers. The Index, launched in February 2008, was created by First Command Financial Services, Inc., and Sentient Decision Science, an independent market research and consulting firm, was commissioned by First Command to compile the Financial Behaviors Index™. The research is based on a monthly survey of approximately 1,000 U.S. consumers, ages 25 to 70 with annual household incomes of at least \$50,000. Survey respondents are asked questions related to three separate measures:

Behaviors:

How much money did you put into savings and investments last month? (Dollar amounts)

Short-term (savings accounts, CDs, liquid money market funds)

Long-term (stocks, mutual funds, bonds, college savings 529 plan)

Retirement (401k, 403b, Simple IRA, Personal IRA accounts, TSPs)

How much did you pay on your short-term and long-term debt last month?

Short-term (car loans, credit card debt, etc.)

Long-term (mortgages, student loans, home equity loans/lines, etc.)

Intentions:

Will you increase or decrease the amount you put into savings and investments next month?

Will you increase or decrease the amount you pay on your debt next month?

Will you increase or decrease the amount of debt you carry next month?

Attitudes:

How financially secure do you feel month to month?

How would you rate your confidence that your financial situation will improve in the next year?

How confident do you feel about your ability to retire comfortably?

How financially stretched do you feel month to month?

The margin of error for a survey based on 1,000 interviews is +/- 3.1 percentage points with a 95 percent level of confidence. The method for calculating the First Command Financial Behaviors Index™ may be subject to change depending on data tracking history and correlations with movements in the U.S. economy. For more information about the Index and the monthly survey, please contact Mark Leach at First Command Financial Services.

About First Command Financial Services, inc.

Through comprehensive, personalized financial plans comprising investments, insurance and banking products and services, First Command Financial Services has since 1958 assisted individuals and families in their efforts to reduce debt, build wealth and pursue their financial goals and lifetime dreams.

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About Sentient Decision Science, LLC

Sentient Decision Science is a full service market research firm with special vertical expertise within the financial services industry. Sentient specializes in advanced research design and statistical analysis of behavioral and attitudinal data.

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