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Career Military Anxious Over Proposed Compensation Cuts, First Command Reports
First Command Financial Behaviors Index® reveals heightened financial concerns in military families as Pentagon proposes deepest cuts to benefits and pay in the history of nation’s all-volunteer force

FORT WORTH, Texas – As the Department of Defense proposes sweeping changes to military benefits and pay, members of America’s career military are growing increasingly concerned about how the compensation reform effort will impact their family finances.

The latest results of the First Command Financial Behaviors Index® reveal that three out of four middle-class military families (senior NCOs and commissioned officers in pay grades E-6 and above with household incomes of at least $50,000) expect to be financially affected by the anticipated cuts to defense spending. They are experiencing heightened financial concerns on a number of compensation-related issues, with reduced retirement benefits easily emerging as their top concern. It was cited by 38 percent of survey respondents in January and February compared to just 15 percent in October. Concerns are also growing quickly over:

- Likelihood of not being promoted (33 percent, up seven points from January).
- Reductions in personal expense benefits, including housing, clothing and food (31 percent, up six points)
- Early separation or not serving to full retirement (26 percent, up seven points).
- Job security (32 percent, up six points).

Notably, these survey results were collected before the March 6 news reports on the Pentagon’s detailed proposal for fundamental changes to the current pension system.

“Our latest survey findings paint the most revealing picture yet of how servicemembers and their families expect sequestration and defense downsizing to affect their near- and long-term financial lives,” said Scott Spiker, CEO of First Command Financial Services. “While retirement benefits are at the top of their concerns, they are just one of many worries over what are being called the most far-reaching cuts to military compensation in the 40-year history of the all-volunteer force. Their worries go beyond pay and benefits to encompass broader concerns about an untimely end to their careers. Sequestration is no longer just an issue of limiting the size of the federal budget, but rather has become the most critical concern facing the financial lives of the men and women who lead our troops in the defense of our nation.”

Meanwhile, military families are continuing to deal with their sequestration-related concerns through a focus on frugal living. When asked how they are preparing for sequester cuts, survey respondents indicated they are:

- Cutting back on everyday spending (49 percent)
- Increasing the amount they are saving (34 percent)
- Decreasing the aggressiveness of their investments (18 percent)
- Moving investments to cash (7 percent)
- Starting to work with a financial advisor (6 percent)

“Fears of sequestration and changes to military compensation are helping to emphasize the value of saving and other proactive money behaviors,” Spiker said. “We are not surprised to learn that career military families are seeking out professional assistance. Financial advisors are ideally positioned to heighten fiscal discipline in a population that is growing increasingly concerned about their military pay, benefits and career viability. Over the coming months we expect to see even more military families seek out trusted professionals to help them get their household finances squared away.”
About the First Command Financial Behaviors Index®
Compiled by Sentient Decision Science, Inc., the First Command Financial Behaviors Index® assesses trends among the American public’s financial behaviors, attitudes and intentions through a monthly survey of approximately 530 U.S. consumers aged 25 to 70 with annual household incomes of at least $50,000. Results are reported quarterly. The margin of error is +/- 4.3 percent with a 95 percent level of confidence. www.firstcommand.com/research

About Sentient Decision Science, Inc.
Sentient Decision Science was commissioned by First Command to compile the Financial Behaviors Index®. SDS is a behavioral science and consumer psychology consulting firm with special vertical expertise within the financial services industry. SDS specializes in advanced research methods and statistical analysis of behavioral and attitudinal data.

About First Command
First Command Financial Services and its subsidiaries, including First Command Bank and First Command Financial Planning, assist American families in their efforts to build wealth, reduce debt and pursue their lifetime financial goals and dreams—focusing on consumer behavior as the first and most powerful determinant of results. Through knowledgeable advice and coaching of the financial behaviors conducive to success, First Command Financial Advisors have built trustworthy, lasting relationships with hundreds of thousands of client families since 1958.

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