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FOR IMMEDIATE RELEASE
July 18, 2017

First Command Reports: Career military families focusing on retirement savings

FORT WORTH, Texas – The majority of America’s career military families who work with a financial advisor are staying focused on retirement savings in 2017, according to the latest results of the First Command Financial Behaviors Index®.

Ninety six percent of middle-class military families (commissioned officers and senior NCOs in pay grades E-5 and above with household incomes of at least \$50,000) who work with a financial advisor contributed to retirement savings during the first quarter. In contrast, just 74 percent of their do-it-yourself colleagues contributed to retirement accounts.

Families with financial advisors contributed more dollars to their retirement accounts than those without an advisor. Monthly mean contributions for the two groups were \$507 and \$301, respectively.

“The military’s new Blended Retirement System is keeping retirement planning at the top of financial concerns for many career military families,” said Scott Spiker, chairman/CEO of First Command Financial Services, Inc. “Most military families indicate they are likely to consult a financial advisor regarding their retirement system options, particularly those who already work with an advisor. Sixty-five percent of military families who work with an advisor say they are extremely or very likely to consult their advisor for help making retirement system choices versus 24 percent of those without an advisor.”

The Blended Retirement System features a 20 percent reduction in current guaranteed retirement pay generated by the old traditional pension in exchange for a variety of new benefits that include automatic and matching Thrift Savings Plan contributions, a mid-career continuation pay bonus and options to receive a portion of the reduced pension as a lump sum. Service members who enter the military on or after Jan. 1, 2018, will be automatically enrolled in the new system. The new plan is also available to many current service members, specifically those who will have less than 12 years of service as of Dec. 31, 2017. They can choose to either stay with the old retirement system or opt in to the new one.

Service members who work with a financial advisor are also more likely than those without an advisor to contribute to other forms of savings, including:

- Short-term savings (92 percent versus 76 percent). Monthly mean contributions for the two groups were \$308 and \$200.
- Long-term savings (85 percent versus 44 percent). Monthly mean contributions for the two groups were \$282 and \$62.

Those with a financial advisor reported roughly \$45,000 more in accumulated savings and retirement funds than their do-it-yourself colleagues. Current holdings for the two groups were \$158,913 and \$113,365, respectively.

The majority of career military families also focused on paying down debt during the first quarter. The Index reveals that 90 percent contributed to short-term debt (making mean payments of \$327) and 88 percent contributed to long-term debt (with mean payments of \$803). Those who work with a financial advisor reported about \$26,000 less in debt than their do-it-yourself counterparts. Current debt levels for the two groups are \$70,432 and \$96,457.

Looking ahead, the savings trend may slow in the coming months. Average savings contributions as well as intentions to continue saving dropped during the first quarter, pushing the Index score down six points to 138. (The Index is set to a benchmark of 100, which was assigned when the Index was launched in 2008.)

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“Despite feelings of uncertainty about their retirement benefits, many military families are expressing confidence in their financial futures,” Spiker said. “Almost two thirds of survey respondents with an advisor feel extremely or very confident in their ability to retire comfortably. Financial advisors are helping their career military clients engage in the kinds of positive financial actions that will help them feel more certain in the pursuit of long-term financial security.”

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. <http://www.firstcommand.com/fbi/>

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 Financial Planning and First Command Bank, coach our Nation’s military families in their pursuit of financial security. Since 1958, First Command Financial Advisors have been shaping positive financial behaviors through face-to-face coaching with hundreds of thousands of client families.

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