

CEO COMMENTARY:

Financial coaching is critical to making the most of the BRS

By Scott Spiker, Chairman/CEO of First Command Financial Services, Inc.



Financial behavior coaching is a time-tested approach for pursuing a successful retirement with adequate lifetime income. It will be particularly critical for service members under the military's new Blended Retirement System (BRS).

The BRS 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.

Making up for the 20 percent cut in retirement pay will require service members to amass significant income-generating assets through disciplined savings behaviors and smart investment choices. Career military families who work with a financial advisor are more likely than their do-it-yourself colleagues to see a positive change in their own financial behaviors – a change that reflects a frugal, long-term approach to retirement savings.

Career military families who work with a Financial Advisor develop the types of strong financial behaviors that lead to positive action and build towards long-term success. They are more likely than their go-it-alone counterparts to:

- Contribute to retirement and savings accounts,
- Participate in the Thrift Savings Plan and
- Feel confident in their ability to retire comfortably.

Our monthly Financial Behaviors Index surveys reveal that 82 percent of middle-class military families who work with a financial advisor contributed to retirement savings during the first quarter of 2017. That compares to 70 percent of their do-it-yourself colleagues. Families with financial advisors contributed more dollars to their retirement accounts, too. Monthly median contributions for the two groups were \$500 and \$300, respectively.

Service members who work with a financial advisor are also more likely than those without an advisor to contribute to:

- Short-term savings (83 percent versus 77 percent). Monthly median contributions for the two groups were \$500 and \$300.

- Long-term savings (65 percent versus 47 percent). Monthly median contributions for the two groups were \$450 and \$250.

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

Service members who work with a financial advisor are more likely to take advantage of the Thrift Savings Plan than their colleagues without an advisor. Our April 2017 survey reveals that during the January-through April period, 60 percent of those with an advisor participate in the TSP versus 32 percent of those without an advisor.

Demand for financial behavior coaching is particularly strong among those who can benefit from it most: millennial military families.

Our market research into the financial planning wants and needs of millennial military families reveals that they want and need personal help developing positive financial behaviors in pursuit of their retirement and other financial goals. We found that:

- Financial coaching resonates. It is universally appealing and viewed by service member families as meaning someone who will help them stay on track and reach their unique financial goals.
- Face-to-face service is highly valued. It is critical to establishing a successful relationship and building trust.

The benefits of financial behavior coaching are unmistakable. Coaching leads to positive action.



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