

## CEO COMMENTARY:

### Look for Military Spouses to Weigh in on BRS Opt-in Decision

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



Look for wives and husbands to play a key role in decisions facing service members this year under the military's new Blended Retirement System (BRS).

Eighty-two percent of spouses in middle-class military families expect to be extremely or very involved in the process of deciding between opting in to the BRS and sticking with their traditional guaranteed pension, according to our latest market research. And one in five spouses think they should be the primary decision maker.

These findings stand in sharp contrast to the reality facing military spouses. Wives and husbands receive limited access to government education or training and have no voice in decisions involving the new program. That's a troubling oversight as the BRS opt in decision is clearly one of the most important financial choices facing our Nation's career military families. It's a decision that can significantly affect the long-term financial security of service members and spouses.

The BRS represents a major shift in military retirement planning, one that introduces more risk and more complexity. That risk begins with a 20 percent cut in the traditional pension, which has provided guaranteed monthly retirement pay to generations of career military families who completed 20 years of service. The 20 percent reduction pays for a new defined contribution program that includes automatic and matching Thrift Savings Plan contributions, mid-career continuation pay and a lump sum buyout option. The program applies to all new service members starting Jan. 1, 2018, but military members with 12 years or less of service on Dec. 31, 2017, are eligible to opt in to the new program during 2018.

Our research reveals that three out of ten career military families (commissioned officers and senior NCOs in pay grades E-5 and above with household incomes of at least \$50,000) say they want to opt into the BRS. While the new benefits may appear appealing at first glance, a 20 percent reduction in guaranteed lifetime income is a matter of serious concern. For that reason BRS regulations include mandatory education for service members in advance of the decision to opt into the new system or stick with the guaranteed income from the legacy pension. Almost all of the spouses we surveyed said they also would find education and training to be a valuable tool in helping them understand the BRS opt-in decision.

This strong interest in BRS education makes perfect sense in light of the importance of financial issues to military spouses. Their unique experience is often one of shouldering the primary responsibility for household budgeting and savings. Our research confirms that military spouses are deeply involved in preparing for retirement, so it's understandable that they want education and to be involved in the BRS opt-in decision. We found that:

- 39 percent of spouses think they should have an equal voice in the opt-in decision.
- 20 percent of spouses say they should be the primary decision maker.

Financial coaching can play a key role in helping service members and spouses work together to successfully navigate this complex government benefit through diligent planning and saving. Career military families who work with a financial advisor are more likely to save more and feel more confident about their finances than their colleagues who do not work with an advisor.

Working with a financial coach is an ideal way for military families – and the husbands and wives who manage their household finances – to make the most of their pay and benefits. Coaching helps to give military spouses an equal voice in retirement and other financial decisions and supports military families in their continuing pursuit of long-term financial security.

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