

FIRST COMMAND FINANCIAL BEHAVIORS INDEX®



2015 Annual Report

FIRST COMMAND FINANCIAL SERVICES, INC.

WWW.FIRSTCOMMAND.COM

with

SENTIENT DECISION SCIENCE, INC

WWW.SENTIENTDECISIONSCIENCE.COM

MILITARY FAMILIES ARE OPTIMISTIC DESPITE CONTINUED ECONOMIC CHALLENGES IN 2015. THE 2015 FINANCIAL BEHAVIORS INDEX® BEGINS AND ENDS THE YEAR AT SIMILAR LEVELS AMONG MILITARY AND GENERAL POPULATION HOUSEHOLDS.

The First Command Financial Behaviors Index® for military families rose during the second and third quarters of 2015, then dropped to first quarter levels at the end of the year. The First Command Financial Behaviors Index® for the general population remained steady throughout 2015 with a slight decrease in the fourth quarter (96).

Underlying the fluctuation in the overall index in 2015 among military households were similar gains and then losses within each of the sub-indices. General population households showed relatively steady intentions and attitudes sub-indices, while the behaviors sub-index steadily rose through the year before dropping to a low point in the fourth quarter (76).

Military families' attitudes toward *financial security*, *general optimism*, and *ability to retire comfortably* continued to be more positive throughout 2015 compared to general population families. Among military families, financial security remained relatively consistent through the year, while optimism and confidence in the ability to retire comfortably increased in the second and third quarters before returning to first quarter levels in the fourth quarter. The general population trend was flat on all three measures.

While the majority of military and general population households planned to sustain the monthly amount they put into savings and pay against debt, military households tended to be more likely to take action through financial preparedness than their general population counterparts. Throughout 2015, fears of sequestration-related cuts to defense spending likely served to reinforce these behaviors.

On average, the monthly median amount military households put into long-term savings in 2015 exceeded that of the general population by \$125. However, the median monthly amount paid on debt by the general population exceeded that of military families by \$500.

Despite differences in military and general population savings and debt behaviors, members of both populations indicated efforts to reduce spending throughout 2015. These efforts affected everyday spending decisions, as well as summer vacation and holiday shopping.

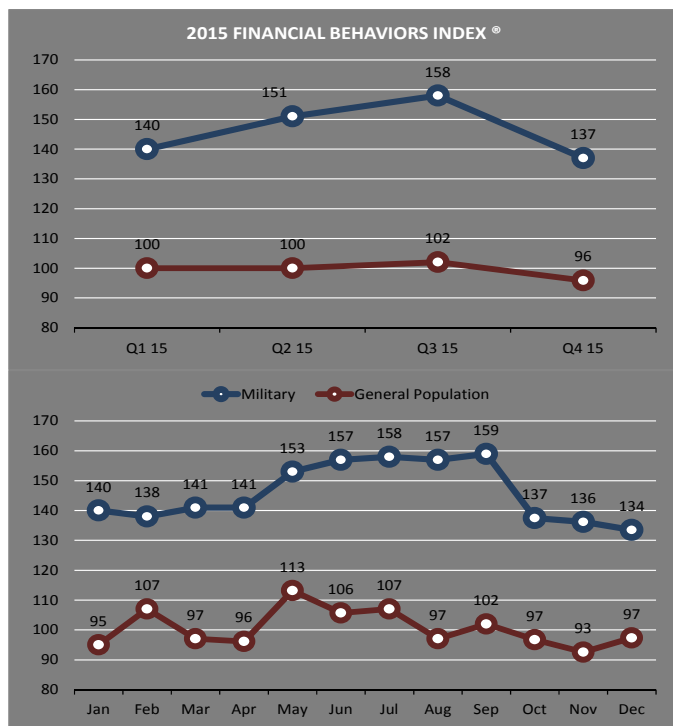
Fourth-quarter cuts to everyday household expenses included:

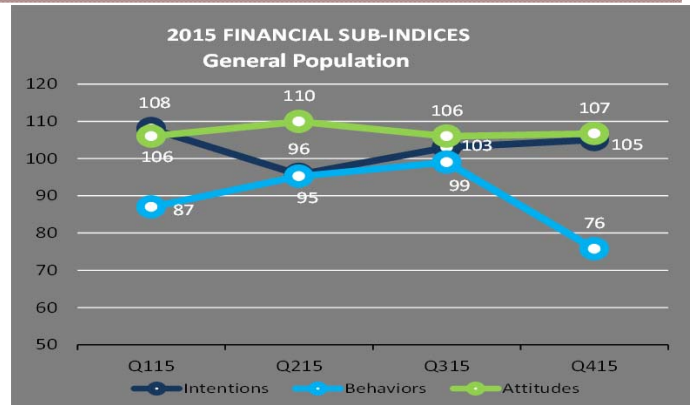
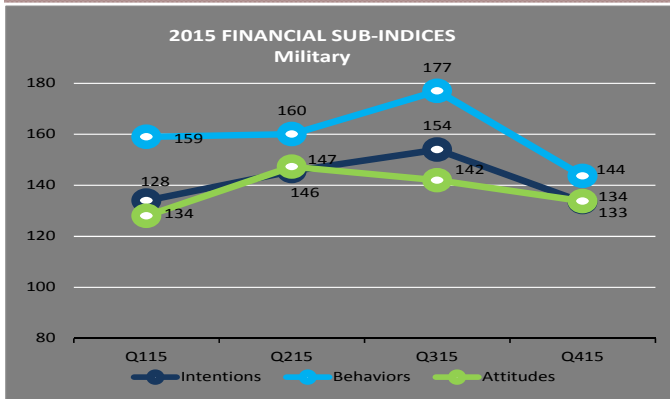
- *Cooked at home more often (32% Mil & 43% General Population)*
- *Attempted to reduce electric bill (28% & 32%)*
- *Increased use of coupons (25% & 35%)*
- *Reduced clothing purchases (25% & 35%)*
- *Reduced spending on junk food (26% & 29%)*
- *Shopped at discount stores (24% & 36%)*
- *Reduced leisure activities (24% & 37%)*

As the summer vacation season approached, a significant portion of both military (47%) and general population (33%) households indicated that they planned to spend less in 2015. Similar to the prior year, military families were more likely to say they planned to cut back on vacation spending in 2015. Top tactics among those who planned to spend less included:

- *Take a shorter vacation (33% & 19%)*
- *Stay closer to home (29% & 26%)*
- *Cook rather than eat out (28% & 14%)*

In July 2015, three in four military families reported having permanent life insurance in place (similar to 2014). This





compares to less than half of general population families reporting having permanent life insurance in place.

Additionally more military than general population families indicated making changes to both personal and employer coverage life insurance as a result of the state of the economy (Mil 45% and 36%, respectively vs. GP 8% and 7%).

As the 2015 holiday season approached, over four-fifths of military (82%) and just under half of general population (44%) families planned to change their Thanksgiving plans as a result of the economy by:

- *Staying closer to home (reduced travel) (28% & 16%)*
- *Sticking to a set budget (28% & 11%)*
- *Having dinner with immediate family (22% & 19%)*
- *Spending less on decorations (22% & 7%)*

A similar proportion of military and general population families planned to change their Thanksgiving plans in 2015 compared with 2014. Additionally, both military and general population families reported cut backs on December 2015 holiday spending at a level similar to 2014. However, compared to the general population, military families continued to remain more likely to cut back (Mil 94% vs. 92%, GP 80% vs. 78%). This suggests that general population families were not as concerned about the current economic conditions.

Caution did persist among all, with planned cutbacks primarily aimed at gift giving. Cutbacks included:

- *Spending less on gifts (37% Military & 44% General Population)*
- *Giving fewer gifts per person (29% & 24%)*
- *Giving gifts to fewer people (30% & 23%)*
- *Setting a maximum amount of gifts (32% & 28%)*
- *Buying gifts from discount stores (24% & 21%)*

This year, military families were significantly more likely to cut back by *staying closer to home* than general population families (34% vs. 23%). Military families planned to spend nearly \$800 on gifts this year (vs. nearly \$1,500 in 2014) while general population families planned to spend just over \$600 (vs. nearly \$1,000 in 2014).

Another method of cutting back, primarily for military families, was to holiday shop on Black Friday. Significantly more military families planned to do *all or most* of their holiday shopping on Black Friday, compared to the general population (Mil 40% vs. GP 12%).

While dealing with many financial concerns, military households were especially proactive in comparison to the general population in preparing for and coping with sequestration and cuts to defense spending. In December 2015, military families were significantly more likely than general population families to take action (83% vs. 44%).

Throughout 2015, military families felt the impacts of sequestration and cuts to defense spending. A majority (65%) felt anxious about defense spending cuts (compares to 29% among general population families) in December 2015. A similar majority of (72%) expected to be personally affected by cuts. In line with last year's expectations, military families indicated experiencing many negative impacts. They included:

- *Reduction in annual pay increases (36%)*
- *Reduction in personal expense benefits (32%)*
- *Reduction in retirement benefits (28%)*
- *Increased responsibility for healthcare costs (28%)*

Correspondingly, military families continued to rank basic pay and retirement pay benefits as the two most important military benefits, as they have since the second half of 2014. Half of military families continued to indicate that

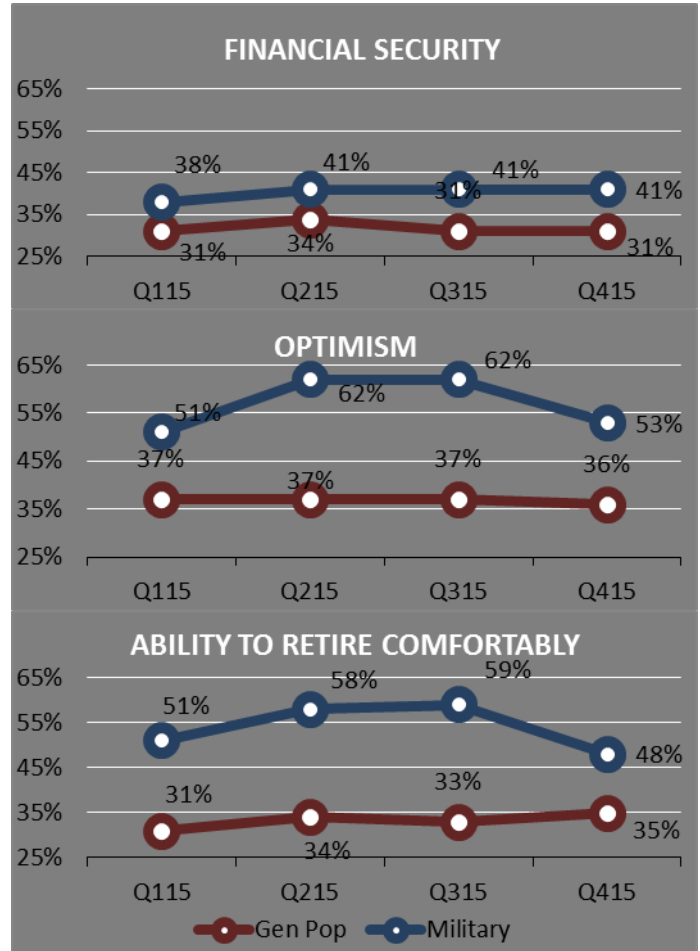
the proposed changes to military retirement benefits will not impact their time of service (50% in December 2015).

The importance of military benefits was also evident among military families’ ranking this issue foremost when selecting a candidate in the 2016 primary elections. (Military benefits was tied at 20% with jobs and economic growth as most important.)

Looking ahead, military families focused on making proactive behavioral changes to their financial situation as they entered 2016. Financial aspirations for 2016 included:

- *Get out of debt (32% Military & 37% General Population)*
- *Improve credit score (31% & 28%)*
- *Cut back excessive spending (28% & 45%)*
- *Use cash/debit more than credit cards (28% & 27%)*
- *Be financially independent (28% & 24%)*
- *Learn to budget responsibly (28% & 22%)*

Military families’ financial security, optimism regarding the future and perceptions of their ability to retire comfortably exceeded those of the general population throughout 2015, despite numerous current and proposed cuts to military benefits. Military and general population households alike showed greater security, optimism, and confidence if they were working with a financial advisor compared to families who were not working with a financial advisor.



% Taking Action and Median Contribution	Q115		Q215		Q315		Q415	
	Action	\$\$	Action	\$\$	Action	\$\$	Action	\$\$
Short-Term Savings								
Military	85%	500	72%	425	74%	500	72%	500
General Population	44%	500	46%	500	48%	500	43%	500
Long-Term Savings								
Military	73%	500	61%	300	66%	500	69%	500
General Population	19%	295	20%	300	21%	400	19%	300
Retirement Accounts								
Military	87%	500	69%	400	74%	500	61%	500
General Population	47%	500	50%	500	46%	500	49%	500
Short-Term Debt								
Military	85%	500	74%	500	76%	500	78%	500
General Population	60%	700	62%	800	61%	800	62%	700
Long-Term Debt								
Military	77%	1000	68%	750	72%	772	74%	1000
General Population	48%	1200	54%	1100	52%	1125	51%	1100

METHODOLOGY

The First Command Financial Behaviors Index® examines financial behaviors, attitudes and intentions among U.S. consumers. The First Command Financial Behaviors Index® was launched in February 2008 by First Command Financial Services, Inc., and Sentient Decision Science, an independent market research and consulting firm commissioned by First Command to compile the Index. The research is based on a monthly survey of approximately 530 U.S. consumers, ages 25-70 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 (TSP, 401k, 403b, Simple IRA, Personal IRA accounts)

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 530 interviews is +/-4.3 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.

First Command Financial Services and its subsidiaries, including First Command Advisory Services, 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.

1 FirstComm Plaza
Fort Worth TX, 76109
T 817.731.8621
F 817.738.1023
www.firstcommand.com

About Sentient Decision Science, Inc.

Sentient Decision Science is a full service behavioral science and 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.

One Harbour Place, Suite 380
Portsmouth, NH 03801
T 603.570.4819
F 603.570.4817
www.sentientdecisionscience.com

© 2016. **First Command Financial Services, Inc. parent of First Command Financial Planning, Inc. (Member [SIPC](#), [FINRA](#)), First Command Advisory Services, Inc., First Command Insurance Services, Inc. and First Command Bank. Securities and brokerage services are offered by First Command Financial Planning, Inc., a broker-dealer. Financial planning and investment advisory services are offered by First Command Advisory Services, Inc., an investment adviser.** Insurance products and services are offered by First Command Insurance Services, Inc. in all states except Montana, where as required by law, insurance products and services are offered by First Command Financial Services, Inc. (a separate Montana domestic corporation). Banking products and services are offered by First Command Bank. Securities products

are not FDIC insured, have no bank guarantee and may lose value. A financial plan, by itself, cannot assure that retirement or other financial goals will be met. First Command Financial Services, Inc. and its related entities are not affiliated with, authorized to sell or represent on behalf of or otherwise endorsed by: any federal employee benefits programs referenced by the U.S. government, the U.S. armed forces or any other third-party mentioned on this site. In Europe, investment and insurance products and services are offered through First Command Europe Limited. First Command Europe Limited is a wholly owned subsidiary of First Command Financial Services, Inc. and is authorized and regulated by the Financial Conduct Authority. Certain products and services offered in the United States may not be available through First Command Europe Limited.