

**Supporting Statement for the  
Survey of Financial Management Behaviors of Military Personnel  
(FR 1375; OMB No. 7100-to be assigned)**

**Summary**

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to implement the new voluntary Survey of Financial Management Behaviors of Military Personnel (FR 1375; OMB No. 7100- to be assigned), working with the Department of Defense (DOD), Office for the Secretary of Defense.<sup>1</sup> This survey would gather data from two groups of military personnel: (1) those completing a financial education course as part of their advanced training and (2) those not completing a financial education course. These two groups would be surveyed on their financial management behaviors and changes in their financial situations over time. Data from the survey would help to determine the effectiveness of financial education for young adults in the military and the durability of the effects as measured by financial status of those receiving financial education early in their military careers. Respondents would be young enlisted personnel (grades E1 to E4) and newly commissioned officers (grades O1 to O2).<sup>2</sup> The Federal Reserve anticipates surveying respondents every six months for a period of up to three years. The proposed total annual reporting burden is estimated to be 2,640 hours.

The survey would be conducted by a private survey firm, which would be chosen in a competitive bidding process. The Federal Reserve, in conjunction with DOD, would develop the survey instrument and sampling protocols. The survey firm would then conduct a pre-test with enlisted personnel and newly commissioned officers. Following pre-test revisions to the questionnaire, the survey would be conducted by means of a web-accessed questionnaire. Surveying would likely commence in mid-year 2004. The Federal Reserve is aware of special sampling needs associated with longitudinal surveys to account for likely attrition rates over time. Participating military personnel would be assigned a survey number for linking to the prior rounds of data collection, enabling the tracking of changes over time. This number would not otherwise be linked to personally identifiable information and steps would be taken to assure the security and confidentiality of the data collected. A sample of possible questions to be included in the survey is attached.

**Background and Justification**

The topic of personal financial education has garnered significant attention over the past several years, and a wide range of activities – curriculum development for youth

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<sup>1</sup> For the purposes of the proposed survey and this proposal the terms “DOD,” “military personnel” and “the military” refer to the four branches of the military and the personnel serving under them: United States Air Force, United States Army, United States Marine Corps, and United States Navy.

<sup>2</sup> Enlisted ranks range from E1 to E9; E1 and E2 are entry level ranks (for example, in the Army, these would be privates); E3 and E4 are junior enlisted ranks (for example, in the Army these would be Private First Class and Specialist/Corporal ranks). Officer ranks range from O1 to O10; O1 and O2 are entry level ranks (for example, in the Army these would be Lieutenants or in the Navy these would be Ensigns).

and consumers, conferences, workshops, and research studies – has focused on this issue. The Federal Reserve has been an active participant in the discussions and activities, as evidenced by the Federal Reserve’s “There’s a Lot to Learn about Money” financial education campaign launched in 2003. In addition, the Federal Reserve has undertaken efforts to provide financial education and information to employees with the goal of improving their financial management practices and, consequently, their financial well-being.

Most empirical studies support the view that financial education has a positive effect on financial behavior and financial outcomes (see, for example, Bernheim & Garrett, 2003 and Thaler & Bernatzi, 2001). In addition to these studies, a number of Cooperative Extension programs have conducted successful outcome-based evaluations, including the NEFE® High School Financial Planning Program® and Money 2000™ (Schuchardt, 2003). The focus of many of these programs has been on measuring how changes in financial knowledge affect personal financial behaviors immediately after exposure to the program interventions.

To date, however, little broad-based empirical data have been gathered regarding the most effective means for improving individuals’ personal financial practices over the long term. Three studies (Bernheim, Garrett, & Maki, 2001; Hiras & Zorn, 2001; Staten, Elliehausen & Lundquist, 2002) provide some longitudinal evidence of the impact of educational interventions on financial outcomes. The latter two are narrowly focused on home buying and credit counseling. No data are available on the impact of educational interventions on more general financial management behaviors and outcomes over a longer period of time. Only limited data are available on newly independent youth and newly-forming households, a key target audience for financial education programs that aim to help people “get off on the right foot” financially.

A number of financial education programs and initiatives have successfully measured program impact using outcome-based evaluations. These educational efforts have targeted groups such as students, low-income families, people without bank accounts, immigrants, military personnel, and individuals who are preparing for retirement. The objectives of these financial education programs have been to help consumers build financial knowledge and make informed financial decisions. However, no data on the impact of educational interventions on more general financial management behaviors and outcomes over any period of time are available.

One group that has the potential for being tracked over several years comprises young enlisted military personnel and newly commissioned officers in the military. Staff in the Military Community and Family Policy section in the Office of the Deputy Assistant Secretary of Defense have expressed interest in measuring the effectiveness of their financial education efforts, especially as this relates to military preparedness. The military devotes considerable resources to providing basic financial education to all personnel and their families. At present, enlisted personnel receive the bulk of their basic financial literacy education during the first six to twelve months of service; follow-up

programs on home buying, college savings, and retirement that include family members are also provided.

The proposed survey would help to fill in some of the void in the understanding of how educational interventions relate to subsequent financial behaviors. This research could help guide future decisions on the appropriate level of overall support for personal financial education, as well as on the specific formats that the training should take. By gaining the knowledge of formats of financial education that work best, at least in the context of military personnel, the Federal Reserve should also enhance its ability to promote the economic welfare of the nation's citizens.

### **Description of Information Collection**

The Federal Reserve, in conjunction with DOD, would develop the survey instruments. The survey research firm would be responsible for following the sampling protocol established by the Federal Reserve and DOD, conducting the survey, preparing a data file containing individual responses, computing analysis weights, and documenting all survey procedures. The final data editing and analysis of survey results would be conducted by the Federal Reserve.

### **Survey Content**

This survey is designed as a longitudinal panel survey; that is, it would involve respondents over a period of two to three years, surveying them periodically to learn about changes in their financial situation.<sup>3</sup> An initial survey for all participating personnel would gather base-line data on household composition, socioeconomic data of the respondent prior to joining the military, other demographics, current financial standing, financial management behaviors, asset levels, financial awareness and knowledge, financial stressors, and attitudes. Questions would include categorical questions (for example, marital status), yes-no format questions, Likert scales (which ask respondents to respond to items on a scale from strongly agree to strongly disagree), and short-answer questions (for example, amounts held in savings accounts and balances on credit cards). Follow-up surveys every six months would gather information on changes in these characteristics (for example, changes in marital status, family size, income, and asset levels) as well as information on any financial education programs that occurred within the six-month period. Sample survey questions are presented in an attachment.

### **Identifying a Suitable Sample**

Working with the military, the Federal Reserve plans to periodically survey military personnel from two groups: (1) enlisted personnel and newly commissioned officers who received a two-day financial education program as part of their advanced individual training, which takes place immediately after basic training, at the selected

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<sup>3</sup> Other examples of longitudinal studies include the Panel Study of Income Dynamics (conducted by the Institute for Social Research, University of Michigan) and the National Longitudinal Surveys (sponsored by the Bureau of Labor Statistics and conducted by the Center for Human Resource Research, The Ohio State University).

installation (the test group), and (2) personnel from another selected installation, or a sample at the same installation, who have not received financial education in their advanced training program (the control group). The goal is to track these two groups over a period of about three years to evaluate the effects of financial education on financial outcomes.

DOD would work with the selected military installations to facilitate communication with personnel. Sampling would be done in cooperation with the command staff and in a way that assures a statistically representative sample for comparison purposes. Personnel would be surveyed upon completion of their advanced training and every six months during their tour of duty, for a period of up to three years. The surveys would be conducted electronically via web-based questionnaires.

Participating military personnel would be assigned a survey number for linking to the prior rounds of data collection, enabling the tracking of changes over time. This number would not otherwise be linked to personally identifiable information, and steps would be taken to assure the security and confidentiality of the data collected.

### **Time Schedule for Information Collection**

The Federal Reserve would publish a notice in the *Federal Register* of the Board's intent to conduct a survey, providing the public a 60-day comment period. During the public comment period, the Federal Reserve would develop the request for proposal (RFP) in consultation with the DOD. The RFP would be used to competitively select a private survey firm to work with Federal Reserve and DOD staff to (1) choose a test group, (2) refine and test the survey questionnaire, (3) initiate the sampling protocol, and (4) collect data from service members. At the conclusion of the 60-day comment period, staff would review public comments received, revise the proposed data collection, as appropriate, and seek the Board's final approval for the information collection.

Upon final Board approval, proposals from qualified survey firms would be solicited and reviewed. After receiving bids, the Federal Reserve would be able to assess more accurately the cost and any issues that that may have to be addressed with regard to questionnaire content and sample design. The selected survey firm would field the survey, perform initial edits, and provide data to the Federal Reserve for final editing, review, and analysis.

The Federal Reserve expects that the contract could be awarded by spring 2004 and data collection would begin in mid-year 2004. The collecting and processing of data would continue through 2005, 2006, and into 2007.

Once the surveys are implemented, data collection would be ongoing. Each new class of military personnel would be added to the data collection process as they are posted to the selected installations. The vendor would transmit the data to the Federal Reserve on a periodic basis, but not less than once every six months. Responses would be tabulated and summarized as appropriate and analysis would be ongoing, with reports

generated every six months. The Federal Reserve would share the reports with command staff at the selected military installations, with DOD branches, and with the Office of the Secretary of Defense. The Federal Reserve expects that a final report would be issued in 2008. Table 1 is a tentative schedule of project milestones.

**Table 1: Dates for Project Milestones**

<i>Activity</i>	<i>Start</i>	<i>Finish</i>
Issue a request for proposal to qualified vendors	2004:Q1	
Award contract		2004:Q2
Revise questionnaire, select sample	2004:Q1	2004:Q3
Begin first round of surveys	2004:Q3	2005:Q1
Deliver first round of data to FRB	2005:Q1	2005:Q1
Data checking and cleaning by FRB staff	2005:Q1	2005:Q2
Deliver report on analysis of first round of data		2005:Q3
Ongoing survey rounds	2005:Q2	2007:Q3
Delivery of additional rounds of data to FRB	2005:Q3	2007:Q4
Deliver reports on analysis of additional rounds of data	2005:Q4	2008: Q1
Presentation of final results to Board		2008:Q3

The Federal Reserve ordinarily does not publish the survey data that it obtains from such data collection efforts. However, the Federal Reserve Board and the DOD agree that on occasion survey information can be published as articles in the *Federal Reserve Bulletin* and presented in testimony and in reports to the Congress. At its discretion, the Federal Reserve may produce a public-use data set, which would be released to the public approximately one year after completion of the final data collection. Information that could possibly identify respondents would be excluded from the public-use data.

### **Legal Status**

The Board's Legal Division has determined that the statutory basis for collecting this information is section 2A of the Federal Reserve Act [12 U.S.C. § 225a]; the Bank Merger Act [12 U.S.C. § 1828(c)]; and sections 3 and 4 of the Bank Holding Company Act [12 U.S.C. §§ 1842 and 1843] and 12 U.S.C. 353 and 461. Respondent participation in the survey is voluntary. No issue of confidentiality normally arises because names and any other characteristics that would permit personal identification of respondents will not be reported to the Federal Reserve.

### Consultation Outside the Agency

The final questionnaire would be revised jointly by the Federal Reserve and the private survey firm. In the process of questionnaire revision, the Federal Reserve would consult with, and solicit comments and advice from, representatives of the DOD.

### Sensitive Questions

These surveys contain no questions of a sensitive nature, as defined by OMB guidelines.

### Cost to the Federal Reserve System

The Federal Reserve would incur costs in terms of staff time for development and analysis, and contractual services for a vendor to implement the data collection portion of the study. The total cost to the Federal Reserve System for this information collection is estimated to be approximately \$200,000, based on estimates of similar studies.

### Estimates of Respondent Burden

The Federal Reserve anticipates that the ongoing surveys would include about 2,000 respondents in each of the test and control groups; each respondent would be asked to complete the survey every six months. Each respondent should be able to complete the survey in twenty minutes. The respondent numbers in the table below represent the expected number of survey responses. The proposed annual reporting burden is estimated to be 2,640 hours. This represents less than 1 percent of total System burden for all Federal Reserve reports.

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	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated Annual burden hours</i>
Test group	2,000	2	.33	1,320
Control group	2,000	2	.33	1,320
<i>total</i>				2,640

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Based on a rate of \$20 per hour, the estimated cost to the public for the surveys is \$52,800.

**APPENDIX A****References**

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**APPENDIX B**