Supporting Statement for the
Survey of Financial Management Behaviors of Military Personnel
(FR 1375; OMB No. 7100-0307)

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the voluntary Survey of Financial Management Behaviors of Military Personnel (FR 1375; OMB No. 7100- 0307). This survey gathers 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 are surveyed on their financial management behaviors and changes in their financial situations over time. Data from the survey 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 are young enlisted personnel (grades E1 to E4) and newly commissioned officers (grades O1 to O2).[1] Respondents are surveyed every six months for a period of up to three years. The total annual reporting burden is estimated to be 2,640 hours.

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 and consumers, conferences, workshops, and research studies – has focused on this issue. The Federal Reserve System has been an active participant in the discussions and activities, as evidenced by the System'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, Garrrett, & Maki, 2001; Hirad & Zorn, 2001; Staten, Elliehausen &

[1] 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). Office ranks range from O1 to O10; O1 and O2 are entry level ranks (Lieutenants or Navy Ensigns).

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 can be 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 survey helps to fill in some of the void in the understanding of how educational interventions relate to subsequent financial behaviors. This research helps 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 also enhances its ability to promote the economic welfare of the nation's citizens.

Description of Information Collection

The Federal Reserve, in conjunction with the Department of Defense (DOD), developed the survey instruments. The survey research firm is 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 is conducted by the Federal Reserve.

Survey Content

The survey is designed as a longitudinal panel survey; that is, it involves respondents over a period of two to three years, surveying them periodically to learn about changes in their

financial situation.[2] An initial survey for all participating personnel gathers 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 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 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 periodically surveys 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 installation (the test group), and (2) personnel from 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 work with the selected military installation to facilitate communication with personnel. Sampling is done in cooperation with the command staff and in a way that assures a statistically representative sample for comparison purposes. Personnel are 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 are conducted electronically via web-based questionnaires.

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

Time Schedule for Information Collection

Data collection is an ongoing process. Each new class of military personnel is added to the data collection process as they are posted to the selected installation. The vendor transmits the data to the Federal Reserve on a periodic basis, but not less than once every six months. Responses are tabulated and summarized as appropriate and analysis is ongoing, with reports generated every six months. The Federal Reserve shares the reports with command staff at the selected military installation, 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.

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[2] 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).

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.

Consultation Outside the Agency

The final questionnaire was revised jointly by the Federal Reserve and the private survey firm. In the process of questionnaire revision, the Federal Reserve consulted with, and solicited comments and advice from, representatives of DOD.

Sensitive Questions

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

Legal Status

The Board's Legal Division has determined that the statutory basis for collecting this information includes: the Truth in Lending Act, 15 U.S.C. § 1604(a), the Truth in Savings Act, 12 U.S.C. § 4308(a), the Equal Credit Opportunity Act, 15 U.S.C. § 1691b, and the Fair Credit Reporting Act, 15 U.S.C. §§ 1681m(h)(6), 1681s(e)(1). Further, under the Truth in Lending Act, the Board is required to report annually to Congress and make recommendations concerning the act, 15 U.S.C. § 1613. 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 are not reported to the Board.

Estimates of Respondent Burden

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

	Number of respondents	*Annual frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
Test group	2,000	2	20 minutes	1,320
Control group	2,000	2	20 minutes	1,320
Total				2,640

Based on a rate of $18[3] per hour, the estimated cost to the public for the information collection would be $47,520.

Cost to the Federal Reserve System

The total cost to the Federal Reserve System for this information collection is estimated to be approximately $200,000. The Board incurs costs in terms of staff time for development and analysis, and contractual services to the vender to implement the data collection portion of the study.

Attachment: Sample survey questions

[3] According to the U.S. Department of Labor Bureau of Labor Statistics, 2002 Quarterly Census of Employment and Wages http://www.bls.gov/cew/state2002.txt