

Insights: Financial Capability

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The issue brief summarizes the findings from the paper [*Intra-Group Differences in the Financial Well-Being of U.S. Military Veterans: Evidence from the National Financial Capability Study*](#). The corresponding author for this issue brief and the full paper is William Skimmyhorn (email address: wskimmyhorn@wm.edu).

The Financial Capability of United States Military Veterans: *The Role of Gender and Racial/Ethnic Identity*

Summary

Using three waves of the FINRA Foundation's National Financial Capability Study, this brief examines how veterans' financial capability differs by gender and racial/ethnic identity. Overall, female veterans report worse outcomes than their male counterparts. Specifically, female veterans report lower overall financial well-being, poorer spending behaviors, lower saving and investing behaviors, and poorer labor market outcomes than their male counterparts. Similarly, veterans of color also report worse outcomes than their white counterparts.

Several notable findings emerge when looking at the intersection of gender and race/ethnicity. Female veterans of color often fare better than white female veterans. For instance, Black female veterans report higher financial satisfaction and financial knowledge, and Hispanic female veterans are more likely to have emergency savings and retirement savings than white female veterans. These results highlight the importance of understanding unique veteran experiences to improve future research and policy.

Background

An emerging body of research suggests that the military experience and its ensuing benefits can vary across different groups of servicemembers. For instance, some findings suggest higher labor market earnings for Black veterans relative to white veterans (Greenberg et al., 2022); smaller entrepreneurship gaps for female, Black, and higher-educated veterans (Phipps and Skimmyhorn, 2023); and higher levels of financial capability for Black veterans compared to white veterans (Mottola and Skimmyhorn, 2019).

In this brief, we analyzed how the financial outcomes of military veterans vary by gender and race/ethnicity using three waves of the NFCS. (See Table 1 in

the Appendix for sample characteristics.) Specifically, we assessed how female veterans fare relative to their male counterparts and how veterans of color fare relative to their white peers across four broad areas: (1) overall financial well-being, (2) spending, (3) saving and investing, and (4) employment and income.

To understand the unique roles that gender, race, and ethnicity play in veterans' financial capability, we must consider demographic variables that are tied to race and ethnicity. Many women and people of color face barriers, like income and educational disparities, that can hinder their financial capability. Thus, our analysis controls for a series of individual characteristics, including age, education, marital status, having dependents, and state of residence, allowing us to focus on the differences between groups based on gender and race/ethnicity.¹

Overall Financial Well-Being

Financial well-being reflects a personal state and can encompass concepts like people's level of financial knowledge and satisfaction with their financial lives. We examine veterans' overall financial well-being through three measures: objective financial knowledge via a three-question financial knowledge quiz, financial satisfaction, and the Consumer Financial Protection Bureau's (CFPB) well-being score, a measure of overall economic well-being.

About two-thirds of veterans report high financial satisfaction (68 percent), and nearly half (48 percent) demonstrate high financial literacy, correctly answering all three knowledge questions. On average, veterans' financial well-being score is 59 out of 100, which is high according to the CFPB. However, well-being varies widely by race/ethnicity and gender. Figure 1 summarizes statistically significant differences in the overall financial well-being between these groups that remain even when controlling for other demographic characteristics.^{2,3}

Gender and Overall Financial Well-Being. Relative to male veterans, female veterans report financial satisfaction that is 10 percent lower and financial well-being that is 3 percent lower. Female veterans are also 34 percent less likely to have high financial literacy than their male counterparts.

Race/Ethnicity and Overall Financial Well-Being. On average, Black veterans report financial satisfaction that is 14 percent lower than white veterans, and they are 38 percent less likely to have high financial literacy.

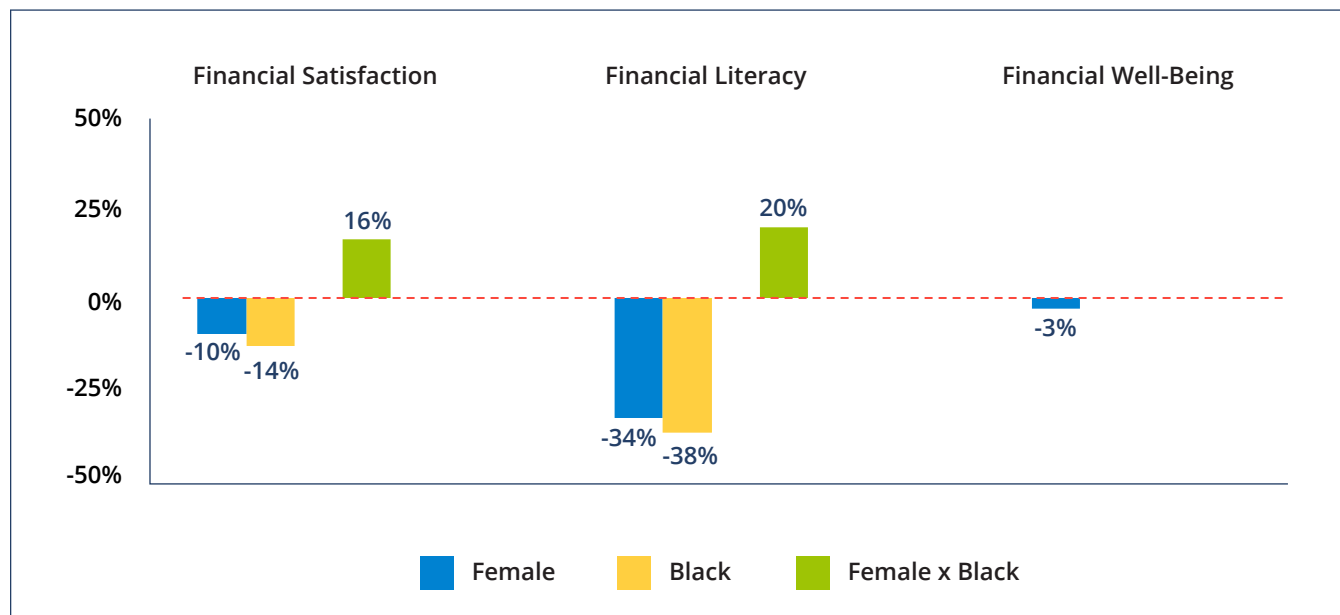
Intersection of Gender and Race/Ethnicity. Black female veterans' financial satisfaction and literacy are higher than their white female peers. Compared to white female veterans, Black female veterans report financial satisfaction that is 16 percent higher and are 20 percent more likely to have high financial literacy.

1 Please see the full paper for more a detailed discussion of differences by race/ethnic identity and inclusion of all regression estimates regardless of statistical significance.

2 The full paper includes analyses using logit models which produce very similar results to OLS regression models.

3 Effect sizes here and throughout reflect the difference for each outcome (in percentage points or scaled points) divided by the mean value for each outcome.

Figure 1: Overall Financial Well-Being



Spending Behaviors

A major component of financial capability is the extent to which people can manage their expenses, balancing their income with the financial obligations of daily life. We measured veterans' spending behaviors via the following items: whether they spend more than their income, the relative difficulty they experience paying expenses, and the number of problematic credit card behaviors they report out of a total of four (carrying over a balance, late payments, overcharge fees, and cash advances).

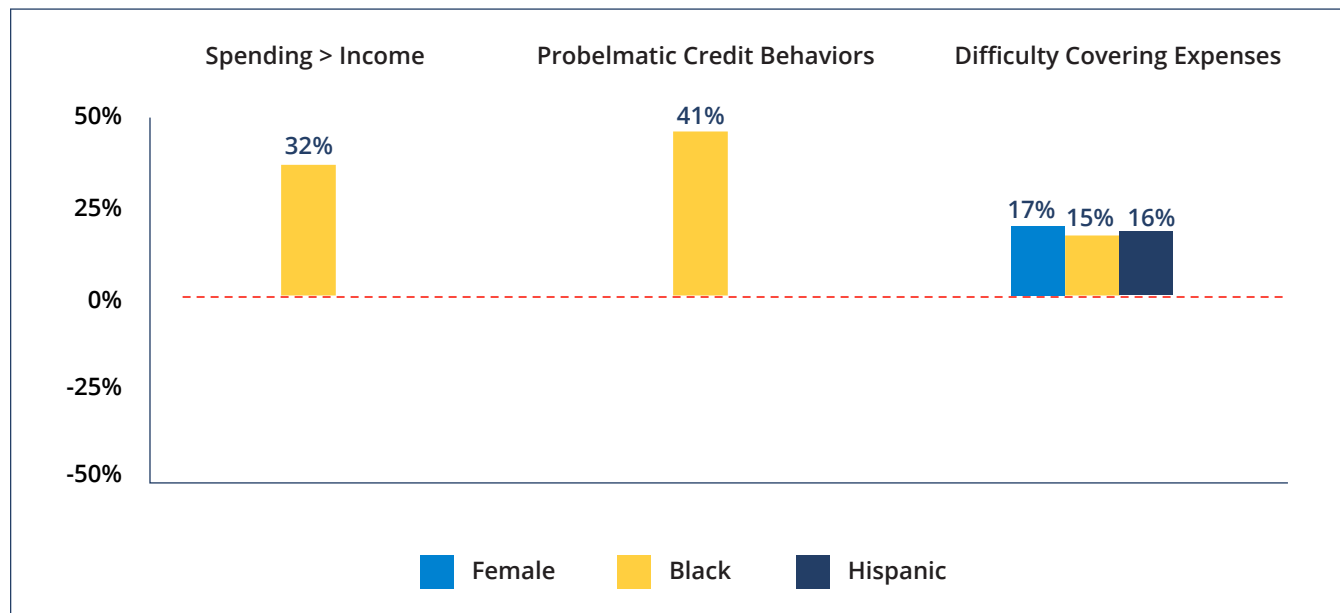
Sixteen percent of veterans report outspending their income, and about one-third (35 percent) report difficulty covering expenses. On average, veterans report 0.73 problematic credit behaviors. However, these findings vary across male and female veterans and veterans of different racial and ethnic identities. Figure 2 summarizes statistically significant differences in spending behaviors among said groups when controlling for other demographic factors.

Gender and Spending. Spending behaviors do not vary widely between male and female veterans, except that female veterans are 17 percent more likely to report difficulty covering their expenses than their male counterparts.

Race/Ethnicity and Spending. Black veterans report higher levels of all three adverse outcomes. Black veterans are 32 percent more likely to report spending more than their income and report 41 percent more problematic credit card behaviors than white veterans. Black and Hispanic veterans are more likely than their white counterparts to report difficulty covering expenses (15 percent and 16 percent more likely, respectively).

Intersection of Gender and Race/Ethnicity. While gender and race/ethnicity each play a role in spending behaviors, there are no differences in spending behaviors between female veterans of color and white female veterans.

Figure 2: Spending Behaviors



Saving and Investing

Given the many financial events that transpire over the lifetime (both expected and unexpected), planning is essential, mainly through saving and investing. We examined saving and investing behaviors among veterans with three items: whether they have an emergency fund, own a retirement account (through an employer or independently), or hold an investment account outside retirement.

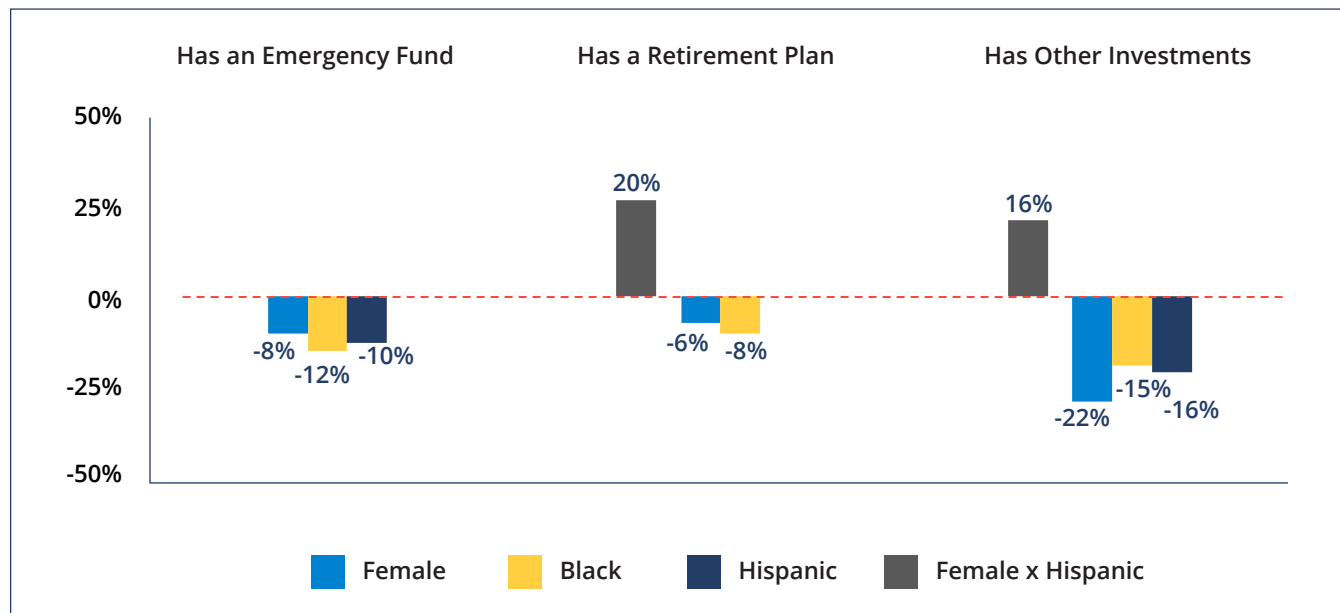
Nearly two-thirds of veterans (63 percent) have an emergency fund. Over three-quarters own a retirement account (76 percent), and a little under half (45 percent) own non-retirement investments. However, this varies by veterans' gender and race/ethnicity. Figure 3 summarizes the statistically significant differences in these groups' saving and investing behaviors after controlling for other major demographic factors.

Gender and Saving and Investing. Compared to their male counterparts, female veterans are 8 percent less likely to have emergency savings, 6 percent less likely to have a retirement account, and 22 percent less likely to own a taxable investment outside retirement.

Race/Ethnicity and Saving and Investing. Relative to white veterans, Black veterans are 12 percent less likely to have emergency savings, 8 percent less likely to have retirement savings, and 15 percent less likely to own taxable accounts outside retirement. Hispanic veterans are 10 percent less likely to have an emergency fund.

Intersection of Gender and Race/Ethnicity. The intersectional analysis shows that female Hispanic veterans report better savings behaviors than their white female counterparts. Hispanic female veterans are 20 percent more likely to have an emergency fund and 16 percent more likely to own a retirement account than their female white Veteran counterparts.

Figure 3: Saving and Investing Behaviors



Employment and Income

Participation in the labor market and the availability of resources are major factors in financial capability that can both reflect and foreshadow people’s financial situation. We examined three measures tied to employment and income: whether veterans earn a yearly household income of at least \$75,000, have full-time jobs, and have experienced a sizeable unanticipated drop in income during the past year.⁴

On average, 21 percent of veterans have household incomes of \$75,000 or higher, 27 percent are employed full-time, and 12 percent have experienced a large unanticipated drop in income in the past year. However, here, too, there are disparities across gender, race, and ethnicity. Figure 4 summarizes the statistically significant differences between groups in employment and income when controlling for demographic factors.

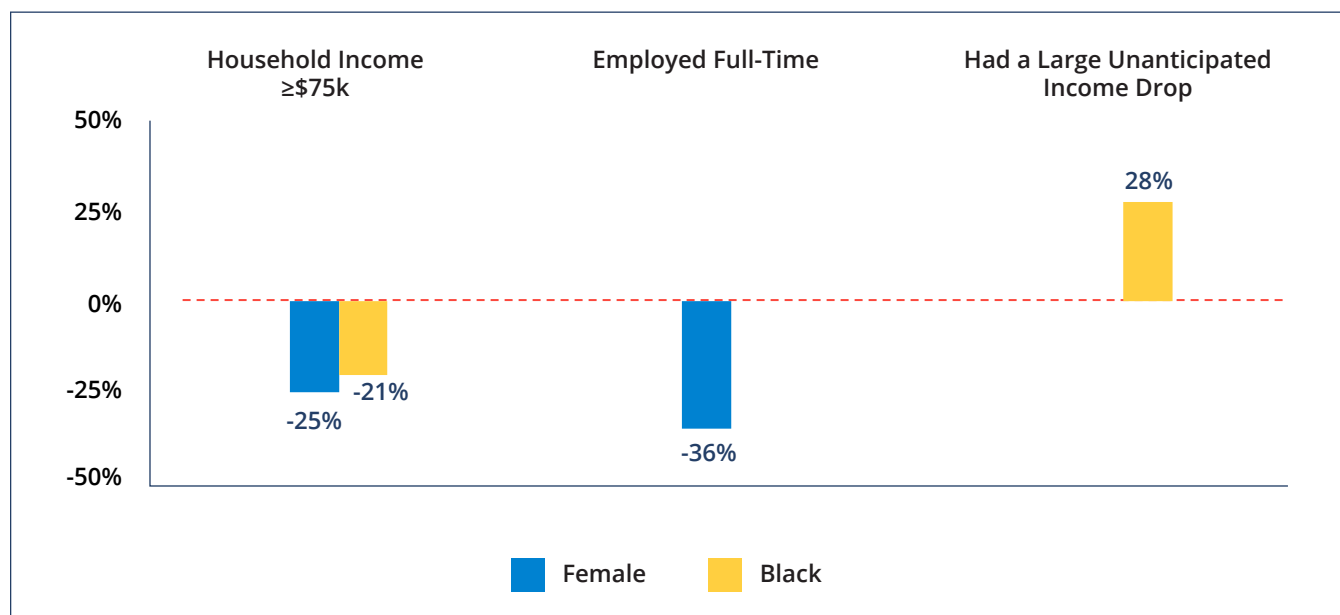
Gender, Employment, and Income. Female veterans are 25 percent less likely to have income above \$75,000 per year and 36 percent less likely to be employed full-time than their male counterparts.

Race/Ethnicity, Employment, and Income. Black veterans are 21 percent less likely to have income above \$75,000 per year and 28 percent more likely to have experienced a sizeable unanticipated drop in income relative to their white counterparts.

Intersection of Gender and Race/Ethnicity. When examining the intersection of gender and race/ethnicity, we find no differences in the employment and income experiences of Black and Hispanic female veterans relative to white female veterans.

⁴ We chose \$75,000 per year as it is close to U.S. median household during this time period.

Figure 4: Employment and Income



Conclusions

Our results reveal three primary patterns. First, female veterans report lower financial capability than their male counterparts, generally faring worse across broad measures of overall financial well-being; spending, savings and investing; and employment and income. Second, many Black and Hispanic veterans reported worse outcomes than their white counterparts. For both female and veterans of color, the magnitudes of these differences are meaningful. Third, and interestingly, in some cases, female veterans of color fare better than white female veterans. For example, Black female veterans are more likely to have high levels of financial satisfaction and financial literacy, and Hispanic female veterans are more likely to have emergency savings and retirement accounts than their white female counterparts.

While our novel analysis leverages some of the most extensive and detailed data available, they are subject to a few important limitations. First, small sample sizes for some of our groups might have limited our ability to detect some differences between these groups.

Second, the data might not accurately represent the full Veteran population given the voluntary nature of NFCS survey participation. Third, while we control for a number of important individual characteristics related to our financial outcomes of interest, our methods do not enable causal conclusions, and our results are descriptive.

Nonetheless, we believe the results significantly improve our understanding of the financial capability of these Veteran groups and offer some directions for policy and future research. From a policy perspective, the results suggest that program offerings such as those related to financial education and counseling should account for the unique challenges individuals in different demographic groups tend to face.

From a research perspective, our data are only observational and are collected after individuals' voluntary military service is complete. So, we cannot pinpoint the reason(s) for our observed patterns, which might include differential self-selection into the military

by these groups and/or differential experiences within the military or as veterans. The relative importance of these mechanisms (self-selection and differential experiences) warrants further study. Given the novel patterns, another topic worth attention is the extent to which these patterns hold for non-Veteran populations. Such analyses might improve policy design and program offerings in the military and beyond.

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Appendix

Table 1. Summary Statistics

	Percent	N
<i>Panel A. Overall Characteristics</i>		
Female	15.8%	1,411
White	76.6%	6,851
Black	10.3%	923
Hispanic	6.9%	619
Asian or Pacific Islander	2.5%	220
Other race/ethnicity	3.6%	326
College graduate or more	39.2%	3,505
Married	65.8%	5,878
Divorced or Separated	19.7%	1,765
Has Dependents	30.1%	2,690
Age (Mean)	57.3	
<i>Panel B. Detailed Gender and Race/Ethnicity</i>		
Female x White	10.0%	898
Female x Black	2.8%	248
Female x Hispanic	1.4%	128
Female x Asian	0.5%	45
Female x Other race/ethnicity	1.0%	92
Author calculations for military veterans in the 2015, 2018 and 2021 waves of the NFCS.		