

# FINANCIAL WELLNESS FOR TRANSITIONING VETERANS AND FAMILIES



## From Soldier to Citizen: Why the Transition Is More Challenging Than Ever

While the rigors and requirements of military life have indeed changed over the last decades, the financial support provided to service members and their families has remained constant. In addition to a paycheck, the government continues to provide a fairly encompassing set of benefits such as health insurance, housing, and other allowances to those serving in the military. In the 1970s and 1980s, transitioning veterans found that many employers were ready to take care of them in the same paternal fashion as Uncle Sam. Most medium-size and large employers at the time provided health insurance to workers and their families, as well as retiree health insurance and workplace retirement plans that paid a lifetime pension—frequently at no cost to the employee.<sup>1</sup>

Unfortunately for many military families, times have changed. Today's employers generally provide less valuable benefits while employees shoulder more of the costs, financial risk, and decision-making responsibilities. In many instances, employees also have to cover a greater percentage of their healthcare costs via higher premiums, larger deductibles, and higher co-payments. Traditional defined benefit pension plans have largely been replaced by defined contribution plans, which require employees to contribute a meaningful amount of their paycheck towards their future retirement. And, instead of employer-provided retiree health insurance, most workers now have to save money on their own to cover healthcare expenses that won't be covered by Medicare.

Upon employment, transitioning members of the military are immediately faced with critical decisions that will likely impact their family's financial security as new employees must typically choose which type of health insurance to sign up for, how much life and disability insurance to acquire, and how much to save from each paycheck in a 401(k) plan.

Of course, financial decisions must be made beyond the workplace as well. For example, households have many options and access to credit. While access to credit can make big-ticket expenses like college and a home more affordable in the short run, overborrowing can create long-term problems. Easier access to consumer debt in the form of mortgages, credit cards, and student loans has resulted in a significant increase in the amount of debt the average household carries. To illustrate, the median amount of personal debt in relation to income for households ages 45-54 increased by 143% between 1989 and 2013.<sup>2</sup>

It's no wonder many veterans and their families are feeling stressed. A recent Prudential survey of veterans found that 57 percent described themselves as very or somewhat stressed about their financial situation.<sup>3</sup>

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The good news is that financial wellness programs are gaining in popularity and serve a valuable role in helping individuals and families improve their financial health. Recognizing that transitioning to civilian life has far greater implications from a financial perspective than ever before, Prudential has customized a financial wellness program specifically focused on helping address the needs of our military veterans.

## What Is Financial Wellness?

There are many different perspectives about what it means to be financially well. Prudential, through consumer and employer research, and experience as a longstanding provider of financial wellness benefits, has developed a definition of financial wellness that centers around adopting behaviors that help achieve three foundational elements of financial security: managing day-to-day finances, achieving important financial goals, and protecting against key financial risks.

While this may sound simple, ingrained human behaviors often differ from the behaviors individuals should be adopting. When this occurs, the ingrained behaviors turn into challenges that can stand in the way of achieving financial wellness. For example, the ingrained behavior of procrastination can wreak havoc on the value of compounding over time when saving in a workplace retirement plan. Fortunately, financial wellness programs that focus on the three foundational elements of financial security are well-positioned to help individuals overcome these behavioral challenges.

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## How Financial Wellness Programs Can Help

In particular, Prudential's financial wellness program is designed to help individuals:

### Manage day-to-day finances

Manage day-to-day finances by creating and maintaining a budget and reducing debt levels. Understanding and adopting these behaviors can also help individuals and families achieve peace of mind and be better prepared to achieve important financial goals.

### Achieve important financial goals

Achieve important financial goals, such as accumulating appropriate levels of savings and investments and saving for a "rainy day." This is critical, given that achieving those goals may become more difficult or expensive the longer an individual delays.

### Protect against key financial risks

Protect against key financial risks, such as loss of income due to death, illness or injury, and expenses related to unexpected health events. This can also help prevent losing progress toward achieving important financial goals if an unexpected event occurs.

In partnership with the USO, Prudential has launched **Prudential Pathways**, a program tailored to the needs and challenges that transitioning military families face. Each workshop consists of a presentation on the foundational aspects of financial planning including budgeting, saving, college funding, and tax planning. In addition, topics unique to transitioning members will be addressed including military pensions, as well as options for healthcare (e.g., Tricare), retirement savings (e.g., Thrift Savings Plan), and life insurance specifically available to veterans (e.g., Veterans Group Life Insurance). Prudential Pathways workshops are hosted at USO sites or a local community organization.

In addition to the workshops, the USO, in partnership with Prudential, is making additional financial wellness education available through a digital platform.

Prudential has a long history of helping customers find financial peace of mind, and of being a strong proponent of the U.S. Armed Forces and our veterans. Likewise, the USO is renowned for its rich history of support of service members and their families. The collaboration between these two organizations to address the challenges facing service members transitioning to civilian life, and helping them achieve financial wellness, can serve as a model for public-private partnerships. Prudential stands ready to continue its commitment and partnership with the USO to pool expertise and resources to ensure that service members, veterans, and their families can enjoy long-term financial freedom.

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<sup>1</sup> Bureau of Labor Statistics, U.S. Department of Labor, "Employee Benefits in Industry, 1980," 1981, pp. 1-6. "Retiree Health Care Benefits: Data Collection Issues," p. 6.

<sup>2</sup> Society of Actuaries, "The Financial Impact of Student Debt on Working and Retired Americans," 2017, p. 13.

<sup>3</sup> Prudential, Harris Poll survey, January 2017.

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