



Why Financial Literacy Matters After Returning Home from War: *Reducing Veteran Homelessness by Improving Money Management*

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Determining why there are a disproportionate number of veterans in the homeless population has stymied policymakers.¹ But Cherish Cornish, a veteran of the Iraq and Afghanistan War, is clear about why she became homeless, stating in a National Public Radio interview on Veterans' Day in 2010: "When I joined the Army, I was barely 20 years old. I come out, and I'm 23, and so I just kind of came of age in the military. I wind up on my own again in an apartment. It's the first time I've had to pay rent since I was a teenager. It's the first time I had to pay a light bill — pretty much ever — and all these responsibilities and budgeting and stuff that I'd really never had to deal with in the military."²

Although mental illness and substance abuse are often cited as root causes of veteran homelessness^{1,2} and certainly warrant continued attention and intervention, a sometimes overlooked factor in veteran homelessness is difficulty with financial literacy. Financial literacy has been defined as possessing both a working knowledge of financial concepts and the tools to make effective decisions regarding management of money.³ In my experience over seven years running money management groups at the VA, and in serving as the principal investigator of a Department of Education study to improve financial literacy in veterans with psychiatric disabilities, it is clear that attaining financial stability through proper money

management can be the key to ensuring that veterans are able to maintain stable housing as well.

The National Financial Capability Study,⁴ conducted in collaboration with the U.S. Department of Treasury and the President's Commission on Financial Literacy, supports that financial literacy is a significant problem for military service members. Despite service-members saving money at the same rate as civilians, the survey found over one-third of military survey respondents reported facing difficulties in covering monthly expenses and paying bills and that only half of the respondents had 'rainy day' funds set aside for unanticipated financial emergencies.⁴

The most concerning finding was that military families were significantly more likely to incur credit card debt than civilians. In terms of willingness to borrow on credit, 36% of the military families had at least 4 credit cards compared to 26% of civilian families. The report indicates "Of particular alarm is the heavy indebtedness of many military families, especially to credit card issuers. Also problematic was the mismanagement of credit card debt resulting in both fees and interest accumulation."⁴ Enlisted personnel and junior non-commissioned officers appeared most vulnerable to the aforementioned financial mismanagement problems.

Military veterans can face an array of barriers to financial well-being, including a lack of stable employment; difficulties budgeting and making ends meet; limited financial knowledge; poor judgment making prudent money decisions; and disruptions to financial security. A 2010 report from the Institute of Medicine explains how military experience can uniquely affect each of these components.¹ Because service members living on base have their basic needs met, they may not have had the opportunity to learn the skills necessary to be financially independent and manage money that their counterparts in the civilian sector had to master at an earlier age.

Predatory lenders tend to target military members and veterans; in fact, the largest concentrations of payday lending businesses in the country are in zip codes near military bases.¹ Active duty service members have been found to be three times more likely than civilians to take out payday loans.¹ All of this falls on top of the adverse effects on financial security sometimes caused by multiple deployments that can lead to family instability or job loss. Psychological and physical war injuries can reduce a veteran's employability. Many military personnel require retraining to learn skills appropriate for civilian work. Department of Labor statistics have found that younger veterans have had higher rates of unemployment than their civilian counterparts⁵, especially women veterans.

After separation from the military, poor money management and lack of knowledge of how to establish at least a baseline level of financial well-being, may stem

from reasons that are common to civilians but also that are specific to being a veteran. With respect to the former, veterans like their civilian counterparts might, for example, accrue severe debt by covering only the minimum payments on their credit cards because they may not understand that interest rates are charged on outstanding credit card balances.⁴ Or they may spend freely and regularly on tobacco products or lottery tickets, without awareness of how this could impact their monthly budget.⁴

However, there are veteran-specific factors that need to be considered, too. Veterans receiving VA disability benefits might believe they will automatically lose benefits if they return back to work; thereby providing a disincentive for finding meaningful employment.⁶ Some veterans may simply be unaware of vocational programs available through the Department of Veterans Affairs (VA), or may not know that many companies and stores provide (often substantial) military/veterans savings discounts.

All of these financial variables—stemming from military experience, veteran status, and being a civilian—can influence the stability of veterans' housing following their return to civilian life. In a recent national survey of Iraq and Afghanistan War Veterans, my colleagues and I found that homelessness was statistically associated with money mismanagement behaviors, such as overdrawing on one's credit card, not paying bills on time, or falling victim to money scams.^{7,8} At least one incidence of personal money mismanagement during a one year period of time was reported by 30 percent of veterans in our study's national sample.

As one would expect, veteran homelessness was related to lower income. But even among lower-income veterans, those who mismanaged their money were seven times more likely to have been homeless since their last deployment in the military. We also found a consistent correlation between money mismanagement and homelessness overall. This held regardless of income level, demographics, or clinical factors such as posttraumatic stress disorder (PTSD) or traumatic brain injury (TBI), two commonly discussed mental injuries of the Iraq and Afghanistan Wars.

Specifically, money mismanagement was associated with quadruple the rate of homelessness in the next year in this national sample of veterans. Perhaps our most interesting discovery centered on the interaction between money mismanagement and personal income. Some findings were expected; for instance, among veterans reporting sound financial management practices and annual income above \$50,000, the rate of homelessness in the next year was 0.35 percent and among veterans with below \$50,000 annual income and poor money management, the rate of homelessness in the next year was far greater, 14.53 percent. Those with the lowest incomes

and worst financial management skills showed the highest likelihood of homelessness.

What was surprising, however, was that among veterans with less than \$50,000 in annual income and good financial habits, the homelessness rate was 3.9 percent⁹ whereas for veterans with over \$50,000 in annual income and bad financial habits, 6.06 percent were homeless at some point during the next year, despite their higher incomes. In the final analysis, financial management was as important a factor as personal income when it came to predicting future homelessness among veterans, and even more important of an indicator than PTSD or TBI.

In response to increasing awareness to the importance of financial literacy, several financial assistance programs are now offered to military personnel during and after service. Early in their service, Army soldiers are required to complete a one-day course on personal financial management training (PFMT). Additional financial services and classes are offered on base through financial readiness programs, but these are optional. During discharge processing, soldiers are presented a short segment on budgeting during the one week Transition Assistance Program (TAP).

Within the VA, an array of homeless programs—HUD-VA Supportive Housing (VASH), Supportive Services for Veteran Families (SSVF), and Health Care for Homeless Veterans (HCHV) — provide case management and community supports for veterans which can include assistance with money management, but do not typically require formal financial education. The VA Fiduciary Program assigns third-parties to manage disability funds for veterans determined to be unable to manage their financial affairs. The Adviser-Teller-Money Manager program targets veterans with substance use and/or psychiatric problems and offers weekly meetings with money managers who monitor access to funds, train veterans to budget, and link spending to treatment goals.⁹

For many service members and veterans, however, these services and programs are optional, and many either do not know they exist or may choose not to participate. They may underestimate and not appreciate the importance of money management in their return to civilian life. Those who do participate in short-term financial education programs specifically for service members and veterans may also find that they need longer-term assistance. For all of these reasons, it is likely that military personnel could benefit by additional financial literacy training prior to separation. This could be modeled on the earlier PFMT and be offered as a refresher course. VA homelessness programs that assist veterans in finding a stable residence could add formal money management training focused on teaching veterans the financial skills necessary to maintain a home over time. Contact with veterans during disability screening after service may also present another

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opportunity to assess existing money-management skills or plan for needed training.

Financial education even on simple issues, such as how to create a budget, avoid financial scams, open a bank account, balance a checkbook, obtain a credit report, apply for and manage loans, use a calendar to pay bills on time, and implement daily strategies to save money could readily and inexpensively be added into pre- and post- separation work with veterans. Empirical research with civilian participants demonstrates the usefulness of financial literacy programs in improving savings, reducing debt, and delinquency in mortgage payments³, suggesting similar outcomes may be possible among veterans with programs tailored to their situation and needs.

Taken together, the data indicate that relatively feasible and inexpensive interventions to improve money management among our veterans may lead to reduced homelessness in the United States. As former Secretary of Veteran Affairs Eric Shinseki has publically recognized, “Too many veterans carrying the burdens of PTSD or TBI, compounded by limited financial literacy and atypical behaviors, begin a downward spiral towards isolation, depression, substance abuse, joblessness, failed relationships, homelessness—and sometimes suicide. It usually doesn't happen overnight—it's a long, slow slide. But it begins somewhere, and it would be shortsighted for any of us to presume that these conditions only ensue after the uniform comes off.”¹⁰

Heightened awareness of the importance of financial well-being before and after military service may support increased opportunities for military veterans and active service members to hone the basic skills needed to succeed economically when returning to civilian life. To the extent that military personnel and veterans are actively encouraged, and perhaps at times even required, to take advantage of such services, they will develop the needed abilities and strengths to avoid the path toward homelessness and instead to move towards living a life of success in the community, a fitting outcome for those who have defended our country so honorably.

Note: The views expressed in this article are those of the author and do not necessarily represent the views of the Department of Veterans Affairs. **CI**

