Those serving our country make many sacrifices; at times these sacrifices include their mental and physical health. Unfortunately, their financial health is also suffering. Compared to 44% of civilians, only 35% of active military service members are financially healthy.\(^1\) Those active in the military have more consumer debt and lower self-reported credit scores than civilians.\(^2\) Additionally, they are more likely than civilians to juggle bills and run out of money at the end of the month.\(^3\)

Yet when it comes to savings behavior and overall asset accumulation, active duty military actually fare just as well or even better than civilians.\(^4\) This paints a complex picture where military members appear to be financially better off than their credit histories may indicate. Defaults and other credit issues then follow veterans as they look for civilian employment. Careers that require security clearance and background checks include a veteran’s credit history, and credit issues can prohibit access to career prospects for veterans.

“It can be a vicious cycle. They need to get a good job to pay off their debts but due to damaged credit, they are denied the income.”

– S.L., financial coach in Norfolk, Virginia

Their credit behaviors might only be the result of being financially inexperienced at their average military age of 28.6,\(^5\) but some factors which limit their financial success, including the challenges of deployment, cannot be explained by age alone.

High Cost Lenders Take Advantage of Servicemembers

Frequent deployments across the globe are common occurrences for active servicemembers, and each deployment limits their financial stability, making them more likely to experience financial problems.\(^6\) Additionally, life inside military bases can limit soldiers’ financial experience and education. While on base, most financial needs are met without servicemembers’ direct involvement; however once they are off base or off duty, servicemembers and veterans must navigate a complicated financial marketplace with limited financial experience they were never forced to attain on base.\(^7\) This inexperience can be preyed upon by many in the alternative financial services marketplace. For example, there are more payday lending businesses by military bases than anywhere else in the country, and active duty servicemembers are three times more likely to take out payday loans.\(^8\)
How Secured Credit Cards Can Help

Because secured cards serve a variety of functions, from the ease of transacting electronically, to credit building, they have the potential to address many financial challenges of servicemembers. Secured cards can help soldiers and veterans reduce their need for costly products like payday loans by giving them access to credit equal to their deposits. When the product is used optimally, such as paying in full and not exceeding 30% of the total credit line, secured cards can help veterans raise their credit scores and establish positive credit history. In short, secured cards can be an effective vehicle through which individuals rebuild their credit, apply healthy financial habits, and avoid costly financing alternatives.

Provider Spotlight

The Military Saves program at America Saves leads a campaign to incentivize savings among servicemembers and enrollments in automatic savings plans. Military Saves members who take the pledge to save also receive a free FICO score and educational materials on how to improve their finances. Combining savings and credit monitoring tools with a product, such as a secured credit card, would allow servicemembers to put their savings and knowledge of credit-building behaviors to work for them.
Acknowledgements

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Sources and Notes

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