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Understanding and supporting the financial stability of UK military families

Summary of findings and recommendations for policy and practice



Introduction

Existing research from the UK and other countries indicates that Armed Forces personnel have relatively higher incomes than people in civilian occupations and benefit from a comprehensive set of rewards and incentives within the military employment Offer.¹ Service personnel and their partners also have access to benefits and support bespoke to the Armed Forces Community, which can help them achieve financial stability. However, the unique demands and nature of Service life, such as high levels of geographic mobility, may present unique financial stressors for military families. This may significantly impact other aspects of personal and family well-being, e.g. financial stress might negatively affect an individual's mental health. Therefore, financial stability is important in understanding the Armed Forces Community's well-being. However, there is limited research on military families' financial stability and how factors unique to military life shape it.

To address this gap, we conducted a study funded by the Forces in Mind Trust (FiMT) to a) improve understanding of the financial stability of military families and the extent to which characteristics of Service life can positively or negatively contribute to it, and b) explore existing finance-related support mechanisms and propose recommendations to improve policy and support provision.

Rather than measuring levels of financial stability and the impact of Service-related factors, we conducted an *exploratory* analysis of the prevalence and drivers of financial (in)stability. We collected data from a survey of Serving and ex-Serving UK Armed Forces personnel and their partners and from interviews and a workshop with stakeholders from the government, Armed Forces, Service charity sector and other relevant support organisations.



What is financial stability?

Financial stability is where an individual has access to 'stable, adequate' **income** and 'stable, adequate financial **resources**'.² Income includes regular salary, benefits or subsidies. Financial resources include savings and assets, such as housing, and the ability to meet unpredicted expenses without negatively impacting an individual's financial outlook.³

Financial stability encompasses financial resilience, comprising the ability to cope with and recover from a financial shock or financial adversity.⁴ Conversely, financial **instability** is the lack of enough predictable income and resources to withstand unexpected expenses or financial shocks.

Prevalence and factors shaping financial stability

Our study found mixed results on how members of the Armed Forces Community perceive their financial stability. Study participants were generally positive about the stability of their household incomes but less positive about the stability and adequacy of their financial resources. Participants also doubted their ability to recover from financial shocks. While some participants indicated their financial stability had improved in recent years, many had experienced a decline in financial stability since the onset of the COVID-19 pandemic. Experiences of financial hardship were tied to inflation, rising living costs, changing personal circumstances necessitating spending changes (e.g. overseas relocation during COVID-19), and greater perceived barriers to partner employment. These insights indicate that the ongoing impact of the cost-of-living crisis on military populations should be closely monitored to better understand how impacts differ between military and civilian families.

Exploring Service-related factors that enhance or undermine financial stability, we found that **military Service uniquely shapes families' financial stability in positive and negative ways.** While the Offer's direct benefits and associated access to wide-ranging finance-related support strengthen Service families' finances, aspects of Service life such as frequent relocation and separation also negatively impact financial stability. Examples include a significant reduction or loss of a second family income due to barriers to partner employment, costs related to frequent relocation and/or living overseas, high childcare costs or limited childcare accessibility and barriers to long-term financial planning. The graphics below summarise factors that were perceived as significantly affecting families' financial stability (both positively and negatively), particularly partner employment opportunities.



Positive impact on financial stability

- Access to subsidised housing
- Value of the Armed Forces Pension
- Access to operational and non-operational allowances
- Value of basic pay
- Healthcare provision for Service personnel

Negative impact on financial stability

- Limited childcare accessibility and affordability
- Out-of-pocket expenses to cover circumstances of Service life (e.g., relocation) and hidden costs of overseas postings
- Costs associated with separation due to military life (e.g., need to maintain two households)
- Challenges in financial planning for the future
- Perceived erosion of the Offer and basic-pay adequacy
- Loopholes or gaps in Service-linked allowance schemes and the complexity of organisational processes through which families can access allowances and other support mechanisms





Impact on partner employment opportunities

- Frequent location moves
- The serving partner's long and unpredictable working hours
- High childcare costs and separation from the wider family who could provide childcare support
- The perceived reluctance of employers to hire military partners

Implications for policy and support provision

Military families and the stakeholder community can understand and perceive the direct and indirect impacts of Service life differently. Our study indicated **a disconnect between stakeholders' perceptions of the Offer and Service personnel and their partner's lived experience of it.**

While stakeholders commented on the Offer's comprehensiveness compared to civilian compensation, Armed Forces members perceived its value as eroding. These and other themes provided two key takeaways:

- **The financial implications of Service life, the Offer and the Armed Force's approach to incentivisation must be viewed from a holistic family perspective.** While narratives around the Offer's positive value draw attention to its direct benefits for Armed Forces personnel, study participants mentioned broader family circumstances, particularly partner employment and childcare costs, as key sources of financial stress. A family perspective on the Offer and incentivisation is therefore crucial. It would help ensure that mechanisms such as the X-Factor, which aim to adjust military pay to Service life's potential advantages and disadvantages, effectively compensate and support personnel and their families.
- **The concept and scope of the Offer remain poorly understood among personnel and military families.** Confusion around the Offer's concept and content may be generating, at least partly, a perceived erosion of its value. While mechanisms such as regular reviews of the X-Factor and military pay by the Armed Forces Pay Review Body (AFPRB) are in place to ensure military pay is equitable compared to civilian roles, there is a need to communicate the



Offer's scope more clearly. Developing more explicit pay comparisons between military and civilian occupations in a changing macroeconomic environment could also improve understanding of the Offer's value.

We found that significant finance-related support exists in the UK to help mitigate the financial risk factors experienced by UK military families. Such support is available through three mechanisms:



However, we also identified various opportunities for strengthening the support landscape. Given the number of support mechanisms different actors provide, participants considered the landscape cluttered and fragmented. Moreover, there are persistent challenges regarding the limited communication with military partners, inconsistent expertise levels on finance-related issues among relevant gatekeepers, and difficulties accessing affordable childcare.

Discussions with stakeholders also reflected a need to strengthen 'upstream' interventions addressing factors enhancing long-term financial stability, such as financial literacy. However, it is also important to maintain a strong safety net for Armed Forces Community members facing financial instability by ensuring their awareness of and access to relevant support mechanisms. This point highlights the need for the military, veterans and families sector to maintain a collaborative, multi-stakeholder approach to supporting financial stability that combines 'upstream' and 'just-in-time' support provision informed by evidence on the structural and immediate causes of military families' financial instability.





Evidence gaps and future research priorities

Though some Service-related factors (e.g. limited partner employment opportunities) featured prominently throughout the study, there are also uncertainties about some dynamics surrounding military families' financial stability. In particular, policymakers and support providers should note the lack of evidence and understanding about:

- Differences in military versus civilian families' experiences and support needs, e.g. as regards childcare affordability.
- Financial literacy levels and financial management skills among Armed Forces personnel and partners, and how they affect military families' long-term financial stability.
- Unique impacts of the cost-of-living crisis on military versus civilian families.

Recommendations

Our study is only an initial exploration of military families' financial stability issues. However, in collaboration with stakeholders, we identified several recommendations for improving policy and practice, presented below.



Strengthening the overarching approach to enabling and sustaining the financial stability of military families and implementing cross-cutting enablers for a stronger support landscape

- Foster inclusion of partners in all aspects of policy and support relating to financial stability and well-being of Service personnel.
- Build awareness and understanding of financial risks associated with Service life among relevant gatekeepers, career managers and the chain of command.
- Facilitate a better understanding of instances and experiences of financial stress among Service families and where disadvantages exist for the Armed Forces Community compared to the civilian population.
- Embed work to improve policy and practice within the MOD Armed Forces Families Strategy through a dedicated Finance workstream.



Building a comprehensive offer of financial literacy education for Serving personnel and their partners as part of the holistic transition policy.

- Ensure financial education is career-long, initiated early and embedded into existing training structures (e.g. basic-, second-phase and Officers training).
- Ensure relevant resources and training are accessible to military partners rather than the Service person alone.
- Focus education and training provided by the MOD and single Services on those financial management aspects that need to reflect the unique nature of Service life.
- Work with civilian-support providers to raise awareness about the Armed Forces Community's unique needs to ensure personnel and partners can access general financial management programmes.



Improving information provision, including information about available support mechanisms, to aid military families' financial management.

- Ensure timely and accessible provision of information to Service personnel and partners.
- Explore creating a tri-Service family-accessible information portal to centralise direct information provision to family members.
- Facilitate stakeholders' resource-and-information sharing on available support mechanisms.



Addressing barriers to accessing support and help-seeking.

- Understand and mitigate potential stigmas and barriers to help-seeking concerning financial stress.
- Understand and address overseas families' financial risks and support needs (e.g. barriers to accessing UK support).
- Ensure consistency of information-sharing and support pathways across Defence, including direction and effective sign-posting from the MOD across the single Services.

Endnotes

- 1 The Offer is understood as the sum of financial and non-financial incentives provided to Armed Forces personnel in return for employment in the Regular or Reserve forces.
- 2 United Way. N.d. 'Achieving Financial Stability for Individuals and Families Through Integrated Service Delivery; Highlights from the United Way System.' As of 31 May 2023:
https://communityactionpartnership.com/external_resources/financial-stability-through-integrated-service-delivery-highlights-from-the-united-way-system/
- 3 Centre for Economics and Business Research. 2018. Financial wellbeing in the workplace. As of 25 May 2023:
<https://cebr.com/reports/financial-wellbeing-in-the-workplace/>
- 4 Demos. 2016. Next steps for financial resilience. As of 25 May 2023:
<https://www.demos.co.uk/wp-content/uploads/2016/07/Next-steps-for-financial-resilience.pdf>, and McKnight, Abigail. 2018. 'Financial Resilience: Measures, Trends and Policy Options'. Centre for Analysis of Social Exclusion. As of 22 June 2022:
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