



Highlights of [GAO-06-749T](#), a testimony before the Subcommittee on Oversight and Investigations, Committee on Financial Services, House of Representatives

Why GAO Did This Study

The finances of servicemembers and their families have been an ongoing concern of Congress and the Department of Defense (DOD), especially in light of more frequent deployments to support conflicts in Iraq and Afghanistan. Adverse effects that may result when servicemembers experience financial problems include loss of security clearances, criminal or nonjudicial sanctions, adverse personnel actions, or adverse impacts on unit readiness. To decrease the likelihood that servicemembers will experience financial problems, DOD has requested and Congress has granted annual increases in military basic pay for all active duty servicemembers and increases in special pays and allowances for deployed servicemembers. The military has also developed personal financial management (PFM) programs to help avoid or mitigate adverse effects associated with personal financial problems. However, studies published in 2002 showed that servicemembers continue to report financial problems.

This testimony provides a summary of GAO's prior work examining (1) the extent to which deployments have affected the financial conditions of active duty servicemembers and their families, and (2) steps that DOD has taken to assist servicemembers with their financial needs.

www.gao.gov/cgi-bin/getrpt?GAO-06-749T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Valerie C. Melvin at (202) 512-6304 or MelvinV@gao.gov.

MILITARY PERSONNEL

DOD Has Taken Steps to Address Servicemembers' Financial Needs, but Additional Effort Is Warranted

What GAO Found

DOD data suggests that deployment status does not affect the financial condition of active duty servicemembers, although some deployed servicemembers faced certain problems. Data from a 2003 DOD-wide survey suggests that servicemembers who were deployed for at least 30 days reported similar levels of financial health or problems as those who had not deployed. For example, of junior enlisted personnel, 3 percent of the deployed group and 2 percent of the nondeployed group indicated that they were in "over their heads" financially; and 13 percent of the deployed group and 15 percent of the nondeployed group responded that they found it "tough to make ends meet but keeping your head above water" financially. However, problems receiving family separation allowance and communicating with creditors may result in financial difficulties for some deployed servicemembers. Based on DOD pay data for January 2005, almost 6,000 of 71,000 deployed servicemembers who had dependents did not obtain their family separation allowance in a timely manner. Furthermore, problems communicating with creditors—caused by limited Internet access, few telephones and high fees, and delays in receiving ground mail—can affect deployed servicemembers' abilities to resolve financial issues. Additionally, some financial products marketed to servicemembers may negatively affect their financial condition.

DOD has taken a number of steps to assist servicemembers with their financial needs, although some of this assistance has been underutilized. These steps include PFM training for servicemembers, which is required by all four military services. DOD also provides free legal assistance on purchase contracts for large items and other financial documents. However, according to the attorneys and other personnel, servicemembers do not make full use of available legal services because they may not take the time to visit the attorney's office or they fear information about a financial problem would get back to the command and limit their career progression. In addition, each service has a relief or aid society designed to provide financial assistance through counseling and education as well as financial relief through grants or no-interest loans. Some servicemembers in our focus groups stated that they would not use relief from a service society because they take too long, are intrusive, require too much in-depth financial information, or may be career limiting if the command found out. Servicemembers may use non-DOD resources if they do not want the command to be aware of their financial conditions or they need products or support not offered through DOD, the services, or the installation. Although DOD has taken these steps to assist servicemembers with their financial needs, it does not have the results-oriented departmentwide data needed to assess the effectiveness of its PFM programs and provide necessary oversight. Without an oversight framework requiring evaluation and a reporting relationship between DOD and the services, DOD and Congress do not have the visibility or oversight needed to assess the effectiveness of DOD's financial management training and assistance to servicemembers.