

Mid-Life Career Change: Career Military Versus Noncareer Military Financial Well-Being And Financial Satisfaction

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This study investigated the effect of a mid-life career change on the financial well-being and satisfaction of career and noncareer military personnel who were retired or near full retirement. Subjects were divided into two groups: those with and those without military retirement pay. This article addresses variables affecting subjects' financial satisfaction and financial well-being. Based on regression analysis, there were significant differences in financial satisfaction between career and noncareer military personnel as measured by The Retirement Descriptive Index. There is a difference in the two groups for those with family income above \$100,000.

Key Words: *Career Change, Financial Planning, Life Satisfaction, Military, Retirement*

A major concern for the baby boomer cohort and this nation is whether this large group of baby boomers can live comfortably in retirement and maintain at least the level of life satisfaction they had before retirement. Research has identified income, health, activities, and pre-retirement planning as positive predictors of life satisfaction in retirement. Little research addresses the effect of a mid-life career change on life satisfaction prior to or during retirement. A literature review on life satisfaction and retirement uncovered little scholarly research on subjects with military experience.

Government policy makers and military counselors need to understand the effects of a mid-life career change on the future financial well-being of military personnel. These personnel remain in the military until eligible to receive retirement and then make a career change at mid-life. Because military retirement is a major retention incentive in the military, the question counselors need to answer is whether the persons will be better off financially by staying in the military until mid-life or leaving earlier and starting a non-military career. Government policy makers need to know whether the military retirement system enables career and noncareer military personnel to have financial equivalency in retirement.

Parnes and King (1977) used National Longitudinal

Surveys data to determine the effect of losing a job in mid-life. They found that the loss of a job in mid-life was a traumatic experience, and it “often assumes catastrophic proportions” (p. 95). The authors stated that

The major long-term impact of displacement seems to have been a substantial deterioration in occupational status. In addition to economic losses, it appears likely that the displaced workers suffered from deteriorating health and some sense of alienation (p. 77).

While previous research has investigated many issues of making a mid-life career change, little research has been conducted on the effects of a career change later in the life cycle on pre- or post-retirement financial well-being and financial satisfaction. This study analyzes the effect of a mid-life career change on the financial well-being and financial satisfaction of career military officers and noncareer military officers who were approaching or had reached full retirement from the labor force.

Because a mid-life career change is assured for career military personnel, they have the benefit of a long lead-time in preparing for a second career. Also, because the career military personnel collect pensions and carry over their health benefits, they may select a second career based on other benefits. They may accept a position for less money because they receive military retirement pay

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to make up any difference in income. Many noncareer military and persons not in the military who make a mid-life career change cannot carry over benefits and cannot draw on the retirement compensation until their late fifties or early sixties. When this group of workers changes careers, they need to be more selective in income levels and health benefits to maintain their standard of living.

This research was designed to determine whether differences in measures of financial satisfaction exist between cohorts who made a mid-life career change when they retired from the military (career military) and cohorts who did not remain in the military until they met tenure for retirement (noncareer military). Because income is one of the stronger predictors of high life satisfaction and career military have the potential for more sources of retirement income, research should find that career military have higher life satisfaction than cohorts who were not career military.

Literature Review

Retirement Issues

The literature addresses many of the empirical issues of mid-life career changes. For middle-class workers, mid-life career changes have been linked to family factors (Oliver, 1971), achievement motivation (Hiestand, 1971; Schlossberg, 1975), personality (Clopton, 1973), rejection of the work ethic (Krantz, 1977), and external forces (Thomas, 1977, as cited by Atchley, 1994). Mid-life career changes for blue-collar workers have been linked to poor health or being laid off. Atchley (1994) suggests that rarely is a mid-life career change motivated by a desire for money. Thomas (1977) found 34% of male respondents were forced into mid-life career changes by external circumstances and had little motivation to change careers while only 17% changed careers because of their own desire.

Ruhm (1990), reporting on the Social Security Administration's Retirement History Longitudinal Survey (RHLS) study of 10,150 men and women ages 58 to 63, found that only 53% of the men and 27% of the women held one job for more than 20 years. The males, whites, and college-educated were more likely to be in the group that remained at a job for over 20 years. A surprising finding from the study was that over one-third of the workers left career employment before age 55, and half left before age 60, leaving a career job and going into what Ruhm defined as a bridge job. A bridge job spans the time between leaving a career job and full withdrawal from the labor force. Almost three-quarters of the bridge

jobs were in a different industry or occupation.

Atchley (1994) defines retirement as

... an earned position based on service in the labor force, and its main attributes are a reduction in, or cessation of, employment and a shift in the source, and usually the amount, of individual or family income. (p. 285)

All subjects in this study who retired from the military were currently employed or had previously been employed while receiving military retirement pay. A working-retiree is someone who has ceased one full-time employment and draws retirement benefits but is currently in the work force full or part time. Some of these working-retirees made mid-life career changes, some were employed in bridge jobs, and some had done both. Retired was defined as completely withdrawn from the labor force and not working due to full retirement or disability. Subjects who were working full time or part time, were working-retirees, or were looking for work were defined as in the labor force. Some respondents were working retirees who were receiving retirement compensation from one source and were still in the labor force. This study had 331 subjects who were still in the labor force (working, working-retirees) and 273 subjects who were not in the labor force (fully retired).

Career Military Retirees

Career military have the benefit of a military pension that has yearly cost-of-living adjustments and the benefit of receiving their pension while working in other employment. A military person becomes tenured at 20 years of active military service and is entitled to 50% of his or her basic pay. Additional years of active service increase the percentage of basic pay that is used to calculate retirement pay.

Mandatory military retirement can be an opportunity to start and complete a second career prior to fully retiring. However, studies have indicated that mandatory retirement from the military falls during the life cycle when a person should have a stable income and lifestyle (Cutler, 1992; Snyder, 1994). The financial resources and behaviors of career military during the military mid-life career change as well as the impact on the retirees' life satisfaction are unknown.

Military personnel are forced to think and learn about retirement as their military career terminates between age 40 and 50. This *early* awareness should result in higher levels of financial planning for retirement and

satisfaction with their pre-retirement planning and asset management than other workers who are not forced to deal with retirement during mid-life. Career military may have several possible combinations of pensions from the military, government private companies, defined contribution plans, and personal savings or investments.

Since a mid-life career change is assured in the military, personnel have the benefit of a long lead-time in preparing for a second career. Also, with the career military able to start receiving a military pension and health benefits before the age of 59½, they are able to choose careers with different requirements for amount of income and types of benefits. They do not have to make a transition to a new career that matches previous income and benefits to maintain their same standard of living. Many noncareer military and workers never in the military who make a mid-life career change cannot carry over benefits and cannot draw on the retirement compensation until their late fifties or early sixties.

The military retirement system is considered a non-contributory defined-benefits plan that includes non-disability retired pay, disability retired pay, retired pay for reserve service, and survivor annuity programs. Military personnel are not vested into the military retirement system until they reach 20 years of service. At 20 years of service, personnel are allowed to take voluntary retirement, subject to the service's approval (retirement can be denied due to the needs of the service). Unlike the federal and private work force, most military members must leave active duty by their mid-40s (Department of Defense [DOD], 1995).

The military retirement community is large. As of September 1997, there were 3,670,115 people receiving some form of military non-disabled or disabled retirement pay (Gordon, 1997a; Gordon, 1997b). By the year 2009, there will be a 7% growth in the military retired population. By the year 2030, the retired population will decline 12% and will be 5% lower than the 1994 retired population (DOD, 1995). A 20-year retirement system and a selective *up-or-out* officer promotion system maintains a youthful force and a reasonable promotion opportunity. The enlisted force employs a similar *high year of tenure* management concept. Like the *up-or-out* system, this enlisted system prevents stagnation and inefficiency. The present study included subjects who have either regular active duty military retirement, military reserve retirement, or military disability retirement. Table A-1 in the Appendix shows the current maximum years, by grade and service,

a person may stay in the military. Prior to mandatory retirement, a person may leave the military voluntarily, for administrative reasons, or for disability. Personnel who leave prior to retirement eligibility will not receive military retirement income unless they leave due to a service-connected disability.

Based on the literature review, it was concluded that career change is common and a traumatic experience in the work force. However, no scholarly research was found that addressed the issue of whether a career or noncareer military person has higher family income or financial satisfaction after or just prior to leaving the work force. There are two questions that this research addresses: (1) Are prior career and noncareer military officers satisfied with their financial status and (2) If a person is in the military, should he or she remain until eligible for retirement in order to achieve financial satisfaction. The answers to these questions will help eliminate the absence of scholarly research in the areas of mid-life career change and financial satisfaction.

Methodology

There were two groups of subjects randomly chosen from the total U.S. Naval Academy alumni in the graduation year groups of 1945 through 1965: those with military retirement (career military) and those without military retirement (noncareer military). These groups were chosen in order to have two groups that had very similar college education, professional training, and first jobs. Using a range of year groups allowed the research to be conducted cross-sectionally and also provided a pattern of data covering twenty years of graduating classes.

A questionnaire that requested information on pre- and post-retirement activities, financial status, health, people association, and military experience was mailed to 1,000 randomly selected U.S. Naval Academy alumni. The questionnaire was twelve pages in length and could be completed in approximately twenty-five minutes. There were 615 responses (response rate of 62%) of which 604 responses were usable for the study (usable response rate of 60%). The respondents were all male, primarily White (98%), and were commissioned as officers in the Navy, Air Force, or Marine Corps.

Measurement of Life Satisfaction

The Retirement Descriptive Index^a (RDI) developed by Smith, Kendall, and Hulin (1969) was used to measure self-rated life satisfaction across four dimensions: retirement activities, financial status, health, and people (associates).^b A fifth scale measured general life

satisfaction. The five scales used in the RDI were developed orthogonally and are not combined to get a total life satisfaction score. Scores for the financial, activities, people, and general life satisfaction scales have a maximum of 54 points. The measurement is suitable for both males and females, pre- and post-retirees, and at all educational and occupational levels (Keyser & Sweetland, 1992). The RDI is a widely used measurement for life satisfaction. Twenty-three studies on pre- and post-retirement life satisfaction and the testing instruments were identified in the study *Life Satisfaction And Retirement: Military Mid-Life Career Change* (Brunson, 1996). The RDI was the primary test instrument in twelve of the studies. The RDI was more recently used in the study *The Retirement Adjustment Process: Changes in the Well-being of Male Retirees Across Time* (Gall, Evans & Howard 1997) in determining pre- and post-retirement satisfaction. No published challenges of the validity of the RDI instrument were found.

Keyser and Sweetland (1992) in their critique of RDI stated that RDI "is a simple instrument to employ in satisfaction research and, possibly, retirement counseling" (p. 425). The positive attributes of RDI noted by the reviewers include an easy to understand format, with either oral or written responses. The RDI is also usable with a variety of retirees and persons anticipating retirement and has been evaluated to correlate strongly with other measures of life satisfaction.

Because this article investigates financial well-being, the RDI financial status scale is the only RDI scale addressed. In addition to the RDI financial scale, two self-perceived scales for adequacy of family income were included in the questionnaire.

Findings

Sample Characteristics

The 604 subjects were male, ranged in age from 52 to 75, and were mostly White (98%). None of the subjects were still on active service in the military. Seventy-three percent had additional education beyond the bachelor's degree, over 90% had a family income above \$50,000, and 54% of these subjects had a family income above \$100,000. Most of the subjects (73%) were still married to their first spouse. There were 54% of the subjects who were still in the work force while 46% indicated they were fully retired. Of the 224 noncareer military, 41% were out of the labor force while 48% of the career military were out of the labor force. Part-time employment accounted for 10% of the subjects still in the

work force.

Of the 273 subjects not in the work force, the time spent in retirement ranged from 1 year to 33 years with 46% retired for 1 to 5 years, 29% for 6 to 10 years, 17% for 11 to 15 years, and 8% for 16 or more years. The mean age at retirement was 62, which is also the national mean retirement age (Gendell & Siegel, 1996). Of the subjects not in the labor force, 65% were career military and 35% were noncareer military.

Almost 66% of the subjects had two or more careers. Most subjects did not have jobs out of their indicated career fields. Seventy-five percent had no jobs or only one job other than the jobs that encompassed their designated careers. Approximately four of five career military (81%) had two or more careers while 38% noncareer military indicated two or more careers. Thirty-five percent of the spouses or partners were in the work force with 17% of these spouses or partners employed part time. The majority of the spouses or partners had a bachelor's degree or higher (55%).

Financial Satisfaction

Three variables indicated the subjects' attitudes toward income adequacy and level of financial satisfaction. The RDI financial satisfaction scale indicated 97% of the subjects were somewhat to very satisfied with their financial situation. Only three subjects were somewhat dissatisfied, and none were very dissatisfied. The two self-perceived scales for adequacy of income that were included in the questionnaire indicated 99.5% of the subjects indicated they could at least afford some of the things they wanted but not all of the things they wanted. Only three subjects indicated they could only meet necessities. The response from subjects who indicated they were able to afford about everything they wanted accounted for 79% of the responses on a question which addressed current income adequacy and accounted for 71% of the responses on a question which addressed income adequacy in retirement.

Financial Descriptive Comparison

Table 1 shows the total family income distribution of the subjects. The largest percentage difference between the two groups' total family income is in the \$100,000 to \$149,999 income range. A larger percentage of the career military (33%) fall in this range, compared to the noncareer military (15%). However, in the \$200,000 and above scale, 21% of the noncareer military are in this range, but only 9% of the career military are in the range. In both groups, over 50% of the subjects have total

family incomes of more than \$100,000.

Table 1
Percent of Subjects by Family Income Levels

Family Income Level	Total Sample N=599	Non-career Military N=224	Career Military N=375
\$20,000-\$24,999	0.3%	0.9%	0.0%
\$25,000-\$34,999	1.5%	3.1%	0.5%
\$35,000-\$49,999	4.2%	5.4%	3.5%
\$50,000-\$64,999	8.5%	8.0%	8.8%
\$65,000-\$74,999	11.0%	9.8%	11.7%
\$75,000-\$89,999	12.9%	12.9%	12.8%
\$90,000-\$99,999	7.6%	9.9%	6.2%
\$100,000-\$149,999	26.5%	15.2%	33.3%
\$150,000-\$199,999	14.0%	13.8%	14.1%
\$200,000& above	13.5%	21.0%	9.1%

Table 2 shows the percentages of total family income that the subjects indicated they were saving. Table 3 shows the percent of family income the subjects who were out of the labor force were saving. Both tables indicate that a larger percentage of career military save part of their income as compared to noncareer military subjects. Being able to save a percentage of their income while in or out of the labor force indicates that the subjects had sufficient sources of family income to meet their needs. The correlation between total family income and percent of family income saved for all subjects is $r = .40$.

Table 2
Percent of Total Family Income Saved - Subjects In Labor Force

Percent of Family Income Saved	Total Sample N=326	Noncareer Military N=131	Career Military N=197
0%	10.1%	13.0%	8.2%
1%-5%	12.6%	14.5%	11.3%
6%-10%	27.3%	26.7%	27.7%
11%-15%	22.7%	19.1%	25.1%
16%-20%	13.5%	11.5%	14.9%
OVER 20%	13.8%	15.3%	12.8%

Table 3
Percent of Total Family Income Saved - Subjects Out of Labor Force

Percent of Family Income Saved	Total Sample N=261	Noncareer Military N=97	Career Military N=174
0%	31.8%	42.5%	26.4%
1%-5%	21.1%	14.9%	24.1%
6%-10%	19.5%	11.5%	23.6%
11%-15%	11.5%	8.0%	13.2%
16%-20%	8.0%	9.2%	7.5%
OVER 20%	8.1%	13.9%	5.2%

Table 4 provides information on how the subjects were saving their income. The significance of the information is not in the differences between these two groups but rather the percentage of the Academy graduates who are using stocks and mutual funds for retirement investments instead of fixed income investments.

Table 4
Types of Investments - Percentages of Database

Investment Type	Total Sample N=601	Noncareer Military N=225	Career Military N=376
Mutual funds	57.4%	53.3%	59.8%
Stocks	47.8%	46.2%	48.7%
Money Market Funds	39.6%	36.4%	41.5%
Savings Account	33.3%	33.1%	39.4%
Bonds	27.8%	24.0%	30.1%
Insurance Annuities	20.6%	16.4%	23.1%
Certificates of Deposit	19.8%	15.1%	22.6%
Real Estate	14.8%	14.2%	15.2%
Other	6.7%	8.9%	5.3%

Regression analysis in this study showed the number of pension sources to be a predictor of financial satisfaction. Table 5 shows the number of retirement pension sources the subjects indicated they currently had or would have as a source of retirement income. The income sources include military pension, government pension, private industry pension, and defined contribution plans (i.e., 401K, 401B, KEOGH). Social Security and spouse's or partner's retirement income are not included. For the noncareer military 19% indicated they will not have a government or private industry type of retirement plan.

Self-directed investments provide or will provide their retirement income.

Table 5
Pension Sources - Percentages of Database

Number of Pension Sources	Total Sample N=599	Noncareer Military N=222	Career Military N=377
0	7.2%	19.4 %	0.0%
1	31.2%	39.2%	26.5%
2	39.4%	33.8%	42.7%
3	20.0%	6.3%	28.1%
4	2.2%	1.4%	2.7%

The sources of retirement income and where the subjects receive financial advice are presented in the Appendix Tables A-2 and Table A-3. Table A-2 shows the percentage of subjects who indicated they would have a particular source of income in retirement. This table does not include spouse's or partner's Social Security income. Of note is the large percentage of subjects who will have income from IRAs. Regression analysis in this study shows that having stocks and bonds, mutual funds, and KEOGH plans are separate predictors of financial satisfaction.

Table A-3 provides information about sources for investment advice. The significance of Table A-3 for financial planners and counselors is that 31.1% of the subjects were not using any professional financial advice, and only 25.6% of the subjects who were receiving professional advice were using a financial planner. Interaction with financial professionals had interesting results. Fewer than one in five used financial planners in their financial activities, yet mutual funds and stocks were investment vehicles with the highest level of choice. Information assistance seemed to come from the more traditional sources of broker and lawyer while over one-fourth of noncareer military and one-third of career military gave no sources for investment advice.

Analysis of Variance

The RDI indicated high levels of satisfaction on all five scales. When an Analysis of Variance (ANOVA) was computed between the five RDI scales and the two groups, career military and noncareer military (Appendix Table A-5), the RDI financial scale indicated a significant difference in the means at the .05 level. The

means of the financial scale indicated career military had a higher level of financial satisfaction with a mean score of 47.66, and the noncareer military had a mean score of 46.05. There was no significant difference between group means on the other four RDI scales. Because this paper is investigating financial well-being, the RDI financial status scale is the only RDI scale addressed.

Initial investigation using an ANOVA showed that there was no statistically significant difference in the overall mean incomes of career military and noncareer military. Analysis of CROSSTABS, however, showed a large difference in the cell counts for family incomes at the \$100,000 and at the \$200,000 income levels. Based on this information, another ANOVA was run. This time, however, the total family income variable was broken into income less than \$100,000 and income greater than or equal to \$100,000. This analysis showed there was no significant difference in the mean income of those with income less than \$100,000 (see Appendix Table A-5). It also revealed that for the income level above \$100,000 there were statistically significant differences at the .05 level in the mean incomes of the two groups which were being masked by the overall picture. Interestingly, this analysis showed that these two groups respond quite differently at the \$100,000 income level and at the \$200,000 level. As shown in Table 1, 33% of the career military had family incomes in the \$100,000 to \$149,999 range, but noncareer military had 15% of the subjects in this range. The percentage of subjects in the \$150,000 to \$200,000 range were equivalent for career military and noncareer military. However, for the noncareer military subjects, 21% indicated family incomes above \$200,000, and only 9% of the career military were in this income range. In summary, the analysis showed that comparing the *overall* mean income of these two groups hides the statistically significant mean income differences that appear when analyzing the *smaller segments of income*.

An ANOVA comparing the career military with the group composed of noncareer military found significant differences at the .05 level between the means for the variables that addressed total family income, the percent of family income saved, the sum of retirement income sources, and total number of pension plans. The ANOVA (Table A-6) is in the Appendix.

Regression Analysis

The dependent variable in this study was the subject's summed responses on the RDI financial satisfaction scales. The independent variables, Table A-7, in the

Appendix, were used to determine to what extent they explained the dependent variable, RDI financial satisfaction. Several series of multiple linear forward regressions (ordinary least squares) reduced the 6,540 variables into 82 variables in the regressions that produced the results.^c Standard diagnostic techniques were used to evaluate correlation between independent variables. Residual analysis was conducted. No major violation of any of the regression assumptions was indicated in any of these tests.^d

Multiple linear forward regression with the RDI financial status scale as the dependent variable produced an $R^2=.470$. Twelve variables entered into the equation at the .05 level of significance or below (see Appendix Table A-8). The coding and type of variable for the significant variables are presented in Table A-9 in the Appendix. As indicated above, these twelve variables accounted for 47% of the variation in financial satisfaction on the RDI financial scale. Five variables: adequacy of current family income, total family income, current paid job status, adequacy of retirement planning, and sum of pension plans were the strongest predictors (significant at .001 level).

On the basis of relative size of the standardized regression coefficients for the financial scale in the Appendix Table A-8, adequacy of current family income is the strongest predictor of the RDI financial scale score. This is a self-perceived, single-item scale to determine overall satisfaction with total family income. The RDI financial scale's second highest predictor is the variable, total family income before taxes. Current paid job status was the third variable to enter the equation. This variable indicates the subjects' status in the labor force. The subjects could be employed full time, employed part time, out of the labor force, in the labor force looking for work, or disabled and out of the labor force. Adequacy of retirement planning, which addressed the subject's satisfaction with their pre-retirement planning, was the fourth variable to enter the equation. The sum of the subjects' pension plans was the fifth variable to enter the equation. This variable includes military pension, government pension, private industry pension, and defined contribution plans (i.e., 401K, 401B, KEOGH). The variable does not include Social Security or a spouse's or partner's retirement income sources. The variable, year retired, which indicates if subjects were in the labor force or how long they had been out of the labor force, was the sixth variable in the equation. How the subjects felt about full retirement is addressed in the

variable, feelings about complete retirement. This variable was the seventh variable to enter the equation. The eighth variable to enter the equation, satisfaction with life, is a self-perceived, single-item scale to determine overall life satisfaction. The ninth, eleventh, and twelfth variables to enter the equation are variables that indicated what income sources the subjects would have in retirement. These variables are stocks or bonds, KEOGH, and mutual funds. The tenth variable to enter the equation was the spouse's or partner's hours employed. The regression analysis was conducted with the groups combined. Of note is that the variable that indicated whether the subjects were career or noncareer military was not significant in the regression equation.

Discussion

Based on this sample of Naval Academy graduates, separation from the military prior to receiving military retirement made a significant difference in the two groups based on the RDI financial satisfaction scale. Analysis shows a significant difference between the groups on the financial variables of total family income, the percent of family income saved, the sum of retirement income sources, and total number of pension plans. Through descriptive statistics, the results show that the noncareer military and the career military have high levels of family income but are concentrated in different income ranges. The respondents are savers and investors. They also are doing so without the assistance of financial planners or counselors.

The ANOVA results show a significant difference in family income between the two groups in the income ranges above \$100,000. A larger percentage of the subjects who did not make the military a career had incomes above \$200,000. This could suggest that those who made the military a career did not have the income opportunities as the noncareer subjects. The difference may also suggest that career military chose not to or were unable to obtain employment that would provide income equivalency after they retired from the military. Analysis showed no significant difference between the groups on the RDI life satisfaction scales, self-perceived financial satisfaction scales, or scales that indicated self-perceived income adequacy. This would indicate that although there isn't income adequacy between groups in the higher income ranges, both career and noncareer military are satisfied with their financial well-being.

Whether a person stays in the military or leaves prior to eligibility for retirement pay is not a factor in determining

financial satisfaction but is a factor for potential total family income in the income range above \$100,000. Regression analysis indicated that not only the level of income was important in predicting financial satisfaction, but also the number and variety of income sources are strong predictors of financial satisfaction. For the noncareer military, 19% indicated they will not have a government or private industry type of retirement plan. Self-directed investments provide or will provide their retirement income. The career military had indicated more sources of defined retirement plans. All the career military had their military retirement and 76% had two or more government or private industry retirement plans.

Both groups reported very high levels of financial satisfaction on the RDI scales and the self-perceived satisfaction scales. One possible reason that this sample reported such high levels of satisfaction is perhaps the pre-selection of the subjects prior to entering the Naval Academy. To be accepted at the Naval Academy a person has to be academically strong, athletically fit, and physically healthy. To graduate from the Naval Academy, they must have retained these same attributes and also developed leadership, teamwork, and perseverance qualities. These attributes started them in the work force, and if they maintained the attributes through their life, this pre-screening and Naval Academy experience may be the significant factors in determining their life satisfaction and financial well-being. All of the subjects spent some time on active military duty. This military work experience may also be a variable in determining the level of life satisfaction. All military personnel are trained in leadership and management. They are also held accountable for high work ethics and high personal standards.

Military retirement benefits seem to establish equivalency between career and noncareer military up to the income range of \$100,000 to \$150,000. If retirement income was reduced as part of the career military personnel's total income, there should be a measurable difference between income of career military and noncareer military. Policy issues involving future military benefits, such as higher pay but fewer retirement benefits, could have significant impact on the military as a career choice. The high performance level of those who left the military before retirement indicates that they will not suffer financially in terms of current income. The loss to society from those who were educated at taxpayer's expense but did not choose a career in the military field would be more difficult to calculate.

Implications

Government policy makers could use this research in decision making on military retirement pay. The system that was in place when the subjects in the study retired provided the career military with enough income combined with other income sources to provide a high level of financial satisfaction later in life. Except for the very high-income range, there is also income equivalency between career military and noncareer military. Presenting this information to recruits and active duty military personnel can be beneficial for enlistment and retentive incentive.

Military and civilian financial counselors can use this research to address issues in job transition prior to retirement, career mid-life career change, and other investment opportunities for retirement. One example is the 70% of subjects in this study who had IRAs as part of their retirement income source. Also illustrating the number of and diversification of retirement income sources would help in providing retirement planning advice.

This research has several outcomes of importance to the financial planning and counseling services industry. First, these are the types of clients a financial professional would covet. They are educated, are high earners, have stable lifestyles, and have other funds to invest for retirement beyond the government managed military retirement. In addition, they tend to use more traditional sources of professional information for retirement issues and instead of professional financial planners who practice comprehensive financial planning. Non-comprehensive planners have little formal education regarding the financial planning process or emphasize investment vehicles that may be perceived as having higher levels of risk and return. The impact of these financial advisors on retirement fund performance and retiree satisfaction is unknown.

Future Research

This study used a very homogenous database: all Naval Academy graduates, all commissioned officers, all male, and mostly White. Future research, looking at the same variables, needs to be analyzed with samples that are comprised of military personnel who enter the service from different sources, are enlisted personnel, and have a diversification in gender and ethnic background. More than half of the total subjects had family incomes of \$100,000 or more. By doing research with an enlisted

personnel database, the financial satisfaction of military and noncareer military with lower family incomes may be analyzed. This sample consisted of only subjects who had already separated from the military. Similar data should be collected on active duty military personnel prior to retirement. Further research should also be conducted using a database of alumni from universities that have the equivalent SAT scores for admission as the U.S. Naval Academy. By using this database, the effect of the academy environment can be analyzed because both groups would have equivalent academic standards as they entered college.

Limitations of the Study

The homogenous database of Naval Academy graduates may limit the application of this study to a different population other than military academies and other military officers. The pre-screening of the subjects prior to entering the service and the military experience biases the study toward a social demographic group.

Appendix

An explanation on the rank structure of the military is required to understand the military terminology in this study. The rank structure of all branches of the military is designated by "E" for enlisted and "O" for officer. A number is then added for seniority with the higher the number, the higher rank. Enlisted ranks go from an E-1 (the most junior personnel in the military) to an E-9 (the most senior enlisted personnel). Officers go from O-1s to O-10s (Table A-1). All officers are senior to all enlisted ranks. As in most management structures, as the rank increases, the number of personnel in a given rank decreases. In most cases, an officer is required to have a college degree.

Table A-1

Current Maximum Years of Service by Grade and Service

	Army	Navy	USAF	USMC
E-5	13	20	20	13
E-6	20	20	20	20
E-7	22	24	24	22
E-8	24	26	26	27
E-9	30	30	30	30
O-3#	13	13	13	13
O-4*	20	20	20	20
O-5*	28	28	28	28
O-6*	30	30	30	30

Separation from the military would occur after two non-selections for promotion.

* Maximum years of service allowed by law; other maximums established by policy.

Source: TROA, Shedding Light on the Facts, 1994.

Table A - 2

Income Sources - Percentages of Database

Sources of Retirement Income	Total Sample N=599	Noncareer Military N=225	Career Military N=377
Social Security	99.9%	99.9%	99.9%
IRA	79.3%	83.3%	76.9%
Stocks/Bonds	78.5%	79.7%	77.7%
Savings Account	75.5%	70.3%	78.5%
Mutual Funds	75.3%	72.5%	76.9%
Military Pension	62.7%	0.0%	100.0%
Paid-up Life Insurance	59.6%	54.1%	62.9%
401K	50.8%	52.3%	49.9%
State/ Other Pension	45.9%	54.5%	40.6%
Sale of Real Estate	40.4%	36.9%	42.4%
Part-Time Employment	39.3%	45.0%	36.3%
Income From Property	34.4%	38.3%	32.1%
Inheritance	33.9%	28.8%	36.9%
Annuities	29.0%	32.4%	27.1%
Spouse's/Partner's Pension	27.0%	22.5%	29.7%
Limited Partnerships	14.7%	15.8%	14.1%
KEOGH	11.0%	14.4%	9.0%
US Gov. Pension	8.2%	9.9%	7.2%
Other	4.5%	5.4%	4.0%
Family/Relatives	3.5%	4.1%	3.2%
Public Assistance	.5%	0.5%	0.5%

Table A-3

Sources of Investment Advice - Percentages of Database

Sources of Investment Advice	Total Sample N=601	Noncareer Military N=225	Career Military N=376
None	31.1%	24.9%	34.8%
Broker	27.8%	30.7%	26.1%
Lawyer	27.8%	31.1%	25.8%
Benefits Consultant from Work	22.1%	24.4%	20.7%
Life Insurance Agent	21.5%	19.6%	22.6%
Accountant	19.3%	27.6%	14.4%
Fee and Commission Financial Planner	13.1%	12.0%	13.8%
Fee-Only Financial Planner	12.5%	16.4%	10.1%
Sheltered Annuity Rep.	10.5%	7.1%	12.5%
Other	07.2%	8.9%	6.1%
Banker	07.0%	8.9%	4.9%
Credit union	03.3%	1.8%	4.3%

Table A-4

ANOVA of the five RDI Scales

RDI Scales	Mean Total Group	Mean Noncareer Military	Mean Career Military	Sum of Squares	d.f	F
Fin Sat Scale N = 594	47.07	46.05	47.07	361.56	1	7.845*
Activities & Work N = 600	44.17	44.85	43.77	164.47	1	2.799
Health N = 595	42.09	42.96	41.58	330.33	1	2.224
People Assoc N = 590	47.21	47.00	47.33	14.98	1	0.235
Ret & Life Sat N = 593	48.04	48.14	47.93	3.86	1	0.105

* significant at $\alpha=.05$

Table A-5

ANOVA of Family Income by Group

	Sum of Squares	d.f	F
Total Family Income Range N=598	.12	1	.026
Income Less Than \$100,000 N=274	1.70	1	.900
Income Greater Than \$100,000 N=323	21.79	1	35.186*

* significant at $\alpha=.05$

Table A-6

ANOVA of the Financial Variables

	Mean Total Group	Mean Noncareer Military	Mean Career Military	Sum of Squares	d.f	F
Total Family Income N = 599	10.10	10.07	10.10	10.79	9	5.452*
Percent Family Income saved N = 596	3.17	3.13	3.19	2.75	5	2.376*
Sum of All Ret Income Sources N = 588	8.74	8.21	9.06	6.11	14	1.906*
Sum of Pension Plans Without Wife's N = 599	1.79	1.31	2.07	27.36	4	36.158*

* significant at $\alpha=.05$

Table A-7

These are basic variables that were in the final regression. Several of the basic variables were recoded or collapsed to form other variables that produced 82 variables in the final regression.

Independent Variables

Age	Retirement Income 401k
Age Separated From The Military	Retirement Income IRA
Age of Retirement	Retirement Income KEOGH
Branch of Service	Retirement Income Mutual Funds
Current Paid Job Status	Retirement Income Pension Other
Disability Retirement, Percent of	Retirement Income Stocks/Bonds
Disability Starting Percent	Retirement Income US or State Government Pension
Employment Average Per Week	Satisfaction With Current Income
Ethnic Background	Satisfaction With Military Experience
Feeling About Complete Retirement	Satisfaction With Retirement Income
Gender	Satisfaction With Retirement Planning
Have Major Ailment	Self-Perceived Health
Highest Level of Education	Self-Perceived Life Satisfaction
Highest Rank Obtained	Served In Combat
How Released From Military Service	Served In War Zone
In or Out of The Labor Force	Spouse's/Partner's Education
Income, Sum of Family	Spouse's/Partner's Employment
Length of Active Military Service	Spouse's/Partner's Hours Employed
Length of Reserve Military Service	Spouse's/Partner's Health
Marital Status	Stress Factors, Sum of
Number of Careers	Veterans Facilities, Using
Number of Jobs	Volunteer Average Hours Per Week
Pension Plans/With Spouses, Sum of	Year Out of Military
Pension Plans/Without Wife, Sum of	Years of Active Service
People Living At Home	Years of Reserve Duty
Percent Income Saved	Years Out of Labor Force (Fully Retired)
Pre-Retirement Training	Years Out of Military Service
Receiving or Not Receiving Military Retirement Pay (Career or Noncareer Military)	

Table A-8

RDI - Financial Regression Results

Variable	Standardized regression coefficient
Adequacy of Current Family Income	.274 ***
Total Family Income Before Taxes	.264 ***
Current Paid Job Status	.176 ***
Adequacy of Retirement Planning	.151 ***
Sum of Pension Plans/Without Spouse's/Partner's	.143 ***
Year Retired	.136 *
Feelings About Complete Retirement	.114 *
Satisfaction With Life	.105 **
Sources of Retirement Income - Stocks/Bonds	.100 **
Spouse's or Partner's Hours Employed	.099 **
Sources of Retirement Income - Keogh	.088 **
Sources of Retirement Income - Mutual Funds	.084 *

* p<.05

** p<.01

*** p<.001

Table A-9

Coding of Significant Variables in the Regression Analysis

Variable	Coding
Adequacy of Current Family Income	1-Can Afford All/Money Left Over 2-Can Afford All Want 3-Can Afford Some Not All 4-Only Meet Necessities 5-Cannot Meet Necessities
Total Family Income Before Taxes	1-Less than \$9,999 2-\$10,000-\$14,999 3-\$15,000-\$19,999 4-\$20,000-\$24,999 5-\$25,000-\$34,999 6-\$35,000-\$49,999 7-\$50,000-\$64,999 8-\$65,000-\$74,999 9-\$75,000-\$89,999 10-\$90,000-\$99,999 11-\$100,000-\$149,999 12-\$150,000-\$199,999 13-\$200,000 and above
Current Paid Job Status	1. Employed Full Time 2. Employed Part Time 3. Retired, Fully 4. Unemployed-But Looking 5. Unemployed-Not Looking 6. Disabled-Can't Work 7. Other
Adequacy of Retirement Planning	1-Very Satisfactory 2-Satisfactory 3-Neutral 4-Unsatisfactory 5-Very Unsatisfactory

Sum of Pension Plans/Without Spouse's/Partner's	0-None 1-One 2-Two etc.
Year Retired	0-None 1-One 2-Two etc.
Feelings About Complete Retirement	1-Already Completely Retired 2-Look Forward To Retirement 3-Neutral About Retirement 4-Don't Look Forward To
Satisfaction With Life	1-Very Satisfied 2-Somewhat Satisfied 3-Average 4-Somewhat Dissatisfied 5-Very Dissatisfied
Sources of Retirement Income - Stocks/Bonds	1 - No 2 - Yes
Spouse's or Partner's Hours Employed	0-None 1-One 2-Two etc.
Sources of Retirement Income - Keogh	1 - No 2 - Yes
Sources of Retirement Income - Mutual Funds	1 - No 2 - Yes

Endnotes

- a. *The RDI is copyrighted by Bowling Green University.*
- b. *Keyser and Sweetland (1992) provided the following description of the RDI's four scales that measure retirement activities, financial status, health, and people (associates):*
The RDI is a self-report paper-and-pencil instrument that presents 63 items across four subscales. The Activities, Financial, and People subscales consist of 18 items each, and the Health subscale has 9 items. The scales resemble an adjective checklist. Representative items for each subscale are "tiresome," "exciting" (Activities); "satisfactory," "worry about it," "self-supporting" (Finances); "hard to meet," "intelligent," "active" (People); and "excellent," "failing" (Health). Respondents simply place a Y ("yes"), an N ("no"), or a ? ("can't decide") beside every item to indicate whether the item does or does not describe their retirement situation. Items are considered to be positive ("exciting") or negative ("same thing every day"). (p. 423)
More information on the RDI can be obtained from Department of Psychology, Bowling Green University, Ohio 43403-0228. Phone 419-372-2301.
- c. *The coding scheme for the variables is almost 40 pages long. The codebook can be found at the web site <http://afcpe.org/Naval.htm>*
- d. *Partial plots of each independent variable versus the residuals were done. A histogram of the standardized residual and a normal probability plot of the standardized residuals were also done. Finally, a casewise plot of the standardized residuals versus actual values was performed. Variance inflation factor (VIF) was used to check the collinearity of the independent variables as well as eigenvalues, condition indexes, and variance proportions.*

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