

Financial Coaching: A Proven Approach for Building Consumer Financial Capability

A learning series from the Financial Capability Demonstration Project



Citi Foundation



INTRODUCTION

As financial and job markets have become more volatile and complex, low- and moderate-income households are finding their finances are increasingly vulnerable. Policy makers and funders have been looking to address the financial needs of vulnerable families by examining existing tools and approaches intended to help people gain financial security. Traditional approaches have focused on financial literacy – giving people basic information about budgeting, savings, credit and debt. These efforts, which focus on sharing financial knowledge, are critical to helping individuals make good financial decisions. However, studies¹ have shown that, alone, they are not enough to change behavior and lead to long-term change.

To meet the needs of clients who have to navigate a complex financial services industry, community-based organizations are recognizing the need to expand and redesign the financial education and support programs they offer. They are taking their efforts beyond the classroom to help people turn financial knowledge into financial behavior that guides them in making healthy financial decisions. In doing this, these organizations are promoting financial capability: an approach that helps clients move beyond understanding basic financial skills by incorporating these skills into their everyday lives.

THE CITI FOUNDATION/NEIGHBORWORKS® AMERICA FINANCIAL CAPABILITY DEMONSTRATION PROJECT

To help close the gap between financial literacy and long-term financial security, in 2010 the Citi Foundation initiated a major partnership with NeighborWorks® America designed to expand the scope and scale of financial capability programs for low- and moderate-income individuals and families. The \$5 million, 2.5-year initiative was inspired by the belief that people can better achieve their personal financial goals through financial coaching that builds on the knowledge and skills gained through other financial capability programs.

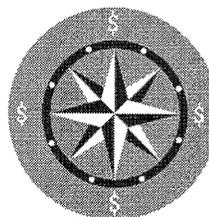
The Citi Foundation/NeighborWorks America partnership invested in course development and training for community-based organizations through the NeighborWorks Training Institutes and regional training events. The goal was to develop and provide broad access to courses that enhance the knowledge and skills practitioners need to create, deliver and sustain effective financial capability and financial coaching programs. Over a two-year period, the partnership provided grant support and an integrated set of training, technical assistance, peer learning, and evaluation services to 30 participating high-performing nonprofit organizations that were initiating new, or augmenting existing, financial coaching programs. By supporting and linking these organizations, the Financial Capability Demonstration Project was able to demonstrate and share new effective practices with a broad range of nonprofits, helping them meet the challenges of implementing financial coaching programs.

¹ "Financial Literacy, Financial Education and Downstream Financial Behaviors", Fernandes, Daniel, Lynch, John G. Jr., Netemeyer, Richard G., Management Science, October 8th, 2013.

THE KEY GOALS OF THE FINANCIAL CAPABILITY DEMONSTRATION PROJECT



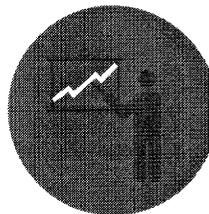
Increase understanding of how to establish and sustain a range of effective financial capability and coaching programs for low- and moderate-income consumers.



Ensure that financial capability programs more effectively turn consumers' knowledge into sustainable action over the course of their financial lives.



Showcase promising financial coaching delivery and program models that are effective in supporting consumers in developing financial behaviors, attitudes and practices needed to reach their personal financial goals.



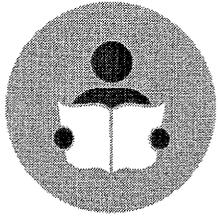
Provide nonprofit organizations with the tools and resources required to incorporate ongoing measurement of results into their financial capability programs and evaluate their effectiveness over time.

FINANCIAL COACHING AS A KEY COMPONENT OF FINANCIAL CAPABILITY

Financial capability is a holistic approach to helping people become financially secure. It provides people with solid financial education that ensures that they know how to budget, save, access credit and avoid debt. However, basic financial knowledge is not always enough to reach financial goals. In order to be truly financially capable a person needs to be able to turn financial knowledge into action, a process that requires

someone to develop positive financial behaviors that can get him or her on the road to long-term financial prosperity. Financial coaching – an intensive behavioral approach to helping low- and moderate-income people set and attain financial goals – not only helps people conquer difficult challenges, it also reshapes their behavior and attitudes towards money.

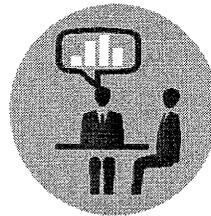
FINANCIAL COACHING IS ONE TOOL IN THE SPECTRUM OF SERVICES KNOWN AS A FINANCIAL CAPABILITY APPROACH, WHICH IS DESIGNED TO:



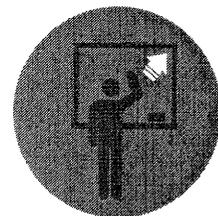
Share information through education.
Offer advice and guidance on specific issues.



Assist individuals to adopt new behaviors through financial coaching.



Help clients focus on behavior to achieve self-defined financial goals.



Help motivate clients and keep them accountable to making sound financial decisions to build and preserve their assets over their lifetimes.

Coaching focuses on helping people change behaviors to achieve their personal financial goals by developing an extended relationship with a coach. Services such as financial counseling provide specific guidance, usually driven by the counselor, to resolve a problem. Financial coaching, on the other hand, lets the consumer drive the process by outlining tangible financial goals and holding themselves accountable to an action plan to meet those goals.

Financial coaching does not replace traditional financial education services, but rather it builds on them by putting the knowledge and skills learned about budgeting, savings and credit into action. It can be seen as a tool that expands the spectrum of financial programs offered by organizations, allowing them to achieve deeper results for committed participants.

COACHING

Definition: Service aimed at helping clients focus on behaviors to achieve self-defined financial goals.

Focus: Achieving client-determined goals and long-term outcomes through behavior change.

Characteristics: Client-driven process. Provides a framework for goal-setting, assessment, action planning, and accountability.

Modes: Coach acts as facilitator, motivator, supporter who holds clients accountable.

COUNSELING

Definition: Service aimed at providing specific information and guidance intended to resolve a defined event or problem, typically through a set process.

Focus: Addresses specific issues or events through knowledge transfer and skill development.

Characteristics: Practitioner-driven process that provides a framework to educate, offer expertise, advice and feedback.

Modes: Counselor acts as teacher, advisor, and confidant.

FINANCIAL COACHING HELPS CHANGE BEHAVIORS AND BOOST CONFIDENCE

Behavior change is difficult for many people. It takes conscious effort and practice to change ingrained patterns of behavior. Behavioral research² shows that when held accountable for their own behavior – whether to an individual or a group – people are more likely to be successful at making changes. Similar to personal training for physical fitness and weight loss, financial coaching utilizes the principles of accountability and support by creating an extended relationship where the coach motivates and supports clients to keep them on task to reach their goals.

Financial Coaching programs require work on the part of the client as well as the coach. Unlike counseling, where counselors provide concrete solutions to problems, coaches serve as guides, leading clients to formulate their own solutions. Coaches work with clients to help them define their personal financial goals and develop an action plan of steps to achieve these goals. They help to identify resources that can help clients realize success. Clients commit to doing the work necessary to achieve these goals and are held accountable through regular check-ins with their coach. Coaching often takes place in one-on-one meetings, although there are many variations, such as group coaching and doing client follow-up and check-in via email or text messaging. Because behavior change takes time and work, the coaching relationship is most successful when the relationship is ongoing – over weeks or sometimes months.

Financial Coaching seeks to move people beyond financial stability to helping them thrive and realize their dreams. For many people, especially low- and moderate- income individuals, this requires finding the courage and confidence to articulate their dreams and pursue them. Because coaching focuses on investing in the person, in his or her own unique situation rather than merely providing information, the coach serves as a champion and a guide, helping people to tap the resources that already lie within them.

Blain Cooper is an example. When he enrolled in the Urban League of Broward County's Financial Coaching Program, he felt stuck. His current job allowed him to make ends meet, but offered little opportunity to increase his earnings to provide for his growing family; and it left him unfulfilled. He wanted more, and longed for a career as a corrections officer in the criminal justice field. But Blain didn't have a car – a prerequisite for many lucrative jobs in sprawling Fort Lauderdale. He had attended money management classes and knew how to budget, access credit and save, but despite his financial knowledge, he couldn't reach his goal of buying a car. Blain knew what he wanted. He just didn't know how to get there.

For Blain, financial coaching provided the framework and support system that he needed to realize his goal. Over the course of a year Blain met with a financial coach who helped him to assess his current financial situation and better understand how his behaviors and attitudes towards his finances may be keeping him from moving forward. His coach then helped him to create a detailed action plan that could serve as a road map to reaching his long-term financial goal. He was kept accountable to reaching this goal with updates and check-ins with his coach where they discussed his progress, what obstacles might have come up and ways to address them. In the end the process worked. Blain was able to make changes in his behavior that allowed him to sufficiently save enough to purchase a reliable vehicle and therefore open the door to new career prospects. More than that, the coaching process gave Blain confidence to know that he could achieve long-term financial goals that before seemed out of reach.

There are many people like Blain, for whom basic financial knowledge is not always enough to reach financial goals. Blain needed to turn knowledge into action, a process that requires developing positive financial behaviors to get on the road to financial prosperity. Financial coaching not only helps people conquer difficult challenges, it also reshapes their behavior and attitudes towards money.

² J. Michael Collins, Peggy Olive, Collin O'Rourke. "Financial Coaching's Potential for Enhancing Family Financial Security." *Journal of Extension Online*. 51.1 (2013). www.joe.org. Web. 4 Jan 2014.

WHO DOES FINANCIAL COACHING BENEFIT?

Financial coaching has far-reaching and synergistic benefits for the constituents served. By enhancing the ability of practitioners to work more effectively with their clients, it multiplies the impact of other financial services and empowers low- and moderate-income people to take charge of their financial lives.

CONSUMERS



Today, financial coaches – much like life coaches, personal trainers and job coaches – work with a broad spectrum of people on many different issues. Examining and changing personal behavior is difficult, and the need for support and encouragement in this process is universal. The coaching process can be transformational, especially with low- and moderate-income people whose difficulty moving forward is sometimes rooted in a sense of resignation and hopelessness. It not only helps people solve immediate problems to reach goals, but can have the lasting effect of making people aware of their own power to change their circumstances and chart their own course.

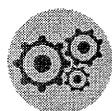
PRACTITIONERS



NeighborWorks America's Financial Capability Demonstration Project showed that financial coaching was also empowering for practitioners.

For many practitioners in the project, financial coaching offered an exciting way to more meaningfully engage clients and take them to the next level. Counselors can provide expert advice to clients, but if the client does not take action, progress is halted. By making clients accountable, coaches felt that they were not just providing stopgap solutions, but giving clients the tools to make significant and lasting changes.

ORGANIZATIONS



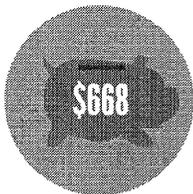
Integrating financial coaching into their service offerings also greatly expands the ability of organizations to meet a diverse range of clients at many different stages of developing financial capability. Clients can move along this spectrum, taking financial education classes to develop a strong knowledge base and then move to financial coaching to cement this knowledge into action. Clients can also move back and forth, participating in coaching, while accessing financial education where needed. By offering this range of services, organizations can maximize the impact they have on their clients.

FUNDERS



For funders, financial coaching is a proven approach that helps people to pay down debt, save more and plan for their future. The ability to be financially capable underlies many issues, such as avoiding foreclosure and homelessness, maintaining gainful employment, and can even have physical and emotional health implications. Ensuring the financial capability of individuals ultimately strengthens individuals, families and communities.

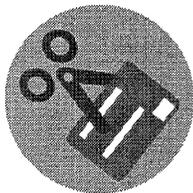
RESULTS OF THE FINANCIAL CAPABILITY DEMONSTRATION PROJECT



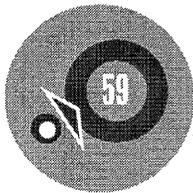
54 percent of clients with no savings at the start of the project had some savings after participation in coaching, resulting in median savings of \$668.



48 percent of clients who had savings at the start of the project increased that amount over time, with a median increase of \$938.



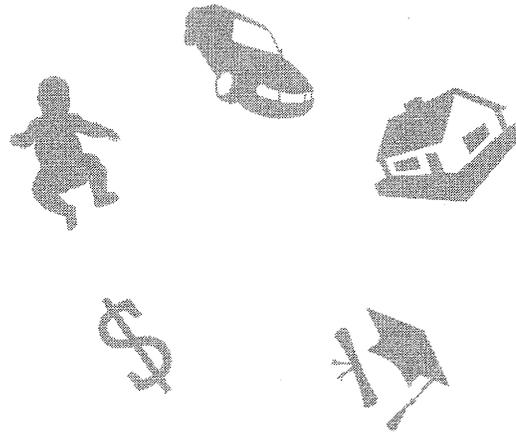
55 percent of clients who had unsecured debt when they began coaching decreased the amount of that debt, with a median decrease of \$3,005.



47 percent of clients raised their credit scores over the course of the project, with a mean increase of 59 points.

The Financial Capability Demonstration Project revealed what it takes to increase the scale of financial coaching programs nationally. Evaluation results also show that coaching helps people adopt new and long-lasting financial attitudes and behaviors. The project data showed that by offering a continuum of services, including financial coaching, organizations were able to successfully help clients with varying levels of financial knowledge and financial need make progress towards achieving their financial goals. The participating organizations were able to demonstrate measurable change in the financial status, credit, savings and debt behavior of clients who received financial coaching.

The evaluation also showed the profound impact that financial coaching can have on clients by revealing that many coaching participants experienced an increase in feelings of financial competence and confidence. For example, after coaching, more participants believed that they managed their money well, and more felt in control of their finances. Out of those clients who initially said they did not feel confident in their ability to manage their finances, almost one half (47%) felt they did so at the end of the project. Moreover, 62% of the clients who initially felt stressed about their financial situation no longer reported reacting in that way. And finally, over the course of the coaching relationship, 30% of participants became more confident that they could weather a financial crisis if it should occur.



NEIGHBORWORKS CONTINUING SUPPORT FOR FINANCIAL CAPABILITY AND COACHING

These are just a few of the examples of the ways that organizations were able to use financial coaching to help low-and-moderate income clients move closer to achieving their financial goals. The success of the project affirms that financial coaching is an effective tool to help further expand consumers' financial capability. For organizations looking to add financial coaching to their service offerings, they will find that this approach is not only impactful, but also flexible and easily integrated into various programmatic contexts and service types. To ensure successful integration of coaching services, organizations should consider elements of program design and integration such as client flow and assessment, marketing and outreach, and potential partnerships and collaborations. Organizations should also ensure proper buy-in and training at all levels of the organization, as well as making sure that resources are well aligned. Finally, by using a standard set of measures such as those offered in the Success Measures financial capability tool set, organizations can use evaluation results at the individual program level to improve program delivery and enhance results for clients.

NeighborWorks America is committed to continuing to increase the scale of the financial capability field and empower people at all income levels to become financially secure and prosperous. To do this, we are offering a multifaceted approach of providing training and evaluation assistance to enable organizations to deliver top-notch financial coaching services.

Effective Financial Capability Training and Certification

Our training and certification uses an interactive, hands-on approach and is ideal for those seeking to develop financial capability services and/or successfully integrate a program into their existing services. A list of current financial capability courses include:

- Building Skills for Financial Confidence (H0208)
- Delivering Effective Financial Education for Today's Consumer (H0209rq)
- Financial Coaching: Helping Clients Reach Their Goals (H0310)
- Advanced Financial Coaching: Taking Your Practice to the Next Level (H0370)
- Measuring the Impact of Financial Capability Programs (H0212 Virtual Course)

For more information on how to access NeighborWorks America's training opportunities, go to www.nw.org/FinancialCapabilityCertification

Use Success Measures for Outcome Evaluation

For more information on how to access the Success Measures financial capability evaluation tools via free download or through subscription to the Success Measures Data System and to learn more about related training and technical assistance services, go to www.successmeasures.org