

## Introduction to Financial Coaching\*

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### Introduction

In recent years, “financial coaching” has grown in popularity as a means of helping individuals attain greater financial security. In practice, “financial coaching” refers to a wide range of interventions, because the field is unregulated and no universal standards have been adopted. Other coaching fields exhibit a similar lack of definition, making it difficult to identify exactly what “coaching” is and how it differs from other approaches (Grant & Cavanagh, 2011; Seligman, 2007). Nonetheless, since the late 1990s, research on coaching has expanded rapidly (Grant 2009). This brief draws on broader coaching research in order to define financial coaching and distinguish it from financial education and counseling. The information in this brief is based on an article written by Collins and O'Rourke (2012). That article goes into greater depth on the points below.

### Defining Coaching

A leading coaching researcher has defined *life coaching* as “a collaborative solution-focused, result-orientated and systematic process in which the coach facilitates the enhancement of life experience and goal attainment in the personal and/or professional life of normal, nonclinical clients” (Grant, 2003, p. 254). Other researchers and practitioners have offered different definitions of coaching, but six basic elements largely remain constant across coaching approaches (from Grant, Cavanagh, & Parker, 2010):

- i. “identify desired outcomes,
- ii. establish specific goals,
- iii. enhance motivation by identifying strengths and building self-efficacy,
- iv. identify resources and formulate specific action plans,
- v. monitor and evaluate progress towards goals and,
- vi. modify action plans based on feedback.”

### The Financial Coaching Approach

- Coaching is an unregulated field, so anybody can call him- or herself a “(financial) coach.”
- We define financial coaching as a “collaborative, solution-focused, result-oriented, systematic and strengths-based process in which the coach facilitates the enhancement of personal finance practice.”
- Financial coaching is designed to help clients attain goals they define for themselves.
- Financial coaching is distinct from financial education and counseling, but in practice elements of each approach may be combined in a single program. Financial coaching remains a complement to other approaches.
- Research on financial coaching is in its infancy. The coaching approach is promising, but much more rigorous outcome studies are needed.

Given Grant's definition and the six common elements of coaching, coaching may be particularly useful for people who are struggling to move from knowledge and intentions to goal attainment and behavior change (Kauffman, 2006).

Coaches use a variety of approaches when working with clients. Coaching models include:

- COACH: Competency, Outcomes, Action steps, and CHecking (Fleming & Taylor, 2003)
- GROW: Goals, Reality, Options, and Way forward (Whitmore, 2009)
- PRACTICE: Problem identification, Realistic, relevant goals developed, Alternative solutions generated, Consideration of consequences, Target most feasible solution, Implement Chosen solution, and Evaluation (Palmer & Szymanska, 2007)

\*For more information, see Collins, J. M., & O'Rourke, C. (2012). The Application of Coaching Techniques to Financial Issues. *Journal Of Financial Therapy*, 3(2) available [here](#).

- GROUP: Goal, Reality, Options, Understanding others, Perform (Brown & Grant, 2010)

The approaches described by these acronyms are similar to one another, and the acronyms serve as useful guides for practitioners. Moreover, these strategies have much in common with the few theoretically-grounded approaches that have been applied to coaching, including solution-focused coaching and cognitive behavioral coaching (for examples, see Palmer & Whybrow, 2007). These approaches are not domain specific, and each model can be applied to financial coaching.

### Applying Coaching Techniques to Personal Financial Management

Based on Grant's (2003) definition of life coaching, Collins and O'Rourke (2012) defined **financial coaching** as a "collaborative, solution-focused, result-oriented, systematic and strengths-based process in which the coach facilitates the enhancement of personal finance practice" (pg. 42).

This definition highlights several core features of the financial coaching approach:

- The client and financial coach work collaboratively, and the coach acts as a facilitator, not an expert. The client and coach work together toward the client's goals, even if the coach would not personally select or endorse those goals.
- Financial coaching is future-oriented. Coaches and clients focus on identifying practical strategies and attaining measurable results.
- Coaches engage in a systematic process to facilitate growth and learning through active listening and critical questioning.
- Financial coaching is strengths-based because coaches encourage clients to identify what they do well and apply those strengths in pursuit of their financial goals.

- Throughout the coaching process, the coach is responsible for helping the client set concrete steps toward the client's goal(s), enhancing motivation, and holding the client accountable.

Importantly, this definition does not include teaching, providing advice, or assisting with a crisis.

### Financial Coaching vs. Financial Education or Counseling

Financial coaching differs from financial education and counseling in important ways. Table 1 illustrates some of the key characteristics of each approach. Coaching is a process that evolves over weeks or months. In general, financial education and counseling occur over shorter time periods than coaching. Coaching is client-centered, and coaches do not tell clients what to do (unless there is a strong reason to do otherwise). In contrast, financial education is less customized to participants' interests and goals, and counselors may provide advice to clients who are facing a financial crisis. Accountability and follow-up are fundamental to coaching, yet are less common in education and only a part of counseling in terms of specific problem-solving steps. Outcomes across the three approaches also differ. Coaching is focused on facilitating skills and behavior, with the aim of helping clients attain self-directed goals. Financial education is focused on the transfer of knowledge, and counseling on resolving a presenting problem.

Coaching clients need to be stable and ready to manage their own growth in financial capability. Financial education participants may not need to have that degree of readiness to act, but they do need to be able to absorb information. Counseling clients may be in crisis and need more support to make decisions and take action. Overall, coaching's focus on building on strengths may not be suitable for clients facing a financial crisis. A financial coach must understand the

**Table 1: Differences Between Financial Coaching, Education, and Counseling**

	Financial Coaching	Financial Education	Financial Counseling
<b>Length of Service</b>	Weeks, Months +	Hours, Days, Weeks	Minutes, Hours, Weeks
<b>Didactic Sessions</b>	Never	Mostly	Some
<b>Accountability / Follow Up</b>	Always	Little-None	Some
<b>Outcomes</b>	Skills, Self-directed Behavior	Knowledge, Skills	Problem Solving
<b>Client Type</b>	Stable	Mostly Stable	In Crisis

Source: Collins & O'Rourke, 2012

boundaries of the coaching relationship and be prepared to make appropriate referrals if acute legal, financial, or emotional problems surface.

In practice, these distinctions may be less clear, as the term “financial coaching” is applied to a wide range of interventions, some of which may be more accurately called financial education or financial counseling. Similarly, educators, counselors, and coaches may all incorporate practices from the other fields into their work with clients. Overall, financial coaching is not always a standalone approach, and it may be used in conjunction with education or counseling.

### **Challenges for the Financial Coaching Field**

Financial coaching is a promising approach for helping clients attain their financial goals. Coaching’s focus on supporting clients through the process of behavior change and goal attainment is particularly relevant in the area of financial management, where, just as with dieting and exercise, individuals may struggle to follow through on their own intentions. Nonetheless, several challenges must be addressed as the financial coaching field expands.

Financial coaching can only be successful for clients with the ability and desire to make performance improvements. Clients in crisis likely need coaching to be provided in conjunction with counseling or other services. In some cases, coaching may be best deferred until a client is stable and capable of focusing on goals and behavior change. As financial coaching becomes more common, coaches and researchers need to identify both the limits of coaching and the situations when a coaching approach is appropriate. Many organizations have expressed an interest in the development of a screening tool to help determine which clients are a good fit for financial coaching.

Another constraint is the lack of theoretically-grounded and evidence-based coaching models. Financial coaches share common approaches and strategies that are drawn from a variety of models. The field of coaching psychology has grown rapidly but is still relatively new. Research on financial coaching is quite scarce despite the growth of the field. Further work is needed to develop applied step-by-step models and then test each component in the field. In tandem with more defined models of financial coaching, the availability and quality of training opportunities is likely to expand. Related challenges include increasing coordination across programs, adopting industry-wide standards, and creating sustainable business models. Additional standards for training and supervision of

coaches are needed, including standards for supervision to help coaches manage professional and ethical issues that may come up in their work.

To date, there have been no experimental evaluations of financial coaching’s effects on behavior and goal attainment. A study using random assignment would make an extremely valuable contribution to the field. A randomized experiment is the gold standard in evaluation research and would go a long way in helping researchers determine whether financial coaching outcomes are primarily related to who chooses to attend (selection) versus the effects of coaching itself. One complication with current financial coaching programs is a lack of standardized measures of client progress. Programs collect a wide range of outcome measures, and little research exists on which measures are reliable and valid. Along with more rigorous methods, research on financial coaching needs to focus on standardizing outcome measures. Developing empirically tested outcome measures will result in clearer and more powerful data.

### **Conclusion**

Across the country, a diverse set of organizations offer programs designed to improve personal financial skills, knowledge, and capabilities. Programs commonly focus on educating individuals on financial topics, counseling them through crises, advising them on technical issues, or connecting them to financial products. Although these are all valuable approaches, financial coaching offers a distinct approach that has the potential to facilitate goal attainment.

This brief provides an overview of the coaching approach and how coaching is being used to enhance individuals’ financial security. The financial coaching field is unregulated, so “money coaching,” “debt coaching,” and any number of similar terms are used to refer to a wide range of programs. Nonetheless, research from other coaching fields points the way to defining financial coaching and distinguishing it from financial education and counseling. Financial education and counseling have different goals and use different strategies than financial coaching, but all of these approaches can still be considered complements to one another. At its core, financial coaching involves helping individuals define their own goals, set concrete action steps, and ultimately attain their goals. Financial coaches use a variety of coaching models, but these models share a core set of strategies and goals. The financial coaching field is ripe for future research.

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## Additional Resources

1. [fyi.uwex.edu/financialcoaching](http://fyi.uwex.edu/financialcoaching) - The Center for Financial Security and University of Wisconsin-Extension maintain a website about financial coaching.
2. [Institute of Coaching](http://Institute of Coaching) - Offers a variety of resources around coaching research, education, and practice.

## Acknowledgements

The authors thank the Annie E. Casey Foundation for its generous support of the Center for Financial Security's research on financial coaching.



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