Moving to Financial Capability Through Financial Coaching

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Limits of wellness programs...

Education, Exercise monitoring, Food Access, Counseling, Etc
Fundamental Discussions

• Limits of “financial literacy” Interventions
  – Still may not engage in positive behavior

• Self Control and Attention
  – Process over time

• Affective factors:
  – Trust, patience, self-control
  – Peers and Social Norms
Knowledge \rightarrow Experience \rightarrow Skills \rightarrow Attitude \rightarrow Behavior

Kempson, Collard and Moore, European Credit Research Institute, 2006.
Information Models

- Disclosures
- Print/Web
- Interactive Web
- Workshops
- One:One

Advice Models

- Technical expert (credentialed)
- Transactional guide (may have sales focus)
- Counseling (acute problem solving)

Mechanism Models

- Defaults
- Automatic Deposit
- Product constraints
Role of Counseling

• **Theory**
  – Directing, instructing and motivating clients (Kerkmann, 1998)
  – Counselors assist clients when *emotional stress* is distorting their financial decision-making

• **Empirical Evidence: Some (mostly credit/loans)**
  – Collins (2007): Each additional hour of counseling reduced the probability of foreclosure outcomes
  – Agarwal et al. (2009): Combining educational classes and one-on-one counseling significantly decreased mortgage default rates
Evolving Definitions of Coaching

“a collaborative solution-focused, result-oriented and systematic process in which the coach facilitates the enhancement of life experience and goal attainment of normal, non-clinical clients” (Grant, 2003).

Key Elements of Coaching

• a focus on long-term outcomes (future orientation)

• an ongoing, systematic, collaborative process for assisting clients to change behaviors
  – practice behavior

• content based on the client’s unique needs and goals

Steps:
1. Goal setting
2. Action planning
3. Monitoring

Financial Coaching - http://fyi.uwex.edu/financialcoaching/
Evidence-Based

• Research Base
  – Biswas-Diener and Dean (2007): Coaching is a subset of positive psychology as it focuses on utilizing personal and social strengths to attain goals and achieve happiness
  – Grant (2008): Coaching is solution or outcome focused and clients must not suffer from serious mental health issues
  – Ariely and Wertenbroch (2002): Coaching can be more effective than self-monitoring and help clients stick to their goals

• Empirical Evidence – outside personal finance
  – Tidwell et al. (2004): Coaching for individuals with chronic health care conditions resulted in better adherence to treatment
  – Whittemore et al. (2004): Health coaching for diabetic women resulted in higher treatment satisfaction, higher attendance and lower attrition rates
Financial Coaching Components

• Relationship-based

• Client Directed’
  • Self-activated goals

• Goal Focused
  – Performance improvement

• Not an ‘expert’
  – Goal setting
  – Monitoring & Accountability
Roles of Coach

1. Set Goals
2. Intentions/plans
   – Implementation intent
3. Accountability
   – Inconsistent time preferences
4. Focus attention
   – Persistence / Top of mind
Coaching is to change behaviors

- “Coaching always focuses on moving the coachee forward.”

- “While therapy may be about damage and counseling about distress, coaching is about desire.” (Passmore, 2010)

<table>
<thead>
<tr>
<th>Therapist</th>
<th>• What is stopping you?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counselor</td>
<td>• What are you anxious about?</td>
</tr>
<tr>
<td>Coach</td>
<td>• What can you do different to get there?</td>
</tr>
</tbody>
</table>
Changing Behavior

Problem

Awareness

Goal

Intention

Maintain/Self Regulates Habits

Initiate
COACHING DISTINCTIONS

<table>
<thead>
<tr>
<th>Telling (Directive)</th>
<th>Asking (Non-Directive)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telling What to Do</td>
<td>Partnering for Exploration and Solutions</td>
</tr>
<tr>
<td>Solving Someone’s Problem</td>
<td>Coaching</td>
</tr>
<tr>
<td>Giving Advice</td>
<td>Consulting</td>
</tr>
<tr>
<td>Offering Guidance</td>
<td>Mentoring</td>
</tr>
<tr>
<td>Asking Questions</td>
<td>Training</td>
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</tbody>
</table>

Adapted from Corporate Coach U Int'l model
Targeting Clients for Coaching

Coaching seeks “performance improvements” not therapy

- Lack of major problems which prevent change
  - “Interested and involved in a wide range of activities, socially effective...No more than everyday problems or concerns.”
  - “Major impairments in areas such as work, school, family relations, judgment, thinking, or mood...speech is at times illogical, obscure or irrelevant.”

Source: (Grant, 2001)
Coaching Models

• Long-term behavioral change by building skills and teaching content based on client’s unique needs and goals (Collins et al. 2007).

• Focuses on behavioral change rather than knowledge transfer (literacy) or problem solving (counseling).

• Group training on specialized topics and peer-to-peer coaching are excellent supplements.

• Clients with baseline knowledge and stable personal/financial situation are most suitable to coaching.
The Effects of Students Coaching in College: An Evaluation of a Randomized Experiment in Student Mentoring - Bettinger & Baker

- Coaching increases retention by 9-12%
- Effects mostly persist after two years
- Graduation rate is 4 percentage points higher for coached students
- Effect is larger for males
- Effect does not vary by coachee’s age
Public Health


• Role of coach as:
  – Reminder (limited attention)
  – Self-control reinforcement (setting norms)
What are Key Outcomes?

- Goals – attainable, measurable & confidence in achievement
- Knowledge, attitudes, beliefs, and skills
  - Factual quiz versus self-report
- Self-Control - *regular* savings or debt repayment behavior
- Products / service usage
  - Self report and/or administrative data (account balances, etc)
- Credit Behavior
  - Reports and scores

Finding a Valid Comparison Group
- Ideal: Randomize offer
  - But we have other options that can work too... cohorts, waitlists, etc.
Coaching Aids Goal Achievement?

Satisfaction:
Most Coached Clients Are Happy with Services

How satisfied are you with how well you and your coach work together to solve your problems?

Clients (n=55)

- Very satisfied: 56%
- Satisfied: 31%
- Neither satisfied nor dissatisfied: 11%
- Dissatisfied: 2%

Source: CNM Coaching Survey
Greater Financial Security?
Financial Management and Access to Benefits

- Do you presently have money equal to three months of living expenses set aside for emergencies? 24% Coaching Clients, 8% Comparison
- Have any of your utilities been disconnected? 16% Coaching Clients, 21% Comparison
- Did you receive a work support or public benefit that helped increase your income? 49% Coaching Clients, 53% Comparison
- Have you been contacted by a collection agency about an unpaid bill, debt, or unsettled claim? 44% Coaching Clients, 57% Comparison

Source: Abt Associates CWF Survey
More Likely to Save
Thinking about the last year, which statement best describes your typical savings behavior?

Source: Abt Associates CWF Survey
Example of Positive Relationship between Coaching and Client Outcomes: Credit

Have you checked your credit report in the past year?

Source: CNM Coaching Survey
Behaviors

Figure 2. Self-Reported Financial Behaviors: "How do you rate yourself in the following areas during the last 3 months?" (1=poor, 5=excellent)

<table>
<thead>
<tr>
<th></th>
<th>All (n=174)</th>
<th>Coach offer (n=77)</th>
<th>No offer (n=97)</th>
<th>p (chi2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>SD</td>
<td>Mean</td>
<td>SD</td>
</tr>
<tr>
<td>Controlling Spending</td>
<td>3.20</td>
<td>1.001</td>
<td>3.23</td>
<td>1.123</td>
</tr>
<tr>
<td>Saving Money</td>
<td>2.68</td>
<td>1.212</td>
<td>2.75</td>
<td>1.269</td>
</tr>
<tr>
<td>Following Financial Plan</td>
<td>2.95</td>
<td>1.137</td>
<td>3.08</td>
<td>1.167</td>
</tr>
<tr>
<td>Financial Planning</td>
<td>3.08</td>
<td>1.150</td>
<td>2.96</td>
<td>1.208</td>
</tr>
</tbody>
</table>

Source: CNM Student Survey
Family members develop greater financial capability and are empowered to adapt to new economic contexts through increased self-efficacy, accountability, self-control, attention/reduced inattention, and goal-focused financial behaviors.

Improve the financial security, mental and physical health, cognitive development, and general well-being of low-income children and families.

Financial Coaching Framework

Access to high quality coaching is expanded and integrated into programs.

High Impact Financial Coaching Programs

- Volunteer Models
- Public Systems
- Nonprofit Professionals

Skilled Coaches

Reliable Metrics

Community of Practice

Professional Field
Core Skills of Financial Coaches

1. Financial Knowledge
   - Personal finance
   - Specific to lower-income populations

2. Foundations of Coaching
   - Philosophy of self-actuated goal setting

3. Knowledge of Client Population
   - Referrals to services, program guidelines

4. Facilitation/Counseling Skills
   - Boundary management, probing questions
## Components of Financial Coaching

<table>
<thead>
<tr>
<th>Goals of Coaching</th>
<th>Typical Coaching Activities</th>
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| ● Achieve client-defined goals  
● Address immediate issues  
● Support specific actions to meet goals  
● Improve financial situations  
● Change financial behaviors  
● Facilitate decision-making  
● Provide tools, resources and referrals | 1. Alliance with client  
2. Set goals  
3. Develop action plan  
4. Identify resources, tools and services  
5. Monitor client progress  
6. Make referrals as needed |
Facilitation Skills
ICF Core Coaching Competencies

1. Setting the foundation
   • Ethical and professional standards
   • Establishing the coaching agreement

2. Co-creating the relationship
   • Establishing trust and intimacy with the client
   • Coaching presence

3. Communicating effectively
   • Active listening
   • Powerful questioning
   • Direct communication

4. Facilitating learning and results
   • Creating awareness
   • Designing actions
   • Planning and goal setting
   • Managing progress and accountability
Common Coaching Steps

- Initial contact with client
- Clarify role – “contracting”
- Talk about goals – ask questions. What would it take to move ahead?
- Write down goal in client’s words; specific and measurable
- “To dos” and check in date/time
- Follow up! (by phone, email or in person)
- Document progress
- Start again....
1. Over the last 3 months, have you followed a personal budget, spending plan, or financial plan?
   - Yes
   - No
   - Don’t know

2. Do you currently have at least one financial goal?
   - Yes
   - No  \(\rightarrow\) Go to Question 3

2a. What is your main financial goal?

3. How confident are you in your ability to achieve a financial goal you set for yourself today?
   - Not at all confident
   - Less than confident
   - Somewhat confident
   - Relatively confident
   - Very confident

4. In the last 3 months, did you use an automatic deposit or transfer to put money away for a future use such as saving for retirement or education?
   - Yes
   - No
   - Don’t know

5. Have you set aside emergency or rainy day funds that would cover your expenses for 3 months, in case of sickness, job loss, economic downturn, or other emergencies?
   - Yes
   - No
   - Don’t know

6. Over the past 3 months, would you say your household’s spending was less than, more than, or about equal to your income? Please do not include large purchases such as a house or car.
   - Less than
   - More than
   - Equal to
   - Don’t know

7. In the last 3 months, have you paid a late fee on a loan or bill?
   - Yes
   - No
   - Don’t know

8. How would you rate your current credit record?
   - Very bad
   - Bad
   - About average
   - Good
   - Very good
   - Don’t know