Financial Coaching: An Overview

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Financial Capacity Building

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

Therapy – diagnosis / Treatment

Coaching
- Self-Control: External Monitoring
- Executive Attention

Reminders:
- Reinforce Salience
Advice Models

• Technical or legal

• Role of fiduciary vs. sales

• Counseling
Financial Coaching

• Relationship-based
• Client Directed
  • Self-activated goals
• Goal Focused
  – Performance improvement
• Not an ‘expert’
  – Goal setting
  • Monitoring & Accountability
Working Definition 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
• support to practice new behaviors
• building skills and teaching content based on the client’s unique needs and goals

Steps:
1. Goal setting
2. Action planning
3. Monitoring
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)
Literacy-Planning-Coaching

Financial Literacy → Financial Planning → Financial Coaching

Content → Strategy in context of content → Implementation of plan

Source: Davis / Sage Financial Solutions
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
Characteristics of Coaching

The Coaching Approach

- Establish trust
  - “coaching agreement”
- Active listening
- Objective questioning
- Ongoing communication

The Coaching Process

- Creating awareness
- Goal setting
- Planning
- Resource connections
- Monitoring progress
- Accountability
COACHING DISTINCTIONS

Telling (Directive)

Solving Someone’s Problem

Giving Advice

Offering Guidance

Asking Questions

Partnering for Exploration and Solutions

Asking (Non-Directive)

Telling What to Do

Training

Consulting

Mentoring

Coaching

Adapted from Corporate Coach U Int'l model
Working with Low-income Clients

• Not financial or estate planning
  – Fewer financial assets; less likely to have employer benefits

• May be eligible for public benefits or special private programs

• Credit management critical

• Lack of experience with financial institutions, products

• Pressure on time and limited resources

• Linking/Integrating public programs
Variations in Coaching Models

• Duration of coaching
  – Few months vs. as long as needed

• Frequency
  – Weekly at start, then monthly vs. 3-4 annually

• Complementary Services
  – Workforce development
  – Financial products
  – Tax preparation

• Delivery: Face-to-face, Phone, Email
  – Initial meetings crucial to build trust
  – Phone and email follow-up
Training and Accreditation

Most financial coaches lack any certification
- Or credentialed in financial areas and as personal coaches

Coaching
- International Coaching Federation (ICF)
  - Number of ICF programs nationally
- International Association of Coaches (IAC)
- Non-accredited programs
  - Tribe Coaching, CNM, others

Financial Content
- The CFP is widely-known designation for planners
  - may be more intensive than many coaches need.
- Association for Financial Counseling & Planning Education (AFCPE)
  - focused on financial counseling, but applicable to financial coaching
  - content needed for working with lower-income client populations
Critiques of Financial Coaching

1. Coaches lack financial or counseling expertise
2. Counselors and planners already do coaching
3. Clients need more structure than coaching provides
4. The costs of coaching are too high
5. Coaches are not qualified to manage the mental health issues they encounter
Innovations

• Combine coaching with peer-to-peer work
  – Reinforce commitments to goals and help clients to learn from each other

• Group education as a complement to financial coaching
  – Topics such as insurance, retirement accounts, or tax planning

• Client constraints as is appropriate
  – Imposing structure, time limits and narrowing the field of choices

• Default to phone or email as soon as possible
  – establish trust but move to alternative methods of coaching as soon as possible
Recommendations

• Solicit client feedback and move towards “graduation”
  – Still adding value? Regular check ins
  – Coaching relationship needs to be brought to closure.

• Strong measurement of goals, outcomes and client characteristics
  – Reasonable reporting and data tracking responsibilities.
  – Newness of field provides an opportunity to establish standards

• Explore more sustainable business models
  – Less grant-dependent
  – Partnership and other models
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