



Moving to Financial Capability Through **Financial Coaching**

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Limits of wellness programs...

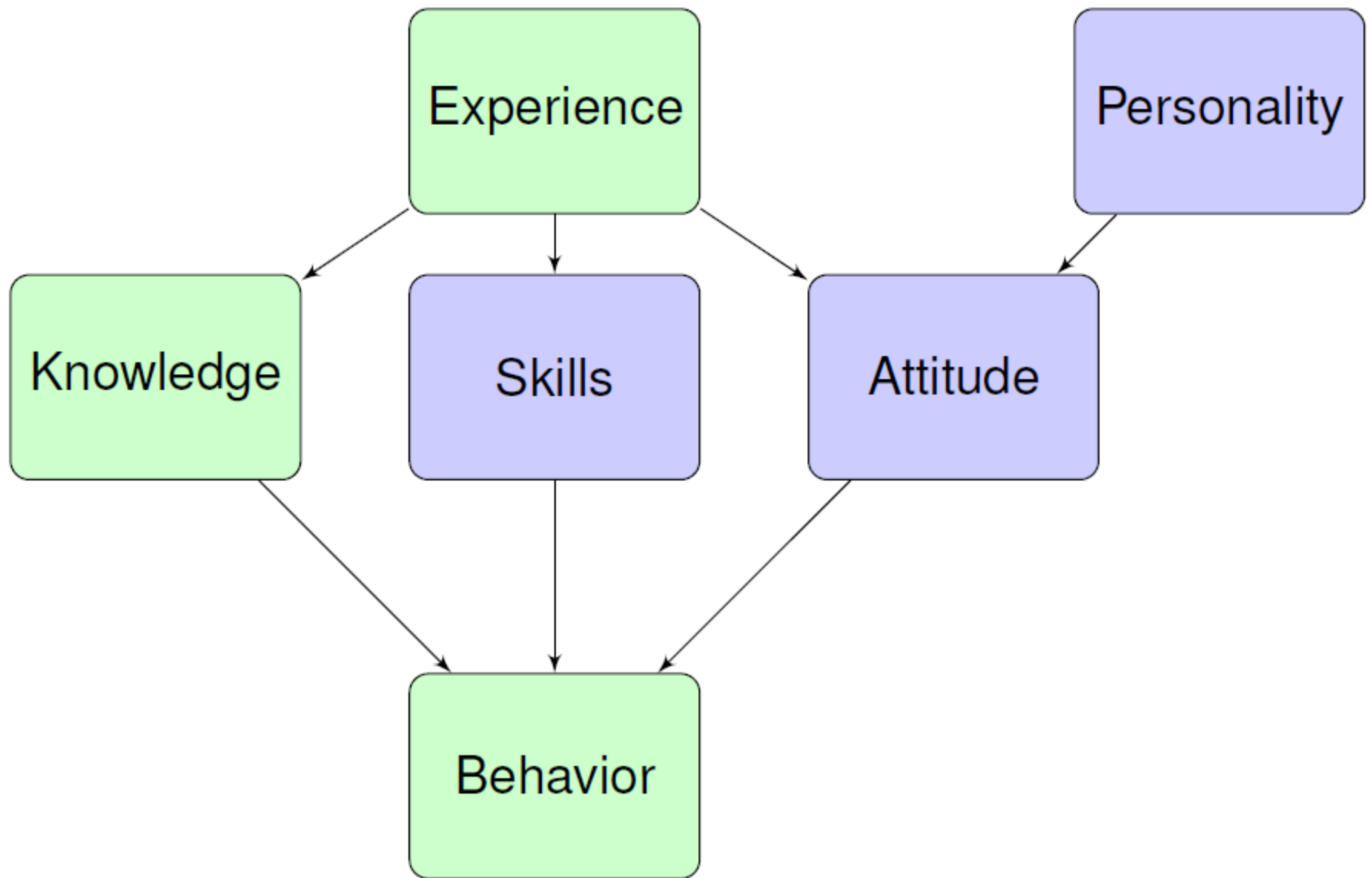


Education, Exercise
monitoring, Food Access,
Counseling, Etc



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



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

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)

Therapist

- What is stopping you?

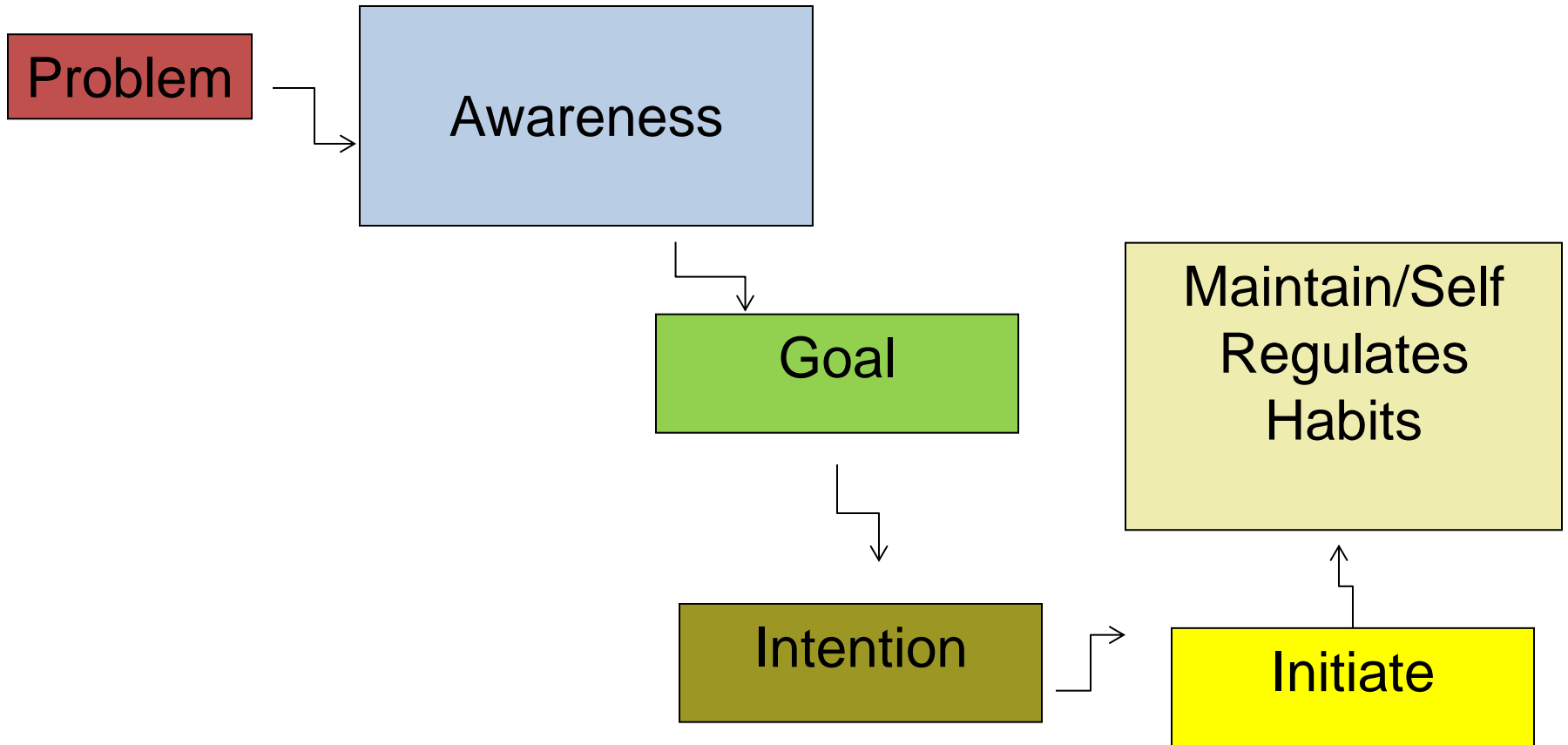
Counselor

- What are you anxious about?

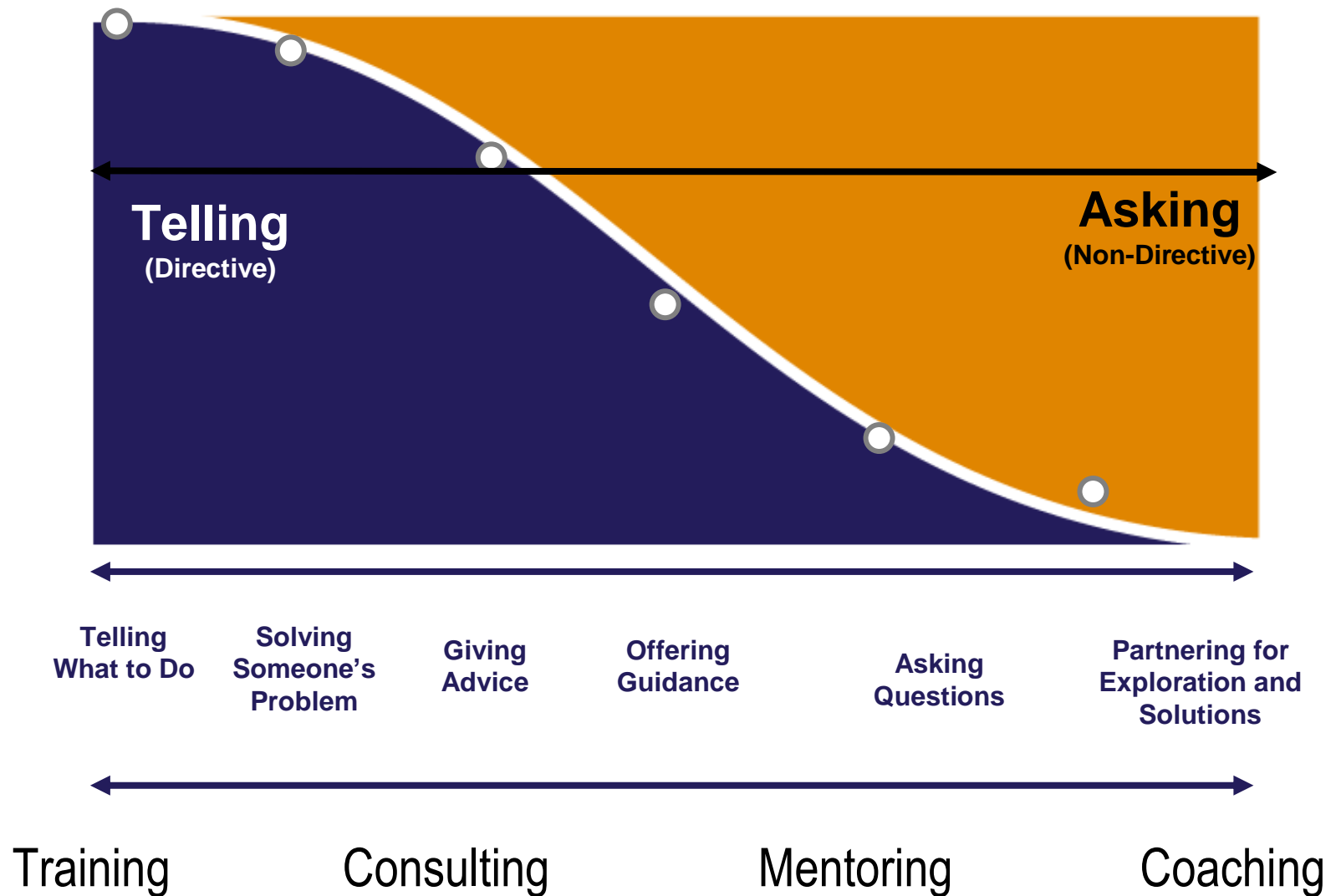
Coach

- What can you do different to get there?

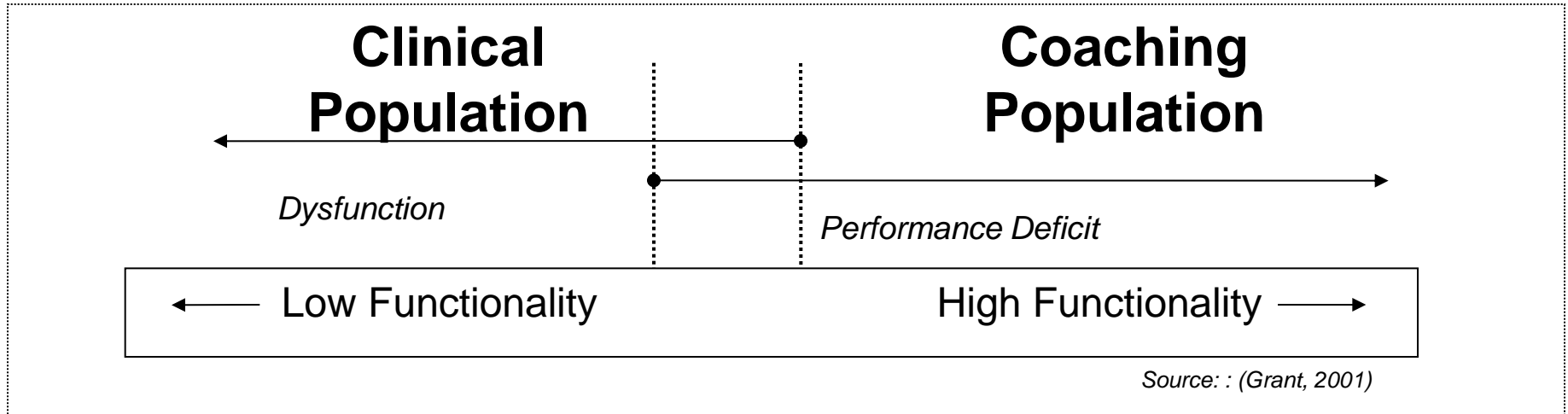
Changing Behavior



COACHING DISTINCTIONS



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.”

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

- Bodenheimer, T., and Handley, M. (2009). Goal-setting for behavior change in primary care: An exploration and status report. *Patient Education and Counseling*, 76, 174-180.
- Castro, C. M., and King, A. C. (2002). Telephone-Assisted Counseling for Physical Activity. *Exercise and Sport Sciences Review*, 30 (2), 64-68.
- Role of coach as:
 - Reminder (limited attention)
 - Self-control reinforcement (setting norms)

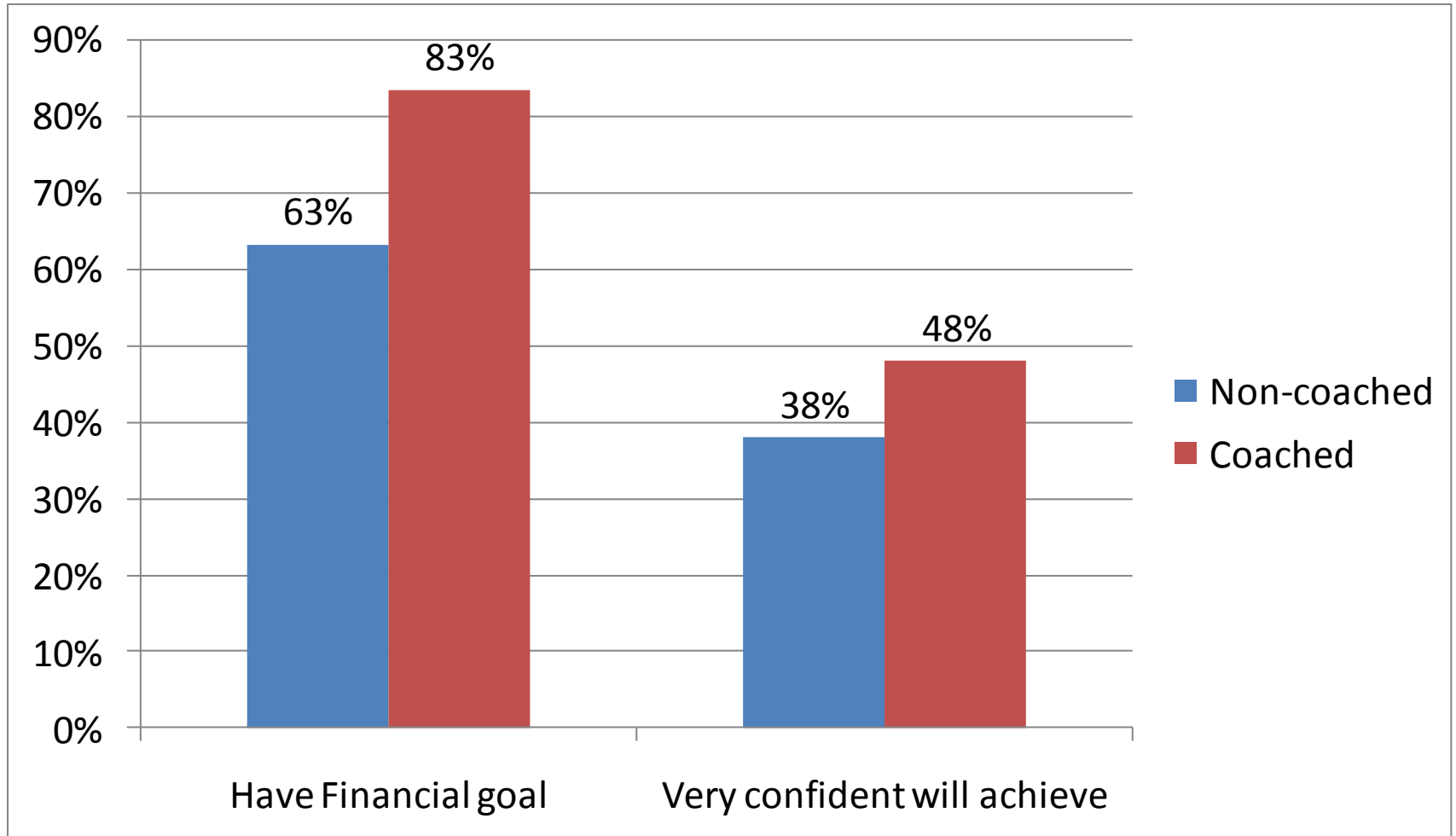
What are Key Outcomes?

- 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?

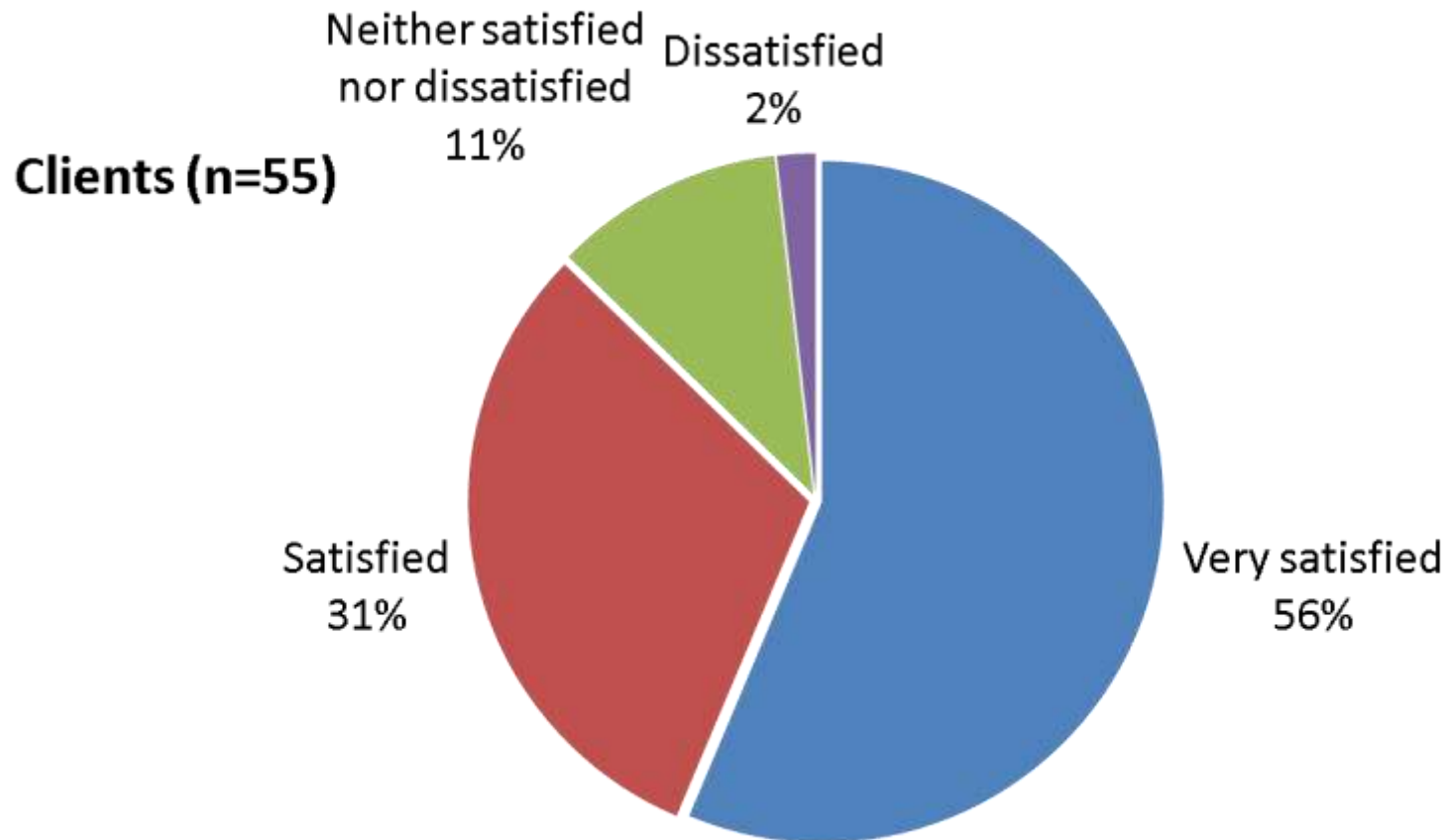


Source: MoneyUP Client Survey, The Financial Clinic, New York

Satisfaction:

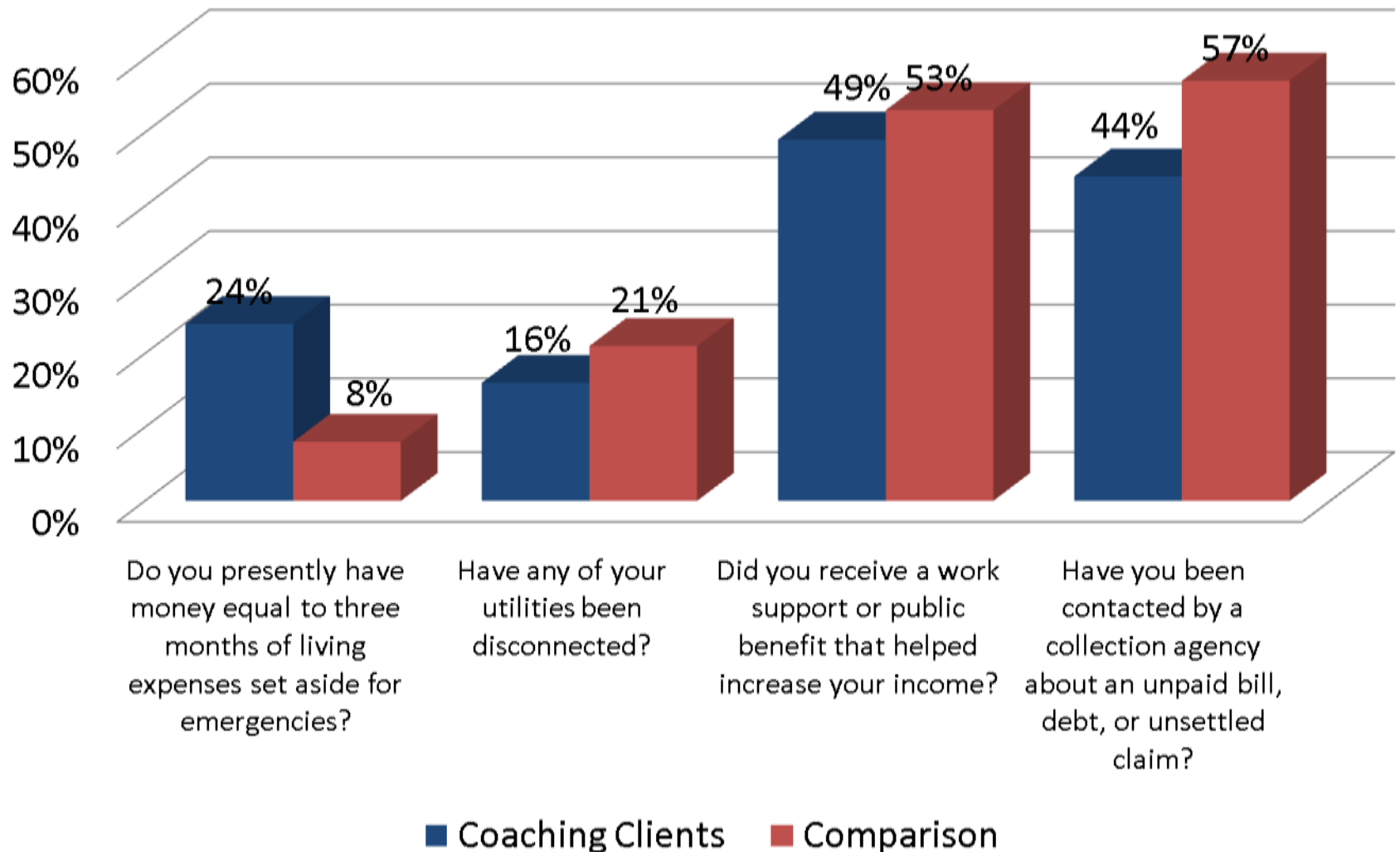
Most Coached Clients Are Happy with Services

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



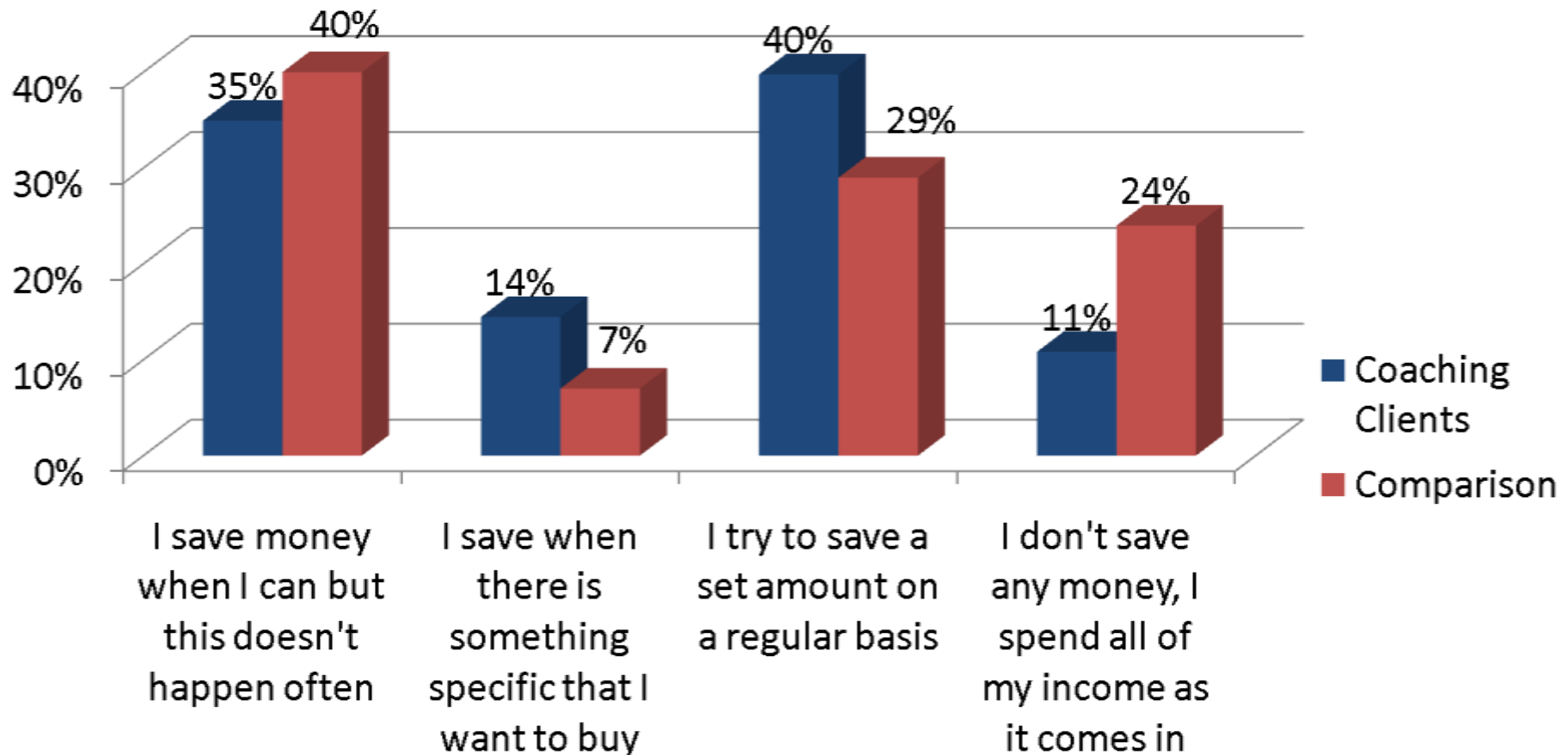
Greater Financial Security?

Financial Management and Access to Benefits



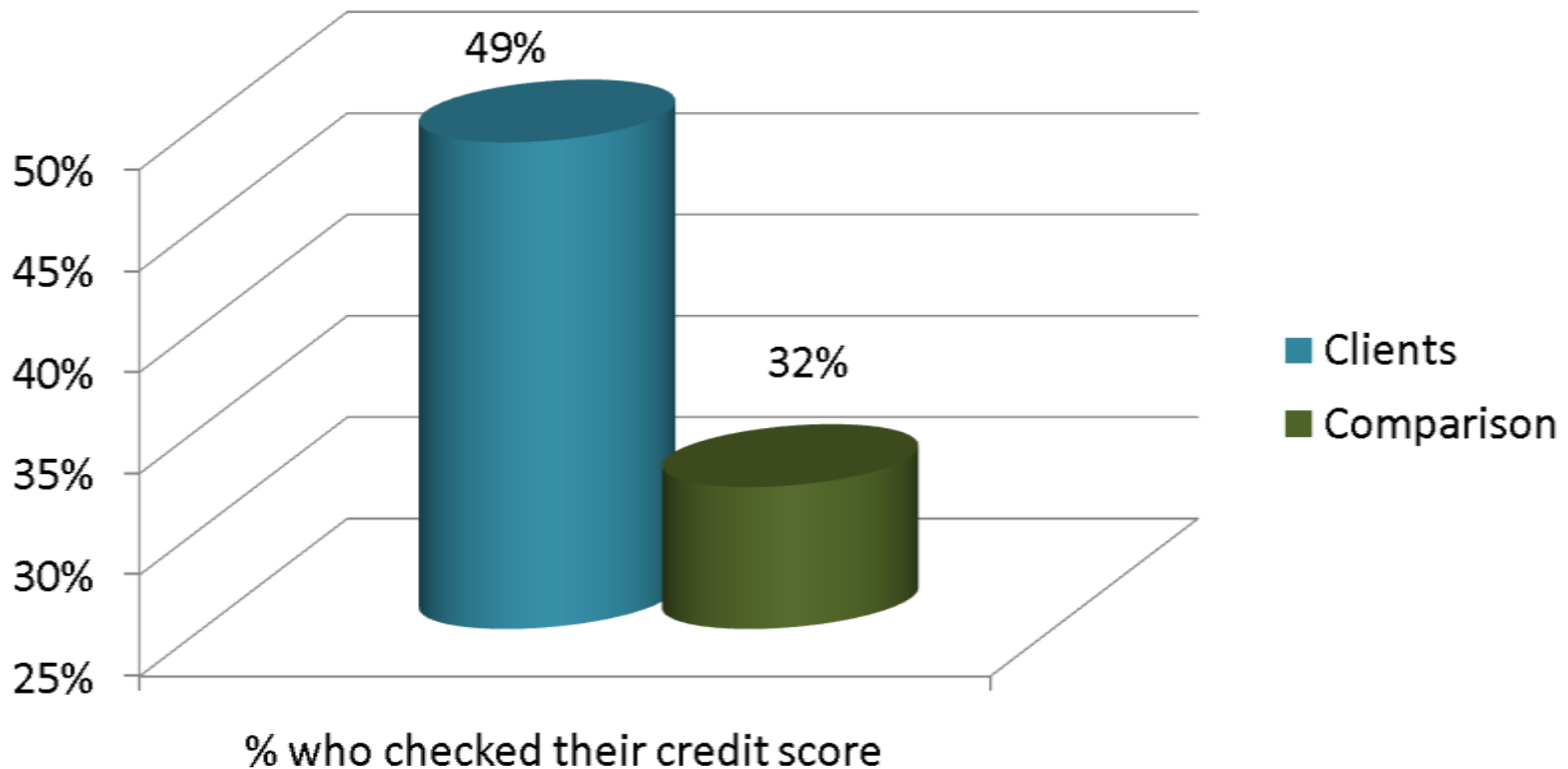
More Likely to Save

Thinking about the last year, which statement best describes your typical savings behavior?



Example of Positive Relationship between Coaching and Client Outcomes: Credit

Have you checked your credit report in the past year?



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)

	All (n=174)		Coach offer (n=77)		No offer (n=97)		p (chi2)
	Mean	SD	Mean	SD	Mean	SD	
Controlling Spending	3.20	1.001	3.23	1.123	3.16	0.898	0.096
Saving Money	2.68	1.212	2.75	1.269	2.62	1.168	0.717
Following Financial Plan	2.95	1.137	3.08	1.167	2.84	1.108	0.419
Financial Planning	3.08	1.150	2.96	1.208	3.18	1.099	0.177

Source: CNM Student Survey

Financial Coaching Framework

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



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.



High Impact Financial Coaching Programs

Volunteer
Models

Public
Systems

Nonprofit
Professionals



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

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

Goals of Coaching	<ul style="list-style-type: none">• 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
Typical Coaching Activities	<ol style="list-style-type: none">1. Alliance with client2. Set goals3. Develop action plan4. Identify resources, tools and services5. Monitor client progress6. 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

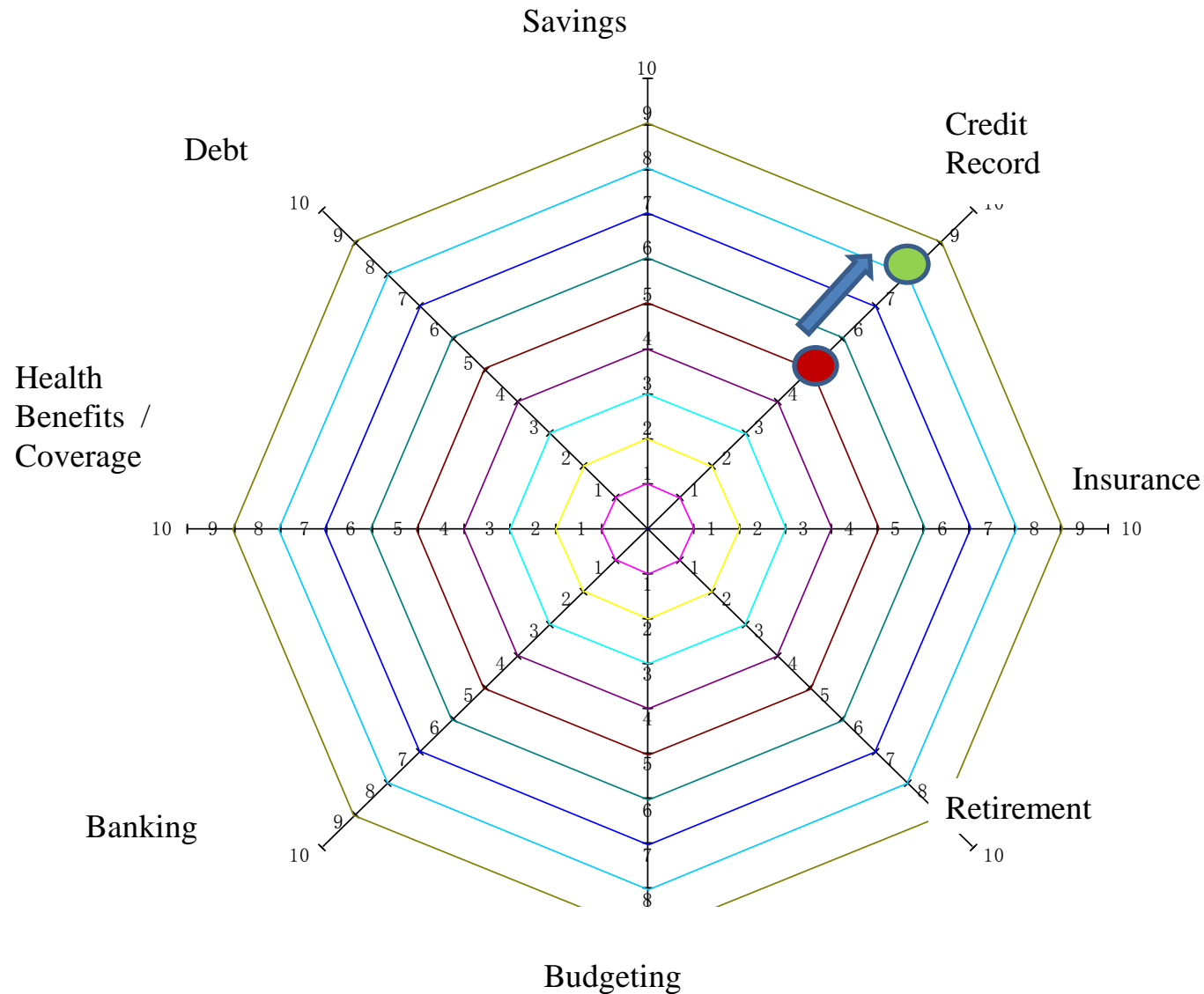
4. Facilitating learning and results

- 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....

Goal Setting Tools



will help improve this program and provide better services in the future. Completing this survey is voluntary and we thank you for your time!

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 → 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

☐ ☐ ☐ ☐ ☐ ☐

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