Financial Coaching Newsletter

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Ways to get involved:

- Visit the Center for Financial Security's Financial Coaching Website:

  http://fyi.uwex.edu/financialcoaching
- Share this newsletter with your coaching colleagues.
- Tell us what you would like to see in future newsletters and on our financial coaching website.
- If you are not yet on our financial coaching email list, sign up here and be sure to click "Coaching Newsletter."
- Check out the Center's monthly webinar series. The next webinar is Tuesday September 12th and will feature Damon Jones of the University of Chicago. Register here.

Inside this issue:

Update on the Financial Coaching Outcome Measures Project

Collin O'Rourke, Center for Financial Security

The Center for Financial Security is currently engaged in a project aimed at developing a small set of standardized measures for the financial coaching field. Existing measures are generally not statistically validated, meaning that we cannot be sure how accurately these measures capture changes in individuals' financial security over time. The lack of statistically validated measures is not specific to the financial coaching field, but extends into related areas including financial education and counseling.

In an effort to develop a small set of validated measures, the Center is working with a group of organizations to collect data on eight self-reported measures as well as data from credit reports. The data points, along with one-sentence explanations about why each measure was selected, are listed below:

1) *Over the last 3 months, have you followed a personal budget, spending plan, or financial plan?* (Yes/No/Don't know). Having and following a plan indicates self-control and/or the intention to exercise control over one's finances.

2) *Do you currently have at least one financial goal?* (Yes/No; if yes, write your main financial goal). Having a financial goal (ideally, a specific goal and a plan of action) facilitates behavior change.

3) *How confident are you in your ability to achieve a financial goal you set for yourself today?* (1=Not at all confident, 5=Very confident). Financial coaching may boost clients' confidence and self-actualization.

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). Creating automatic mechanisms allows people to avoid exercising self-control.

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). Having emergency funds adds to financial security and demonstrates planning.

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). Controlling one's spending and living within one's means is necessary to avoid debt and high cost borrowing.

7) *In the last 3 months, have you paid a late fee on a loan or bill? (Yes/No/Don't know).* A late fee suggests inattention to finances and/or a cash flow problem.

8) *How would you rate your current credit record?* (1=Very bad, 5=Very good, Don't know). Past research suggests that self-reported assessments of one's credit record are fairly reliable indicators of financial security, and help shed light on participants' strategic use of credit for liquidity.

9) *Credit report data*. Many organizations pull credit reports, but the types of reports each organization pulls vary—some organizations pull free reports from annualcreditscore.com while others pay for merged reports that include credit scores. Therefore, each organization involved in the project will provide slightly different credit report data, depending on which system they use to pull reports. Collecting credit report data, such as total and revolving debt, allows us to verify the accuracy of self-reported responses.

Over the next several months, the Center will collect and analyze data on these eight measures, with the aim of reporting preliminary findings in early 2013.

The goal of this project is not to generate a 'definitive' list of financial coaching data points, but rather to simply come up with a list of common points that can be used across organizations. Any organizations that choose to collect the measures resulting from this research will retain the ability to collect any other measures of interest to them. Currently, financial coaching organizations collect a wide range of outcome measures, which impedes the field's ability to tell a common story about how coaching affects clients. The eight measures selected for this project are meant to be broadly applicable across a range of contexts.

We are interested in hearing your feedback on the project. Please email us by clicking here. Future newsletters will update readers as the project progresses.

Ask a Financial Coach

Collin O'Rourke, Center for Financial Security

Peggy Olive
University of Wisconsin-Extension

Joan Sprain
University of Wisconsin-Extension

This issue's financial coaching experts are Peggy Olive and Joan Sprain, both of the University of Wisconsin-Extension. In 2010, Peggy and Joan attended a financial coaching train-the-trainer program offered by the Central New Mexico Community College. Over the past two years, Peggy and Joan have co-taught five financial coaching workshops in Wisconsin, reaching nearly 100 participants. Their next workshop is September 12, 2012 in Madison, WI (click here to learn more about this workshop). Peggy and Joan answered the following questions:

How do you track clients' progress towards their goals?

Peggy: During the first coaching session, I explore the client's long-term goals, which typically start out a little vague, such as "buy a house" or "save money." Together, we begin to refine goals in terms of achievement date, amount, and factors that need to be in place to attain the goal. This long-term goal orientation sets the framework for future coaching sessions, which focus on behavioral changes that help move the client closer to his or her goal. At each session, we create a list of action steps - what, how, when - to be taken before our next meeting. I ask clients what they might need from me to help support their success on these action steps.

I usually check in once a month with my coaching clients, although I might contact them sooner if a client has requested a reminder or note of encouragement. The check-in involves reviewing the identified action steps for progress, obstacles, and lessons learned along the way. We celebrate actions that helped move the client closer toward a goal and begin the process of identifying next steps. Although I may no longer be in the picture when a client achieves a longer-term goal, such as purchasing a home, the client will leave the coaching relationship with a list of accomplishments, confidence in his or her abilities, and a clear direction for moving forward.

What strategies do you use when a client would clearly benefit from financial advice or information?

Joan: The most common requests for advice or information concern bankruptcy. I explain that I am not qualified to give such advice nor is it a goal of the coaching experience. I then refer them to our local consumer credit counseling agency. I invite them to contact me when the process is completed if they are interested in working on financial goals through the coaching process.

If it is a simple request for advice or information, I try to use probing questions to find out where they might find the information and from whom. For example, if it is a question related to a local resource like the free dental clinic, I ask if they would like our local county resource list. The choice is always theirs. I do not force information or advice.

How does coaching fit with the other financial programs you offer?

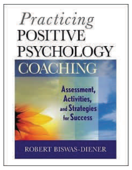
Peggy: In addition to coaching, I meet individually with individuals who are in the midst of a financial crisis, those who need to complete financial education in order to participate in another program, or even those who have been "strongly encouraged" to meet with me by a third party. I also present at financial education workshops with audiences that range from first-time homebuyers to incoming college students to retirees. I see these non-coaching relationships as an opportunity to use some coaching skills and techniques, such as exploring past successes and encouraging individuals to apply information to their personal goals. Occasionally, a learner from an individual meeting or a group presentation will follow-up with me to explore how they can apply the information learned in our session. In those cases, I introduce the concept of coaching and offer to enter into a coaching relationship if they feel that would be helpful to their goal attainment. Learners appear to understand and embrace the differences in the various types of financial education relationships.

For those individuals I'm already coaching, in my experience, they are less likely to attend a group presentation. A workshop is typically focused on general financial information, and coaching clients are very focused on specific information that will help move them from point A to point B. The coaching clients I work with are good at identifying what information they need and are motivated to seek it out. For my county's coaching program with Head Start families, clients receive a monthly financial newsletter on topics including goal-setting, saving, and credit. Sometimes coaching clients will refer to information in the newsletter and how it applies to their situation.

When you introduce people to coaching for the first time, what tends to be most surprising to them?

Joan: The biggest surprise is that I don't tell them what to do. They set their own goals, and I am there to help guide them. You can see the body language change immediately. They relax and begin sharing more details about what they'd like to work on. Many of the people I work with are in "systems" that must tell them what to do. In contrast, coaching empowers them to work on what they think is most important to their financial situations and their lives more generally.

Click here to learn more about the financial coaching workshop Peggy and Joan are leading September 12th in Madison, WI.



Reviews You Can Use I: *Practicing Positive Psychology Coaching - Assessment, Activities, and Strategies for Success*

Collin O'Rourke, Center for Financial Security

In the last financial coaching newsletter, I reviewed *Positive Psychology Coaching* by Robert Biswas-Diener and Ben Dean. Despite its near identical title, *Practicing Positive Psychology Coaching* (Wiley, 2010; click here to find out if a library near you owns a copy) is a separate follow-up to the earlier book, this time authored only by Biswas-Diener. The opening pages of *Practicing Positive Psychology Coaching* (*PPPC*) are largely devoted to acknowledging the shortcomings of the earlier book, which Biswas-Diener feels was too focused on presenting higher-level research findings while failing to provide enough tools to coaches. He notes that coaches are most interested in "research results when they are couched in terms of 'next steps,' 'practical skills,' or 'applications.'" Essentially, the first book was a literature review that did too little to translate research findings into tools for the actual practice of coaching.

PPPC covers much of the same territory as the earlier book, but does so while providing tools and strategies for coaches. For instance, whereas the earlier book discussed research on the importance of identifying and using one's character strengths, *PPPC* provides concrete steps for actually identifying client's strengths. Thus, *PPPC* is more likely to appeal to coaches interested in a toolkit of coaching techniques rooted in positive psychology. *PPPC* does not need to be read cover-to-cover, and coaches can read the sections they find most appealing without losing context.

Some of the issues that came to mind while reading *PPPC* include:

1. Interestingly, Biswas-Diener does not appear to define "coaching." Throughout the book he mentions what he sees as core elements of coaching, but I did not come across one unified definition of coaching. The cynic in me wanted to attribute this absence to the author's desire not to alienate anybody so he would sell more books, but in reality it is likely just another acknowledgement of the coaching field's diversity. Nonetheless, it remains a bit odd for a book to make recommendations about coaching without first making sure readers are on the same page about what constitutes "coaching" in the first place. A multitude of individuals across coaching fields lament the lack of a common definition of "coaching," and it seems this book could have helped make a more direct case about what coaching is. Perhaps Biswas-Diener and others decide not to put a stake in the ground because doing so would have little effect on such an unregulated field.

2. The chapter "Positive Diagnosis" discusses some of the potential pitfalls in following the client's agenda too strictly. Biswas-Diener wonders whether allowing clients to address any topic is really the best use of their time together—for instance, should clients use a coaching session to talk about recent interactions with coworkers that left them furious? Clients are often focused on "in-the-moment difficulties," and Biswas-Diener observes that one of the benefits of coaching is helping "clients expand their view of themselves and their own potential" (p. 75). Thus, following a client's agenda too closely could actually impede his or her growth. A coach can "touch on recurring themes, past agendas, client resources, or ongoing client concerns" if the client's current agenda is limiting his or her progress (p. 75).

3. Biswas-Diener deserves credit for making such direct connections between academic research and practical coaching techniques. The research he draws upon is generally not about coaching, so he has to synthesize a variety of research findings and use his best judgment to recommend how the findings can be applied to coaching. Again, the author's failure to do so was a shortcoming of his previous book. My own sense is that researchers are often reluctant to use their research findings to make specific recommendations for practitioners, perhaps because doing so requires them to take a 'leap of faith' of sorts—the broader research findings are backed by rigorous studies, but the specific recommendations may be untested. Of course, it is impossible to test all possible iterations of coaching, so at a certain point it becomes necessary to take what we already know and apply that knowledge in thoughtful ways. This is exactly what Biswas-Diener does, and hopefully the financial coaching field will enjoy a similar 'manual' of its own as the field matures.

4. It is worth looking through *PPPC* for ready-made tools that apply to financial coaching. Nevertheless, because the tools pertain more directly to positive psychology coaching, financial coaches will likely have to adapt the materials. In some cases, the materials in *PPPC* are irrelevant to financial coaching, unless a financial coach is interested in broadening the focus beyond personal financial management.

5. Towards the end of the book, Biswas-Diener discusses certification. He strongly believes in credentialing because without a formal certification process, coaching is a "buyer beware" market. He acknowledges a range of issues that are just as applicable to credentialing in the financial coaching field (e.g. who would oversee and regulate the credentialing process?). On the other hand, because financial coaching is often provided free of charge by trusted nonprofit entities, it remains to be seen if 'buyers' are leery enough to demand more standardization.

Overall, *PPPC* stands out as a successful effort to translate research into a practical set of tools for coaches. Although some of the tools are less relevant to financial coaching, many are readily adaptable across a range of coaching fields. Until a similar *Practicing Financial Coaching* book exists, it remains up to financial coaches to adapt proven strategies from related fields.

Reviews You Can Use II: *Creating Your Best Life - The Ultimate Life List Guide*

Collin O'Rourke, Center for Financial Security

I picked up *Creating Your Best Life – The Ultimate Life List Guide* after reading elsewhere that it "discusses research-based goal-setting for coaches as well as for the general public" (Seligman, *Flourish*, p. 72). Thus, *Creating Your Best Life* by Caroline Adams Miller and Michael B. Frisch (Sterling Publishing, 2009; click here to see if a library near you owns a copy) sounded like the perfect book for coaches of all types—one that was both research-based and written for everyday readers rather than academia. Given the quote I had read, I envisioned the book as a how-to manual for coaches focused on goal-setting. It turns out that the book is more of a self-help manual than a how-to guide for coaches, but *Creating Your Best Life* is definitely still worth reading for ideas that can be integrated into financial coaching.

The basic concept behind *Creating Your Best Life* is for each reader to create a "life list"—a bucket list—of perhaps 100 items that one wants to accomplish. A life list is not necessarily full of thrills or exotic vacations, but rather lists goals that span all of life's domains (the authors identify 17 domains, including money/standard of living, health, family, and community). The opening chapters explain the theory behind goal setting and how life lists are useful for reaching one's goals. The remaining chapters provide exercises and guidance on creating a life list, evidence-based advice on how to work towards one's goals, and guidance on dealing with setbacks and savoring successes.

All of the chapters include succinct summaries of research related to the topics at hand and how this research can be applied. In fact, *Creating Your Best Life* does perhaps the best job of any book I have read in presenting research in a practical and user-friendly way. In addition, *Creating Your Best Life* includes an appendix with exercises and worksheets, many of which could be adapted to financial coaching (subject to any copyright considerations, of course!). The "Goal Success Plan" stands out in this regard.

In terms of specific content, the following chapters appear most relevant to financial coaching:

Willpower: Why you must say no sometimes. The authors observe that a multitude of studies decisively show that key to attaining any goal is the ability to resist various temptations and to persist through discomfort. I have yet to come across a study about how coaching affects clients' willpower, but presumably coaches boost clients' resolve.

You Gotta Have GRIT. GRIT is a personality trait defined by researchers as "perseverance and passion for long-term goals." Like willpower, GRIT is strongly associated with goal attainment. To take a quick test on your own GRIT, click here. Much of the research on GRIT focuses on student achievement—GRIT is a much stronger predictor of academic success than intelligence. Because GRIT is a personality trait, it is unclear how much it can be changed.

Can Money Buy Happiness? I figured this chapter would recap research showing that beyond a certain point (I believe research puts the figure at an annual income of around $60-$75 thousand) more money does not add to one's happiness. Instead, the authors overview how certain money-related goals can be counterproductive to one's overall well-being (e.g. wanting money for money's sake), and how to craft goals around money, work, and retirement that do facilitate greater happiness.

Celebrating the Wins. All-too-often I focus on the accountability side of coaching, while forgetting that celebrating successes is also a key component of the coaching relationship. This chapter explains why savoring is so important, and offers advice on how to best capitalize on success.

Hitting Speed Bumps. The authors overview the process of behavior change and the qualities that add to one's resilience—bouncing back when things do not go as planned.

These short chapter overviews obviously do not do justice to the book's content, and most of the other chapters are also applicable to financial coaching. Overall, *Creating Your Best Life* turned out to be quite different than I had envisioned, but I am grateful that I stumbled upon it. The book convinced me that I should start working on my own life list. Unfortunately, my progress on this front has stalled. It may be time for me to revisit the chapters on willpower, GRIT, and hitting speed bumps.

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