Research Outcomes Brief

Center for Financial Security
UNIVERSITY OF WISCONSIN-MADISON

Finding a Yardstick: Field Testing Outcome Measures for Community-based Financial Coaching and Capability Programs

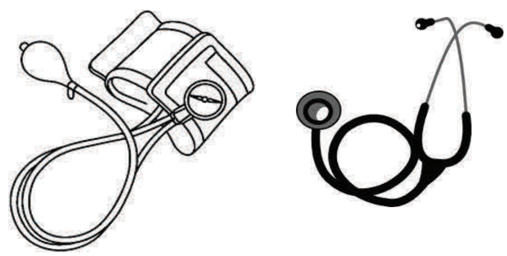
Introduction

Despite a strong emphasis on building people's capability to manage their household finances, there are no standards for measuring the condition of any individual's financial status. Community-based programs currently use a wide range of measures, each collected and calculated in a slightly different way. One perspective is that focusing on standardized measurement distracts from service delivery and, at best, is a secondary priority. But this view is shortsighted.

Imagine, for example, how medical professionals would manage health care without a stethoscope and a blood pressure cuff. Imagine further if we lacked standards for pulse rates by gender and age or maximum (systolic) and minimum (diastolic) blood pressure. These metrics are widely used in medicine today but took many years to evolve. In fact, although blood pressure was understood in the 1700s, it could not be easily and accurately measured until the early 1900s.[1] Standards for appropriate levels for these measures continue to evolve to this day, but having reliable and valid ways of measuring blood pressure and pulse are fundamental to the health care field. This report focuses on measurement within financial coaching programs, but is applicable more broadly as well .[2]

In 2011, the Center for Financial Security launched the Financial Coaching Outcome Measures Project to test a set of standardized measures with support of the Annie E Casey Foundation. Four nonprofit community-based organizations collected data on client outcomes and shared the results to form a consistent database of similar measures. The goal of this project was to develop measures that satisfy standards of social science while also being attuned to the practical issues of data collection and analysis. Ideally, the recommendations

Measurement Tools



from this project can be applied to financial capability interventions broadly, increasing our collective understanding of how, and why, programs work.

Key Measurements

Before describing the questions being recommended, it is useful to first reflect on the "underlying constructs"—that is the basic outcome or behavior intended to be measured. It is important to think more abstractly or generally before details like wording. For each proposed question we begin with the basic construct and then introduce the question.

1. Programs engage implementation intentions based on goals related to financial behaviors. This is a common form of question among public surveys and appears quite predictive in our field studies for external measures like loan defaults.

Q1. Do you currently have a personal budget, spending plan, or financial plan?

2. Programs facilitate self-efficacy related to directing financial behavior. The use of general confidence and self-efficacy questions are common, but

[1] http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1543468

[2] There remain a spectrum of financial coaching models and programs, as described in http://fyi.uwex.edu/financialcoaching/

often use a long battery of questions. We propose a very simplified 1-item 3-point scale question.

Q2. How confident are you in your ability to achieve a financial goal you set for yourself today?

3. Programs facilitate planning and preparation for common negative income or expense shocks. There are a range of prior uses emergency or liquidity funds-ranging from savings, specific dollar levels and access to credit. This was quite predictive in our field study for credit scores and behaviors.

Q3. If you had an unexpected expense or someone in your family lost a job, got sick or had another emergency, how confident are you that you could come up with money to make ends meet within a month?

4. Programs help people to recognize barriers and potential barriers to planned behavior and encourages using pre-commitment devices. While not widely used in prior studies, a measure of automatic payments is shown to be predictive in our field study for positive financial behaviors.

Q4. Do you currently have an automatic deposit or electronic transfer set up to put money away for a future use (such as savings)?

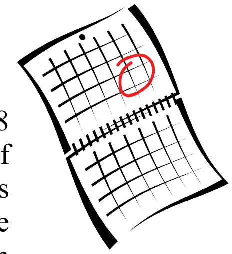
5. Programs focus on planning ahead, including budgeting or spending plans, which will result in balancing of monthly spending and earning. We found a number of questions used in other surveys related to spending more/less/equal to income. In our field study. This proved predictive of credit default.

Q5. Over the past month, would you say your household's spending on living expenses was less than its total income?

6. Making late payments signals poor planning and/or negative shocks, and also have a direct and negative impact on credit reports/scores. The term (1 month, 2 months or 3 months) could be varied, but 2 months should pick up at least 1 payment and billing cycle.

Q6. In the last 2 months, have you paid a late fee on a loan or bill?

How and When to Use This Scale



These 6 questions combine into an 8 point scale (2 have 2 points of measurement). The scale overall is what has been shown to be predictive (valid) and consistent (reliable) with external non-self reported measures such as credit reports and bank accounts. Using the directions (see appendix) client scores can range from 0 to 8, with 8 being the strongest indicator of financial condition.

A key focus of the proposed outcome measures is to contribute to and serve all three of the following functions:

- Diagnostics: used to match clients with appropriate services and resources at triage/intake level.

- Baseline status: used to document initial or pre-service condition of clients.

- Evaluation: used as an outcome measurement to reassess clients' status throughout service or post-service using the scale longitudinally.

The scale should be administered throughout the service cycle of the client:

- At intake and then at each following visit
- As a follow up to a service using a mail or email survey
- Taken as an online survey at the clients convenience
- Read and recorded by provider as part of each client visit

Why these measures? My "favorite" outcome is missing.

The goal of this project is to propose a small set of measures that organizations can easily integrate into their existing client tracking systems and which could possibly be worthy of being used as "benchmarks" for the field.

This set of measures is being proposed with the expectation that organizations and practitioners will provide feedback and will become engaged in a discussion about outcomes measurement standards. Organizations are expected to continue to collect a variety of measures; this scale is a complement—not a substitute.

What Else to Measure?
In addition to the self-reported indicators that are measured in the above questions, using a mix of credit report items, credit scores, and demographic data also provides valuable information.

Credit scores and credit report data represent important personal behaviors and are valued in the marketplace for decision making. Data taken from credit reports can be complicated and costly to obtain. After analyzing hundreds of reports, we have found a few key metrics that show financial status and are responsive to programmatic impacts:

- # 30 day delinquencies
- # items in collections
- # judgments (from public records section)
- Amount of revolving credit limit / revolving credit outstanding as ratio.
- FICO-type score (if available—note it is slow to change and can involve added costs of collection)

Demographic information is also important and should be standardized along with any data collection system

- Age of client– this is important since we expect savings/income/debt to vary by age.
- Presence of spouse/partner (YES-NO)- this is a measure of household income support for making ends meet.
- Number of dependents—this is a key determinant of consumption needs as well as eligibility for benefits.
- Employment status (Full time, Part time, unemployed, On disability) - this is a key factor in ability to expand or maximize income.
- Gender (Male=yes/no) - gender shows strong effects in field studies.
- Education (HS, Some college, 4+ degree)- this is another indicator of income potential.

Other Self Reported Information Although not in the scale, 2 additional questions are worth measuring based on our field studies

A1. How would you rate your current credit record?

◊ Very bad
◊ Bad
◊ About average
◊ Good
◊ Very good

A2. Do you currently have at least one financial goal?

◊ Yes
◊ No

Both of these questions show independently information about client credit status and financial condition. Question A1 can serve as a proxy for credit scores if scores are not available. Question A2 is both a key part of financial behavior change and an indicator of future improvements in financial status.

Next Steps
The purpose of this project is to arm practitioners with measurement tools that are as effective and widely used by financial programs as the stethoscope and blood pressure cuff are by the medical profession. To achieve this goal, the Center for Financial Security is encouraging programs to try these measures. Over time we hope to be able to offer opportunities to share scale measures across organizations for benchmarking and program development. These measures will become an important part of the maturation of the financial coaching and capability field.

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Center for Financial Security
UNIVERSITY OF WISCONSIN-MADISON
UW-Madison School of Human Ecology
Nancy Nicholas Hall
1300 Linden Drive, Suite 4285
Madison, WI 53706
608.262.6766
cfs@mailplus.wisc.edu
cfs.wisc.edu
Facebook.com/UWMadisonCFS
@UWMadisonCFS

Financial Coaching Scale (0-8 point scale)

1. Do you **currently** have a personal budget, spending plan, or financial plan?
◊ Yes (1 point)
◊ No (0 points)

2. How **confident** are you in your ability to achieve a financial goal you set for yourself today?
◊ Not at all confident (0)
◊ Somewhat confident (1)
◊ Very confident (2)

3. If you had an unexpected expense or someone in your family lost a job, got sick or had another emergency, how **confident** are you that your family could come up with money to make ends meet within a month?
◊ Not at all confident (0)
◊ Somewhat confident (1)
◊ Very confident (2)

4. Do you **currently** have an automatic deposit or electronic transfer set up to put money away for a future use (such as savings) ?
◊ Yes (1 point)
◊ No (0 points)

5. Over the **past month**, would you say your family's spending on living expenses was **less than** its total income?
◊ (Yes (1 point)
◊ No (0 points)

6. In the **last 2 months**, have you paid a late fee on a loan or bill?
◊ Yes (1 point)
◊ No (0 points)

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The following are recommended questions (non-scale).

A1. How would **you** rate your **current** credit record?
◊ Very bad
◊ Bad
◊ About average
◊ Good
◊ Very good

A2. Do you **currently** have at least one financial goal?
◊ Yes
◊ No

More Information:

Your feedback is essential. Please contact Hallie Lienhardt with any of your questions or comments.

Hallie Lienhardt
Center for Financial Security
Outreach Specialist
1300 Linden Drive, Office 4205
Madison, WI 53706
hebennett@wisc.edu
608-890-0229

View the full report at the following link:
http://fyi.uwex.edu/financialcoaching