



Overview of Financial Coaching

Roles of a Financial Coach

- Help clients set goals and develop implementation plans
- Hold clients accountable to the “alliance”
- Focus clients’ attention on their behaviors
- Help clients maintain behavior changes over time

The A|4 Approach

- 1) **Alliance:** Partnership between the coach and client.
- 2) **Agenda:** Goals defined by the client, not by the coach.
- 3) **Awareness:** Clients explore core values and beliefs that motivate change.
- 4) **Action:** Plans, intentions, and steps toward new or improved behaviors.



The Center for Financial Security at the University of Wisconsin-Madison has developed research, trainings, and tools related to financial coaching since 2008 with support from the Annie E. Casey Foundation, Ford Foundation, and Social Security Administration. This brief introduces the topic of financial coaching.

What is Financial Coaching?

Financial coaching is an application of techniques emerging from research in positive psychology and behavioral economics. Coaches help build the capability of clients to manage their finances in accordance with their self-defined goals. The coach facilitates goal setting, helping clients form specific intentions to implement steps towards their goals, and then supports the structure for clients to monitor their own progress.

Coaching methods have been applied in other domains such as health, management, and careers. A coach typically works with a client (or “partner” or “coachee”) to improve performance or a set of behaviors. The focus of coaching is driven by the unique goals of each client.

Unlike a counselor who helps *solve* problems, the coach provides a structure for clients to develop their own solutions. In the long run, coaching helps people develop skills so that they can take on future challenges independently.

The coach does not have to be an expert on financial issues, but does need to be skilled in active listening, asking powerful questions, and deepening clients’ awareness of their goals and motivations.

Coaches help clients focus on financial management. Rather than diagnosing problems or recommending products, the coach guides the client to articulate their goals for the future. This process helps the client become more future-oriented in their actions, such as paying down debt or saving for a longer-term goal. Coaches do not dwell on past problems or revisit mistakes.

Through coaching, the coach encourages clients to practice positive financial behaviors, offering feedback so clients can improve their capabilities. Coaches can help clients build self-confidence, thus reducing clients’ stress related to financial management.

Coaches help clients overcome behavioral challenges, especially self-control problems (for example, failing to defer spending), procrastination (avoiding unpleasant tasks like financial planning that are easily put off), and limited attention (for example, by setting up processes to take care of routine tasks such as bill payment).

With fundamental skills and increased insight acquired through the coaching model, clients can achieve long-term financial sustainability.

The A|4 Model

A number of models are used to structure coaching. The Center for Financial Security has developed the “A|4” approach.

This model begins with forming an **Alliance**, which is the co-created partnership between the coach and the client. The coach is not an expert on what’s best for the client, and the client understands that he or she is accountable to “the alliance,” not the coach.

Next is the **Agenda**. This is what the client wants to work on with the coach. While the focus is on long-term change, individual coaching sessions focus on smaller action steps along the way. The agenda is entirely defined by the client, not the coach.

After setting an agenda, the client and coach explore the client’s **Awareness**, which drives the client’s motivation to change. This exploration may trigger a revision of the agenda as the client aligns their values with their behaviors.

Finally comes **Action**, which are the plans, intended steps, and desired behaviors that the client will undertake. Clients report back on their progress and new insights. Again, client’s are not accountable to the coach per se, but to the shared Alliance with the coach.

At each session, the coach works on deepening the client's awareness, as well as forwarding the action. Together, the coach and client celebrate progress, until the point when the client can independently set an agenda and achieve intended actions on his or her own.

Coaching Training

There are no national standards for coaching trainings. A quality program includes some financial content, as well as extensive opportunities for practice. A number of coaching models can be applied to financial topics; the "right" model for any given coach depends on the client population served and the personality and disposition of the coach.

The Center for Financial Security and UW-Extension offer a 1-day financial coaching class. The class assumes participants possess basic financial knowledge and focuses on applying this knowledge to the coaching process.

The UW-Madison School of Human Ecology is also offering a 3 credit undergraduate course on campus. This

course includes ongoing practice of coaching techniques and supervision by a certified coach.

Best Practices for Financial Coaching

- Client-centered and goal-focused, with an emphasis on self-awareness, monitoring, and accountability.
- Regular meetings with clients where goals and progress are documented.
- Coaches and clients may sign a coaching contract to ensure expectations are clear.
- Coaches need a safe, secure, and trusted location for coaching sessions.
- High quality training and subsequent supervision of coaches.
- Selective referrals to resources, informational workshops, and educational opportunities for clients.
- Ultimate responsibility for searching for and selecting financial products

must rest with the client.

- Coaches must refrain from recommending specific financial products or services.
- Based on clients' interests and capabilities, integrate web and mobile technology (e.g., text reminders) to improve client follow through and video conferencing to increase accessibility.

Learn more at the Center for Financial Security's financial coaching website:

fyi.uwex.edu/financialcoaching

- ◆ *Online videos*
- ◆ *Training opportunities*
- ◆ *Reports & research*
- ◆ *Coaching tools*
- ◆ *Newsletter*

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The Center for Financial Security (CFS) is an applied, interdisciplinary research center that informs practitioners, policymakers, and the general public on strategies that build financial capability and security over the life course. CFS research examines the role of products, policies, and advice in helping households overcome personal financial challenges.

Housed in the School of Human Ecology at the University of Wisconsin-Madison (UW), CFS is an intellectual hub for research and outreach across disciplines. CFS faculty and staff have extensive experience with program development, implementation evaluation, and outcome evaluation.

CFS research draws from the fields of consumer science, psychology, economics, finance, social work, and sociology, with the aim of improving knowledge around consumer financial behavior through primary and secondary data analyses and randomized field experiments.