

WHAT DO WE MEAN BY “FINANCIAL COACHING”?

By Margaret Miley, The Midas Collaborative, 2013



What is the magic mix that moves people toward financial stability and success?

In the field of financial stability, providers seek effective strategies that engender positive changes in the financial circumstances of residents. Often lost in the discussions are environmental factors; wages, local economic conditions, medical coverage, dangerous financial products, and a legacy of discrimination in national policies that support the building of individual assets¹. For example, the erosion of wages for American workers that began in 1973 is a most pressing influence on economic insecurity. The current reality is that two full-time workers in a household cannot support a family at a survival level² which has a destabilizing effect on the

The current reality is that two full-time workers in a household cannot support a family at a survival level²

family, the culture, and the larger economy. The setting is aggravated by a less-regulated financial marketplace that includes high-cost, unsafe financial products and services, luring consumers into a cycle of debt and insecurity.

Within these confines, however, positive individual changes can be cultivated:

- A. **Financial Education – *You gotta know the system.*** Classroom and written education that include the basics of the economy, the value of savings, the management of income and expenses, and the products and habits that increase wealth and reduce risks are valuable ingredients of our public educational system and ongoing adult education. Though some research indicates that “financial education” does not result in improved financial outcomes³, few studies have distinguished between the quality of delivery methods, nor their integration with outcomes-oriented strategies. Similarly, there are questions about the effectiveness of simply providing information. For example, though
 - B. **Products and Services – *Tools for stability.*** Easy access to asset-building products and customer-centered financial services are certainly helpful, particularly those that integrate the tenets of behavioral finance/economics. The regulation of more destructive products, offering “healthy alternatives” to some of the more novel products and services, and new products that incentivize savings show promise. But again, what if someone does not respond to these options?
 - C. **Credit counseling – *Focused problem; familiar method.*** For people motivated to solve a singular financial problem, such as debt remediation, counseling can provide immediate results in a familiar format; counselor as expert and guide with participant following sequential technical guidance. This format rarely addresses more complex issues; a longer term financial vision, and commensurate changes in work or lifestyle.
 - D. **Financial Coaching—*Adding motivation to the mix.*** Even in areas with available financial information, products, and services, many people do not take advantage. What moves people to really change behavior? This is a question addressed by practitioners in medicine, addiction, education, and career development.
- there is plenty of nutritional information available in the US, obesity rates are still climbing. This argues that the mere distribution of information does not necessarily lead to intended outcomes. In Midas’s applied research, we have seen that “learner-centered” methods in financial education deliver results⁴ in terms of consistent attendance, targeted content, and demonstration of knowledge and confidence. However, changes in individual financial circumstances are difficult to address and to subsequently measure, unless they are combined with programs that incentivize and track financial outcomes, such as matched savings programs⁵.

COACHING'S BEGINNINGS: The concept of “coaching” draws from disciplines as far afield as psychology, new-age religion, athletics, and medicine to converge in the “executive coaching” movement of the 1980’s, with a few national organizations promoting, training, and certifying practitioners of the model across many disciplines.⁶ Though not formally defined, this strengths-based approach generally combines a set of affirming principles, such as “people seek value, have a choice, are inquisitive”, with techniques for coaches to help participants envision a dream, develop a sequence of actions to pursue, address obstacles, and stay on track. This is achieved in a participant-centered process –as opposed to a list of directives from the provider—designed to cultivate personal development and reflection.

Midas’s approach to financial coaching borrows from the fields of adult education, executive coaching, and

community organizing. It is informed by trainings and reporting of services in non-profit coaching⁷, and the recent writings specifically applied to *financial* coaching. Michael Collins describes an approach that includes the components above, with applications to reaching short and longer-term financial goals; staying on a budget, increasing savings, acquiring an asset. Trainers at the University of Wisconsin have also developed the approach⁸. These services are delivered in a format in which coaches are usually not content experts⁹, so that the participant-driven coach/client relationship is protected¹⁰.

To this, Midas adds a practitioner’s twist. Midas teaches the application Malcolm Knowles’ writings on Andragogy¹¹, as well as The Behavior Scales Theory¹² and its relevant stages of motivation and behavior for both trainers and coaches, summarized as follows:

STAGE 1	STAGE 2	STAGE 3	STAGE 4
<p>Precontemplation</p> <p>Participants see no need for change and see other people or factors as the reason for the problems they are experiencing. They are not looking for help to make a change.</p>	<p>Contemplation</p> <p>Participants at this stage begin to acknowledge having a problem and begin to think of ways to solve it. This is when learners struggle to find causes and think about solutions. Usually learners in this stage are open to educational processes and begin to re-evaluate themselves.</p>	<p>Preparation</p> <p>Participants at this stage are serious about taking action. They are beginning to make final preparations before starting action and seek information and support with concern that it will be difficult and they may not succeed.</p>	<p>Action</p> <p>Ineffective behavior stops and “positive” behavior begins. Lots of effort and energy is required during this stage because the learner is challenged in his/her new change and must be able to control the stimuli that would cause them to relapse into old behaviors. They look for support when the change process is particularly difficult.</p>

FINAL STAGE
<p>Maintenance</p> <p>Struggle continues in this stage, lapses and relapses are frequent and vigilance is necessary. Participant must assess what would make relapse possible and establish coping strategies. Self-value and having at least one significant person who also values the change is important.</p>

MATCHING METHODS IN FINANCIAL COACHING

PARTICIPANT STATUS	In Crisis	Contemplation	Preparation	Action	Maintenance
TYPE OF ENGAGEMENT	Counseling	Counseling/Coaching	Coaching	Coaching	Coaching, Sharing Stories Leadership, Policy Engagement



With this understanding, providers in the Midas network report that the judicious use of coaching techniques is particularly valuable in screening, supporting, and challenging participants to move from one Behavioral Stage to the next in their financial vision and activities. Participants in crisis usually benefit from a more directive “counselor” approach, whereas participants in longer term programs respond well to more of a coaching approach.

From this experience, Midas has developed a model steeped in the current context of economic need and non-profit circumstances.

Since the Great Recession, we have seen an increased need for services, as borne out by more acute financial indicators for Massachusetts residents. Recent reporting shows that 48% (~ 2.4 million) of the state’s adults have sub-prime credit scores and 27% (~1.7 million) do not have enough cash to survive 3 months with an interruption in income¹³. At the same time, we see a reduced investment by the public sector and diminished capacity in the non-profit sector to address the increased need. This is accompanied by increased pressures for providers to demonstrate “impact” in condensed time periods, such as one-year funding cycles. Clearly, the need for efficiency and scale must be balanced against the promise of deep, transformational, individual assistance.

In this challenging context, Midas’s model of “financial coaching” combines new ingredients:

1. *Treat financial coaching as a “method”, not a “service”.* In current writings on financial coaching, it is suggested that service providers be limited to discrete roles of “coach” or “counselor”. However, we see little application for this costly and constraining

format. With many residents working more than full-time and staffmembers overburdened, time and funding limitations do not allow for one provider to be a content resource and one to be a pure coach, requiring participants to manage time and relationships with both.

Midas has developed a model steeped in the current context of economic need and non-profit circumstances.

With proper training and ongoing peer support, coaches can refine their practice to maintain the participant-led environment while using counseling methods at times. However, coaches should *not* be in the role determining and/or reporting any discussions or decisions of the participant which may affect her financial status. For example, a staffmember representing the participant’s landlord in a subsidized unit would be in a conflicted position.

2. *Integrate the “coaching method” into many service delivery contexts.* Many disciplines are pursuing integration in service delivery. This conserves resources and reflects a participant-centered approach to service and treatment. Indeed, as medical practitioners have expanded the patient-centered “medical home” model, innovative asset-builders have introduced a component of “fiscal health” to cooperatively address the links between financially-induced stress and health issues.¹⁴ Midas has hosted trainings of financial content *and* the coaching method to providers of matched savings, college access, and career development programs to increase their own financial knowledge and to integrate and strengthen coaching techniques in their daily meetings with participants. Initial data and staff feedback have been positive.

3. **Bring in the technology!** Though in-person meetings are ideal for building a trusting relationship, the current stable of city-based providers cannot serve the need alone. Currently corporations, schools, and professional services have migrated to audio/visual platforms via the web, many with good results. Midas is launching services on these platforms to serve more residents, particularly those with mobility, transportation, scheduling, or language issues that limit their access to existing in-person services. This model includes the use of appropriate interactive tools, products and services to expand knowledge and sustain engagement¹⁵.
4. **Invite participants to change the world!** It is comforting for participants know that financial issues are not theirs alone. Joining efforts to affect policies, enforcement, and others' financial education gives them a sense of community, purpose, and larger vision.
5. **Scale it up!** If we are going to help millions of people, we need to broadly apply coaching techniques into more accessible formats.
 - a. Develop on-line content and tools to support and update the financial coaches on changes in laws, issues, and techniques, to continually develop their skills and content.
 - b. Sprinkle coaching and participant-centered components throughout on-line platforms used by participants. Use the coaching language throughout materials to trigger positive behavior and identify negative patterns.
 - c. Cultivate the narrative. Use videos and social media platforms to tell and share stories and connections.
 - d. Change the economy. Connect participants with policy discussions on financial services and economics to improve the economic setting that they must navigate.

At Midas, we see great power in the depth, humanity, and scalable promise of adding financial coaching to the many efforts to assist residents struggling in this tumultuous economy.

(Endnotes)

- 1 Thomas Shapiro, *The Hidden Cost of Being African American; How Wealth Perpetuates Inequality*, (Oxford University Press, 2004)
- 2 "Economic Independence Level for Massachusetts", Crittenton Women's Union, 2012: http://www.liveworkthrive.org/research_and_tools/economic_independence_calculator
- 3 Anna Maria Lusardi, "Financial Literacy; An Essential Tool for Consumer Choice?", Dartmouth College, Harvard Business School, & NBER, 2008 http://www.dartmouth.edu/~alusardi/Papers/Lusardi_Informed_Consumer.pdf
- 4 Margaret Miley, "Expanding Financial Skills in Low Income Communities; A Framework for Building an Effective Financial Education Program", Massachusetts Community & Banking Council, 2008, <http://www.mcabc.info/files/Financial%20Framework-WEb-Jan09.pdf>
- 5 Example: Matched savings programs integrate financial education with savings goals and incentives to invest in assets. See Bogardus Drew, "The Effect of Matched Savings Programs on Low and Moderate Income Asset-Development in Massachusetts", The Midas Collaborative, 2011
- 6 Example: Coach U, www.coachinc.com
- 7 Example: Leadership That Works, <http://www.leadershipthatworks.com/Public/Coaching/PersonalCoaching/index.cfm>
- 8 <http://fyi.uwex.edu/financialcoaching/files/2013/01/Financial-Coaching-Best-Practices-1.23.13.pdf>
- 9 Example: "Financial Coaching Definition", Raise Texas, http://raisetexas.org/resources/RAISE_Texas_Financial_Coaching_Definition.pdf
- 10 J. Michael Collins, Christi Baker, Rochelle Gorey, "Financial Coaching; A New Approach for Asset-Building?", Policy Lab, 2007, http://fyi.uwex.edu/financialcoaching/files/2010/07/Financial_Coaching_Policy_Lab_Paper.pdf
- 11 Knowles, Malcolm, *The Modern Practice of Adult Education: From Pedagogy to Andragogy*, 1980, Wilton, Connecticut: Association Press. ISBN 0-695-81472-9. LCCN 80014344.
- 12 Prochaska, Norcross & DeClemente "Behavior Scales of the The Transtheoretical Model", (Prochaska, Norcross & DiClemente)
- 13 CFED: Assets & Opportunity Scorecard, Massachusetts, 2012 <http://assetsandopportunity.org/network/coalitions/massachusetts>
- 14 Doreen Treacy, "Advancing the Fiscal Health of Low Income Families; A Public and Community Health Approach" http://massassets.org/sites/default/files/2009_7_Advancing_the_Fiscal_Health_of_Low-Income_Families.pdf
- 15 MassSaves.org



20 Linden Street, Suite 288

Allston MA 02134

p. 617-787-9804 x228

f. 617-787-0425

www.MassAssets.org

www.MassSaves.org

Twitter: @midascollab