



Financial Coaching is a strategy designed to help people improve their financial well-being by focusing on behavior change. Over the past decade, financial coaching has moved from concept to reality. Growing numbers of funders are investing in financial coaching as a strategy to develop an individual’s capacity to manage their own finances and sustain economic security within their self-defined goals.

Within this promising and growing field of practice, a significant barrier to the effective replication and scale of financial coaching stems from the lack of standardized metrics to assess effectiveness.

Despite the emphasis on building the financial capability of an individual and increasing their ability to manage household finances through coaching, no standards exist for measuring the condition of, and changes to, a person’s financial status. Community-based programs use a wide range of measures; even similar measures may be collected and calculated in different ways. This lack of standardized measurement makes it difficult to evaluate outcomes or the return on the investment in a consistent manner across grantees or the broader field.



Part of the difficulty in identifying standard metrics is that coaching is based on the client and coach partnership of setting individualized goals, which vary among participants and are therefore difficult to compare across clients.

INSTEAD OF A SINGLE OUTCOME MEASURE, A BROADER APPROACH IS NEEDED.

WHY STANDARDIZE?

Community-based programs develop data points that reflect their unique interests and missions, demands from funders, and participant goals and objectives. The resultant lack of uniformity in measures is a barrier to scale and more rigorous program assessment.

By coalescing around a set of measures that organizations can readily integrate into their existing client tracking systems, funders, policymakers, and other stakeholders will be able to better understand the outcomes and impact of the delivery of their financial coaching investments.

Consistent metrics will advance the following objectives:

ACHIEVING SCALE: Aggregating data across programs allows the field to work together to demonstrate return on investment and impact where individual programs are unable to do so.

STUDYING MODELS: Having a common set of measures facilitates comparing outcomes across various approaches and program designs.

ASSURING QUALITY: Coordinated action will assure greater quality control across the financial coaching field by allowing the collection of individual metrics in a manner that is consistent and captures changes over time.

ENHANCING EFFICIENCY: Narrowing measures to a smaller, standardized set allows funders and practitioners to use data more effectively.

Answering the Call: the Financial Capability Scale (FCS)

With the support of the Annie E. Casey Foundation, the University of Wisconsin-Madison's Center for Financial Security developed and successfully piloted the Financial Capability Scale (FCS) -- a set of standardized measures that balance rigorous social science standards with the practical issues of data collection and analysis in the field. Similar to the United States Department of Agriculture's Six-Item Food Security Scale that was developed to understand the extent to which families and children face food insecurity and hunger, the FCS is easy to integrate into surveys that community-based organizations design and administer.

Organizations' ability to easily integrate the FCS regardless of level of infrastructure to support data collection establishes a basis for comparison across the U.S. The FCS satisfies the need for efficient program evaluation and measurable impact of investment in financial coaching.

Based on a series of 6 subjective self-reported responses, the FCS includes a mix of behaviors, as well as feelings or perceptions. The FCS does not use objective values such as savings or debt levels because these types of measures are difficult to collect with any degree of reliability or validity. Moreover, these measures may not offer insights into financial capability; for example, a client might borrow more and save less in pursuit of a particular financial goal.

The proven validity and reliability of the FCS allows scaling and testing of the value of the strategy in use. Instituting the FCS as a standardized measure across the financial coaching field eliminates unneeded data and streamlines the data collection process, ultimately leading to more efficient programs. The FCS is a starting place, a ready-to-use tool that can also be a compliment to existing measurements.

RECOMMENDED FUNDER ACTION

As the practice of financial coaching grows, standardization is increasingly important for effective replication. Funders have an important role to play in driving standardization and effective replication of financial coaching.

To ensure that the financial capability field is taking steps to more effectively capture clients' financial conditions and outcomes and to support the scaling up of effective investment in coaching, funders may consider requiring that the organizations they support integrate the FCS into their data collection. For information and guidance on using the scale, please visit: fyi.uwex.edu/financialcoaching/measures

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FCS Use in the Field

Organizations across the country are successfully leveraging the FCS.

- The Financial Clinic** in New York City integrated the measures into their permanent data collection systems with positive results.
- University of Wisconsin-Extension** has used the FCS as part of a standardized "core" survey used by Extension Financial Educators in Wisconsin.
- The **Consumer Financial Protection Bureau** has incorporated the FCS into their large scale financial coaching project to be implemented in 60 financial service organizations.

