

**FINANCIAL COACHING AND THE FINANCIAL CAPABILITY SCALE –  
Moving to Implementation  
A Discussion Draft**

**Introduction**

Financial Coaching is a strategy showing success in helping 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 remains: a lack of standardized metrics to help 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; each collected and calculated in a slightly different way. This lack of standardized measurement makes it difficult to properly 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 very individualized goals, which vary among participants and are therefore difficult to compare. **Instead of a single outcome measure, a different approach is needed.**

**Why Standardize?**

Community-based programs have developed existing data points reflecting outcomes or outputs based on their unique interests and mission, demands from funders, and goal setting by participants. The resultant lack of uniformity in measures is a barrier to scaling and more rigorous program assessment. By coalescing around a set of measures that organizations can readily integrate into their existing client tracking system, 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 in lieu of variable outcome measures 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 despite a variety of outcomes facilitates comparing outcomes across various approaches and program designs.
- **Assuring Quality:** Coordinated action will assure greater quality control across the financial coaching field as a whole by allowing the collection of individual metrics in a manner that is both consistent and captures changes over time.
- **Efficiency:** Narrowing measures to a smaller, a 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 Center for Financial Security developed and successfully piloted the Financial Capability Scale (FCS) -- a set of standardized measures balancing rigorous social science while also being attuned to the practical issues of data collection and analysis in this field. Comparable 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, a key objective of the FCS is feasible use in locally designed and conducted surveys.

The 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 effectively satisfies the need for efficient program evaluation and measurable impact of investment in financial coaching through the essential component of uniformity in measurement.

Based on a series of 6 subjective self-reported responses, the FCS includes a mix of reported 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.

### **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

### **Recommend Action by Funders**

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 the condition and outcome of clients and to support the scaling of effective investment in coaching, funders need to act on requiring that the FCS is integrated by the practitioners they support. For information and guidance on using the scale, please visit: <http://fyi.uwex.edu/financialcoaching/measures/>

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

### **Links:**

CFS Full Outcome Measures Project Report: ([http://fyi.uwex.edu/financialcoaching/files/2013/07/Report\\_Final.pdf](http://fyi.uwex.edu/financialcoaching/files/2013/07/Report_Final.pdf))

CFS Outcome Measures Brief: [http://fyi.uwex.edu/financialcoaching/files/2013/07/CFS\\_Research\\_Outcomes\\_Brief-Coaching-MetricsJMC.pdf](http://fyi.uwex.edu/financialcoaching/files/2013/07/CFS_Research_Outcomes_Brief-Coaching-MetricsJMC.pdf)

USDA Report: <http://www.fns.usda.gov/sites/default/files/FSGuideSummary.pdf>

### **Acknowledgements**

This concept paper was prepared for the Asset Funders Network by the Center for Financial Security at the University of Wisconsin-Madison through the generous support of The Annie E. Casey Foundation.