Asset Funders Network

Investing in Financial Coaching with a Racial Equity Lens

IN THIS MOMENT, IT IS PIVOTAL FOR PHILANTHROPY TO SUPPORT COMMUNITIES OF COLOR IN ACHIEVING FINANCIAL WELL-BEING.

Combined with systems-change efforts that would create fairer economic opportunities and conditions, financial coaching is a vital component of providing needed support. Through background information, case stories, and key investment considerations, this brief focuses on financial coaching with a racial equity lens as an important strategy for helping people of color achieve equitable outcomes.

Why Adopt a Racial Equity Lens Approach?

The effects of racism matter. Even when taking into account factors that are typically associated with better financial outcomes (i.e., two-parent household, working full time, reduced spending), Black and Latinx people lag behind in terms of wealth.[18] Research makes clear that this gap is due to the disparate opportunities and access that are the products of systemic racism, rather than solely individual behaviors. An approach to financial coaching that fails to take this context into account will fail to address clients' specific challenges.

Wouldn't a colorblind approach be better? Good coaching is good coaching, right?

Claiming not to see or minimizing racial inequities does not make them go away; acknowledging that people of different backgrounds face different challenges allows coaching programs to meet specific needs across racial groups. Research has found that people who claim to be colorblind are actually perceived by others to be more biased.[19] Therefore, taking a colorblind approach is not an effective strategy to improve intergroup interactions or to mitigate disparate outcomes.

A disproportionate number of the people we coach are Black, Latinx, and Indigenous, so aren't we already applying a racial equity lens?

Simply serving a group that is disproportionately impacted—and giving them the same services provided to everyone else—does not equate to adopting a racial equity lens. Race has been used throughout history to discriminate. Simply applying "race-neutral" programs or policies ignores that reality and is not sufficient to address the harm caused by that legacy of disparate treatment. In fact, not acknowledging the way race and racism have shaped the lives of clients can impede the development of trust and authenticity in the coaching relationship.

The Racial Equity Lens

Introduction

The road to financial well-being is filled with pitfalls and promises. For Black, Latinx, Indigenous or Native, and Asian people, navigating that road means facing disproportionate fines and fees, higher interest rates on loans, and discrimination in housing and employment. These practices are layered on top of a legacy of structural racism that has historically denied access and opportunities for financial security and freedom to Black and brown people. While financial coaching is a proven strategy to improve financial outcomes for low- and moderate-income people and support them on the path toward achieving financial goals and financial well-being,[1] the pathways are not equitable. As the field of financial coaching evolves, a critical gap is emerging. What is the best way to ensure that financial coaching is designed and delivered in ways that are inclusive, treat everyone justly according to their circumstances, and further racial equity? How can funders help grantees incorporate a racial equity lens into their financial coaching programs?

By helping people of color safely navigate current systems and move toward financial well-being, financial coaching with a racial equity lens can be part of a broader strategy to increase equitable outcomes.

Using a racial equity lens has never been more important. What do we mean by racial equity and a racial equity lens? Racial equity occurs in a society where the distribution of resources, opportunities, and burdens is not determined or predictable by race—people of all races have a statistically equal likelihood of achieving positive economic outcomes.[2] The racial wealth gap we see today makes clear our current state of racial inequity, and COVID-19's economic fallout is widening these longstanding racial disparities in wealth. More so than others, Black, Latinx, Indigenous, and Asian people are struggling to survive. Applying a racial equity lens to financial coaching means systemically treating people of all races justly and paying disciplined attention to how racism shapes access and opportunities, to produce more equitable outcomes, now and over the long term.[3]

This moment is pivotal for philanthropy to support communities of color in achieving financial well-being. Combined with systemic change efforts that would create fairer economic opportunities and conditions, financial coaching is a vital component, providing needed support for people trying to attain financial well-being. Through background information, case stories, and key investment considerations, this brief focuses on financial coaching using a racial equity lens as a key tool for helping people of color achieve equitable outcomes. It outlines insights funders can use to support organizations in applying a racial equity lens to their financial coaching programs. It explains how and why financial coaching programs must be interwoven with other initiatives, what funders can do to support the growth and development of these programs, and where investment is needed to shape this growing field. In addition, the brief aims to provide a consistent definition for financial coaching with a racial equity lens. For the field to move forward and deliver measurable results, funders and practitioners must have a common understanding of what is meant by financial coaching with a racial equity lens.

No matter whether you are deeply involved in race and equity initiatives or just starting to grapple with these issues, this paper highlights lessons and promising practices from early adopters of financial coaching and financial capability programs with a racial equity lens that you can apply in your work. Taking action brings us all closer to eradicating the pernicious disparities in the economic system.

*The Disparate Impact of COVID-19**

COVID-19 has exacerbated an already problematic economic situation.

Unemployment Rates By Race, 2020

	FEB	APR[9,10]	SEP[11]
All White workers	3.1%	14.2%	7%
All Black workers	5.8%	16.7%	12.1%
All Latinx workers	4.4%	18.9%	10.3%
All Native American workers[23]		26.3%	

Unemployed Workers Receiving Jobless Benefits[12]

White	24%
Black	13%
Latinx	22%
Other	18%

Financial Reserves

Percent who said they do not have financial reserves to cover three months of expenses in case of an emergency, April 2020[13]

White adults	47%
Black adults	73%
Latinx adults	70%

Workers Able to Work From Home

Percentage of wage and salary workers who could work at home, by race and ethnicity, 2017-2018[14]

White	29.9%
Black	19.7%
Latinx	16.2%

**Federal financial data is limited for Native Americans.*

Background

Black, Latinx, Indigenous, and Asian communities pursue financial well-being in the context of systems and structures that have discriminated against them for generations. The impact of structural racism—the institutional, interpersonal, and historical dynamics across systems that disproportionately advantage White individuals and create adverse outcomes for people of color—can be seen in gaps in wealth,[4] homeownership,[5] financial health,[6] and physical health.[7] This moment has highlighted and compounded these economic disparities. The COVID-19 pandemic has disproportionately impacted the health of people of color, who are more likely to work in frontline jobs categorized as essential and more likely to have preexisting conditions that make them more vulnerable to severe illness. Because these factors put them at greater risk for complications related to the virus,[8] communities of color are bearing the brunt of both the short- and long-term health effects of the pandemic, as well as its economic effects. The connection between financial and physical health is clear, and the financial strain that illness places on an individual or family can manifest in job loss and decreased benefits, which can lead to housing, food, and financial insecurity.

This moment is also punctuated by an increase in protests and calls for social justice. A bevy of companies and institutions have spoken out against systemic racism. The growing appetite to not only name racism as a problem in society but also acknowledge how it operates inside organizations spurred a push for change. As a result, organizations and communities have been more willing to talk pointedly about race and racism. In this context, within what has been called a dual pandemic of COVID-19 and systemic racism, financial coaching has an opportunity to meet the needs of communities in new ways.

What is financial coaching?

Financial coaching is an approach to helping clients develop skills and behaviors that focuses on the client's goals; in financial coaching, the client defines goals and solutions with the support of a coach.[15] The underlying philosophy assumes the client is resourceful and capable of setting goals and solving problems independently, with support from coaching to improve skills.

Coaching has been found to create measurable gains for low- and moderate-income clients in the areas of money management, savings, debt levels, credit scores, financial confidence, and financial well-being.[16]

Financial coaching is an established field that is integrated across domains such as workforce development, credit or debt counseling, and housing counseling.[10] When the Center for Financial Security and Asset Funders Network published the Financial Coaching Census 2019, the average coaching relationship was reported to be 10 months long, with approximately one session per month. The majority of clients (63%) participating in coaching identified as women, and 29% identified as men. With regard to racial and ethnic background, 36% of coaching clients identified as White, 32% identified as Black, and 18% identified as Latinx. Most services were being delivered in person; greater use of technology was highlighted as an area of need—a need made more urgent by the shift to virtual engagements as a result of COVID-19. Client engagement was also cited as an area of focus for future growth. Increasing the racial and ethnic diversity of coaching clients presents an opportunity to increase engagement and effectiveness.

While many financial coaches already work with clients of color, seeing large shares of Black and Latinx clients,[17] simply working with people from racial and ethnic groups that are historically underserved does not equate to utilizing a racial equity lens. Claiming that a universal or colorblind approach is effective with people of color without explicit evidence or measurement is in fact counter to adopting a racial equity lens. However well-intentioned, funders, programs, and coaches can operate in ways that are rooted in assumptions and bias; all parties need to be intentional about understanding and implementing coaching with a racial equity lens.

The Opportunity for the Coaching Field and Philanthropy

Financial coaching funders, and philanthropy more broadly, have an opportunity to contribute to racial equity. The dynamics of today's environment include high levels of financial insecurity and widening racial wealth gaps as disparate outcomes are exacerbated by COVID-19 and its economic fallout. Social movements are calling for action and demanding system-wide change; the urgent need for financial guidance and support in communities hardest hit by COVID-19 is glaring. Families need help now, on multiple fronts. In this context, marrying financial coaching with a racial equity lens is necessary to meet families' immediate needs and to contribute to racial equity. This shift will take intentionality and innovation in planning, design, implementation, and funding. Philanthropy is an important lever to affect a variety of systems that contribute to inequity; therefore, it has the opportunity to lead and fund in a way that models equity.

Coaching with a Racial Equity Lens

As use of the phrase "racial equity" has increased in recent years, we have seen more and more organizations describe their work as having a racial equity focus or applying a racial equity lens. But simply marketing standard coaching programs to communities of color is not applying a racial equity lens, even if helping those communities achieve financial equity is the stated goal of the program.

Financial coaching with a racial equity lens adapts coaching to meet the specific needs of people and communities who have historically been shut out of financial opportunity, in an effort to remedy harms and eliminate financial disparities caused by generations of systemic racism and racial discrimination.

FIVE CORE COMPONENTS

- *Adapt*
- *Acknowledge*
- *Build Trust*
- *Engage*
- *Gather Data*

5 Core Components of Financial Coaching with a Racial Equity Lens

ADAPT PROGRAMS TO ADDRESS SYSTEMIC RACISM

Applying a racial equity lens to financial coaching means adapting existing initiatives—or creating entirely new ones—to meet the specific needs of people and communities of color. This may mean altering the format of the coaching program to honor the cultures involved. For instance, typical financial coaching programs are individualistic, focused on one-on-one sessions, but programs that apply a racial equity lens may complement individual coaching with group coaching to foster community and recognize the collectivist nature of some cultures.

ACKNOWLEDGE AND ACCOUNT FOR HISTORICAL HARMS

Explicitly acknowledging the historical harms faced by communities of color is a foundational element of financial coaching with a racial equity lens. Societal and cultural narratives have consistently placed the blame for financial struggle on individual choices; people in communities of color often believe those narratives and blame only themselves for their financial situation. These narratives can also lead to assumptions that people cannot change their circumstances. Helping coaching clients understand how years of segregation, lack of access to banking services and wealth building tools, and racist policies have shaped their neighborhoods and denied equal opportunity to their parents and grandparents can help shift clients' self-perception, reframe the way they think about their financial situation, and put financial coaching in a different light.

Accounting for those historical harms is also important. For example, this might mean encouraging coaching clients to develop a plan for generational wealth and asset building, even if the initial motivation for coaching is more modest, such as reducing debt. Such an approach can offer a sense of agency and help clients navigate structural barriers to avoid continued harm.

BUILD TRUST

Many members in communities of color have a distrust of financial institutions based of decades of systemic racism, exclusionary policies, and inequitable practices. Unfortunately, this mistrust extends beyond financial institutions to include a broader distrust of nonprofit and governmental agencies. Clients aware of how their information has been used in the past to target or reject individuals may be unwilling to share financial information, even in a coaching context. Trust in those institutions is a prerequisite for reaping the benefits they offer; financial coaching programs must work to develop client trust in financial institutions by being transparent about how information is used, acknowledging the harm of past practices, and actively assisting coaching clients in navigating financial products and services.

ENGAGE IN SELF-REFLECTION AND TRAINING

To help clients understand the historical and ongoing harms that have influenced their neighborhoods and experiences, financial coaches must be trained to understand and talk about them and to direct their coaching clients toward nonpredatory resources. Training helps coaches understand what they bring to the relationship as well as equips coaches to work with a diverse client base. Though many organizations that apply a racial equity lens to their financial coaching programs emphasize matching clients with coaches of the same race, racial matching is not necessary. While some clients may prefer a coach of the same race, as long as coaches are trained for cultural competency and to apply a racial equity lens to coaching, they can generally provide the support clients need.

GATHER DATA

Organizations serving multiple communities must include racial demographics in their data gathering and regularly disaggregate their service and outcomes data by race. This analysis will help them see and better understand racial disparities among the clients they serve, notice potential patterns by financial coach, and identify ways to modify their financial coaching programs to close the outcome gaps they find.

Case Stories

An increasing number of financial programs are integrating racial equity principles into their work to reduce financial disparities and reach underserved populations. We selected four organizations, serving different communities across the United States, to exemplify comprehensive efforts applying a racial equity lens to financial coaching and financial capability initiatives.

OKLAHOMA NATIVE ASSETS COALITION
FUNDER: WELLS FARGO

The Oklahoma Native Assets Coalition, Inc. (ONAC) has a 19-year history of promoting comprehensive Native asset-building initiatives. ONAC, as a national Native-led nonprofit, is committed to reducing the racial and Native women's wealth gap through culturally responsive, integrated asset-building services directed to Native families and communities across its network. ONAC supports its network by awarding mini-grants, conducting national Native asset-building research, administering the national Native EITC/VITA Network, and providing free training and technical assistance. ONAC directly administers asset-building programs such as Children's Saving Accounts, emergency savings accounts, Native Bank On, emergency cash assistance during the pandemic, and individual financial coaching.

Like any financial coaching program, ONAC's focuses on the client's goals and needs and the behavior changes associated with reaching those targets and increasing access to capital. In line with its commitment to Native wealth equity, ONAC recently designed a financial coaching program for Natives by Natives. To launch the coaching program, ONAC offered free coaching by phone and teleconference to those served by its emergency cash assistance program. Soon after, ONAC opened up financial coaching to any American Indian or Alaska Native in the U.S. The program recognizes the history of financial exclusion and asset stripping experienced by Native communities, alongside the communities' resourcefulness, and pays careful attention to building trust and a sense of inclusion through its outreach and service delivery methods. ONAC's culturally relevant practices include:

- **Taking the time to build trust.** Given past harms, Natives can be wary of nonprofit or government programs or financial institutions. ONAC has built relationships with tribes with tribes and Native-led nonprofits, creating networks within communities to vouch for their programs and services and help engage clients in the coaching program. Given numerous research abuses and data breaches of personal information in Native communities, ONAC builds and maintains trust by collecting minimal data from tribal citizens in the financial coaching program. It offers some coaching by phone, because many Native coaching clients are more comfortable meeting this way to protect their confidentiality.

- **Using a strengths-based approach.** From the start of the coaching engagement, the coach normalizes that the behaviors of saving and planning have been used for generations in Indian Country in a context outside the financial mainstream. Embarrassment and tension are eased when clients realize they are building on what they already know and adding new skills to improve their financial health.

- **Contracting with a culturally competent coach.** ONAC's coach is a certified credit counselor and a citizen of the Citizen Potawatomi Nation. To expand, an ONAC staff member, who is Native, is working toward financial coaching certification.

- **Honoring Native values.** The program broadens the definition of assets to include individual and community assets and extends beyond money to protecting sovereignty, promoting food security, and supporting the preservation of Native languages. Coaching conversations focus on community values and strengths, acknowledging that a shared household lowers some expenses like housing and food costs. Tools have been adapted to meet clients' needs; for instance, the budget tool accounts for multigenerational households.

MISSION ECONOMIC DEVELOPMENT AGENCY
FUNDERS: CITY AND COUNTY OF SAN FRANCISCO, LOCAL CORPORATIONS AND FOUNDATIONS, AND JPMORGAN CHASE & CO.

Rooted in the historically immigrant community Mission District and focused on San Francisco, Mission Economic Development Agency (MEDA) works to strengthen low- and moderate-income Latinx families by promoting economic equity and social justice through asset building and community development. For nearly 50 years, MEDA has been working to keep Latinx families in the Mission and help them thrive. Under the framework of people, power, and place, MEDA offers comprehensive asset-building programs, housing opportunities, and financial products to meet families where they are and support them in reaching their long-term goals.

MEDA's equity approach is long standing. The organization designs all programs and services—including its financial coaching program—with a lens on the Latinx community and the Mission. This approach involves:

- **Framing on life and legacy goals.** The organization has evolved from its initial antipoverty perspective, which was not bold or big enough. Coaches now talk to clients about long-term goals, asset building, and wealth generation for themselves and to pass onto future generations, while acknowledging the structural racism that has prevented access and limited opportunities. Coaches work with clients to create definitions of wealth in their terms, including elements like culture and education.
- **Using an integrated model.** Coaching does not occur within a vacuum; rather, it is intentionally connected to the community, community wealth, ownership, and advocacy and policy. MEDA works with promotoras (community health workers) from and in the community to conduct outreach and connect community members to MEDA's services and power-building and organizing efforts.
- **Understanding barriers and appropriate solutions.** Most of MEDA's staff are bilingual and bicultural and intimately familiar with the barriers the Latinx community faces in achieving economic equity. Based on the needs of coaching clients, MEDA developed in-house solutions to increase financial stability through workforce development and small business services and to increase housing security through affordable housing development.
- **Being vocal about community needs.** MEDA understands wealth disparities and their underlying causes for Latinx families and knows what is needed to bridge the gaps. MEDA serves as a relentless community advocate for the Latinx community in San Francisco.
- **Pivoting in response to COVID.** Latinx families have been acutely affected by the dual health and economic crisis precipitated by COVID-19, resulting in wealth stripping and increased financial instability. In response, MEDA has shifted services and support to mitigate further harm. At the same time, MEDA is organizing the community to advocate for the system changes needed to prevent such disparate impacts in the future.
- **Engaging in systems change.** MEDA's plan to create more racial equity includes policy advocacy and building the capacity of other community-based organizations working to deliver financial coaching with a racial equity lens in communities of color. To that end, MEDA has packaged its model and shared it through training sessions in California and beyond.

PORTLAND HOUSING CENTER

FUNDERS: U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD), CITY OF PORTLAND (OREGON), AND LOCAL NONPROFIT PARTNER

Founded in 1991, Portland Housing Center (PHC) is a nonprofit organization that believes everyone in the city deserves access to homeownership. Since its founding, PHC has helped more than 7,000 families become successful, financially secure homeowners through quality education, counseling, and financial services.

In 2010, PHC learned that the Black homeownership rate in the Portland area had declined from 37% in 2000 to 31% that year. PHC also was having a difficult time reaching and retaining Black families in their programs. "So we really had to take an inward look and try to figure out why," said Jackie Butts, who is now PHC's HomeOwnership Program Director. "We created a Black advisory committee, we did focus groups and then, based upon all of that, we determined that we needed to do something that speaks to the Black community specifically."

That work led to the creation of **Getting Your House in Order**, a culturally specific financial capability program designed, created, and taught by Black people for Black people. Engaging Black community members, scholars, and educators to develop and evaluate potential program elements, PHC built internal capacity to engage with issues of race and homebuying, while also recognizing the need to consult with and learn from experts in particular cultures. PHC's racial equity lens includes:

- **Community building.** Classes, which are usually the entry into coaching, serve hot meals and limit class sizes to allow people to get to know each other, recognizing the importance of safe space and connection in the Black community. As a result, people are more open to sharing what is going on with them in the class because they know they are in a group of people who understand. After a client takes the class, conversations with the financial coach are deeper.

- **Focus on mindset.** In the past, many Black families who came into the program were focused on the transaction of homeownership—understanding their credit report, buying a house, and moving on. **Now, they expand their thinking to include generational wealth and asset building.** Since the launch of the program, PHC has seen significant behavior changes and financial outcomes, evidenced by debt reduction and increased credit scores.

- **Acknowledgment of cultural and historical context.** When working with Black families, PHC's coaches openly discuss the history of exclusion and extraction from financial institutions, labor markets, and housing opportunities as systemic barriers and shapers of generational behaviors related to money management. From there, coaches can help families navigate the system, bringing in information and tools that might be unfamiliar to them in a safe space where they do not have to defend or justify their behaviors. This analysis of historical and cultural context provides empathy and understanding of what is happening in a community and goes beyond simply imparting financial principles to facilitating change by building intrinsic motivation and self-efficacy.

- **Partnerships.** PHC goes to partners' locations, meeting the community where it is. Churches are important partners, and pastors help champion the services for their members.

- **Coaches who are ideologically aligned.** More than technical financial knowledge, which can be taught, PHC looks for coaches who have a mindset and demeanor that aligns with using a racial equity lens. Having financial coaches who represent the community can be an asset because it allows them to approach clients through the frame of shared experience and helps put clients at ease.

HAWAIIAN COMMUNITY ASSETS

FUNDERS: HAWAII COMMUNITY FOUNDATION, COUNTY OF MAUI, OFFICE OF HAWAIIAN AFFAIRS, ALOHA UNITED WAY, AND ADMINISTRATION FOR NATIVE AMERICANS

Hawaiian Community Assets (HCA) was co-founded by two women twenty years ago. Their aim was to help Native Hawaiians become homeowners using an equity lens and meeting their unique financial needs. Since its inception, HCA has helped clients access $150 million in capital to support their journey toward economic self-sufficiency, via grants, loans, matched savings, direct loans (as a Community Development Financial Institution), and referrals for mortgage financing. This translates to 8,000 children and adults who have secured or sustained housing through HCA.

Today, HCA's goal is to increase economic self-sufficiency among Native Hawaiians through asset-building strategies, access to capital and credit, and financial coaching combined with income supports and entrepreneurship and employment opportunities, offered under the Local Initiatives Support Corporation (LISC) Financial Opportunity Center model. The financial capability and coaching program is rooted in HCA's homegrown curriculum, which integrates Hawaiian culture and financial concepts to develop a shared language and understanding. The racial equity practices used include:

- **Blending culture and finances.** HCA developed the Empowerment Economics approach to compare and connect traditional Native Hawaiian practices to the modern financial system, building clients' confidence and skills to participate in today's system using Native traditions and values. The approach, which is strengths based and shame-free, addresses the specialized financial needs and goals of Native Hawaiians, including access to mortgages for Hawaiian homelands, community wealth, and intergenerational wealth building.
- **Taking a multigenerational approach.** In Native Hawaiian families, financial planning customarily involves several generations. Coaching typically involves the wage earners, grandparents, and adult children. Workshops include people from 7 to 70, all learning together.
- **Providing a bridge to the economic mainstream.** Financial institutions and Native Hawaiians struggle to reach each other due to a lack of historical connection. HCA serves as a trusted advisor and relationship broker, connecting clients to partnering financial institutions with warm handoffs.
- **Acknowledging past harms.** Wealth building by others has been harmful for many Native communities, often resulting in loss of language, land, and traditional practices. Coaches speak to the history and ongoing practice of asset stripping and the need for system change.

- **Helping clients become advocates.** Clients are encouraged to share the tools they receive and push for policy change. The vision is to create a system that mirrors traditional practices to create greater economic self-sufficiency and a smaller environmental footprint.
- **Evaluating more than financial outcomes.** Wealth is more than financial assets. To measure its impact, HCA includes increased civic engagement, connection to social relationships, valuing of and connection to the land, community leaders in power and at decision-making tables, and spiritual and cultural connection.

Strategies for Funders

Grantmakers' priorities, messaging, and behaviors can influence grantees to apply a racial equity lens to their financial coaching initiatives, if they have not already, and provide meaningful support to those organizations as they do. This section is focused on specific strategies funders can implement to ensure their grantmaking efforts support the growth and development of coaching programs with a racial equity lens and where they can invest to impact this growing field.

1 *Make a long-term commitment to financial racial equity.*

The financial racial inequity we see today is generations in the making and rooted in centuries of discriminatory policy. Achieving financial racial equity against these historical currents is no short-term project. Funders who are truly committed to racial equity must be prepared to engage in this work long term.

Articulate your commitment. For those inside your organization to take this work seriously, and for those you work with to know you are serious about this work, you must clearly state your commitment to working toward financial racial equity. Explicitly engage in internal and external dialogue about race and systemic racism, and invest in and support work toward more equitable practices within your organization. Consider adopting the achievement of financial racial equity as a core value.

Connect the systemic dots. As part of your public commitment, acknowledge that multiple systems contribute to financial racial inequity, and interconnected work across multiple systems is needed to close the gaps. Financial coaching exists within the broader context of racism and related systems of oppression that created and continue to reinforce the underlying causes of economic racial disparities. Financial coaching alone will not fix centuries of discrimination or achieve racial economic equity. When clients face inequities in child care, housing, employment, and health, apply a racial equity lens and consider how you can leverage your position and influence to change the systems that perpetuate those disparities. Also consider supporting grantees in efforts to develop partnerships with community organizations or initiatives that engage in advocacy around a living wage or other initiatives that address systemic economic disparities.

Support capacity building. Organizations, especially those small and mid-sized, need help building capacity to do this work for the long term. Short-staffed organizations can barely keep up with current demand, let alone invest time in the work needed to expand their impact in the community. Increased resources, including multiyear operating support, are a major pillar of capacity building. Increased resources allow organizations to integrate additional services; hire more staff, giving staff more capacity to support clients; build the infrastructure needed to gather more data more consistently and analyze it more quickly, helping them be more responsive to client needs; and share their insights, supporting a broader learning community and helping to grow the field. In addition, grantmakers can build capacity by funding training on cultural humility and awareness (from coaching programs that are experienced in providing culturally-relevant services), empathy development, trauma-informed support, and other skills that can help financial coaches better understand themselves and their own biases and increase their cultural competence, so they can be more effective working across racial lines.

Cultivate relationships. Relationships matter—between funders and grantees, between grantees and communities, and sometimes between funders and communities as well. Relationships anchored in trust are necessary for open, honest communication and sustainable collaboration. Funders should start relationships with trust in the organizations and communities they are supporting. Because trust between grantees and communities is essential for any real progress to occur, grantmakers need to invest in relationship-building activities outside the scope of traditional financial coaching, such as child care and shared meals to allow for communal gatherings that build trust and foster relationships.

Be patient and reflective. Many of the activities recommended here require patience, but cultivating relationships and developing capacity for sustainable change cannot be rushed. Moreover, this work has no clear formula for success, so grantees must experiment, iterate, and learn from their successes and setbacks. Grantmakers must be patient and supportive with grantees as they explore different strategies, and funders should take time to reflect with organizations on what is working, what is not, and why, not only in financial coaching programs, but in the grantmaker–grantee relationship.

2 *Adopt a learning mindset*

Because financial coaching with a racial equity lens is still early in its development, and because there are meaningful differences between different communities, funders must approach this work as learners, not as experts.

Experiment and iterate. While successful models exist, financial coaching with a racial equity lens has not been adequately studied. Some organizations have provided financial coaching with a racial equity lens for decades. Many organizations doing this work have focused on serving clients and not sharing what they have learned, and communities vary. As a result, no one formula for success exists. Consequently, organizations must do a lot of learning by doing, experimenting and iterating programs over time to improve their effectiveness. Funders need to be patient with organizations as they learn, iterate, and stay in conversation with the communities they are serving. Organizations cannot afford to be patient and adopt a learning mindset unless funders do the same.

Listen for changing community needs. Community needs are constantly evolving, because of local, regional, and national conditions and often because effective programs are meeting basic needs. Funders need to work with grantees to stay in conversation with the communities they are serving; understand their current financial, social, emotional, and structural needs, challenges, and barriers; and change with them. Flexible funding, which some funders provided to coaching programs in response to the COVID-19 pandemic, is a good example of philanthropy being responsive to changing community needs.

Scale with caution. When it comes to financial coaching with a racial equity lens, one size does not fit all. Differences in community demographics, community type (urban vs. suburban vs. rural), organizational infrastructure, community trust, and more can make a program that might thrive in one community struggle to gain traction in another. This variability makes scaling hard. Consider identifying and emphasizing core principles and useful frameworks, rather than "best practices," which may not translate from one situation to the next and in many cases have not produced the necessary change. Consider also funding intermediaries who support this work and can offer a path to scalability and innovation.

3 *Invest in measurement.*

Metrics are an essential way to determine social impact and for funders to evaluate return on investment. But what should funders and organizations be measuring, and how should they measure it?

Support robust data gathering. Effective development and refinement of financial coaching programs with a racial equity lens requires robust data gathering, tracking, and analysis, which means organizations need resources for robust software, programming, and analysis support to gather, analyze, and protect the quantitative and qualitative data in culturally-responsive ways needed to assess effectiveness and refine program content.

Measure impact on people, not just volume of people served. Measuring the number of clients served, or the number of volunteer hours contributed, may make for good charts and graphs, but these metrics are not necessarily valuable measures of program effectiveness. Nor do they reflect the needs of the communities you hope to impact. Focus on relevant impact metrics, such as credit score increases, savings accumulated, or debt reduced, while allowing coaching programs to work with clients toward their self-defined goals. Think about what to measure by getting clear on the impact you want your funding to achieve, and help the organizations you fund implement structures to track the data that reflect that impact and enable them to tell the story of their work.

Measure activities and outputs as well as outcomes. While impacts will generally be used to evaluate whether an initiative is a success, measuring activities and outputs can help explain why an initiative did or did not succeed. Metrics to consider include coaching session attendance, number of clients per coach, type and frequency of financial coaching, and type or amount of technical or cultural competency training received by coaches, if relevant.

Disaggregate data by race. Unless you are serving 100% of the same population, if you want to know whether you are making progress toward financial racial equity, you have to disaggregate the data by race. Organizations must capture comprehensive demographic data on all financial coaching clients. Funders should ask grantees to provide disaggregated data and provide the funding needed to capture and analyze it.

Consider data in context. Many programs that offer financial coaching with a racial equity lens serve people who have low incomes and limited resources. But low incomes and limited resources look different from one community to another. Coaches need to know where clients are relative to their community, so they can right-size the tools at their disposal to the client's circumstances. Gathering and evaluating data not just at the individual level, but in the context of the specific community, as well as in historical context, is important to this effort.

Conclusion

Applying a racial equity lens to financial coaching means adapting existing financial coaching initiatives—or creating entirely new ones—to meet the specific needs of people and communities who have historically been shut out of financial opportunity, in an effort to remedy the harms and eliminate the financial disparities caused by generations of systemic racism and racial discrimination.

Programs in many communities across the country have shown that financial coaching with a racial equity lens can be a critical support, opening pathways to financial opportunity for people to whom those pathways have too long been closed. Given the promise these programs have shown thus far, philanthropy has an opportunity to have real impact, by investing more intentionally in financial coaching programs with a racial equity lens, so they can grow and evolve to meet critical needs in the communities they serve and contribute to reducing disparities.

But to truly apply a racial equity lens to financial coaching, financial coaching must be seen in context, as a downstream intervention. So many of the coaching clients who organizations work with are experiencing financial insecurity not because of personal financial mismanagement but because they are living with the legacy of generations of systemic racism and structural discrimination, in a financial environment that continues to squeeze more and more people.

Even the best budgeter and most frugal spender must contend with the reality that the cost of living—especially health care, housing, child care, and higher education—keeps going up. Yet the minimum wage has not, and most people who work hourly-wage jobs, such as service workers and workers in the gig and care economies, do not have health or retirement benefits or paid family or sick leave. Thus, the context in which many people engage with financial coaching is largely defined by policy decisions made far upstream, at the federal, state, and local levels.

No amount of financial coaching will raise the minimum wage; make health care, child care, or college more affordable; or stop rents and house prices from rising. Even the most effective financial coaching will not close a gaping racial wealth gap that keeps growing.

Yet supporting and advocating for financial coaching with a racial equity lens is a concrete way philanthropy can make an impact on racial disparities. When funding for programs that provide these services is combined with efforts to leverage funders' power and influence to advocate for institutional, systemic, and structural change that can lead to racial economic equity, philanthropy can support progress toward a world where everyone, regardless of race, can be financially well.

Glossary

EQUITY The guarantee of fair treatment, access, opportunity, and advancement along with the identification and elimination of barriers that have prevented the full participation of some groups. The principle of equity acknowledges that some populations have been historically underserved and underrepresented and that fairness regarding these unbalanced conditions is needed to create equality in the provision of opportunities to all groups.[20]

DIVERSITY Psychological, physical, and social differences that occur among any and all individuals, including but not limited to race, ethnicity, nationality, religion, socioeconomic status, education, marital status, language, age, gender, sexual orientation, mental or physical ability, and learning styles.[21]

INCLUSION The act of creating environments in which any individual or group can be and feel welcomed, respected, supported, and valued and can fully participate and bring their full, authentic selves. An inclusive and welcoming climate embraces differences and offers respect in the words, actions, and thoughts of all people.[20]

RACISM A system of advantage and oppression based on race; a way of organizing society based on dominance and subordination according to racial categories. Racism penetrates every aspect of personal, cultural, and institutional life. It includes prejudice against people of color, as well as exclusion of, discrimination against, suspicion of, and fear and hate of people of color.[22]

STRUCTURAL RACISM The arrangement of institutional, interpersonal, historical, and cultural dynamics in a way that consistently produces advantage for White people and chronic adverse outcomes for people of color. The concept of structural racism illuminates the reality that racism persists even without the intention of individual actors because it is embedded in the system. When the United States was founded, racist principles were codified in governance structures and policies. As a result, racism is embedded in institutions, structures, and social relations across American society. Today, structural racism is composed of intersecting, overlapping, and codependent racist institutions, policies, practices, ideas, and behaviors that give an unjust proportion of resources, rights, and power to White people while denying them to people of color.[22]

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