TRACKING FINANCIAL CAPABILITY

Identify and Prioritize Your Expected Outcomes

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CFED empowers low- and moderate-income households to build and preserve assets by advancing policies and programs that help them achieve the American Dream, including buying a home, pursuing higher education, starting a business and saving for the future. As a leading source for data about household financial security and policy solutions, CFED understands what families need to succeed. We promote programs on the ground and invest in social enterprises that create pathways to financial security and opportunity for millions of people.

Established in 1979 as the Corporation for Enterprise Development, CFED works nationally and internationally through its offices in Washington, DC; Durham, North Carolina; and San Francisco, California.

ABOUT BANK OF AMERICA CORPORATE SOCIAL RESPONSIBILITY

We have a clear purpose to help make financial lives better for those we serve. Our corporate social responsibility (CSR) efforts are a demonstration of how we live our purpose, and play a key role in our business strategy of responsible growth. These efforts guide how we operate in a socially, economically, financially and environmentally responsible way around the world, to deliver for shareholders, customers, clients and employees. One area of focus is the role we play to enable and promote financial empowerment, helping individuals and communities to thrive. We do this through the products we create, the education and resources we provide broadly to consumers, and the more personalized, hands-on opportunities we help enable through partnerships in our local communities. Through our partnership with non-profit online education innovator Khan Academy, we provide BetterMoneyHabits.com, a free education resource aimed at empowering people to be more confident in their financial decision making. The program pairs Khan Academy's expertise in online learning with our financial know-how to deliver unbiased and easy-to-understand information on a wide range of personal finance topics including budgeting, savings and credit. Learn more at **bankofamerica.com/about** and **BetterMoneyHabits.com**.

Financial capability programs aim to change the lives of their participants and improve the financial health of the larger community. Sometimes, however, it can be hard to know if a program is achieving its intended results and to demonstrate this impact to funders and policymakers. Identifying and measuring program outcomes can help you understand how well your program is working, identify areas for improvement and provide the evidence necessary to attract continued funding.

This guide is the first in a three-part series, **Tracking Financial Capability**:

Guide #1: Identify and Prioritize Your Expected Outcomes
Guide #2: Build Your Logic Model
Guide #3: Select and Collect Indicator Data

This series is designed for frontline organizations that plan to provide, or are already providing, services to help clients manage their financial resources more effectively and become more financially secure. The three guides in this series will help you establish processes to track your programs to ensure they are being implemented as planned and resulting in the outcomes you set out to achieve. These guides will help you clearly state up front what you hope to achieve as a result of these services, how you plan to bring about these changes in your clients' lives (as depicted in your logic model), and how you will collect data to track your progress.

An important part of program design is determining how to assess the program's effects on the clients and their community. Typically, we assess program effectiveness by measuring the changes in outcomes—the changes in the conditions of your clients, their families and their communities—that occur due to participation in your program. Developing and executing an outcome measurement plan can assist organizations such as yours[1] with:

- Focusing staff on shared goals.
- Communicating results to stakeholders.
- Clarifying your program's purpose.
- Identifying effective practices.
- Competing for resources.
- Keeping records.
- Making improvements to service delivery.

Outcomes are best identified during the program design phase and kept in mind throughout the design and implementation processes. They provide the basis for measuring the program's success in achieving its mission. High-quality outcome data will support your organization in making strategic

1 *Using Outcome Information: Making Data Pay Off* (Washington, DC: The Urban Institute, 2004). In an independent survey, 400 program directors of health and human services programs agreed or strongly agreed that outcome measurement assisted their organizations in these ways.

decisions on how to refine and improve your program, as well as to track the benefits of the program for your clients. This guide will assist you in identifying and selecting relevant outcome measures for financial capability programs by helping you to:

1. **Understand what financial capability outcomes are.**
2. **Identify desired financial capability outcomes for your clients.**
3. **Prioritize which financial capability outcomes to track.**

Step 1: Understand Financial Capability Outcomes

In general, outcomes are the state or condition of the clients and community that a program is trying to change. For financial capability programs, outcomes are the knowledge, skills, attitudes, behaviors and life conditions an organization hopes to influence within the population(s) they serve. Outcomes are related directly to your program's goals. For example, better financial skills, as measured by improved scores on a financial skills test or clients' improved credit scores, are examples of outcomes. Keep in mind that not everything a program measures is necessarily an outcome. The number of financial education classes offered is not an outcome because it describes a program's *output*; it's not an indicator of the change a program has made in a client's life. Program outputs are tangible products and services resulting from program activities. Program outcomes, on the other hand, are the benefits that participants realize as a result of using the outputs (program products and services).

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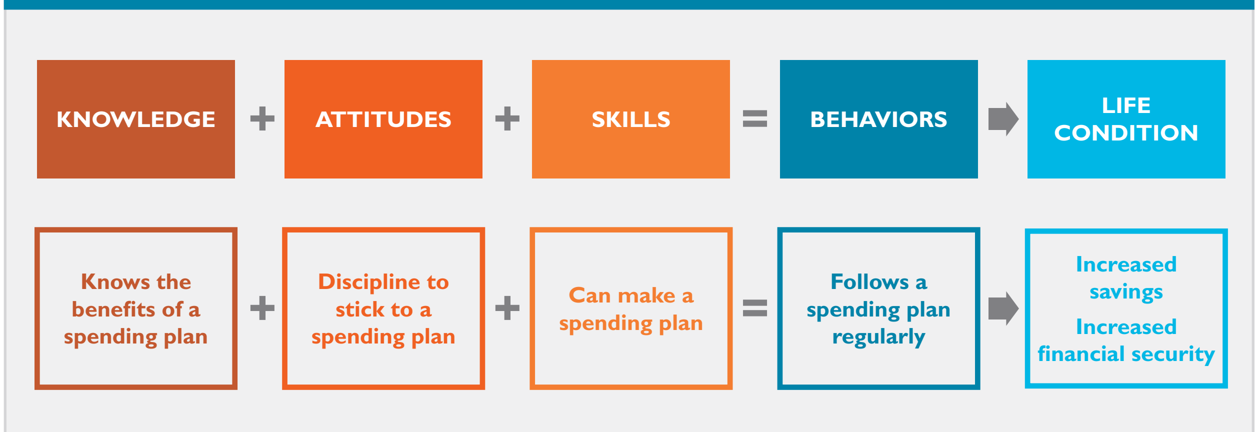
TIPS: Distinguishing Outcomes from Outputs

- Outputs relate to what the program does. Outcomes relate to what difference the program makes.
- Measuring outputs often involves counting (e.g., number of students taught, number of students completing a budgeting exercise, etc.).
- Outcomes always refer to characteristics that in principle could be observed for individuals or situations that have not received program services. Program outputs are only experienced by program participants (e.g., increased balance in savings account, increased trust in financial institutions, etc.).

Step 2: Identify Desired Outcomes for Your Clients

When thinking about what outcomes your program wants to focus on, it is very important to consider how your program is actually generating those outcomes. Recent research suggests that when it comes to improving financial capability, increasing people's financial knowledge is not enough. Changing people's financial behaviors requires financial knowledge, positive financial attitudes (e.g., believing it is important to save), and the situations or circumstances that make it easy to act. For example, having an understanding of personal finance concepts (e.g., learning about the benefits of using a safe and affordable bank account) often fails to significantly shift behavior because circumstances, rather than intentions, control many financial behaviors.[2] Programs that incorporate behavioral interventions—such as reducing the number of hassles a consumer has to go through to sign up for a financial service or framing messages to better appeal to them—may be more effective than those which focus solely on increasing the client's amount of knowledge on a specific financial topic.

FIGURE 1: Example of Financial Capability Outcome Process



Financial capability programs can affect a whole host of outcomes, from changes in the number of savings deposits to the use of insurance products, to improved credit scores. *Table 1* in the Appendix provides a sample list of financial capability outcomes. The list is organized by financial capability topic. The table includes six different subject areas that are commonly covered in financial capability programs. It is intended to serve as a general guide for thinking about what kind of outcomes could be expected as a result of providing different financial capability services.

As you identify your outcomes, check to make sure that they:

- Are **observable** and **can be measured** to determine whether change has taken place.
- Represent a potential **benefit** for the target population.
- Are **realistic** and **attainable** for participants.
- Can be sensibly claimed as something your program can **influence.**
- Are accepted as **valid** outcomes by your key stakeholders.

2 Michelle Bertrand, Sendhil Mullainathan and Eldar Shafir, "Behavioral Economics and Marketing in Aid of Decision Making Among the Poor," Journal of Public Policy & Marketing 25 no. 1 (2006).

Step 3: Prioritize Which Outcomes to Track

While you may want a program to influence a very broad set of outcomes, often it is not operationally feasible to measure all expected outcomes initially. A logic model can lay out your program's processes and connect them to your desired program outcomes in a reasoned way. (See the second guide in this series, ***Build Your Logic Model***.) Listing your outcomes as part of a logic model can help you to prioritize the most important ones for your program. The logic model allows you to easily see which short- and medium-term outcomes lead to the most important long-term outcomes. At the same time, you can select specific outcomes that best meet the criteria listed above.

There is no ideal or standard number of outcomes to select for a particular program. However, prioritizing outcomes and honing in on a few key ones is critical to creating an effective financial capability program. Particularly in the early days, focusing more narrowly and improving your program's ability to change a few specific outcomes may lead to greater impact than a broader, more diffuse strategy. Similarly, measuring a few key outcomes well will have more value for your program than measuring a larger number of outcomes poorly. Before finalizing your list of outcomes, ask yourself a series of questions to assess whether each outcome is important, reasonable and realistic. Refine your list based on the results. Before you finish, consider whether there are any potentially negative outcomes of your program and add these to this list to ensure that you watch out for them in your evaluation work. Then, make sure all the outcomes in your logic model can be linked to at least one output.

Looking Ahead: Building a Logic Model

Now that you have identified and prioritized outcomes, the next step is to build your logic model. (For more on logic models, see the **second guide** in this series.) As you create your logic model, you may want to revisit and further streamline your outcomes to guarantee that you will have a manageable and effective tracking program when you are finished. Developing logic models is often an iterative task which requires time and attention to detail in order to obtain good results.

In the third guide in this series, ***Select and Collect Indicator Data***, we will show you how to take your logic model and turn it into a rich set of data that can be used to assess how you are doing with your program, determine whether or not you need to refine your program, communicate your program's potential and lay the foundation for a formal impact evaluation.

Additional Resources

To learn more about identifying and prioritizing outcomes and about tracking finanacial capabilty in general, the following resources are helpful guides:

- **Handling Data: From Logic Model to Final Report** by Gail V. Barrington.
- **Evaluation: A Systematic Approach** by Peter H. Rossi, Mark W. Lipsey and Howard E. Freeman.
- **Enhancing Program Performance with Logic Models**, University of Wisconsin-Extension.
- **Finding a Yardstick: Field Testing Outcome Measures for Community-based Financial Coaching and Capability Programs** by J. Michael Collins.
- **Measuring Outcomes of Financial Capability Programs: Success Measures Tools for Practitioners**, NeighborWorks America.

Appendix

Table 1: Sample Financial Capability Outcomes by Financial Topics[3]

FINANCIAL CAPABILITY TOPIC	FINANCIAL CAPABILITY OUTCOMES				
	SHORT-TERM OUTCOMES			MEDIUM-TERM OUTCOMES	LONG-TERM OUTCOMES/IMPACTS
	Knowledge	Attitudes	Skills	Behaviors	Life Condition
Money Management	Participants: ✓ Knows how to access their credit reports. ✓ Know how to read and understand their credit reports. ✓ Understand how to manage debt. ✓ Understand compound interest. ✓ Understand what Annual Percentage Yield (APY) is.	Participants are: ✓ Confident in their ability to manage money. ✓ Believe that they are in charge of their financial futures. ✓ Confident in their financial security.	Participants are able to: ✓ Establish financial goals. ✓ Create a budget to manage monthly expenses. ✓ Track income and expenses.	Participants: ✓ Regularly use a personal budget to manage finances. ✓ Establish short-term and long-term financial goals. ✓ Track spending. ✓ Plan ahead financially. ✓ Comparison shop before making purchases. ✓ Put off discretionary spending.	Participants experience: ✓ Progress towards meeting financial goals. ✓ Improved credit scores. ✓ Reduced levels of debt. ✓ Fewer debts past due. ✓ Increased savings.
Financial Products & Services	Participants: ✓ Are aware of and understand available financial products and services. ✓ Know where to find information on financial products. ✓ Know the types of products and services provided by banks and credit unions. ✓ Know how to acquire financial knowledge before signing up for a new financial product.	Participants are: ✓ Comfortable using formal financial institutions (e.g., banks, credit unions).	Participants are able to: ✓ Calculate the cost of financial products. ✓ Select appropriate financial products for their needs. ✓ Open a savings account. ✓ Enroll in direct deposit.	Participants: ✓ Make regular deposits into a savings account. ✓ Calculate the costs of using financial products regularly. ✓ Avoid unnecessary transaction fees on a regular basis.	Participants: ✓ Spend less on financial services. ✓ Experience increased ownership of formal financial products.

3 Information about the dimensions of financial capability was drawn from NeighborWorks America, "Measuring Outcomes of Financial Capability Programs: Success Measures Tools for Practitioners," 2011.

FINANCIAL CAPABILITY TOPIC	FINANCIAL CAPABILITY OUTCOMES				
	SHORT-TERM OUTCOMES			MEDIUM-TERM OUTCOMES	LONG-TERM OUTCOMES/IMPACTS
	Knowledge	Attitudes	Skills	Behaviors	Life Condition
Credit & Debt	Participants: › Knows how to access their credit reports. › Know how to read and understand their credit reports. › Understand how to manage debt. › Understand compound interest. › Understand what Annual Percentage Yield (APY) is.	Participants: › Believe that building credit is important. › Are confident that they can reduce their debt. › Are not stressed about debt owed. › Are confident they can manage credit.	Participants are able to: › Access their credit reports. › Calculate their ability to repay a debt before acquiring a loan. › Improve their credit scores. › Select an appropriate loan from a range of credit products. › Compare APYs.	Participants: › Actively pay down debt on schedule. › Consistently use a cooling off period before taking on debt.	Participants have: › Improved credit scores. › Reduced levels of debt. › Established credit histories. › Increased access to credit. › Fewer debts past due. › Fewer accounts in collections.
Public Benefits & Tax Credits	Participants: › Are aware of available public benefits/tax credits. › Understand their eligibility for public benefits/tax credits. › Know about tax preparation options. › Understand how public benefits can help their financial situations.	Participants: › Are not anxious about filing taxes. › Feel comfortable using public benefits.	Participants are able to: › File their taxes for free. › Submit applications for public benefits.	Participants: › Regularly review public benefits/tax credits available to them.	Participants experience: › Decreased costs of tax filing. › Increased amount of tax credits received (e.g., Earned Income Tax Credit or Child Tax Credit). › Increased amount of tax refunds received. › Optimized public benefits portfolios.

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FINANCIAL CAPABILITY TOPIC	FINANCIAL CAPABILITY OUTCOMES				
	SHORT-TERM OUTCOMES			MEDIUM-TERM OUTCOMES	LONG-TERM OUTCOMES/IMPACTS
	Knowledge	**Attitudes**	**Skills**	**Behaviors**	**Life Condition**
Save & Invest	Participants: › Know the difference between appreciating and depreciating assets. › Understand features of available savings products. › Know the difference between stocks and bonds and other financial products. › Understand how to open a retirement or brokerage account.	Participants: › Are confident they can manage credit › Are confident to ask questions when selecting credit products. › Are confident in their ability to save. › Have the discipline to save regularly. › Feel calm about their ability to save. › Believe that saving is important. › Are confident that they can weather a financial crisis.	Participants are able to: › Identify long-term savings goals. › Open a savings account. › Set savings goals. › Identify short-term savings goals. › Calculate regular savings amounts in order to reach savings goals. › Open a retirement or brokerage account.	Participants: › Make regular deposits to savings accounts. › Save money for emergencies. › Have a short-term savings plan. › Have a long-term savings plan. › Evaluate asset goals annually. › Talk to a financial advisor. › Invest in a stock or a bond. › Track investment accounts.	Participants: › Increase amounts saved. › Increase their net worth. › Have sufficient savings to cover at least three months of basic living expenses. › Have savings for a specific long-term savings goal. › Manage brokerage or retirement account.
Consumer Protection & Insurance	Participants: › Know where to find consumer information on financial products. › Know their consumer rights. › Know where to find information on insurance products. › Know the types of products and services provided by insurance providers.	Participants: › Feel comfortable asking providers questions about their financial products. › Believe it is important to have insurance.	Participants are able to: › Research and evaluate consumer information on financial products before buying. › Purchase appropriate insurance coverage.	Participants: › Call a financial coach/counselor when worried about their finances. › Routinely seek information from credible sources on financial products. › Check terms and conditions before purchasing a financial product. › Report suspicious products to the CFPB.	Participants experience: › Increased amount of appropriate insurance coverage. › Increased ability to manage fluctuations in income. › Fewer costs due to fraud.

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