Financial Coaching: A New Approach for Measuring Effectiveness

July 7, 2015
12pm CST/1pm EST – start time
Webinar Control Panel Overview

Technical Difficulties

Please type in your QUESTION BOX to let us know if you experience technical difficulties at any point during the webinar. We may be able to assist you, or please call the GoToWebinar technical assistance line, toll free (855) 352-9003, and press 2.

Questions for Presenters

Please open the QUESTION BOX in your control panel to type questions for presenters at any point during the webinar.

The webinar moderator will select questions to ask during the Question and Answer Session.
The Asset Funders Network

AFN is a community of national, regional and community-based foundations and grantmakers who are strategic about using philanthropy to invest in economic opportunity and financial security for all Americans.

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<th>Mission</th>
<th>Desired Impact</th>
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<td>Increase the capacity of our members to effectively promote economic mobility by supporting efforts that help low- and moderate-income individuals build and protect assets.</td>
<td>Raise the visibility of and funding for activities that expand access to financial opportunities and strengthen communities.</td>
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Webinar Agenda

- Welcome, Setting the Stage and Introduction of Speakers
  Regina Salliey
  The Annie E. Casey Foundation

- Financial Coaching: A New Approach for Measuring Effectiveness
  J. Michael Collins
  Center for Financial Security at the University of Wisconsin, Madison

- Moderated Question and Answer Session

- Field Pilot of Financial Capability Scale: Reasons and Results
  Mae Watson Grote
  The Financial Clinic

- Moderated Question and Answer Session
Financial Coaching: Today’s Focus

Regina Salliey
The Annie E. Casey Foundation
Introduction of Presenters

Moderator
Regina Salliey, The Annie E. Casey Foundation

Presenters
J. Michael Collins, Center for Financial Security at the University of Wisconsin, Madison
Mae Watson Grote, The Financial Clinic

Regina Salliey  J. Michael Collins  Mae Watson Grote
Financial Coaching: A New Approach for Measuring Effectiveness

J. Michael Collins
Center for Financial Security at the University of Wisconsin, Madison
Financial Capability Field is Maturing

• All fields develop standardized measures
  o Health care, public health, nutrition
    • Ex. Outcomes per health care expenditure

• Financial Capability Still “in development”
  o Programs with personal finance component or economic self-sufficiency

• Having “yardsticks” will help define this field is…and what it achieves
Measuring as a Task

1. Measures we use all the time
   —Weight or blood pressure
     • Weight for monitoring heart function
     • Weight for competing in diet competition

2. Tests - use only sometimes
   —MRI or blood draw

• Both are important, but different purposes and uses
  —Likely we are more focused on frequent “all the time” type measures
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<th><strong>Pros</strong></th>
<th><strong>Cons</strong></th>
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<td>Self-Reported Survey</td>
<td>Can be collected in service delivery</td>
<td>Self-report bias; lack of cooperation, especially for follow-up—need incentives.</td>
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<td>Credit report/score</td>
<td>Widely used</td>
<td>Proprietary; 'thin' files; slow to change.</td>
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<td>Account balances</td>
<td>Directly observe behavior; validity</td>
<td>Very “noisy” snapshot; requires client consent</td>
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<td>Public records</td>
<td>Accessible</td>
<td>Low probability events; uneven reporting.</td>
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<td>Concept</td>
<td>Constructs Measured</td>
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<tr>
<td>Budgeting</td>
<td>Budgeting and planning are signals of having a future orientation about money</td>
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<tr>
<td>Goal Confidence</td>
<td>Subjective capability to engage in goal-focused financial behavior; signal of future orientation</td>
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<td>Auto Deposit/Save</td>
<td>Recognizing self-control failures and removing discretion is key to behavior change</td>
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<td>Emergency Fund</td>
<td>Anticipating contingencies signals capacity avoid economic hardships</td>
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<tr>
<td>Spending &lt; Income</td>
<td>Spending less than income is signal of paying attention to spending behavior</td>
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<tr>
<td>Late fee (none)</td>
<td>Signal of planning and paying attention; direct component of credit score</td>
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Financial Capability Scale

**USING THE SCALE & QUESTIONS**

1. Do you currently have a personal budget, spending plan, or financial plan?
   - Yes (1 point)  |  No (0 points)

2. How confident are you in your ability to achieve a financial goal you set for yourself today?
   - Not at all confident (0)  |  Somewhat confident (1)
   - Very confident (2)

3. If you had an unexpected expense or someone in your family lost a job, got sick or had another emergency, how confident are you that your family could come up with money to make ends meet within a month?
   - Not at all confident (0)  |  Somewhat confident (1)
   - Very confident (2)

4. Do you currently have an automatic deposit or electronic transfer set up to put money away for a future use (such as savings)?
   - Yes (1 point)  |  No (0 points)

5. Over the past month, would you say your family’s spending on living expenses was less than its total income?
   - Yes (1 point)  |  No (0 points)

6. In the last 2 months, have you paid a late fee on a loan or bill?
   - Yes (0 point)  |  No (1 point)

**Scale is out of 8 points total (Note last question is reverse coded)**

The FCS can be completed on paper or online in less than 4 minutes. As designed, clients can complete the FCS at the start of any program or service, and then complete the FCS again at a later date – at future appointments or sessions, or via a follow-up email or mailed survey.
This graph shows individual questions related to the FCS. At baseline only about half of people say they have a budget or financial plan, and a similar portion are confident they can achieve their financial goals. Less than 40% use automatic savings mechanisms and one-third have an emergency fund.

A similar share spends less than their income, and about two-thirds avoid late fees. With the exception of confidence in achieving goals, follow-up measures are higher on average than baseline. In some areas, notably budgeting, using automatic deposit and emergency funds, the follow-up measures are significantly greater. Spending less than income and avoiding late fees—behaviors that might be harder to control—show smaller differences.
Financial Capability Score Compared to Financial Stress

![Bar chart showing the comparison between Financial Capability Score (FCS) and Financial Stress, categorized into Low, Moderate, and High FCS levels. The chart indicates that Low FCS has the highest financial stress, followed by Moderate FCS, and then High FCS.]
Financial Capability Score Compared to Emergency Savings

for more FCS comparison graphs please visit: https://www.dropbox.com/s/enkzv30rgc1v8lj/GraphCombo.pdf?dl=0
What’s Next?

1. Build Measurement Capacity
   - Training & education
   - Developing systems

2. Deploy Technology
   - Software, web-based services

3. Practice: Fidelity, Consistency & Quality
   - Need “rules” (and enforcement)
   - Context/process, wording, mode, timing

4. Standardization & Aggregation
   - Across time, program and geography
Moving Forward

• No measure is perfect
  — Some measures are better than none
  — *Don’t let the perfect be the enemy of the good.*

• Balancing strategies for collecting data
  — Self reported data AND Administrative data

• Not about ‘Winners’ and ‘Losers’
  — Measures are complements not substitutes
  — Expect constant improvements and refinements
Additional Resources on the FCS:

- [http://fyi.uwex.edu/financialseries/2015/02/12/the-financial-capability-scale/](http://fyi.uwex.edu/financialseries/2015/02/12/the-financial-capability-scale/)
- [http://fyi.uwex.edu/financialcoaching/measures/](http://fyi.uwex.edu/financialcoaching/measures/)
Please open the question box in your control panel to submit questions.

Note, due to time and topic constraints, all questions may not be addressed, but we endeavor to address each question.
Field Pilot of Financial Capability Scale: Reasons and Results

Mae Watson Grote
The Financial Clinic
MISSION: Building financial security

SCALE
Clinic’s 54 financial coaches
Clinic coaches have worked at 67 sites across New York City and Newark
Trained 260 organizations across the country

MODEL

IMPACT
Data-driven
Rigorously evaluated

VISION: A nation where everyone is financially secure

Outcomes-focused
The Financial Clinic’s Outcomes Framework

**Goals**
Achieve Action-Driven Goal

**Assets**
Save Consistently

**Banking**
Decrease the Cost of Financial Transactions

**Credit**
Improve credit score

**Debt**
Decrease Debt

**Taxes**
Save a portion of the tax refund for a financial goal
Clinic Outcome Evolution: Yesterday, Today, and Tomorrow

Financial Outcomes (ABCDTG)
Cash Value
Qualitative influence on well-being
Financial Capability Scale
FCS Pilot Results

2,337 initial surveys; 109 follow-up

For initial survey (n=2,337):
3.69 average score

For those with follow-up scores (n=109):
1.4 average score increase after 6 months

Stages
- Phase I: hard copy
- Phase II: online platform integration
Preliminary Takeaways

• Less than 20% of the customers who came in to work on savings have paid late fees in the last 2 months, compared with 40% of all other customers.

• Customers coming in with housing issues or bankruptcy are scoring the lowest in almost every area.

• Women are scoring higher than men in budgeting and savings, but are scoring lower in sufficiency.

• All major demographic groups have seen an increase in average score from the baseline to the 6-12 month follow-up. Almost 70% of customers taking the follow-up survey are female and their scores are increasing by an average of 1.51 points.
Correlation between Outcomes Achieved and Change in FCS Scores

The graph shows the correlation between the change in FCS scores and the average outcomes achieved. The x-axis represents the change in score, categorized into different ranges (-5 to -4, 3 to 2, -1 to 0, 1 to 2, 3 to 4, 5 to 6). The y-axis on the left shows the average outcomes achieved, and the y-axis on the right indicates the number of follow-up surveys. The line graph illustrates how the number of outcomes achieved and follow-up surveys vary across different score changes.
Q & A Session

Moderator
Regina Salliey, The Annie E. Casey Foundation

Presenters
J. Michael Collins, Center for Financial Security at the University of Wisconsin, Madison
Mae Watson Grote, The Financial Clinic

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Thank you for attending today's webinar.

Please fill out our survey

The survey will pop up on your screen momentarily, and will also be sent to you via email – we value your time, and the survey will inform our future webinars.

Your feedback is greatly valued by AFN - thank you!
Asset Funders Network

What’s next?

Asset Funders Network provides a unique and vital space where funders gather in-person or virtually to share ideas, best practices, and gather input to maximize our resources and share progress.

Visit our website to learn more about in-person convenings, webinars, and resources Asset Funders Network seeks to increase the capacity of grantmaker members to effectively promote economic security by supporting efforts that help low and moderate income households build and protect assets.

To learn more about the Asset Funders Network, please visit assetfunders.org
Thank you for attending today’s webinar.

The Webinar has concluded.

Please look for an email with a link to resources mentioned in the presentation, webinar recording, and slideshows.