Asset Funders Network

FINANCIAL COACHING

AS AN ASSET BUILDING STRATEGY

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Coaching is no longer reserved for sports teams. Today, people are looking for excellence and turning to coaches to improve their health, their career and their finances. A coach can see what a client cannot. Just like fitness coaches hold their clients accountable for their diets and exercise, finance coaches hold their clients accountable to sound financial management, providing them the guidance, support and motivation needed to reach their financial goals.

Financial coaching is a promising strategy to help people improve their financial well-being. Practitioners are turning to coaching strategies to better facilitate behavior change as opposed to the disappointing results often found when only financial education or financial access programs are introduced.

WHAT IS FINANCIAL COACHING?

Financial coaching is an application of techniques emerging from research in positive psychology. Coaching methods have been applied in areas such as physical and mental healthcare, management and career planning. A key assumption in financial coaching is that a client is creative and resourceful yet may need assistance in tapping into those positive attributes. Typically a coach works with a client to zero in on a behavior or behaviors to improve upon. The focus is on performance gains driven by the goals of the client. Unlike a counselor who helps *solve* problems, the coach provides a structure for clients to develop their own solutions. In the long run, coaching helps people develop skills and behaviors they can improve upon independently.

FUNDERS' OPPORTUNITY TO INVEST IN FINANCIAL COACHING AS AN ASSET BUILDING STRATEGY

Financial coaching is a growing area and one of great interest in the asset building field. It shows promise in helping people build financial capability and assets by learning to set financial goals, adhering to their goals with oversight and monitoring and gaining confidence to problem solve.

Funders are essential in helping meet the emerging needs of this new field. Grantmaking opportunities for funders include:

- Convening practitioners to learn about the approach
- Supporting regional trainings
- Setting and promoting standards for financial coaching
- Funding coaches and coaching programs
- Collaborating on evaluation efforts

3 KEY ROLES OF A COACH

1 **EMPOWER CLIENT TO SET OWN GOAL**

- Implementation intentions

2 **HOLD CLIENT ACCOUNTABLE**

- External monitor
- Practice self-control

3 **FOCUS ATTENTION ON BEHAVIOR**

- Maintenance and feedback

THE COACHING DIFFERENCE

Financial coaching is simply an application of coaching techniques designed to develop a client's capability to manage their own finances and sustain economic security in accordance with their self-defined goals. The coach helps the client set goals, define the short- and intermediate-term steps to achieve the goals, form specific intentions to implement steps toward those goals and then monitors the client and provides feedback on performance. Unlike a counseling model, the coach does not have to be an expert on financial issues, but does need to have skills in active listening, motivational interviewing and performance monitoring.

The figure below shows the comparison between financial coaching, financial counseling and financial planning. Each has a specific function for participants, but different roles in terms of length of service, service delivery process, techniques and content. Any one client may need counseling or planning assistance at various points in their financial lives. Coaching is another, complementary approach, used to help clients develop their ability to achieve their financial goals.

ROLE	FINANCIAL COACHING	FINANCIAL COUNSELING	FINANCIAL EDUCATION	FINANCIAL PLANNING OR CONSULTING
LENGTH OF ENGAGEMENT	More than 2 regularly scheduled sessions	One-time session; often "drop-in"	One or two set sessions	One or two scheduled sessions
CLIENT STATUS	Client stable* but seeking improvement	Client in crisis*	Client stable but seeking specific information in identified area	Client stable but seeking prescriptive advice for improvement
OBJECTIVE OF SESSIONS	Client defined	Counselor defined	Client defined topic with educator teaching information	Client defined goals with planner defined plan
TERMINATION	Planned; client can form and achieve goals independently	Ad hoc; often ends with initial session/restarts with next crisis	One or two set sessions	Planned to end after one or two sessions
DIALOGUE	Active listening and carefully directed questions to guide self-reflection	More didactic and prescriptive	More didactic, prescriptive, and typically with a set topic identified	Analytical, technical and prescriptive
MONITORING/ SELF-CONTROL	Follow up and accountability are explicit and planned for each session	Ad hoc; general assumption is client will follow through on intentions	Client chooses what to do with information and carries out actions independently	Task-oriented documents created by planner for client to carry out independently
FINANCIAL CONTENT/ TOPICS	Money management, savings, spending, credit, planning	Money management, savings, spending, credit, planning, legal/tax issues	Money management, savings, spending, loans and debt, credit, education and retirement planning	Money management, tax, risk, small business, investment, retirement, education planning
REFERRALS AND ADVOCACY	Client responsible for own advocacy; referrals common but passive	Referrals common and active (calls placed; appointments made); may take advocacy or mediation role on behalf of client	Referrals for additional information and relevant services provided for clients to act upon	Provide tools and information for clients to act upon

***Stable:** *a person who is not struggling with critical financial issues, but is interested in making improvements to his or her financial situation.*

***In Crisis:** *a person who is facing social, physical, mental or financial problems that require direct counseling and intervention due to the severity of their situation.*