

January 2013

Financial coaching is a solution-focused approach to working with individuals to improve their financial capability. Coaches are not counselors, but rather facilitate a structured dialogue in which participants establish their own goals. The coach then introduces accountability for achieving those goals. Financial coaching is not a replacement for financial education, counseling, legal or tax advice, or access to financial products and services. Coaches generally do not offer technical information or provide advice. Key elements of coaching include:

- Self-actualized goal attainment,
- Accountability and reinforcement of self-control, and
- Time-bound collaborative relationships.

The following are ‘best practices’ derived from the literature on coaching psychology and insights offered by coaching practitioners. These practices apply to both volunteer and paid coaches:

- 1) **Set Expectations.** The first session must clearly explain the process and objectives of coaching, and establish a trusting coach-client relationship. Clients should understand how coaching differs from other types of programs and their responsibilities.
- 2) **Make Referrals.** Coaches cannot provide therapy and are obligated to connect clients to appropriate services if a client is in distress or at risk in any way. Coaches must be familiar with community resources and know when to make referrals, including referrals to mental health professionals.
- 3) **Never Endorse Products or Services.** Coaches must not recommend or suggest that participants use a specific financial product or service, regardless of perceived quality or lack of a conflict of interest. The client must trust that the coach is establishing a relationship that puts the responsibility of product search on the client.
- 4) **When NOT to Coach.** When appropriate, coaches can ask participants’ permission to step outside of the coach’s role in order to provide information or guidance, especially related to issues that may involve legal or serious financial outcomes.
- 5) **Challenge.** Although coaches do not make value judgments about participants’ goals, this does not mean that coaches play a passive role in clients’ goal formation. Work with participants to set goals that are both challenging and specific, and hold them accountable to those goals.
- 6) **Seek Supervision.** Maintain participants’ confidentiality, but speak to other coaches when questions arise. An experienced coach can help you reframe discussions in ways that benefit clients.
- 7) **Work Over Time.** The coaching process is designed for working with clients over time, rather than through one-time engagements. Coaching without longer-term accountability is not coaching.
- 8) **Be SMART: Specific, Measurable, Aggressive, Realistic and Time Bound.** Develop at least one SMART goal during each coaching session with a precise plan for how and when follow-up will occur. End each coaching session by scheduling the next session and setting up a specific plan for follow-up and communication until then.
- 9) **Stay Organized.** Use a coach’s log to track clients’ progress over time.
- 10) **Listen Actively.** Coaches must be insightful listeners who help clients think ahead and critically. A coach does not tell clients what to do but helps clients learn about themselves. A coach must be willing to tolerate ‘dead air’ or silence; these opportunities allow clients to reflect and learn. Resist the temptation to talk too much.