

Getting it Right: Promising Practices for Financial Capability Programs

A learning series from the Financial Capability Demonstration Project



Citi Foundation



THE FINANCIAL CAPABILITY APPROACH

In the post-recession economy, community-based organizations, nonprofits and government service providers have recognized the need to expand and take a new approach to the financial programs and services they offer their clients. The assumption that consumers will make better financial decisions just because they have more financial knowledge is being challenged. Practitioners across the country have been increasingly voicing a need to move their clients beyond financial literacy, as they are seeing that increased financial education alone does not necessarily result in long-term changes in financial behavior.

To help close the gap between financial literacy and long-term financial security, in 2010, the Citi Foundation initiated a major partnership with NeighborWorks® America, the Financial Capability Demonstration Project, designed to study the best ways to establish and sustain effective financial capability and coaching programs for low- and moderate-income consumers. Over a two-year period, the partnership provided grant support as well as training, technical assistance, peer learning, and evaluation services to a selected group of 30 nonprofit organizations across the nation that were initiating new, or expanding existing, financial coaching programs.

A Financial Capability Approach offers consumers the opportunity to put their financial education into financial action through education, counseling and financial coaching that will help them adopt new, long-term, healthy financial behaviors. The goal is to help people achieve their personal financial goals and make sound financial decisions that will help them build and preserve their assets over their lifetimes.

This brief presents successful models for community-based organizations to integrate financial coaching services into their existing programs. It takes into account not only organizations' capability and resources, but also the readiness of clients to enter into services. It discusses the importance of well-defined policies and procedures, including choosing and assessing clients, and clearly defining and communicating program parameters to increase client engagement and retention.

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THE ROLE OF FINANCIAL COACHING

Financial coaching supplements the services community-based organizations offer to help low- and moderate-income individuals increase their ability to make financial decisions that contribute to long-term stability and financial prosperity.



The aim of coaching is to help people change behaviors in order to achieve their personal financial goals through an extended relationship with a coach.



Financial coaching does not replace traditional services (like financial education classes and workshops), but builds on these services by putting the knowledge and skills learned into action.



Financial coaching is different from financial counseling. Financial counseling provides specific information and guidance, usually driven by a counselor, to resolve a specific problem. Financial coaching gives consumers control by teaching them to outline specific financial goals and hold themselves accountable for achieving those goals.

Coaching can be seen as a tool that expands the range of financial programs offered by organizations, helping them achieve better results for committed participants.

KEY LESSONS OF THE FINANCIAL CAPABILITY DEMONSTRATION PROJECT

The Financial Capability Demonstration Project showed what it takes to launch, enhance, evaluate, and increase the scale of financial coaching programs nationally. The project offers promising models for organizations looking to effectively integrate financial coaching into their own financial capability programs.

The 30 participating organizations represent a cross-section of leading nonprofits working in the financial capability field. They varied in size, staff capacity, geography, target populations, mission focus, and types of services offered. This diverse group used many different strategies to develop and implement financial coaching and demonstrated that coaching can be both flexible and dynamic, adapting to programs of varying size and capacity. Coaching services can be provided as an independent, stand-alone program or can be tailored to fit smoothly into an organization's existing programs.

PROVEN APPROACHES TO INTEGRATING FINANCIAL COACHING SERVICES

Because community-based organizations are as diverse as the consumers they serve, there is no one definitive way to implement coaching services. Organizations should take a flexible approach that supports their mission, matches their resources and strengthens their existing service offerings. Organizations should understand the range of approaches that have been used to successfully integrate coaching services and choose an approach that is both aligned with available resources and works to meet the needs of its clients.

While many consider one-on-one financial coaching to be the best model, the demonstration project revealed that there are many different, but equally successful ways to deliver coaching services:

- **Coaching as a separate, stand-alone service:** The HomeOwnership Center at The Unity Council, in Oakland, CA represents the organizations that developed separate programs to provide one-on-one financial coaching. The Unity Council's program was designed to complement its existing intensive financial capability offerings, drawing clients from individual development account (IDA) programs and financial education, homebuyer, and foreclosure intervention workshops. It provides up to ten hours of individual coaching per year for up to two years.

The addition of a financial coaching program allowed the Unity Council to greatly expand the services it offers and to bring its clients closer to achieving their financial goals. Financial education courses provide clients with knowledge, basic skills, and self-confidence. Then, through one-on-one sessions, Unity Council's financial coaches help clients refine their skills and take steps to put this knowledge into practice, helping them chart a realistic path for realizing their financial goals.

- **Integrating coaching into an existing program:** Many organizations implemented coaching as a new service within an existing program. For example, Asian Americans for Equality (AAFE) in New York City determined that financial coaching would be a natural complement to its existing homeownership IDA program. AAFE staff continues to provide basic financial education and resources as people enter the program, but coaching empowers clients to control the process by allowing them to define personal goals. Coaches guide clients through creating action plans for achieving their savings goals, developing a budget, tracking spending and identifying opportunities to reduce expenses to free up money for saving. Coaches then work to help clients keep track of their progress and remain accountable to their goals. AAFE reported that having clients take ownership and responsibility for the success of their savings goals was both motivational and empowering.

- **Fully integrating coaching approaches across multiple programs:** A small number of organizations decided that financial coaching should be fundamental for all client interactions in all of their programs. They were willing to make the investment in training and supporting staff to make this transition possible.

For example, Mission Economic Development Agency (MEDA), in San Francisco, determined that the most successful strategy for its organization was to integrate coaching into all of its asset development services. MEDA includes financial education in its self-employment, business development, homeownership, and foreclosure prevention workshops, and then offers clients one-on-one coaching sessions. Tax preparation and benefits screening clients can also participate in financial coaching. Direct service staff also use coaching when working one-on-one with their clients at key points in their counseling sessions. MEDA felt that this model helped its clients become self-advocates to advance their financial security.

Community Housing Works (CHW) in San Diego offers another example of full coaching integration. After training its entire staff in financial coaching approaches, CHW developed a Financial Health Club that help clients reach their housing or financial goals by giving them access to all CHW programs applicable to their needs. CHW also revamped its financial education classes to incorporate coaching approaches and developed a new partnership to offer individuals career coaching.

ORGANIZATIONAL STRATEGIES FOR PROGRAM DESIGN

When organizations decide to incorporate financial coaching into their programs, there are a number of things they need to consider. Staff capacity, organizational resources, client readiness and client flow should be evaluated. Successful integration of coaching services requires dedication of staff and other resources at all levels of the organization and these resources should be carefully considered before deciding how coaching can be integrated. Clients come to an organization at all levels of financial capability and the method of assessing client needs and skills and the route to guiding them to the right program should be clear. Financial coaching is an adaptable service that can be delivered as a separate, stand-alone program or integrated into existing programs; either way, the goal is always to ensure that services work together and support each other in order to best serve the needs of their clients.

ASSESSING ORGANIZATIONAL CAPACITY

Other organizations such as Capital Area Asset Builders (CAAB) in Washington, DC, sought alternative ways to offer coaching that could fit with their available resources. They initially offered one-on-one coaching, but tight resources limited the program size. During the demonstration project, CAAB found that group coaching was a promising way they could meet the increasing demand for coaching with more modest resources. This approach utilizes peer support and accountability to help participants stay on track to reach their financial goals.

The demonstration project also showed that coaching services can be introduced incrementally to align with an organization's resource and staff capacity, readiness, and client needs. Organizations such as MEDA and CHW chose to use coaching as a foundation service for all of their clients. These experienced organizations invested heavily in staff training, and reoriented all of their policies, procedures, and program curriculum to support the coaching model.

COMMITMENT IS A PREREQUISITE FOR PROGRAM SUCCESS

From managers dedicating resources and developing programs to front line staff embracing training opportunities and changing the way they work with clients, the demonstration project showed the important roles that staff and leadership play in establishing and sustaining effective financial coaching programs. Programs without a clear level of commitment and coordination throughout the organization had more difficulty sustaining or expanding their efforts. The following examples highlight ways of fostering commitment across an organization:

- **Engage staff to secure buy-in:** The Financial Clinic in New York City actively involved its staff as it developed an online coaching toolkit. The organization used staff meetings to keep employees informed about each stage of the toolkit's development and provided staff members with the opportunity to offer suggestions and identify gaps in the coaching strategies.
- **Educate all levels of the organization:** The YWCA of Dallas focused on cross training to make sure that the organization supported a "coaching culture." It educated staff, volunteers and board members to ensure that a consistent coaching approach was used, and offered training to orient non-coaching staff. Volunteers were also trained to increase the influence of coaching in their client interactions. Presentations to the YWCA board clearly communicated how and why the organization was implementing a financial coaching program.
- **Incorporate coaching into staff training:** The Latino Community Credit Union (LCCU) in Durham, NC, incorporated coaching concepts into its leadership development-training program. This was particularly useful in helping managers and leaders motivate and engage employees by giving them responsibility, recognizing performance, working with their strengths, setting more realistic and measurable goals, and identifying opportunities for professional development.

Ensuring Well-defined Policies and Procedures

Clear protocols are essential to ensuring quality control, efficiency and client engagement and retention. Introducing financial coaching services requires a careful consideration of existing policies and procedures related to client flow and program parameters. Because coaching requires longer-term engagement and communication with the client, it must be structured with a clear understanding of the organization's available resources. The following examples highlight the types of policies and procedures that were used during the demonstration project to support new ways of offering financial coaching:

- **Assessing client readiness:** Participating organizations developed different rationales and approaches for selecting clients to receive coaching services. YWCA of Dallas determined that participants who have a steady income stream would be the best candidates for coaching. They felt they would be more likely to implement concepts and tools and take advantage of additional services offered by the organization. Latino Economic Development Corporation (LEDC) in Washington, DC decided to target participants who are not in crisis and who volunteer to participate in financial capability programming. On the other hand, Cabrillo Economic Development Corporation in Ventura, CA, felt that people in crisis could benefit from some specific coaching services. They felt that while a full blown coaching approach was not suited to deal with clients in crisis, a crisis situation did offer an opportunity to introduce coaching as a means to address the underlying causes. All organizations required coaching candidates to have a clear grasp of basic financial skills, such as saving and budgeting. Candidates who had knowledge gaps were offered financial education programs within the organization to prepare them for coaching sessions.
- **Client flow:** Understanding how clients will enter the coaching program and what bridges exist with other programs is critical. For example, The Neighborhood Developers (TND) in Chelsea, MA, offers financial coaching as part of its CONNECT program: a collaboration of six organizations offering an integrated model of providing clients with employment, housing, and asset-building supports. TND recruits its coaching clients through each

of the CONNECT program areas. Free coaching is available for anyone interested in bundled services, with monthly orientation sessions to explain how the coaching program works. The coach helps clients identify the program support services that can help them achieve specific goals.

- **Program parameters:** Defining the structure, cost, duration, and frequency of coaching services was critical to program design for all organizations. Most organizations in the demonstration project established free coaching programs that lasted from six to 12 months. Conversely, several of the organizations chose a fee for service model, where clients were charged a small upfront fee in order to be able to enroll in the coaching program. For these organizations, the fee structure provided a small source of revenue and a means of helping to ensure buy-in and commitment from the client.

While the number of coaching sessions and the method of client engagement varied, many organizations felt six sessions were needed to fully engage in the coaching process. All organizations felt it was important for the initial coaching sessions to be in-person, but a variety of methods were used for follow-up sessions and reporting progress, including phone, email, and text message. These alternate methods of keeping clients interested and accountable required less time from the coach and had some advantages in terms of client retention rates. Programs that kept clients engaged in the coaching process for ten months or longer were more likely to help clients increase their credit scores.

In the Unity Council example, program parameters are clearly defined. Its financial coaching program offers up to two years of coaching through an initial coaching period of six months and optional additional three to six-month engagements. Clients must participate in a coaching session at least once a month; each session ranges in length from 45 to 60 minutes with the initial coaching discovery session lasting up to 90 minutes. Additionally, optional quarterly group coaching sessions in person, by conference call, or by webinar supplement individual coaching. Coaching clients also have access to other social services and support professionals on a sliding scale fee basis.



PROMOTING EFFECTIVE CLIENT OUTREACH AND ENGAGEMENT

It is critical that clients fully understand program parameters. To increase engagement and retention, financial coaching programs must involve clients in active, self-directed ways. From their first interaction, clients are expected to make a strong commitment to participating in the coaching process, and this requires embracing a new way of thinking. They are asked to identify financial goals and hold themselves accountable for working toward those goals. This is a major shift for clients who are more accustomed to traditional approaches in which the counselor offers solutions to their financial issues. Many organizations reported that clients were confused, or even put off, by coaching expectations if they were not clearly communicated at the beginning of the coaching relationship.

Practitioners reported that the following communication methods helped to keep clients engaged: a written “coaching agreement” for clients to sign, a formal orientation session using visual media, and “scholarship” applications for enrollment. Effective communication practices included:

- **Clarifying client’s expectations:** AAFE found that clarifying expectations proved very valuable in overcoming the minor resistance they were sensing from clients. The concept

of financial “coaching” was new to most of its clients and some felt uncomfortable being pushed to control the process. AAFE addressed this issue by using marketing and communications materials to better explain the nature of the coaching relationship, the parameters of the coaching program, and the expectations for potential participants. These materials, used for recruiting and in all orientation sessions, kept clients informed and involved. They also helped determine which individuals were not yet ready to make a commitment to a coaching program and, where appropriate, direct them to other available programs.

- **Creating coaching contracts for clarity and commitment:** Numerous organizations found that providing a written document outlining the details of the program, parameters of the coaching relationship, and the obligations of the client was very useful for clarifying expectations. These documents, typically called “coaching contracts” or “coaching agreements” are presented at an orientation or initial coaching session where the document is explained and executed. Templates for these agreements are included in NeighborWorks Financial Capability Training courses.

PARTNERSHIPS AND COLLABORATION

Strategic partnerships can be critical in maximizing success. Several organizations found that partnering with other organizations allowed them to maximize resources, stretch dollars, and expand exposure in their local market. Organizations used existing relationships and sought out new ones to more effectively implement their financial capability programs. Examples of partnerships include:

IMPROVING MARKETING TO ATTRACT BETTER-PREPARED CLIENTS:

The Urban League of Broward County (ULBC) in Fort Lauderdale, FL, used strategic partnerships to help attract better-prepared participants to its financial coaching program. Previously, ULBC relied on word of mouth marketing but found that some clients enrolled through that approach were not ready to invest the effort required by a coaching relationship. To recruit better-prepared clients, ULBC started educating referral partners on the benefits of financial coaching and hosting “Meet & Greet” sessions with funders and other community agencies to share the requirements and goals of the financial coaching program.

CREATING A JOINT SCHOLARSHIP OPPORTUNITY

The Cabrillo Economic Development Corporation's NeighborWorks HomeOwnership Center (HOC) in Ventura, CA created a partnership with the Housing Authority of the City of Buenaventura to launch a financial coaching program called Creating a Stable Home (CASH). Though this partnership, the organization developed a “scholarship” opportunity and worked jointly with the Housing Authority to attract participants. The “scholarship” allowed 25 participants to enroll in a free comprehensive set of services over a 12-month period to help them increase their financial knowledge and confidence, and work toward healthy financial behaviors. Behavioral goals included reducing debt, increasing savings, increasing credit scores, and increasing net worth by purchasing an asset such as a home, small business, or post-secondary education. The CASH program included a financial education course, a homebuyer education workshop, quarterly savings club meetings, one-on-one financial coaching sessions for one year, credit report review, and a savings requirement of at least \$300.

CONCLUSIONS

Through multiple levels of engagement, NeighborWorks America and the participating organizations in the Financial Capability Demonstration project, gained a clearer sense of what it realistically takes for organizations to successfully design and implement successful financial coaching and capability programs in terms of program models, strategies for program integration, client outreach and engagement and how to best partner and collaborate to maximize resources.

Financial coaching represents a different approach to clients and program delivery than is found in education classes or housing, foreclosure intervention or credit counseling. It requires a careful, strategic approach to program design and integration. However, when coupled with financial literacy and counseling services, financial coaching allows organizations to serve clients with a range of services that not only build financial knowledge, but also helps clients to develop financial behaviors that foster long-term financial security.