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Financial Coaching: Advancing the Field to Better Serve Consumers

A Report on the CFPB's 2017 Financial Coaching Symposium



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1. Introduction

The Consumer Financial Protection Bureau is an independent federal agency built to protect consumers. We write and enforce rules that keep banks and other financial companies operating fairly. We also educate and empower consumers, helping them make more informed choices to achieve their financial goals. Part of CFPB's mission is to provide the public with the information, steps, and tools that can help them make informed financial decisions. The Office of Financial Empowerment, part of the Consumer Education and Engagement division, focuses its work on supporting economically vulnerable consumers. In order to build strong financial futures, consumers need access to a fair and inclusive marketplace, information about choices in the marketplace, and knowledge and tools that enable them to make informed financial decisions for themselves and their families.

Financial coaching is a method in which trained financial coaches work collaboratively with clients to help them establish and reach their personal financial goals. A trained financial coach can serve as a capable and trusted guide to help a person navigate financial decisions. The field of financial coaching was formed about a decade ago. Since then, financial coaching programs have grown through a variety of service-delivery models.

The CFPB convened the Financial Coaching Symposium in April 2017. Financial coaching leaders, researchers, and funders from across the country came together to discuss strategies to ensure the delivery of high-quality financial coaching services that help consumers achieve greater financial well-being. The Symposium was held on the University of Wisconsin-Madison campus with the in-kind support of its Center for Financial Security. This report summarizes the principles and next steps highlighted during the 2017 Financial Coaching Symposium.

1.1 Background

The CFPB has both studied and contracted for the provision of financial coaching. In May of 2015, the CFPB launched a Financial Coaching Initiative. The Initiative placed sixty financial coaches in existing local service delivery programs across the country.¹ Forty of the selected sites worked directly with veterans transitioning from military to civilian life and twenty sites serve economically vulnerable consumers. These populations can face complex financial decisions that have far-reaching impacts on their lives. However, they often lack access to unbiased financial information or to experienced, professional financial mentors. Financial coaches provided through the CFPB Financial Coaching Initiative are trained as accredited financial counselors and as financial coaches. They are deployed to a diverse set of non-profit and government host sites to provide free services. Since the launch of the Initiative, financial coaches have served over 12,000 people through over 26,000 sessions.

As an emerging field, in-depth studies of the impact of financial coaching are critical to broader adoption. In order to help address this gap in research, the CFPB commissioned a study, conducted by the Urban Institute, to identify the impact of financial coaching services on consumers with low and moderate incomes.² Using a randomized control trial design, the study was the first fully causal assessment of the impact of financial coaching.³ A companion publication from the CFPB provides a more detailed description of the financial coaching

¹ The host sites were selected by the CFPB, in partnership with the Department of Labor, after a nationwide search. The sites include various nonprofits, as well as Department of Labor American Job Centers.

² Urban Institute was selected to conduct this study through a competitive contracting process.

³ CFPB, *Financial Coaching: A Strategy to Improve Financial Well-Being*, (October 2016), available at <https://www.consumerfinance.gov/data-research/research-reports/financial-coaching-strategy-improve-financial-well-being/>.

programs that participated in the study as well as key findings and implications for practitioners about the factors of effective coaching identified through the study.⁴

The 2017 Financial Coaching Symposium adds to this body of knowledge. The Symposium provided a platform where leaders, researchers, and funders could identify insights across financial coaching programs and shape plans for the future of the field. During the Symposium, researchers and financial coaching experts discussed the progress made in recent years; and future priorities for research, funding, and ensuring the quality of financial coaching services. Participants developed lists for:

- Competencies that financial coaches should have to provide quality services to clients
- Key elements of successful financial coaching services
- Research needs that the field should address to understand and increase the impact of financial coaching on people's lives

This report shares the results of these conversations, as well as key principles that participants highlighted throughout the Symposium.

⁴ CFPB, *Implementing Financial Coaching: Implications for Practitioners*, (October 2016), available at <https://www.consumerfinance.gov/data-research/research-reports/financial-coaching-strategy-improve-financial-well-being/>.

2. What we know about the value of financial coaching

There is currently a small body of research about financial coaching.⁵ At the Symposium, participants reviewed three key studies that have been undertaken in recent years. One study conducted by The Economic Mobility Corporation was an impact evaluation of the Local Initiatives Support Corporation's (LISC) Financial Opportunity Centers.⁶ These Centers have an integration model in which clients receive one-to-one financial coaching services in addition to employment and income support services (such as health insurance and earned income tax credit enrollment). The study covered a length of six years in five locations to examine how services from Financial Opportunity Centers changed participant outcomes. The study found that people who received both employment and financial coaching services were significantly more likely to be employed year round, improve their credit scores or credit visibility, and were less likely than comparison group members to have any debts unrelated to asset accumulation, such as medical or legal debts, child support arrears, or back taxes. In addition, in many cases, longer financial coaching engagements further improved participants' results. But the study also

⁵ University of Wisconsin, Center for Financial Security, *Financial Coaching: Review of Existing Research*, (March 2017), available at <http://fyi.uwex.edu/financialcoaching/financial-coaching-review-of-existing-research/>.

⁶ Anne Roder, Economic Mobility Corporation, *First Steps on the Road to Financial Well-Being: Final Report from the Evaluation of LISC's Financial Opportunity Centers*, (Sept. 2016), available at <http://www.lisc.org/our-resources/resource/liscs-financial-opportunity-centers-surpass-other-programs>.

found that there were no sustained positive impacts on income earned confirming that further focus on this area of work was needed. The LISC study provided key insights on how integrated financial services can support financial stability for participants and also boost the impact of other services.

The second study is a Cities for Financial Empowerment Fund (CFE Fund) study of five Financial Empowerment Centers that integrate professional Financial Counselors into city and nonprofit service programs.⁷ The study showed that people who received financial counseling services, despite having very low incomes and disproportionately high housing costs reduced debt, increased savings, established credit records and scores, improved their scores, developed a relationship with banks for people who were unbanked, and moved to more affordable and secure accounts. In addition to these financial outcomes, the study reinforced findings from the LISC study that showed that follow-up sessions were valuable, with more sessions leading to better outcomes for people. Another finding that echoed the LISC study is that having financial services also helped partner organizations reach their program outcomes, such as helping people find and maintain housing. The study also showed that improvements in outcomes were more difficult for certain groups of people. There was less progress in achieving financial results for people who were unbanked, had no wage income, had student loans, had dependent children, as well as other factors. In particular, people who were unbanked were less than half as likely as banked clients to increase their savings, and over a third less likely to establish a new credit score. The results suggest that additional research on different population segments might reveal varying coaching needs, or specific coaching methods that are more effective with particular consumer segments.

The third study was the previously mentioned CFPB-commissioned randomized control trial of two integrated financial coaching sites. The results of the study showed that financial coaching services increased deposits, savings, and credit scores, and decreased debt and financial stress

⁷ The CFE Fund report, *An Evaluation of Financial Empowerment Centers: Building People's Financial Stability as a Public Service*, (Aug. 2017), available at <http://cfefund.org/wp-content/uploads/2017/07/FEC-Evaluation.pdf>.

for those served. The study found that individuals who attended even one session benefited from coaching.⁸ These three studies indicate that working with financial coaches can help consumers improve key aspects of their financial lives and lay the foundation for future research on financial coaching.

⁸ CFPB, *Financial Coaching: A Strategy to Improve Financial Well-Being*, (October 2016), available at <https://www.consumerfinance.gov/data-research/research-reports/financial-coaching-strategy-improve-financial-well-being/>.

3. Financial coaching competencies

Many training institutions and organizations that provide financial coaching services have compiled lists of what should be considered as fundamental skills and knowledge for financial coaches. However, the field does not currently have an agreed upon set of competencies or training standards. Symposium participants brought their experiences and knowledge to the question of standards for financial coaches. They identified these skills and knowledge as important for financial coaches:

- **Coaching and Motivational Skills**, working closely with clients to increase their self-awareness around their behavior patterns, strengths, and values in relation to their financial goals.
- **Financial Content Knowledge** with breadth and depth that allows financial coaches to address varying consumer needs.
- **Cultural Responsiveness and Systemic Understanding** that allows Coaches to engage appropriately and authentically with populations they serve.
- **Self-Awareness and Self-Management Skills** to avoid the influence of personal biases and to manage conflict appropriately while working with consumers.
- **Listening and Communication Skills** to work closely with consumers.
- **Maintaining Ethics, Confidentiality, and Trust** to prevent inappropriate promotion of financial products and services and guide decision making and professional conduct.
- **Developing Referrals and Knowledge of Community Resources** to connect consumers to organizations that can help them achieve their goals.
- **Data Collection and Technology Skills** to track client outcomes and to follow up and communicate in ways that the consumer prefers.
- **Outreach, Engagement, and Marketing Skills** to ensure that potential clients and the wider community are aware of the financial coaching services and how to access them.

The experts who participated in the Symposium also discussed the level of expertise a financial coach should have in each of these competencies. Symposium participants expressed concern that setting too high a standard could create a barrier to entry into the coaching field. More specifically, the expenses that typically accompany certifications could prevent people from poorly-served communities from serving their neighborhoods as financial coaches. This presents a challenge, as financial coaching programs strive to develop community-based, culturally responsive programs.

One potential solution discussed at the Symposium was the development of a tiered model of skills and competencies to help create a more accessible pipeline to provide financial coaches in the community. Coaches in the early tiers would have a less robust set of skills and competencies. They would have the opportunity to continue to develop their skills through training and could work towards becoming ‘master’ financial coaches. Master financial coaches could provide a variety of services in multiple contexts. At the same time, participants acknowledged that lower-income communities should expect the same quality and expertise of financial coaching services as communities with moderate incomes. Participants cautioned that a tiered model would need to ensure that the most qualified financial coaches were equitably placed in communities across the service area.

Another certification method that was discussed at length was the potential creation of organizational certifications. These certifications would require core competencies but would also allow for specialties in focus or mode of service delivery. While the Symposium participants did not delve into the specific qualifications for each tier they did discuss what components a comprehensive financial coaching training program should have in order to ensure coaches could develop the full scope of competencies.

Symposium participants noted that training programs could include periodic skills checks, exams, developmental supervision, and continuing education to help verify levels of expertise and demonstrate knowledge retention. In addition, financial coaches could receive additional credentials as they proceed through training. Symposium participants agreed that training programs could include practice-based learning where financial coaches in-training work directly with clients, with supervision. Programs would also need to provide financial coaches with a set of tools and materials to use with clients as they work towards goals.

As a field that is centered on helping consumers identify their financial needs and take action, Symposium participants agreed that the creation of a Code of Ethics for financial coaches can

help build trust and credibility with consumers and partners. In addition, participants discussed the need for more administrative and data management training to help financial coaches track and understand client progress.

Financial content and coaching skills are foundational to financial coaching. Symposium participants also identified a need for training in additional skills. Coaches need to know how to market their services. Outreach training, and support in the development of referrals and resource lists, could support client recruitment and engagement. Cultural competency and systems training can help coaches develop a deeper understanding of the communities they serve and their needs. Other training can focus on helping financial coaches understand how their own experiences, knowledge, and disposition can affect their interactions with clients. Finally, to help financial coaches manage the demanding nature of the profession, Symposium participants supported the inclusion of self-care information and resources in training programs.

Over the course of the Symposium, there was agreement that programs with paid financial coaches should consider offering competitive wages and benefits in order to retain coaches and reflect increased expectations in training and levels of expertise. The training and competency conversation highlighted three challenges that could prove critical to future efforts to implement training and competency standards: how to provide adequate compensation for coaches, how to diversify coach recruitment and retention, and how to develop a tiered model of financial coaching expertise.

4. Service delivery elements

The current landscape of financial coaching has a variety of models. Financial coaching can be offered as a stand-alone program or as a financial empowerment service integrated into other programs. Such programs may include housing assistance, veteran support services, and workforce development. There are programs that use volunteer Coaches. Some programs are built on a peer-coaching model. Others offer group coaching sessions rather than the traditional one-on-one setting. Symposium participants represented a diverse spectrum of coaching models. The group discussed key elements of successful financial coaching service delivery and highlighted the need for the following:

- **A client-centered approach** in the way the service is delivered and the program is designed. A core component of the financial coaching method, financial coaches should learn about the community and its broader needs as well as individual client's strengths, values, and personal assets. Financial coaches assist clients as they set personal goals, build accountability mechanisms in partnership with clients, help people access the information and skills they need to achieve their goals, and use client feedback to continuously improve services.
- **Data collection and management systems** that can help individual financial coaches track client progress and understand their needs. Such systems can also help programs assess the effectiveness of coaching engagements.
- **Stakeholder ownership** in which financial coaching services are valued and supported by host-site leadership and staff, community partners, and funders.
- **A strong pipeline to bring in financial coaching clients.** For integrated programs, this would include developing and tracking shared outcomes across the financial coaching services and the primary mission of host organizations.
- **Strong referral partnerships** to provide financial coaches with the information and resources they need to connect coaching clients to additional resources.

Symposium participants noted that services should stay flexible in order to meet client needs. This includes the use of technology and multiple communication tools. Some financial coaches already use tele-coaching and online interactions through email, web, and mobile platforms, and

the discussion indicated that these tools and platforms could help financial coaches tailor their communications to the individual's needs.

5. The future of research

Symposium participants also looked at what research questions future studies should tackle to inform the growth of the field of financial coaching. Participants agreed that financial coaching research needs to expand in depth and breadth, examining more programs and explaining how and why coaching has positive impacts on clients' financial lives. The group developed the following list of topics that future financial coaching research could focus on as well as ways to improve research design and implementation:

- **Studies of return on investment** and the results that coaching programs can garner, with a focus on impacts outside of typical financial outcomes. Studies on the return on investment would help develop an understanding of how financial coaching services add value to other programs serving communities. More generally, these studies would build an understanding of how access to financial coaching services impacts community-wide outcomes.
- **Impact studies** that describe how coaching affects different consumer populations. The group cautioned that exploration of population impacts should not be used to unduly create parameters around who is eligible to receive or may benefit from coaching services.
- **The development of a common set of metrics and common data systems** that meet the specific data needs of financial coaches and ensures efficient collection of data.
- **The development of research design principles** to assist researchers in conducting high-quality studies. These principles would answer questions such as: what can researchers do prior to implementation? How can we ensure the research methodology's level of rigor matches the needs of funders and other key audiences?
- **More longitudinal data collection** and studies to understand the long-term impacts of financial coaching on individuals and communities.

The group also discussed the need for research on usage and delivery of financial coaching services. To explore usage, researchers could examine current referral mechanisms as well as methods to increase utilization of financial coaching services. Participants also discussed how research can help develop a better understanding of how client's engage with coaching programs. This research would explore topics such as the impact of varying frequencies and

durations of coaching sessions and how different service delivery models affect outcomes for the people served.

6. Next steps in advancing the field

After developing key competencies, research priorities, and elements of effective service delivery, Symposium participants discussed how the field could work towards establishing standards to improve the impact of financial coaching services on people's lives. Breakout groups developed a list of actions that the field needs to take, as well as what would be needed in the near future to effectively support the professional standards for financial coaching. The following lists cover three categories that Symposium participants highlighted: program capacity building, funding needs, and coordination of efforts to professionalize financial coaching.

6.1 Program capacity-building resources

The group created a list of resources needed to build the capacity of coaching programs including:

- Guidance on effective integration models, informed by experiences from the field and research studies.
- Stakeholder and resource maps to gain a clearer understanding of the landscape of the financial coaching field and the resources that currently exist to improve the practice and delivery of financial coaching services.
- Support for internal training managers and or coordinators within organizations or programs to help financial coaches complete necessary trainings.

6.2 Funding needs

Participants identified priorities for funding in order to continue to advance the financial coaching field, including:⁹

- An increase in funds for salaries and benefits for financial coaches in order to recruit and retain skilled Coaches
- Funding for evaluations of the field, with a focus on more research of the return on investment in coaching
- A continuation of resources for ongoing professional development for financial coaches
- Diversification of funding models, such as federal and local government funds, private and public foundation support, and other funding streams
- An increase of stable, long-term funding resources to support the provision of financial coaching services to the public.
- Funding for scholarships to make training and development accessible
- Funding for infrastructure and technology platforms to support data collection and use of technology to provide better service

⁹ The CFPB does not engage in decisions about which financial coaching organizations should be funded. The topic of funding surfaced as important to the improvement of financial coaching services among Symposium participants.

6.3 Coordination of efforts to professionalize financial coaching

Participants discussed how practitioners can continue to come together to develop and advance professional standards and best practices for financial coaching. Ideas included:

- Disseminating existing coaching resources across programs
- Learning from other fields that may have addressed similar challenges, such as education and health care
- Developing a tiered system for financial coaches and the training needs for each tier
- Convening funder forums to demonstrate the impact of financial coaching programs
- Convening peer-to-peer support among financial coaches and across programs
- Developing professional networks across the continuum of financial coaching programs
- Developing training standards with detailed competencies
- Fostering opportunities to develop field buy-in and consensus as the infrastructure for professionalization is built
- Developing strategies that focus on building financial coaching capacity within various communities. This covers further consideration of how to maintain a diverse field as well as how to create opportunities for community members to become financial coaches

Organizations that announced progress on next steps discussed at the Symposium include CFE Fund and Prosperity Now. CFE Fund has recently launched two National Working Groups for Financial Counseling/Coaching Professionalization which will cover how training programs can be evaluated for quality and the creation of a code of ethics for financial coaches and financial counselors. In addition, Prosperity Now is developing a guide that will incorporate elements of

topics discussed during the Symposium to provide guidance for organizations that are hosting or working with financial coaches.¹⁰

One idea that surfaced during the symposium was the concept of a Financial Coaching Consortium. During the Symposium, participants received a review of the path that the field of Health and Wellness Coaching took to reach its current level of professionalism. Participants learned about the National Consortia for Credentialing Health and Wellness Coaches.¹¹ These bodies provide standards and measures for competencies and provide credentials to qualified coaches. The Consortium model has a volunteer Board of Directors and council of advisors made up of representatives from entities across the field. The Consortium model also established a voting and rotating leadership process that ensured all parties could engage in the creation of both a coaching certification and an accreditation process for training and education programs. This Consortium is separate from Health and Wellness Coach training organizations which use the guidelines provided by the Consortium to develop training programs. The development of a similarly designed consortium for financial coaching has the potential to bring partners together to develop financial coach training guidelines and standard of practices.

¹⁰ The Prosperity Now (formerly CFED) publication, *Financial Coaching Program Design Guide*, is set for release in the coming year.

¹¹ To learn about the National Consortia for Credentialing Health and Wellness Coaches see: <http://www.ncchwc.org/welcome-to-the-new-ncchwc-website/>

7. Conclusion

The CFPB's 2017 Financial Coaching Symposium provided a valuable opportunity to bring together financial coaching experts to develop a path for the future of the field. The Symposium identified next steps to set standards and competencies for coaches, to develop strong research bases, and to design effective financial coaching programs. As financial coaching programs continue to develop across the country, the CFPB will continue to work with partners to improve financial coaching services, and ultimately help consumers reach their financial goals and improve their lives.