FINANCIAL COACHING
AN ASSET BUILDING STRATEGY

SELF-DIRECTED GOALS · EMPOWERMENT · SUSTAINABLE CHANGE

September 29, 2014
“...The solution for combating these temptations is a distinctly human one. Middle-class families need financial coaching. They need a face-to-face relationship that addresses the behavior that runs counter to the pursuit of long-term financial security...”
Building Financial Capability

• Goal is to develop our capability to solve problems on our own
  • We are all creative and resourceful
  • We want to improve our performance
  • We need a structure to develop own solutions

• Coaching Offers:
  – Focus of attention
  – Exercising self-control
  – Building adaptable skills
  – Facilitating empowered consumers in marketplace
    • not about “a product” or any one decision
  – Recognizing that we all struggle to change behaviors
Applying Coaching to Financial Management

- Develop **greater financial capability**
- **Empower to adapt** to new economic contexts
- Increased **self-efficacy**, **accountability**, **self-control**, **attention** and reduced inattention
- **Goal-focused financial behaviors.**
The Advice Market

• Technical Expert

• Transactional Agent

• Counselor

• Coach?
  – Self-control, executive attention, perseverance
Who Uses an Advisor? People with More Income
Advice on debt, taxes, investment, insurance in last 5 years

Source: Tabulations of FINRA National Financial Capability Survey
Who Uses an Advisor? People with More Financial Knowledge

Advice on debt, taxes, investment, insurance in last 5 years

Number of financial literacy questions correct.

Source: Tabulations of FINRA National Financial Capability Survey
Counseling

– Directing, instructing and motivating clients

– Dealing with emotional stress
  • Emotions can distort ability to make financial decisions
Coaching as a Technique and a Process

• Systematic collaborative process
  – Self-actuated goals
  – Non-directive

• Solution-focused
  – Focus on the future

• Coach facilitates goal attainment
  – Ongoing process over time
  – Performance improvement
  – Monitoring

1. Set Goals
   - Planning / future focused
   - Implementation intentions

2. Accountability
   - Self control
   - External monitor / feedback
   - Overcome procrastination

3. Focus attention
   - Persistence / Adherence
   - Top of mind: Executive Attention
An Evidence-Based Model

– Positive psychology
  • Focus on achieving personal happiness
  • Use strengths to attain goals
  • Solution or outcome focused
    – Not therapy

– Behavioral Economics
  • Self-monitoring and Adherence
<table>
<thead>
<tr>
<th></th>
<th>Financial Coaching</th>
<th>Financial Counseling</th>
<th>Financial Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Length</strong></td>
<td>4 + w/in few months</td>
<td>Often 1; “drop-in”</td>
<td>1-2 per year</td>
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<tr>
<td><strong>Client Focus</strong></td>
<td>Seeking improvement</td>
<td>In crisis</td>
<td>Seeking prescriptive advice</td>
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<tr>
<td><strong>Termination</strong></td>
<td>When client pursues goals independently</td>
<td>Ad hoc; often restarts with next crisis</td>
<td>Plan is done</td>
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<tr>
<td><strong>Monitoring</strong></td>
<td>Accountability is explicit and planned</td>
<td>Client assumed to follow through</td>
<td>Task oriented; client does on own</td>
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<tr>
<td><strong>Referrals and Advocacy</strong></td>
<td>Client responsible for own advocacy; referrals common (but passive)</td>
<td>Active referrals (calls placed; appointments made); will advocate on behalf of client.</td>
<td>Provide information; clients act; Also may sell products and refer to commission-based agents</td>
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Coaching is a Complement... Not a Substitute

Financial Literacy  →  Financial Planning  →  Financial Coaching

Content  Strategy in context of content  Implementation of plan
CLIENT
Expert on their lives

FINANCIAL COACH
Facilitator in an empowering process

CHANGES
in how clients approach money, use financial products & tools, & leverage opportunities for long term asset development
A|4 Coaching Model

**Alliance**: partnership; Client is accountable to “the alliance” not the coach

**Agenda**: defined by client; not coach. Maybe short or long-term

**Awareness**: motivations / challenges (why?) Core values and beliefs.

**Actions**: plans, intentions and behaviors measured and accountable to **Alliance**
Core Skills

- Active Listening

- Ask Powerful Questions

Open ended. Targeting core values.
A|4 Coaching ➞ 4-Step Process

- Refining
- Deepening
- Forwarding
- Launching

Celebrate
Might Financial Coaching Work?

Health care:
• Adherence to treatment  (Tidwell, 2004)
• Higher program attendance (Whittemore et al., 2004)

Education:
• Improves retention, especially for men (Bettinger & Baker, 2010)

Deadlines:
• Not procrastinating (Ariely and Wertenbroch, 2002)
Early Evidence

• Increased ability to use a budget
  – More likely to pay more than minimum
  – More likely to set money aside for savings
  – More likely to pay bills on time

• Increased likelihood of having financial goals

• More confidence in ability to achieve goals
The Promise:

• Performance improvement
  – Goal-based
  – Client directed

• Focus on self-control & monitoring
  – Self-actualization
Still in Development...

• Mode
  – Initial meetings crucial to build trust
  – Phone and email follow-up
  – Internet-based models

• Duration – 4 sessions up to 10+

• Frequency – Weekly...Monthly

• Group coaching
  – Peer-to-peer opportunities
Who is the Coach?

• Volunteer
  • Pros: Cost; Community-engagement
  • Cons: Long-run accountability; scale

• Financial Planner
  • Pro: Experts
  • Con: Actively listening; Taking “backseat”

• Counselor
  • Pro: Coaching skills
  • Cons: Tendency to solve an acute problem

• Time to develop new “coaching field”?
Challenges

1. Standards of practice?
   ...for coaches, coaching programs

2. “Real” financial coaching
   ...marketing of old approach

3. Standards for training?
   ...proliferation of programs

4. What are outcomes?
   ...individual by client

5. Return on investment?
   ...costs and benefits need to be defined

- Some people are not good coaches
- Some people not ready to be coached
More on Financial Coaching -
http://fyi.uwex.edu/financialcoaching/

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