

# Financial Coaching: Understanding the Skills Needed to Become a Successful Coach

*A Learning Series from the Financial Capability Demonstration Project*



Citi Foundation



## INTRODUCTION

**“Financial coaching provides a vehicle to ask open-ended, hard questions. We always work with a spirit of curiosity, which allows us to point out things that may be obvious to us as coaches, but not so obvious to the client. Coaching allows us to dig deeper and get to the root cause of the problem rather than just treat the symptom.”**

**– Branches, South Florida**

The post-recession economy has left many people uncertain about their financial future, wondering how they will pay for their children’s education, buy a home or plan for their retirement. Financial coaching offers practitioners an additional tool, beyond the education work they already are doing, to help clients develop the skills they need to adopt healthy, long-term financial habits, make sound decisions, and build and preserve their assets over their lifetimes.

This brief focuses on the connections between financial coaching and long-term security. It emphasizes the differences between coaching and other approaches to working with clients on personal finance issues. Finally, it explores the unique client/coach relationship, the benefits of financial coaching for both client and coach, and the specific skills required for successful coaching.

*To help close the gap between financial literacy and long-term financial security, the Citi Foundation initiated in 2010 the Financial Capability Demonstration Project, a major partnership with NeighborWorks America 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 opportunities and evaluation services to a select group of 30 nonprofit organizations across the nation that were initiating new, or expanding existing, financial coaching programs.*

*The project’s findings offer encouraging evidence that many low- and moderate-income consumers who receive financial coaching are able to save money, pay down debt and increase their credit scores. The experiences of the 30 selected organizations also provide critical insights into what it takes to launch, sustain and evaluate financial coaching programs. This brief focuses on the unique alliance formed with clients through financial coaching and how it differs from other approaches to building financial security. It also looks at the specific skills practitioners need in order to become successful financial coaches.*

## WHAT IS FINANCIAL COACHING?

Financial coaching recognizes that changing personal financial habits can be very difficult, in the same way it is difficult to change eating, exercise or other lifestyle habits that may be getting in the way of long-term health. People may be aware of the types of changes that need to be made, but incorporating these changes into one's daily life can be daunting. Coaches work with clients to help them understand and clearly define their personal financial goals and develop concrete, actionable strategies to achieve them. In this way, coaching puts clients in the driver's seat. The coach provides guidance, supportive resources and accountability for working towards these goals.

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**“One client came to us for her first appointment with a financial coach in November 2011, looking for help with her \$30,000 in student loans and \$4,261 in credit card debt, and wanting to start saving money. We helped her develop a goal-oriented plan and within three sessions she was planning her projected monthly budget before her next appointment and tracking expenses with an online tool. By the end of the year, she had increased her income with freelance work, paid down 50 percent of her debt, and was even able to save some discretionary money! ”**

**– Bedford Stuyvesant Restoration, Brooklyn, NY**

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Financial coaching is not narrowly focused on addressing a specific problem or crisis; rather, it supports people through the difficult process of making broad changes in their lives. In coaching, the clients set a specific goal, such as paying off debt, buying a car or sending a child to college, and the coach helps them look broadly at their personal finances to better understand ways that they can increase savings, maximize income and pay down debt. This process requires open communication and trust and therefore usually depends on an ongoing relationship. Coaching often builds on financial education and counseling services by guiding people through the process of applying and putting into action the knowledge they have gained through these other programs. In this way, adding financial coaching services to existing financial education programs gives practitioners the opportunity to take their clients further along the path to making sustainable changes in their lives.

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**“Understanding the difference between coaching and counseling was a mindset change that took some time to explain and incorporate into our current financial education program. Our educators and clients now have embraced coaching and the personal responsibility that goes along with it. We also have found new, easy ways to check in and stay in touch with clients over time.”**

**– Community Development Corporation of Long Island, NY**

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Financial coaching has proven to have far-reaching benefits for the constituents served, the practitioners who work with them and the sponsoring organizations. By providing practitioners with a framework for holding clients accountable for making long-term changes, coaching can reinforce the skills learned in financial education and counseling services. Moreover, research has shown that financial coaching can be transformational for clients, awakening them to their own power to change their financial circumstances. For their part, organizations can better meet the needs of clients who are at different stages of developing financial capability by allowing them to participate in coaching while also accessing additional education when needed.

Practitioners are excited about the new possibilities financial coaching brings to the work they do. One practitioner new to coaching remarked, “It is very liberating and gives people faith in themselves to achieve small successes that lead to much bigger accomplishments. I tell my clients that I can help them as long as they are willing to do the work. It is not a handout. It’s a leg up!” Another coach said the coaching method re-charged her desire to help clients. “I was burned out, almost ready to quit because I felt I just couldn’t get my clients past a certain place. Coaching has given me a new tool to help move clients further along the path to prosperity.”

Financial coaching is a tool that enhances financial capability, which ultimately strengthens individuals, families and communities.

## COACHING IN ACTION



*For Andre Boxwill, a Housing Educator at Community Development Corporation of Long Island (CDC LI), coaching is a tool that has made his work with his clients more productive, impactful, and enjoyable. Andre first introduces the concept of coaching to clients during CDC LI's "Financial Fitness" classes. Here, in addition to teaching basic financial skills, he talks about the difference between learning about personal finance basics and truly incorporating these principles into your life. He tells class participants that in order to make real change in their lives that they need to ask themselves – what are their own financial goals? What do they need to get there? What changes do they need to make? He talks about how coaching can help them get there.*

*Andre has found that just introducing the concept of coaching in his classes has served to motivate participants. According to him, "Coaching has given me a tool to create an upfront understanding with clients. It allows me to see clearly who is willing to commit to working towards long-term financial goals and who is better served through counseling". He feels that the discussion of coaching also creates a*

*unique dynamic in the class. He observes, "It's clear pretty quickly who is driven to work towards their goals and do coaching. What is also interesting is how this energy seems rub off on those who may be resistant to the idea at first. It's really exciting and inspiring".*

*The result of introducing coaching in the financial fitness classes is that many people come to their 1:1 coaching sessions having done their homework. Andre makes it clear that these sessions are not a repeat of financial education classes, but rather they are an opportunity to come prepared, define their goals based on real information and create a realistic action plan. Andre said that this motivation on the part of clients has been a breakthrough for him and has made these session far more tangible, enjoyable and productive. It allows him to immediately delve into his role as a coach, asking open ended questions that allow him to better understand his client's individual needs. As a result Andre feels that he has been able to create a framework for trust and accountability that has proven to be especially effective in helping his clients reach their financial goals.*

## COACHING: A UNIQUE RELATIONSHIP BETWEEN CLIENTS AND PRACTITIONERS

**The Financial Capability Demonstration Project made us realize that financial coaching gives us a way to provide clients with long-term tools. In the past, we would instruct clients on how to solve a specific problem and they would follow our instructions without question. But they became reliant on us. Coaching empowers our clients to become self-reliant. They are taking responsibility for their own decisions.” – Asians Americans for Equality, New York City**

Some practitioners may ask, “How is coaching new? Aren’t I already doing this?” And indeed, they have probably been working with clients on their personal finance skills for years as housing counselors, credit counselors or social service case managers. Financial coaching does not represent a brand new idea, but rather a different approach to working with those clients. The coach’s job is not to provide concrete solutions to specific problems, but to serve as a guide and give clients the confidence they need to formulate their own solutions.

### **Coaching versus counseling**

Coaching differs from counseling in a number of ways. Counseling is a practitioner-driven process that educates, shares expertise and offers feedback. The counselor acts as a teacher and advisor, addressing specific issues or events through knowledge transfer and assistance with skill development.

Coaching, on the other hand, is driven by the client, focusing more on facilitating self-mastery aided by interactive techniques and tools. Rather than looking to the counselor for solutions, clients in a coaching relationship learn to help themselves. Coach/client relationships often are ongoing and flexible, depending on individual need.

### **Coaching versus case management**

Case management is also different from coaching. A case manager typically is responsible for coordinating and managing appropriate resources to address specific issues or events, such as when helping him or her avoid possible eviction. The focus is on an assessment of the client’s needs and advocacy for options and services. Much like counseling, case management is a practitioner-driven process that educates, shares expertise and offers feedback. However, since many case managers work with clients at or near a crisis situation, the difference with this approach is a more active role for the practitioner as a planner, resource coordinator and evaluator.

While coaches may recommend resources, they do not generally manage the day-to-day delivery of services. Again, the focus of coaching is on helping clients learn how to find answers for themselves— to be resourceful and know where to go for help.

These distinctions help clarify the theoretical difference between counseling, case management and coaching. In real-life situations, however, when coaches work one-on-one with clients, they may very well move in and out of various roles, at times providing counseling and case management if necessary.

### **The coach/client relationship**

Coaching is a service aimed at helping clients focus on behaviors to achieve self-defined financial goals. The coach serves as a facilitator, motivator and supporter, holding clients accountable and providing a framework for goal setting, assessment and action planning.

Coaching embraces a philosophy that the client can achieve the change s/he desires while the coach serves as an agent of change. The coach helps the client connect “financial knowledge” with the “emotional intelligence” of knowing when, and when not, to act on that information.

## WHAT DOES IT TAKE TO BECOME A SUCCESSFUL COACH?

The ability to facilitate is one of the most fundamental skills a coach needs. This means understanding the client-centered nature of the work and the difference in the role of a coach from that of a traditional educator or counselor. A good coach sees all engagements and interactions with clients as coaching opportunities. A good coach also must trust the client to be capable of learning to make good financial decisions, and to step back from the role of prescribing and into the role of “support team.”

### **Some of the critical skills coaches need to employ are:**

- **Acknowledging:** listening to what the client says and paraphrasing it back to increase awareness.
- **Bottom-lining:** helping clients examine discrepancies between what they say and the actions they actually take.
- **Brainstorming:** working together to generate ideas, alternatives and possible solutions.
- **Clearing:** engaging in active listening to help clients move beyond a situation or mental state that is interfering with their ability to be present in the coaching session or take action.
- **Holding the client’s agenda:** letting go of your own opinions, judgments and answers in order to prioritize the actions that fit best with clients.
- **Reframing:** interpreting client information another way to provide another perspective.
- **Requesting:** asking the client to complete a specific action based on his or her agenda that includes conditions of satisfaction and a date or time for completion.

## THE NEIGHBORWORKS AMERICA APPROACH TO TRAINING FOR COACHES

Coaching embodies a philosophy about how we can best help clients meet their financial goals. But it also is a method of working with clients using specific techniques that can be learned through effective training and practice.

Acquiring coaching skills requires reflection, real-world application and ongoing feedback. Moreover, training seeks to refocus practitioners’ skills from a counseling approach, in which they actively work to resolve clients’ financial issues by offering direction, to a coaching paradigm. Practitioners need to master new techniques that differ significantly from those used in financial and housing counseling in order to make a successful transition from being instructors to acting as facilitators.

NeighborWorks uses a framework for training called the COACH model:

**Client-driven** – The coach guides the client to define his/her personal financial goals.

**Ongoing assessment of current situation** – The coach asks the client where he/she is on the path toward achieving those goals, and explores strengths and challenges.

**Action planning** – The steps required for the client to get from here to there are clearly outlined.

**Checking** – The plan includes mechanisms to keep on track, a timeframe for meeting the goals and how to report back to the coach.

Interactive training includes role-playing exercises in which participants take turns playing the parts of “coach,” “client” and “observer.” Each provides feedback on what worked and what didn’t, what needed improvement and how it felt.

## CONCLUSIONS

Nonprofit practitioners have the very difficult task of trying to help people become financially secure in the face of what may seem to be difficult odds. In spite of organizations' years of providing financial literacy services, many people—low-income individuals in particular—still struggle to increase their savings and get out of debt. There is a continuing and increasing need for practitioners to gain new skills that can help people become financially secure and independent.

Practitioners are using financial coaching, in addition to more traditional education tools, as a promising new approach to help clients achieve sustainable change in their financial lives. Coaching is client-driven rather than counselor-driven and involves a relationship based on trust and accountability. For some practitioners, it will involve learning an entirely new set of skills, while for others it will mean building on skills they already have developed.

To give more practitioners the opportunity to help their clients achieve lasting results, NeighborWorks America is committed to advancing the field of financial capability by providing training in best practices for financial coaching.

### **NeighborWorks Financial Capability Training Opportunities**

NeighborWorks America currently offers a range of financial capability training courses that are designed to help strengthen the ability of practitioners to serve the needs of clients looking to improve their financial capability. Our training and certification uses an interactive, hands-on approach and is ideal for those seeking to develop financial capability services and/or successfully integrate a program into their existing services. A list of current financial capability courses includes:

- Building Skills for Financial Confidence (HO208)
- Delivering Effective Financial Education for Today's Consumer (HO209rq)
- Financial Coaching: Helping Clients Reach Their Goals (HO310)
- Advanced Financial Coaching: Taking Your Practice to the Next Level (HO370)
- Measuring the Impact of Financial Capability Programs (HO212 Virtual Course)

**For more information on how to access NeighborWorks America's training opportunities, visit [www.nw.org/FinancialCapabilityCertification](http://www.nw.org/FinancialCapabilityCertification)**

**The Success Measures financial capability evaluation tools are available via free download through subscription to the Success Measures Data System [www.successmeasures.org/data-system](http://www.successmeasures.org/data-system).**

**To learn more about related trainings and technical assistance services, go to [www.successmeasures.org](http://www.successmeasures.org)**