A RANDOM CONTROL TRIAL OF FINANCIAL COACHING

The Practitioners' Overview of "An Evaluation of the Impacts and Implementation Approaches of Financial Coaching Programs"

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INTRODUCTION

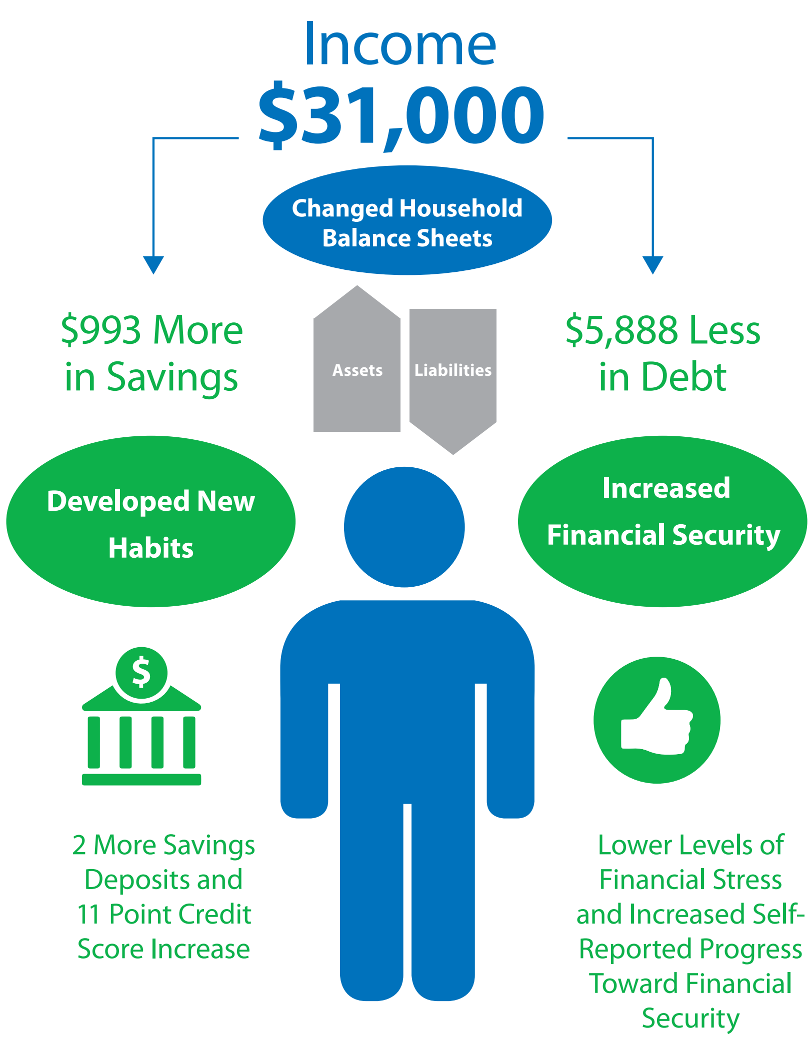
In 2012, The Financial Clinic (the “Clinic”) and Branches had the opportunity to influence the emerging financial coaching sector by putting its philosophies and model to test through a random control trial study report titled “An Evaluation of the Impacts and Implementation Approaches of Financial Coaching Programs” (the “Study”), led by the Urban Institute (UI) on behalf of the then new Consumer Financial Protection Bureau (CFPB).

Positive results hold promise to expand financial coaching, counseling and planning services nationally, but in a manner that is driven by customers’ strengths and own financial goals. The evidence base created through the Study will be key to establishing new “best practice” standards to lead the field, and build the case for additional resources and investments, thus expanding financial security for working-poor Americans.

The Clinic and Branches were selected to participate in the CFPB-commissioned Study from a pool of many organizations in the nation. The CFPB selected UI as the evaluator. The CFPB is the federal agency created in the aftermath of the financial meltdown; it helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.

The UI is a not-for-profit think tank dedicated to non-partisan economic and social policy research. The UI gathers data, conducts research, evaluates programs, offers technical assistance, and educates Americans on social and economic issues—all with the goal of fostering sound public policy and effective government.

THE STUDY SHOWED SIGNIFICANT RESULTS IN SEVERAL AREAS ACROSS BOTH PROGRAMS, INCLUDING:



All statistics reflect the average differences between control and treatment for the combined sites.

THE FINANCIAL CLINIC

Since 2005, the Clinic has been building working-poor families' and individuals' financial security by addressing their immediate financial challenges, and helping them create trajectories for long-term goals and financial mobility. The Clinic's vision is a financially secure America. A high-performing organization focused on results, the Clinic has put $42 million back in the pockets of more than 30,000 customers, supported more than 320 organizations in 21 states embed financial security actions into their program models, and successfully launched several policy campaigns in support of working-poor families.

The Clinic accomplishes its mission with "financial security-building" services through an innovative range of strategies: reducing debt; improving credit; fostering savings habits; resolving legal matters; and financial planning. Financial coaching and legal supports ensure that customers who are financially insecure build the safety nets and assets that make financial mobility possible. Furthermore, the Clinic considers financial security-building to be more than just "asset-building." While financial goals are a critical driver for customers' accomplishments, the Clinic also includes the "on ramp" services, like coaching and planning that make financial security a possibility.

The Clinic extends its gratitude to its Board of Directors and The Prudential Foundation; without whom the implementation of this Study would not have been possible; and would also like to thank United Way of New York City, Charles Schwab Foundation, Capital One Corporate Giving, and Annie E. Casey Foundation for their support.

BRANCHES

Established in 1973, Branches is a faith-based organization tackling root causes of poverty while addressing immediate and critical community needs. Serving individuals and families across South Florida through holistic student achievement and financial stability services, Branches' vision is to empower people to pursue life changing opportunities. Its financial stability programs in particular support long-term success and economic self-sufficiency, offering emergency assistance, business development and training, affordable car loans, and a full menu of financial development services through the United Way Center for Financial Stability (UWCFS). Housed and operated by Branches, the UWCFS helps people access resources and tools, develop strategic financial plans, and work one-on-one with a financial coach to build assets while achieving a wide range of other goals.

Branches has a unique approach to serving the South Florida community, emphasizing partnerships with diverse stakeholders, engaging volunteers at all levels, investing in deep services that build long-term relationships, and leading collective impact efforts such as Miami-Dade County's Volunteer Income Tax Assistance (VITA) Coalition and the Miami-Dade Financial Capability Collaborative.

Branches, Inc. would like to acknowledge and thank the leading funders who helped make this work possible: United Way of Miami-Dade, Bank of America, Wells Fargo, Annie E. Casey Foundation, Citi Foundation, JPMorgan Chase, Siemer Institute for Family Stability, and Florida Blue.

We have differences in our models, but we both emphasize setting financial goals early in the coaching process, letting participants create their own action plans, and form better financial habits.

Our programs serve diverse populations across two cities, but the Study results demonstrate that:

Achieving financial outcomes does not depend on education level, age, gender, race, or marital status.

Impact occurred regardless of participants' initial credit score, debt level, and how often a participant paid bills on time, saved, or used alternative financial services.

WHY DID WE DO IT?

One critical reason why this Study was initiated is that although there is a perceived value to financial education and coaching, there was scarce empirical evidence indicating which strategies are effective. We wanted to fill that gap, understand better the populations we serve, and see which strategies were working and which were not.

We also believe that having empirical evidence about financial coaching strategies could have an impact that would be an incredible impetus to the growth of the field, and may generate interest from stakeholders (policymakers and funders) seeking to improve financial security outcomes.

Both organizations were at a point of financial coaching program maturity, with tested service models and stable quantifiable outcomes frameworks. We also had the supports necessary to sustain the rigors of enhanced data collection and deep staff commitment and capacity to initiate and implement a randomized controlled trial. But the process of undergoing this type of evaluation would teach us to be quicker at program management analysis and more flexible in creating solutions.

We anticipated that the results would inform a new set of financial coaching strategies and solutions that would allow us to embed these strategies into new sectors and populations, and inform how we could accomplish this work at scale with greater efficiencies.

High-capacity financial coaching programs can achieve these results if they have quantifiable outcomes, consistent data collection procedures, and continuous quality improvement practices.

WHAT WE WANTED TO PROVE

On a fundamental level, we wanted to be able to answer definitively:

- Does financial coaching improve household financial outcomes?
- Does financial coaching help financial well-being?
- Does improved financial knowledge and attitudes lead to better financial decision-making, and moving participants closer to achieving financial goals?

...AND WHAT DID WE LEARN?

A well-structured financial coaching program can:

Increase

- savings amount and number of deposits;
- paying bills on time;
- credit scores and familiarity with the credit report; and
- the likelihood of having a budget.

Reduce

- debts;
- the likelihood of borrowing money from family and friends;
- use of payday loans; and
- financial stress levels.

FINANCIAL COACHING CAN REDUCE DEBT, IMPROVE CREDIT, AND INCREASE SAVINGS.

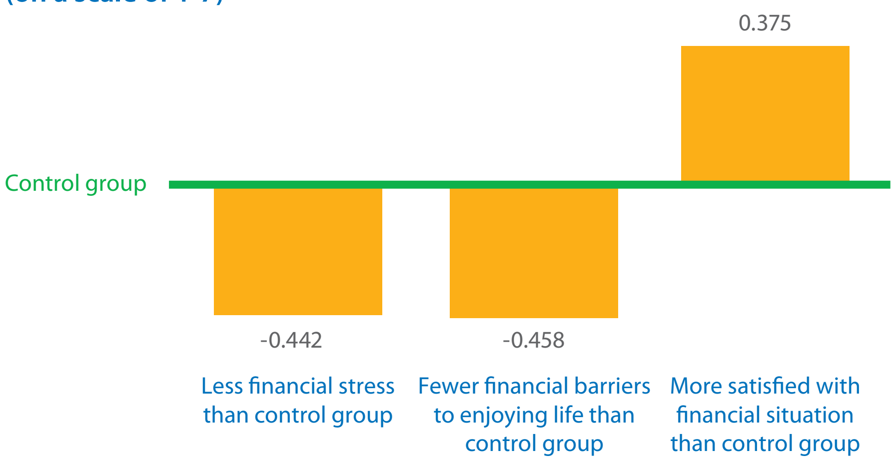
The once-emerging field of financial coaching is still working to achieve consensus on how to measure the impact of financial coaching. However, there are key areas in which all programs seek to affect change: goal achievement, asset development, credit building, and debt management. The strong combined program results show that financial coaching can have an impact by helping individuals take financial control. Importantly, these results are from short-term, in-person interventions. The median number of meetings attended by participants in the Study was two, yet the participants were still able to change or establish new behaviors.

METRIC	DIFFERENCE BETWEEN TREATMENT AND CONTROL GROUPS[1,2]	RESULTS STATISTICALLY SIGNIFICANT	STUDY RESULTS
Total account balance	$994	Yes	**Financial coaching helps increase the number of times that individuals save and the amount they have in savings.**
Deposits into savings	2.364	Yes	
Credit score	11.93	Yes	**Financial coaching improves credit scores.**
Total debt from credit report	-$5,880	Yes	**Financial coaching helps customers reduce debt.**
Ability to calculate fees and predict future consequences of missed payments.	-0.108	No	**Financial coaching may not improve financial knowledge.**

FINANCIAL COACHING REDUCES STRESS AND INCREASES CAPABILITY.

The end goal of financial coaching is variously defined as increasing financial capability, well-being, or financial security. In several self-reported measures of participants' well-being, significant positive results showed financial coaching can build participants' perceptions about their current financial security.

Participants Report Higher Well-Being Scores After Financial Coaching (on a scale of 1-7)[1,2]

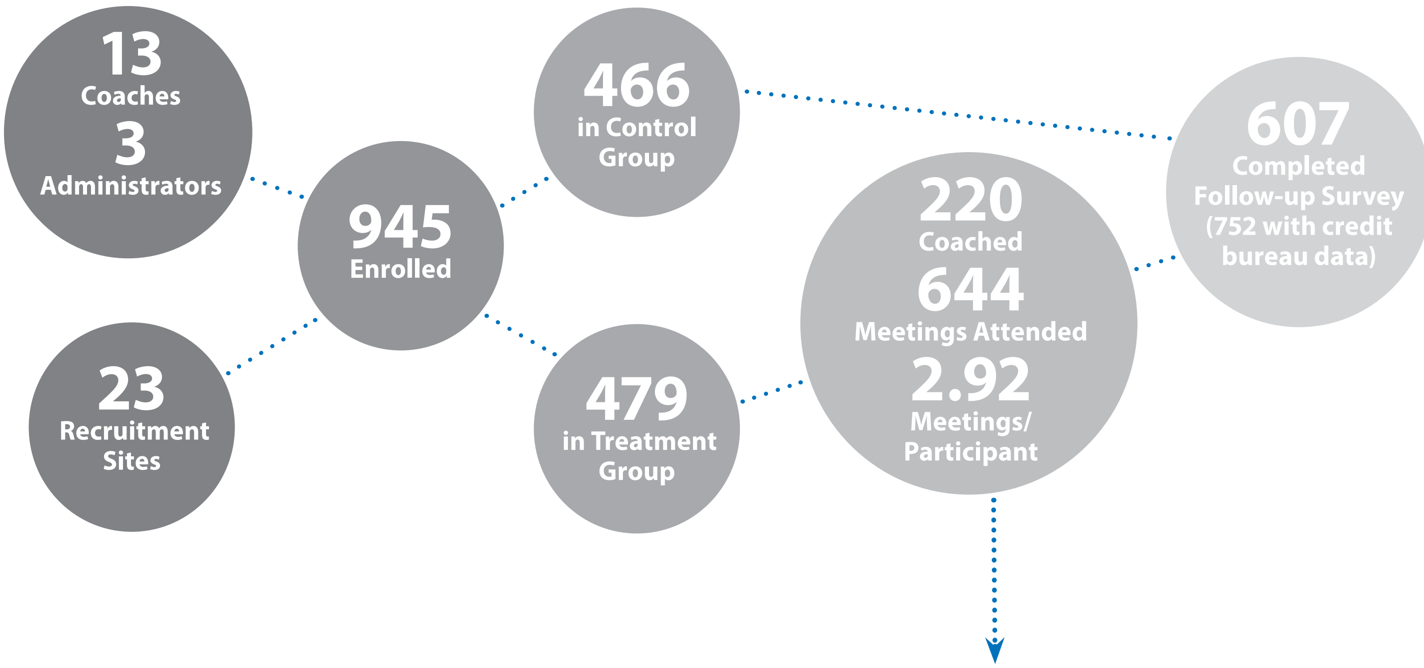


Coached customers were 10% more likely to report some progress toward improving their household's financial security than the control group.

[1] The statistics reported in this table are from the regression adjusted ITT analysis. For the results of other statistical tests, see Appendix B in the report.

[2] These metrics should be read as the average amount for the treatment minus the average amount for the control group, controlling for key variables (e.g. baseline amount, age, race, etc.).

WHAT DID IT TAKE?



Although less than half of participants who enrolled had a financial coaching meeting, for those that did, a short-term intervention is still an effective and efficient method of changing a wide range of financial behaviors.

WHAT ARE ACTIONABLE NEXT STEPS FOR FINANCIAL COACHING PROGRAMS?

1. **Behavior change is possible.** Improving a program participant's financial knowledge can be a first step to building financial security, but programs should also focus on building an individual's skills and ability to translate this into his or her everyday financial behaviors for meaningful and long-lasting change. Financial coaches should support a participant-led process that identifies the goals, motivations, and action plans that best keep a person on track.
2. **Comprehensive programming is valuable.** Sometimes, more is more. Financial distress can be rooted in behaviors across multiple financial content and well-being capabilities. A narrowly-tailored program that prioritizes one or two areas (i.e. debt alleviation, improving confidence) may miss achieving broader outcomes for participants.
3. **Progress was made regardless of demographic characteristics.** The Study's results show that coaching can be an effective tool for a variety of populations, not just a target demographic. Programs may want to re-examine assumptions about who are ideal program participants and expand who is served under their programs.