October 2016

Financial coaching: A strategy to improve financial well-being

Research Brief

Consumer Financial Protection Bureau

About CFPB Research, Tools, and Resources for Financial Educators

An essential part of the mission of the Consumer Financial Protection Bureau (CFPB or Bureau) is to empower consumers to take more control over their financial lives. Since the Bureau opened its doors in 2011, we have worked to improve the financial literacy of consumers in the United States and to ensure access to tools, information, and opportunities for skill-building that they need to manage their finances.

The Bureau's principal financial education mandate is set forth in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The Dodd-Frank Act created the Bureau and mandated the establishment of an Office of Financial Education to "be responsible for developing and implementing initiatives intended to educate and empower consumers to make better informed financial decisions." 12 U.S.C. § 5493(d)(1).

To better help consumers make well-informed financial decisions and achieve their own life goals, we at the CPPB have sought to increase understanding of three broad areas: consumer financial behavior, the financial education field, and effective practices in financial education.

We conduct research in these areas to inform the CFPB's own financial education efforts and to share our insights with others who have a common interest in improving the financial well-being of consumers.

The CPFB's goal for its financial education activities is to help consumers move towards financial well-being. In the CFPB's definition of financial well-being, consumers:

- have control over day-to-day, month-to-month finances
- have the capability to absorb a financial shock
- are on track to meet financial goals, and
- have the financial freedom to make choices that allow one to enjoy life

To learn more, visit the Resources for Financial Educators webpage at http://www.consumerfinance.gov/adult-financial-education

To get regular updates on CFPB research, tools, and resources for financial educators, sign up for the CFPB Financial Education Exchange (CFPB FinEx) by emailing CFPB_FinEx@cfpb.gov.

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1. Executive summary

Recognizing the potential of financial coaching to improve the well-being of consumers, the Consumer Financial Protection Bureau (CFPB) commissioned a rigorous study on the impact of financial coaching programs.[1] Using a randomized controlled trial design, this study allows, for the first time, a fully causal assessment of the impact of financial coaching as practiced by two programs on the low- and moderate-income consumers they serve.

By emphasizing support for behavior change, financial coaching is distinguished from other financial education approaches that focus on teaching concepts. Coaches adapt their approach depending on the unique needs and strengths of each client. Financial coaching is therefore focused on the priorities and strengths of the consumer, with the goal of helping each client to make progress with the most important aspects of his or her financial life.

In the study, people in two communities (Miami and New York City) who expressed interest in working with a financial coach were randomly assigned to either meet with a financial coach or not. This approach allowed the researchers to directly estimate the effects of financial coaching for those who were offered it, compared to an equivalent group of consumers not offered coaching.

The overall finding of this study is that access to and participation in financial coaching results in measurable changes in financial behavior and well-being. Financial coaching led to gains in

[1] The study was conducted by the Urban Institute under contract with the CFPB after selection through a competitive solicitation (contract number CFP-12-Z-00006).

three areas: financial behaviors; objective financial health metrics like savings, debt levels and credit score; and subjective feelings of financial confidence and financial well-being. For example, the study showed that on average people offered access to financial coaching, relative to those not offered access to financial coaching:

- Were more likely to pay bills on time and increased frequency of savings deposits.
- Increased savings by almost $1,200 in the New York City program.
- Reduced debt by over $10,000 in the Miami program.
- Increased credit scores by 21 points in the New York City program.
- Reported an increased sense of confidence in their finances and reduced feelings of financial stress.

Consistent with the theory underlying financial coaching and its flexible and customized nature, the study found that financial coaches can materially help people achieve the financial outcomes that are relevant to their own unique goals and circumstances.

2. Introduction

Consumers face complex and consequential financial decisions throughout their lives. The field of financial education has evolved to include a variety of approaches to match the range of issues and circumstances that consumers face. Given the range of approaches and issues, the research challenge now facing the field is to determine what type of financial education works best for whom and under what circumstances.

Financial coaching in particular is an emerging area of focus in the financial education field.[2] At some points in their lives, many consumers need more than access to information, they need access to someone to help them to establish financial goals and take action on financial plans. A financial coach can serve as a capable and trusted guide to help consumers navigate those decisions, especially consumers who do not have access to professional financial advisors or to experienced financial mentors among their family and friends.

Recognizing the potential of financial coaching to improve the well-being of consumers, the Consumer Financial Protection Bureau (CFPB) commissioned a rigorous study on the impact of two financial coaching programs – one in Miami and one in New York City -- on the low and

[2] To learn more about growing interest in the financial coaching approach, see Lienhardt, H. (2016). Financial Coaching Census 2015: Insights from the financial coaching field. Asset Funders Network. Available at http://assetfunders.org/documents/AFN_Financial_Coaching_Census_2015.pdf.

moderate income consumers they serve. We are pleased to present the findings and implications in this research brief, which summarizes the study methodology, implementation and results.[3]

The results of this study demonstrate that financial education – in the form of financial coaching – can make a meaningful difference in people's financial behavior, attitudes, and situation. And that financial coaching in particular works well for people, including low and moderate income people, who are motivated to take action to improve their financial situation, but may need help formulating and sticking to a plan on their own.

A companion publication from the CFPB, *Implementing Financial Coaching: Implications for Practitioners*,[4] provides a more detailed description of the financial coaching programs that participated in the study, along with key learnings and implications for practitioners who want to learn more about the practices underlying the results of this impact study.[5]

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[3] This research brief is based on the full study report, Theodos, B., et al. (October 2015). "An Evaluation of the Impacts and Implementation Approaches of Financial Coaching Programs." Urban Institute. Washington, DC. Available at http://www.urban.org/research/publication/evaluation-impacts-and-implementation-approaches-financial-coaching-programs

[4] Implementing Financial Coaching: Implications for Practitioners. CFPB (2016). Available at http://files.consumerfinance.gov/f/documents/102016_cfpb_Implementing_Financial_Coaching_Implications_for_Practitioners.pdf

[5] The two programs – The Financial Clinic and Branches – also produced their own assessment of the study's findings and implications for practice, "A Random Control Trial of Financial Coaching: The Practitioners' Overview of 'An Evaluation of the Impacts and Implementation Approaches of Financial Coaching Programs,'" available at: http://thefinancialclinic.org/wp-content/uploads/2015/10/Clinic_and_Branches_Practitioner_Summary.pdf.

3. The study

The study, conducted by the Urban Institute, took place at two well-established financial coaching programs serving lower-income consumers in two very different communities. One is in Miami, Florida, where Branches, a faith-based social services organization, offers a range of financial capability services broadly to the community. The other is in New York City, where The Financial Clinic, a non-profit organization, offers financial coaching, income tax preparation and legal support for working poor families.

This study used the highest level of rigor in its design—a randomized controlled trial (RCT).[6] RCT evaluations select units (individuals, schools, neighborhoods, etc.) at random from the same population, and assign them to one of at least two groups: treatment (sometimes called experimental) or control. In this study, from a pool of individuals who expressed interest in receiving financial coaching, half were randomly either offered the opportunity to begin receiving coaching services right away (the "treatment" group), or to access coaching services after the study was over (the "control" group).

This randomization procedure is necessary to evaluate the impacts of the program. Such a process is designed to make the treatment and control groups statistically the same —for example, with respect to motivation, ability, knowledge, socioeconomic and demographic

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[6] For additional information on what a randomized controlled trial is and when and how to conduct one to evaluate a financial capability program, see "Rigorous evaluation of financial capability strategies: Why, when and how," available at http://www.consumerfinance.gov/reports/rigorous-evaluation-of-financial-capability-strategies-why-when-and-how/

characteristics, etc.—at the start of the study. The unique distinction between the groups was that one of them was offered “treatment” immediately. Therefore, any differences in outcomes between clients offered access to coaching services (the treatment group) and those not offered coaching (the control group) observed after the program can be attributed to access to financial coaching rather than other factors, such as the characteristics or motivations of people receiving coaching. Observing the control group helps researchers understand what would have happened to the treatment group were it not for the program.

In this study, the random assignment process worked as follows: When individuals participated in activities or other services provided by Branches and The Financial Clinic, staff described financial coaching to them and then asked them if they were interested in signing up to receive financial coaching services. If the individual was interested in receiving coaching services and willing to participate in the research study, they were randomly assigned to either the treatment or control group. The control group participants still took part in the study, but were not offered financial coaching or able to sign up for a coaching session until after the study was over. Thus, all the study participants expressed an interest in working with a financial coach, but only about half received the offer to meet with a financial coach.

The majority of Branches’ study participants were recruited through employers - specifically, municipal government agencies, though some were also recruited through housing agency partners. The Financial Clinic recruited study participants from income tax filing assistance programs and from credit, debt, and budgeting workshops offered in the community. Overall, 945 people enrolled in the study: 514 from Branches, and 431 from The Financial Clinic. A total of 479 of these were offered financial coaching, and 466 were assigned to the control group. Participants were recruited into the study from January 2013 through March 2014, and outcome data was collected on all study participants between August and December 2014.

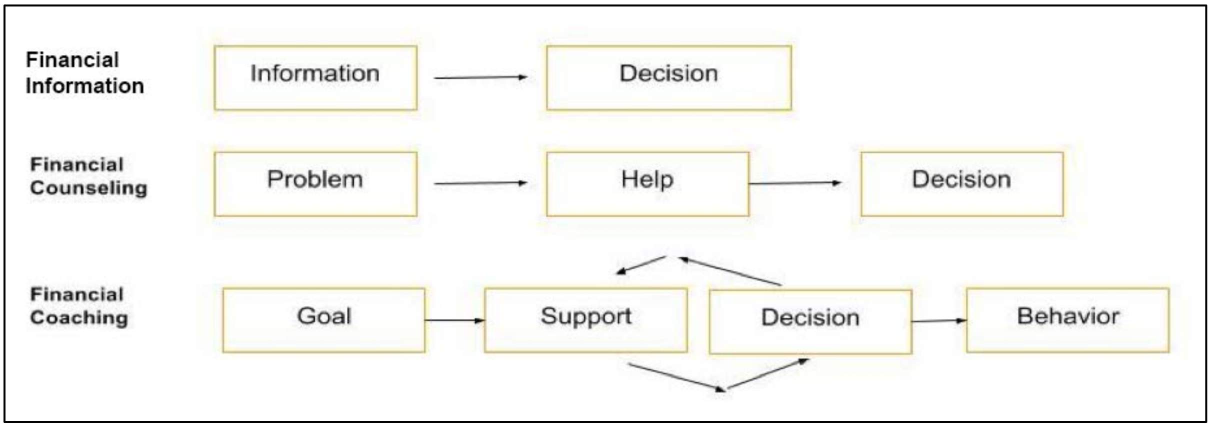
3.1 The financial coaching model

There are a number of approaches that have been used to help consumers improve their financial decision-making skills and choices. Three common approaches are provision of financial information, financial counseling, and financial coaching. Each approach is relatively different in terms of how clients are supported to build financial capability, as detailed in Figure 1.

Many financial information or counseling programs begin with a predetermined goal or focus for participants. For example, information or counseling programs might focus on topics such as how to buy a home or how to avoid bankruptcy, whereas coaching supports a client's progress toward their financial goals more generally.

Figure 1:

Models of Financial Education



Provision of financial information typically happens in a group setting or online and can either be a one-time workshop or a curriculum that takes multiple sessions. In this "classroom" model, information is provided to students (or clients) with the expectation that they will act on what they have learned to make better-informed financial decisions.

Financial counseling usually involves providing advice regarding specific, often complex or unfamiliar financial topics to clients in one-on-one sessions. Financial counseling is also often used in response to a client crisis, problem or objective (for example, buying a home).[7] The

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[7] Collins, J. M., & O'Rourke, C. M. (2010). Financial education and counseling—Still holding promise. *Journal of Consumer Affairs*, 44(3), 483-498.

counselor provides personalized help and guidance to the client, to solve their particular problem or work toward that particular goal.

Financial coaching is distinguished from counseling in that it generally begins with the client's own goals. While one client may be looking to improve her credit to get approved for a home loan, another client may be looking to save enough money to purchase a car. Both clients have a sense of how they might improve their financial well-being. The financial coach can tailor financial coaching for each individual client. This means that "success" for one client may look very different than for another client.

By asking insightful questions, the coach uses his or her knowledge of financial services and practices to help clients set or refine goals. Then, the client and coach work together to co-develop plans to take action towards those goals. The financial coach can continue to support clients over time, holding clients accountable to their financial plans. Financial coaches use each individual client's goal as a jumping-off point for their work, as opposed to a series of prescribed steps or a set curriculum. Accordingly, financial coaches do not typically suggest or promote specific financial products.

Financial coaching takes a holistic and individualized perspective of each client. The ultimate goal of coaching is that clients become more capable at managing their finances in the marketplace. Coaching helps clients to realize what they do well, and how to improve what they want to do better. This is a strengths-based approach that does not seek to correct or "fix" certain financial practices. Starting with strengths is not unique to financial coaching, but the focus on strengths potentially can support clients to become better at managing their personal finances.

3.2 Financial coaching as practiced in this study

This conceptual description of financial coaching can be applied in different models. The Urban Institute was awarded funding from the Annie E. Casey Foundation for a separate process study of the coaching efforts at these sites. The research team visited both organizations to learn about each financial coaching program, interviewed their staffs, study participants and coaches, and reviewed administrative data to understand the coaching process as it was delivered by the two organizations.

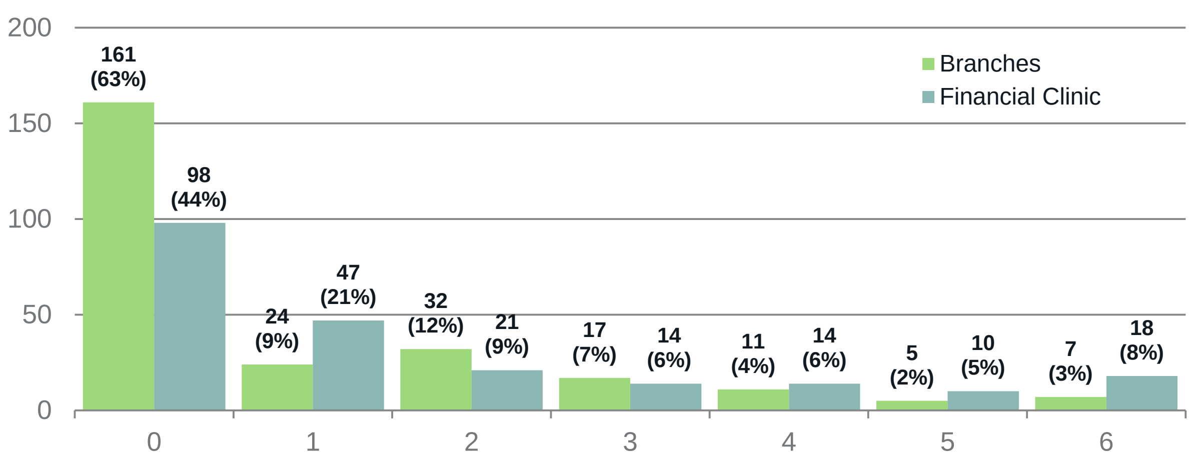
Because each client in this study had unique goals, needs and motivations, the financial coach tailored financial coaching to each individual client. For many clients, credit and debt were overriding goals. Other clients were more focused on savings and planning for the future.

Even though all the participants in the study expressed interest in financial coaching, only about half of those who were offered the service actually attended a coaching session. The process study found that this was due to a variety of factors, most commonly, transportation and scheduling challenges.

When a client met with a coach, the session typically lasted 60-90 minutes. The average client who met with a coach attended 2.7 sessions at Branches, and 3.1 sessions at The Financial Clinic. The initial session -- with a discussion of the client's motivations and goals -- tended to be the most critical. Many clients only attended the initial session.

FIGURE 2:

Number of Coaching Sessions Attended By Individuals Offered Coaching



Source: Theodos et al. (2015) Figure ES. 1.

For many clients, the coaching services included setting up a plan to reach a specific financial goal, with the coach "checking in" at an agreed upon future date. As one coach noted: "people have wanted to come in and have…instant results. We just don't have that. They have to put in the work. It is going to take time."[8]

3.3 Study participants

Financial coaching places most decision-making into the hands of the client, not the coach. This means that financial coaching programs can adapt to clients experiencing a wide range of issues, as was the case for participants in this study. Both programs in the study offered financial coaching, but the issues and challenges of individual clients in each place were quite different.

At Branches, where most clients were employees of municipal agencies, 44 percent of study participants were married and 89 percent were either employed full time or self-employed. This is in contrast to The Financial Clinic, whose clients were recruited from human services and other programs, where just 15 percent of participants were married and only 43 percent were either employed full-time or self-employed. The average household income among clients at Branches was $39,417, much different from the $22,110 average income at The Financial Clinic. This is even more dramatic given that the cost of living in the New York metropolitan area, from which the Financial Clinic draws its clients, is 50 percent higher than in the Miami area.

The differences between the client populations at the two study sites varied further by financial product usage and credit profile. About 63 percent of Branches clients had at least one credit card, compared to 47 percent of The Financial Clinic clients. The average total of all debts for Branches clients was $56,250, about five times the $10,893 average for clients at The Financial Clinic. Clients at both sites, however, struggled with managing credit. The average credit score (measured by VantageScore [tm]) was 597 at Branches, only 10 points higher than at The Financial Clinic (587).

[8] Theodos, B., et al. (October 2015). "An Evaluation of the Impacts and Implementation Approaches of Financial Coaching Programs." Urban Institute. Washington, DC. Page 95.

TABLE 1:

Participant Demographic and Financial Characteristics at Baseline

Variable	Branches	Financial Clinic
Demographic characteristics		
Age (mean)	44	41
Male	53%	45%
Married	44%	15%
# adults in household	1.5	1.3
# children in household	1.1	0.5
Asian	0%	4%
Black	61%	40%
Hispanic/Latino	35%	41%
White	2%	14%
Other race	3%	9%
Financial characteristics		
Employed full-time or self-employed	89%	43%
Mean household income (post tax)	$39,417	$22,110
Has checking account	97%	78%
Has savings account	86%	52%
Credit Score (Vantage 3.0 ranging from 300 to 850)	597	587
Directly deposited paycheck	94%	47%
Holds a credit card	63%	47%
Percent of balance past due	14%	24%
Number of bankcard inquiries	0.5	0.2
Number of items in collections	2.3	1.3
Number of items in judgements	0	0.2

Source: Theodos et al. (2015) Figure ES. 2.

As described in the “Financial Coaching Model” section, this variability in client profiles can be expected in financial coaching programs, which are flexible to adapt to meet the needs of each client.

4. Impacts of financial coaching

This study is the first to examine the causal impact of financial coaching, and one of the few experimental studies - that is, using a randomized controlled trial design - on financial education approaches in general. As described in the “Study” section, the design of this research allows us to separate the effects of the program itself from the characteristics of people likely to seek coaching. In addition, the number of individuals in the study (945) is relatively large for a study of a direct service financial capability program.

The study found that people with access to coaching did better than those without. Those who met with a coach even once improved their money management skills and saw meaningful gains on a range of financial outcomes. This finding is especially notable given the fact that finding robust effects in an evaluation of financial coaching is particularly challenging because coaching services are driven by the individual consumers’ own goals and needs, and each person has a different starting situation and different goals.

The study reported impacts on a “treatment” group identified as all study participants who were offered coaching, whether they actually attended or not. As noted, only about half (56% at The Financial Clinic and 37% at Branches) of those offered coaching attended even a single coaching session. Comparing those offered coaching, whether or not they actually received it, to those who were also interested but were not offered coaching, gives an estimate of the impact of the “intent to treat.” In other words, using the *offer* of coaching provides an unbiased estimate of the causal impact of offering a coaching program in an organization or community.

Another group of interest is those clients who actually received coaching. Clients who attended financial coaching made a choice to meet with a coach, and then followed through with one or more sessions. These clients are likely to have different challenges or motivations than others in the treatment group who never actually took up the offer. For example, they might be among the most organized and motivated or the most troubled and in need of help. This likely bias makes interpreting the results of this group more challenging because we cannot know who in the control group would have actually taken up coaching, so we do not have a true control group to use as a benchmark. The researchers attempted to reduce the bias by identifying factors that predicted which treatment group clients took part in coaching, and then used predicted participation to estimate the effects of attending coaching.

Comparing those offered coaching, whether or not they actually received it, to those who were interested but were not offered coaching gives the impact of the "intent to treat (ITT)." Looking only at those who took up coaching (using statistical techniques to reduce selection bias) gives an estimate of the impact of the "treatment on the treated (TOT)." Keep in mind that using the offer of coaching to define the treatment group also provides a relatively conservative estimate of the potential impact of access to coaching. In this report, we focus mainly on the results of the "intent to treat" or "ITT" effect, but where noted we also provide some of the "treatment on the treated" or "TOT" estimates to demonstrate the range of possible impacts.

Impacts reported in this study are based on data from three different sources: (1) baseline and follow up surveys of participants, (2) credit report data, and (3) administrative data from the coaching programs such as the frequency and nature of coaching sessions for study participants that attended coaching. The use of credit report and program administrative data is useful to make sure that results are not just driven by coaching clients providing more optimistic self-reported answers to follow-up survey questions.

Overall, the study found statistically significant impacts of access to financial coaching in three areas: financial behaviors, objective financial outcomes, and subjective feelings of financial confidence and stress, indicators of financial well-being. In other words, individuals interested in making changes to their financial lives that got access to financial coaching did better across these outcomes, on average, than those who do not get access to coaching. Interestingly, these changes in behavior and financial outcomes were observed with no corresponding observable improvement in factual financial knowledge, as measured by an eight-question assessment. [9]

The remainder of this section presents impact findings selected for this research brief due to their value in illuminating the ways in which financial coaching can support consumer financial behavior and outcomes. A wider array of variables was tested; some showed positive, statistically significant results in one city or the other, while many registered no effect. The full set of outcome metrics are presented and analyzed in the full study report.[10]

4.1 Impact of financial coaching on money management behavior

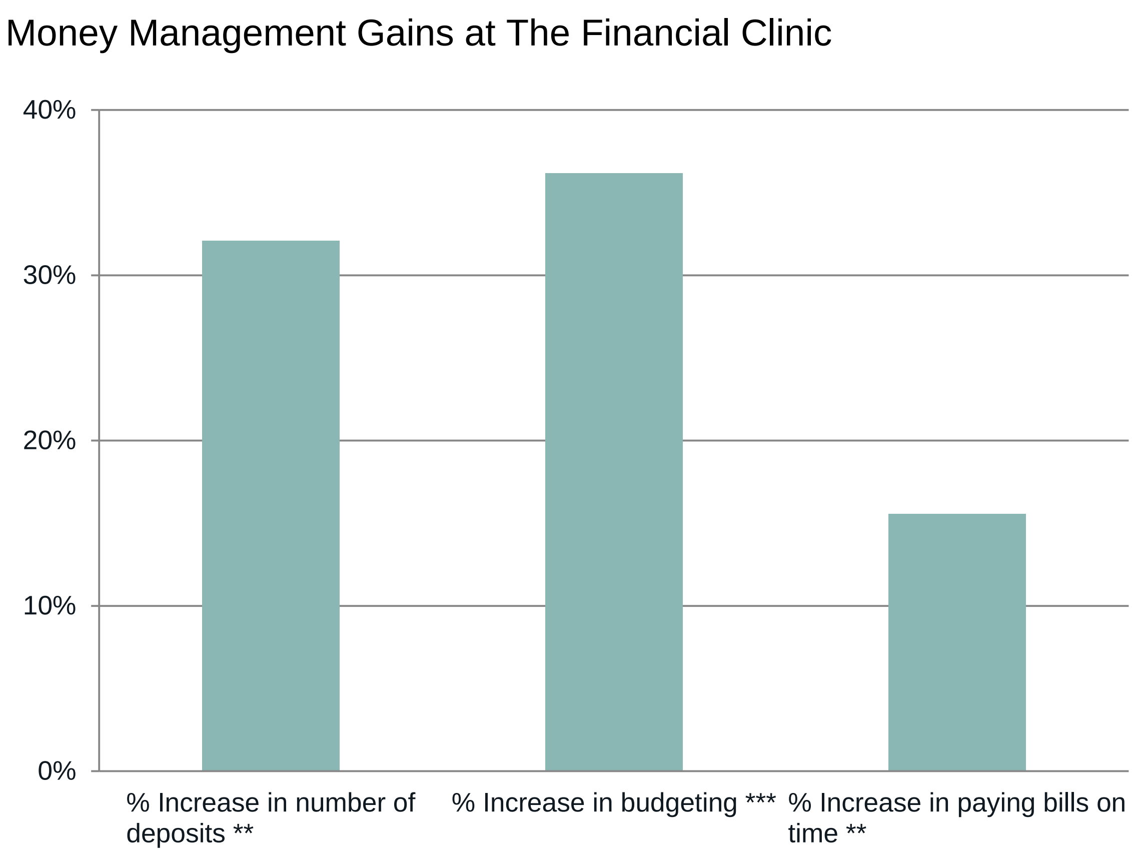
The group of clients offered access to financial coaching improved their money management behavior in a number of ways, relative to the group not offered coaching. These included making more frequent savings deposits, being more likely to pay bills on time and bringing past-due debts current. As described above, the differences in client goals and financial circumstances between the two sites makes it not surprising that differences in specific outcomes were found at the two different coaching programs. For example, clients reported gains in likelihood of having a budget at The Financial Clinic, and gains in being more likely to set aside emergency funds at Branches. Nevertheless, the general pattern is of positive financial behavior changes relative to the control group.

[9] Financial knowledge was measured using an eight-question assessment testing knowledge relating to credit cards, how banks share information, interest rates, credit reports, bounced checks, and bank fees.

[10] Theodos, B., et al. (October 2015). "An Evaluation of the Impacts and Implementation Approaches of Financial Coaching Programs." Urban Institute. Washington, DC. Available at http://www.urban.org/research/publication/evaluation-impacts-and-implementation-approaches-financial-coaching-programs

Figure 3 shows that individuals offered coaching at The Financial Clinic, relative to the control group, made 32 percent more deposits into savings. These individuals were also 36 percent more likely to use a financial spending plan or budget, and 16 percent more likely to pay bills on time, relative to the control group, which suggests that they are taking greater control of their money management. Overall, these indicators offer evidence that financial coaching helps people take steps towards improving their financial management behaviors.

FIGURE 3:

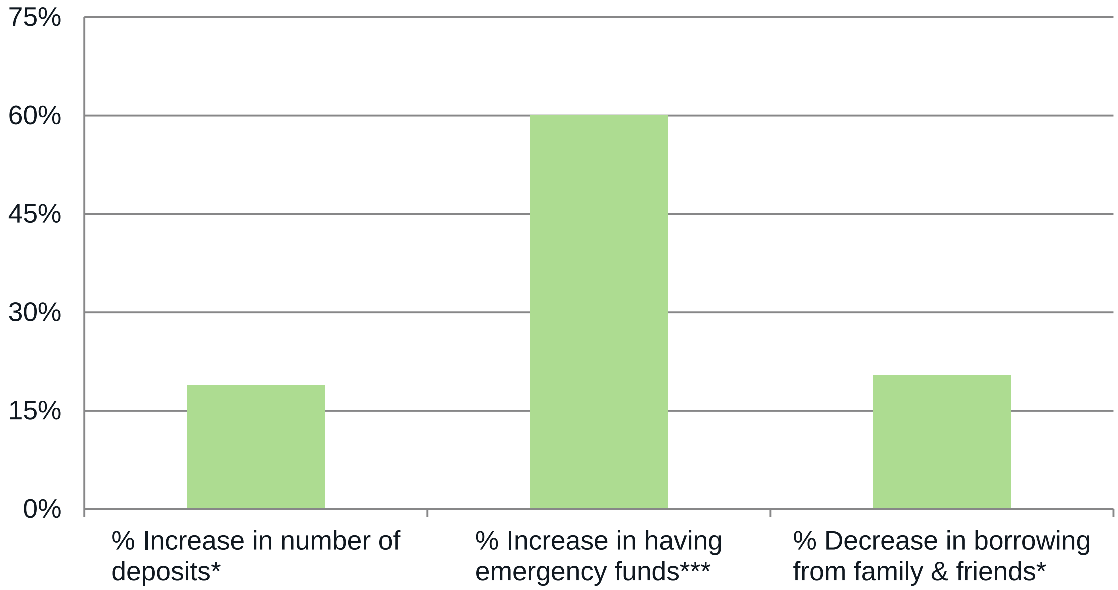


Source: Calculations based on data presented in Theodos, et al Table 8.2, 8.15, 8.8 Percentage calculations divide regression-adjusted ITT impact estimates by control group means.
*Note: All estimates are differences due to the random assignment to financial coaching relative to control group. Statistically significant differences * = 0.10 level ** = 0.05 level *** = 0.01 level.*

Figure 4 shows that study participants offered coaching at Branches made 19 percent more savings deposits than individuals in the control group. These individuals were also 60 percent more likely to have set aside emergency funds relative to the control group. These emergency funds may be important for another outcome: clients offered coaching at Branches were 20 percent less likely to borrow from family and friends than individuals in the control group. Financial coaching appears to improve both basic money management and financial resilience.

FIGURE 4:

Money Management Gains at Branches



Source: Calculations based on data presented in Theodos, et al Table 8.2, 8.16, 8.13 Percentage calculations divide regression-adjusted ITT impact estimates by control group means.
*Note: All estimates are differences due to the random assignment to financial coaching relative to control group. Statistically significant differences * = 0.10 level ** = 0.05 level *** = 0.01 level.*

4.2 Impact of financial coaching on savings, debt and credit scores

Study participants who received access to financial coaching also accomplished measurable changes in their account balances for savings and debt, and credit scores. Table 2 provides an illustration. At The Financial Clinic, clients who were randomly assigned to be offered coaching showed an average increase in savings account balances of $1,187 relative to the control group, a substantial amount considering the income level of the average client ($22,110) and the average savings at baseline ($2,654). At Branches, total debt among clients offered coaching decreased by a sizeable $10,644.

This study found that access to coaching also resulted in changes in debt management. The amount of past-due debt in collections decreased among The Financial Clinic clients offered coaching by $633 relative to control clients not offered coaching. These individuals also achieved an increase in their credit scores by an average of 21 points relative to the control group, to just above 600. While still low credit scores, this is a large gain in credit rating. Overall, financial coaching is related to strong improvements in objective outcomes measured in account balances and in credit report records.

TABLE 2:

Financial Gains

Variable	Change if Offered (ITT)	Change if Attended (TOT)
Increase in Total Savings Balance at Financial Clinic	$1,187*	$1,721**
Decrease in Total Debt at Branches	$10,644**	$12,416
Decrease in Debt in Collections at Financial Clinic	$663**	$1,068**
Increase in Credit Score (VantageScore (tm) 3.0) at Financial Clinic (# of points)	+21***	+33***

Source: Theodos et al. (2015) Table 8.3, 8.5, 8.12, 8.14
Statistically significant differences: *=0.10 level, **=0.05 level, ***=0.01 level

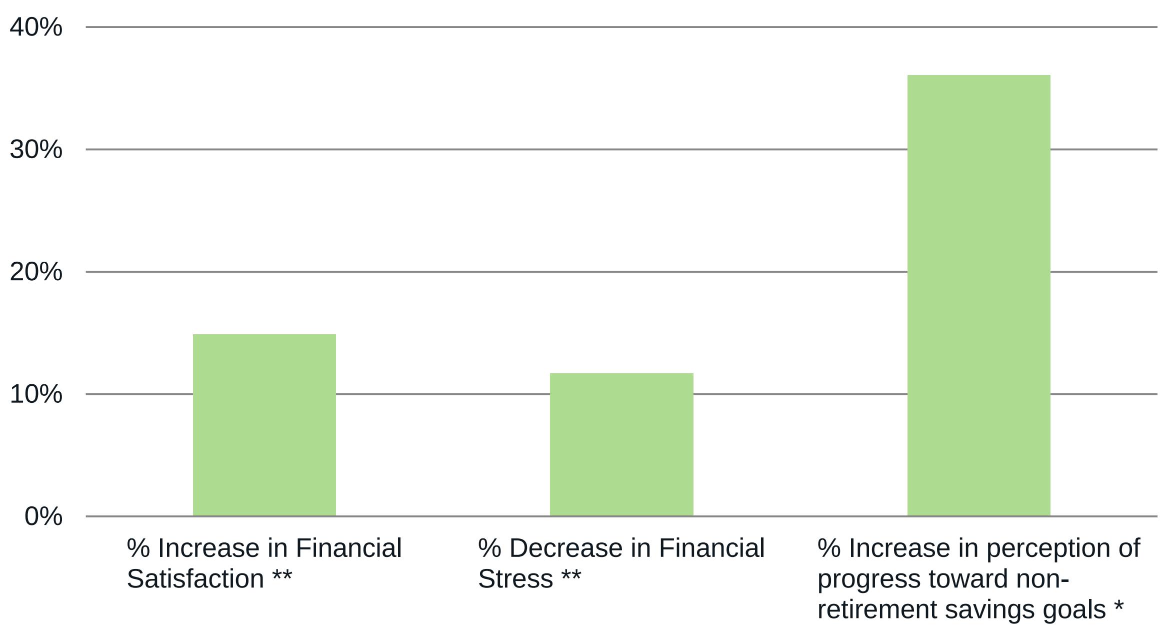
4.3 Impact of financial coaching on attitudes

In addition to observable changes in financial behavior and outcomes, access to financial coaching was related to improvements in participants' self-perception of their financial condition. Study participants offered financial coaching reported higher rates of forming financial goals, a sense of making progress toward goals, and confidence in achieving their goals, compared to control group members not offered coaching. In addition these individuals reported greater satisfaction in and less stress related to their financial situation, compared to the control group.

Figure 5 shows outcomes for individuals offered coaching at Branches. Members of this group, relative to the control group, were 15 percent more satisfied with their financial situation, experienced 12 percent less financial stress and were 36 percent more likely to report making progress towards savings goals, especially saving for reasons other than for retirement.

FIGURE 5:

Perceived Financial Satisfaction, Stress and Progress Towards Goals at Branches

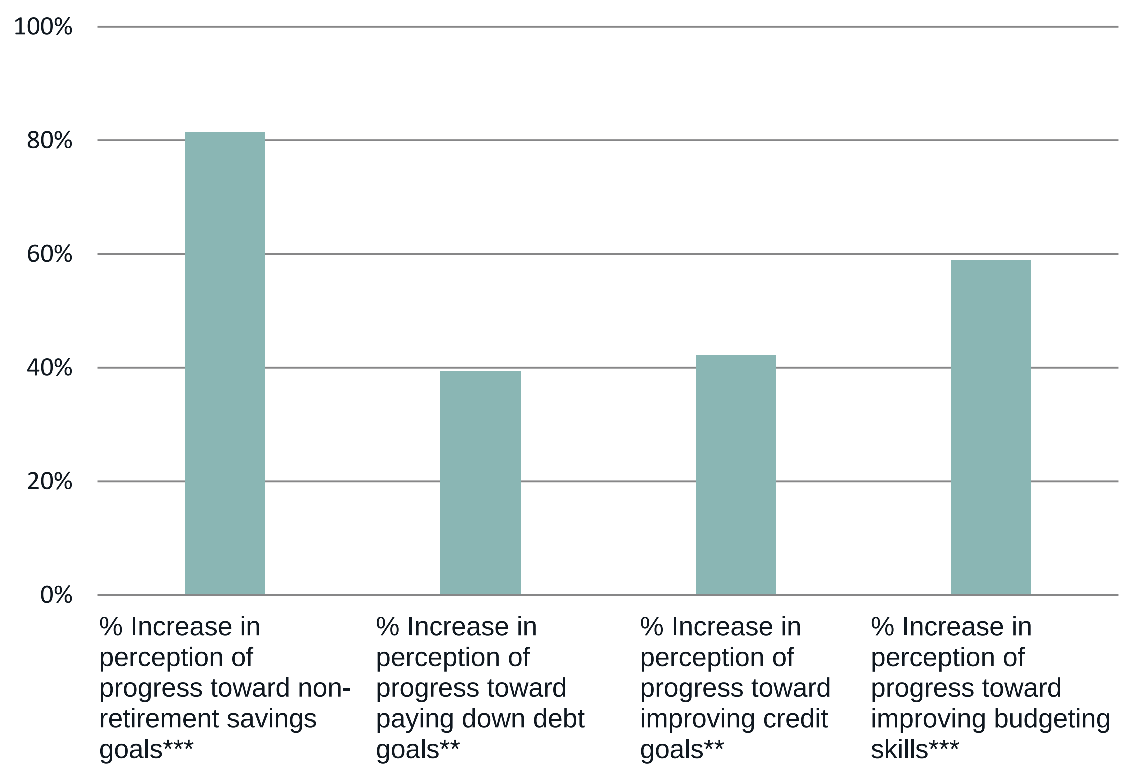


Source: Calculations based on data presented in Theodos, et al Table 8.19, 8.18, 8.4 Percentage calculations divide regression-adjusted ITT impact estimates by control group means.
*Note: All estimates are differences due to the random assignment to financial coaching relative to control group. Statistically significant differences * = 0.10 level ** = 0.05 level *** = 0.01 level.*

Figure 6 shows the treatment group's self-reported progress towards financial goals at The Financial Clinic. Individuals offered coaching, relative to those not offered coaching, appear to have made significant progress in a number of areas. Even larger than the treatment group gain at Branches, the treatment group at The Financial Clinic was 82 percent more likely to report making progress towards non-retirement savings goals, relative to the control group. Treatment group members were also far more likely to report making progress on paying down debt, improving credit, and improving their budgeting skills. These outcomes are consistent with greater financial capability, especially being able to make plans and follow through on decisions.

FIGURE 6:

Perceived Goal Attainment at The Financial Clinic



Source: Calculations based on data presented in Theodos, et al Table 8.4, 8.6, 8.14, 8.15 Percentage calculations divide regression-adjusted ITT impact estimates by control group means.
*Note: All estimates are differences due to the random assignment to financial coaching relative to control group. Statistically significant differences * = 0.10 level ** = 0.05 level *** = 0.01 level.*

As individuals gain a sense of control and make plans, they can better work on goal-directed behaviors like saving or paying down debt.[11] As they practice making financial plans, they may feel less stress and a greater sense of control and autonomy. Consistent with this theory, people offered financial coaching reported less stress related to their finances than those not offered access to coaching services.

4.4 Impact of financial coaching on financial well-being

In 2015, the CFPB released a detailed discussion of a consumer-driven definition of financial well-being.[12] That study found that consumers associate financial well-being with being able to pay bills on time, having an emergency fund or other sources of financial resilience, and making progress toward one's financial goals. Study participants offered financial coaching showed evidence of improvements in all of these areas.

Clients offered financial coaching had increased savings, lower debt and reported to be making progress toward their personal financial goals. Each client has their own unique circumstances and priorities, but the improvements in savings, debt management and basic financial behaviors, as well as lower financial stress and greater satisfaction, are evidence that financial coaching is helping people to enhance their financial capability and well-being.

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[11] Loibl, Cazilia., Kraybill, David S., DeMay, Sara Wackler. "Accounting for the role of habit in regular saving." *Journal of Economic Psychology*. 32 (2011): 581-592.

[12] *Financial well-being: The goal of financial education*, Consumer Financial Protection Bureau (2015), *available at* consumerfinance.gov/reports/financial-well-being/.

Financial well-being is an outcome of changes in behavior, which is the focus of financial coaching, and of experiencing the resulting successes. The CFPB’s research into financial well-being suggests that helping people engage in the behaviors that will help them achieve their goals and experience financial well-being may require helping them develop new attitudes and develop and practice new skills, not just acquire knowledge. And in fact, the coaching clients in this study achieved their gains in money management behaviors and resulting financial and subjective outcomes without any observable gains in factual knowledge as measured.

5. Implications for future research

There are aspects of this study that make it difficult to generalize the particular impacts for all financial coaching programs and their clients. The two study sites each practiced somewhat different adaptations of the coaching model, and were serving different populations in different contexts. So while the study shows coaching helps different clients in different situations achieve a variety of positive outcomes, it does not predict exactly which outcomes other clients in other programs will exhibit.

Future research is needed to explore the impact of financial coaching in different settings and across varied types of clients, as well as different variations in coaching practice. The average impacts found in this study may mask significant variations in the impact of coaching across individuals, due to differences in financial situations and goals. Although this study was not designed to test if more or less intensive services might produce larger or smaller effects, this is an area also worthy of further study. Building on the analysis in the current study, other programs might experiment with phone and web-based coaching or other flexible approaches to increase the number of clients served. Other models could focus more on using simplified coaching strategies, such as focusing on goals and accountability, integrated into more "classroom" style financial education or counseling.

6. Conclusion

The results of this study demonstrate that financial coaching provides clear benefits for clients seeking to improve their financial well-being. By conducting a field experiment and randomly assigning clients into the offer of financial coaching, these results meet the gold standard for social science research. The results offer causal estimates of the magnitude of changes in consumer financial behavior and well-being due to financial coaching.

By emphasizing supporting behavior change, financial coaching is distinguished from financial education approaches that focus on teaching concepts. Coaches adapt their approach depending on the unique needs and strengths of each client. Financial coaching is therefore focused on the priorities and strengths of the consumer, with the goal of helping each client to move ahead with the most important aspects of his or her financial life. This study shows that this approach can help people change their behaviors, whether that entails improving their levels of saving, debt, or credit, in order to pursue their own financial goals.

This study was a significant undertaking, and we are grateful for the contributions of the Urban Institute, The Financial Clinic, Branches, and the study participants. We also acknowledge the Annie E. Casey Foundation for separately funding a companion process evaluation. This study will continue to inform CFPB's work to empower consumers to take more control over their economic lives in order to serve their own life goals and we hope it will provide similar value to others working toward that same goal.

APPENDIX A: IMPACTS OF FINANCIAL COACHING

TABLE 3:

Impacts of Financial Coaching

	The Financial Clinic			Branches		
Variable	**Control**	**Regression Adjusted ITT**	**IV Regression Adjusted TOT**	**Control**	**Regression Adjusted ITT**	**IV Regression Adjusted TOT**
Money Management						
Number of deposits	6.67	2.141**	3.153***	13.7	2.583*	5.321*
Has a budget	0.55	0.199***	0.307***	0.51	0.045	0.098
Pays bills on time most of the time or very often	0.70	0.109**	0.167**	0.76	0.064	0.138
Set aside emergency funds	0.27	0.051	0.080	0.31	0.186***	0.409***
Borrowed money from family or friends	0.57	-0.047	-0.073	0.47	-0.096*	-0.215*
Savings, Debt and Credit						
Total savings account balance	$1,316	$1,187*	$1,721**	$1,908	$791.60	$1,709
Sum of all debts	$13,884	$-1,602	$-1,009	$60,643	$-10,644**	$-12,416
Balance in collections	$1,171	$-662.5**	$-1,068**	$2,280	$149.6	$336.1
Credit score (VantageScore (tm))	583	20.68**	33.10**	606.00	3.07	6.95
Attitudes						
Satisfaction with present financial situation (1-7)	3.030	0.234	0.363	3.42	0.509**	1.109**
Level of financial stress (1-7)	4.72	-0.384	-0.599*	4.29	-0.501**	-0.599*
Perceived progress toward non-retirement savings goals	0.20	0.163**	0.250**	0.28	0.101*	0.221*
Perception of progress towards paying down debt goals	0.31	0.122**	0.186**	0.47	0.055	0.118
Made a lot or some progress towards improving credit	0.31	0.131**	0.201**	0.46	0.072	0.155
Progress towards improving money management (budgeting) skills	0.37	0.218***	0.340***	0.42	0.077	0.163

Knowledge						
Score on financial knowledge test (1-8)	5.89	-0.167	-0.260	6.19	-0.030	-0.066

Source: Theodos et al. (2015) Table 8.2, 8.3, 8.4, 8.5, 8.6, 8.12, 8.13, 8.14, 8.15, 8.16, 8.18, 8.19, 8.21.

*Statistical significant differences: *=0.10 level, **=0.05 level, ***=0.01 level.*