Practitioner Report

Implementing Evaluation in Financial Coaching:

An Exploratory Case Study

by Lisa Ruskin and Nga Chiem

September 2013

Funding for this research was made possible by:

Practitioner Report

Implementing Evaluation in Financial Coaching:

An Exploratory Case Study

by Lisa Ruskin and Nga Chiem
September 2013

I. INTRODUCTION

Over the past decade, a growing number of organizations focused on asset building among low-income populations have integrated financial coaching into existing programs.[1] Leading coaching researchers Collins and O'Rourke define financial coaching as a "collaborative, solution-focused, results oriented, systematic and strengths-based process in which the coach facilitates the enhancement of personal finance practice."[2] The coaching model, which aims to bridge the gap between knowledge and action, is often viewed as an effective means of driving clients to improve financial habits and take concrete steps towards financial goals.

With the rise in financial coaching, there has also been demand for more rigorous evaluation of coaching programs. Since the financial coaching approach is relatively new to the asset-building field, there is an interest among practitioners in monitoring and evaluating such programs as well as validating the claims that coaching is an effective method of motivating clients to adopt new behaviors and sustain them over time. Critical evaluation of coaching could yield important insights into its significance as a means of motivating behavior change and help organizations effectively implement and evaluate coaching programs.

In 2007, EARN partnered with a local community-based organization to launch a financial coaching program (throughout this paper, we refer to this organization as our partner, nonprofit partner, and partner organization). This partnership offered yet another intervention to drive EARN clients' financial success. Over time, the program expanded to serve non-EARN clients from other Bay Area nonprofits focused on building financial capability among low-income individuals. By the end of 2011, the coaching program was still offered to current and former EARN clients but managed by our nonprofit partner. In this model, our partner maintained a team of contract coaches to meet the increased demand for coaching services at various organizations

[1] J. Michael Collins, Christi Baker, and Rochelle Gorey, "Financial Coaching: A New Approach for Asset Building?" A Report for the Anne E. Casey Foundation, November 2007.
[2] J. Michael Collins and Collin M. O'Rourke, "The Application of Coaching Techniques to Financial Issues," *Journal of Financial Therapy* 3, no. 2 (2012): 51. http://jftonline.org/journals/jft/article/view/1659/1354, accessed June 2013.

throughout the Bay Area. In 2012, EARN worked to implement a new evaluation plan with the partner to address challenges common in evaluating coaching programs. Our goal is to advance the field of financial coaching by sharing our lessons learned from this experience.

This exploratory case study has been created for practitioners within the financial coaching field and offers initial recommendations for implementing evaluation methods from our experiences. This case study is a pre-cursor to the implementation of a more comprehensive and longer-term evaluation system of the financial coaching program. Thus, this report provides the following: a review of the challenges of evaluating financial coaching; how EARN aimed to address these challenges; explanation of why we adapted specific methods; and initial recommendations for others in the field.

II. APPROACH

EARN and its nonprofit partner identified three primary objectives from the initial implementation of an evaluation system for the financial coaching program. The first objective was to use metrics to drive continuous improvement throughout a client's coaching engagement. A successful evaluation system would help pinpoint the components of the program most effective at driving outcomes. In addition, evaluating performance at key client milestones would enable coaches to make adjustments to their approaches in order to maximize impact. Second, developing a standard set of evaluation instruments would allow our partner to more effectively monitor the progress of clients across different coaches and replicate successes. Finally, evaluation would help increase accountability to external stakeholders such as funders, clients, and the general public.

With these goals in mind, our joint team applied the new evaluation system to a cohort of 16 clients who worked with a financial coach between March and December of 2012. EARN, with the nonprofit partner, agreed to a limited implementation of the evaluation tool to gather initial insights before a larger rollout. Clients in this cohort met regularly with their coach via telephone for a period of 4-9 months. While the final cohort comprised of a small amount of clients in a shorter period of time (a typical engagement can last for an entire year), this limited study provided a useful opportunity for EARN and its partner organization to gain quicker lessons that would allow us to refine evaluation instruments as to better understand the impact of financial coaching.

III. EVALUATION METHODS 2007-2012

The previous evaluation method focused on outcomes, with an emphasis on pre- and post-data, to show the changes a client had undergone from the beginning to the end of the program. Two evaluation tools that coaches administered when a client entered and exited the program were a survey and financial wheel. The survey contained almost 100 questions in an extremely wide range of areas such as household information, employment status, assets and debts, financial knowledge and behaviors, and civic engagement. The survey had originally been designed for EARN's IDA program and, while some of the questions did address issues covered in coaching, it did not collect data that would explicitly speak to the benefits of coaching.

The financial wheel was an adaptation of a commonly-used coaching exercise. Coaches asked clients to rate their current financial well-being or satisfaction across a number of areas including cash flow management and short-term savings to explore what areas were working priorities for the client. This tool did prove helpful in addressing some of the more psychological aspects of coaching in that it enabled a comparison of financial satisfaction before and after working with a coach.

Coaches also collected data at a series of checkpoints in order to demonstrate basic financial and goal-setting competencies. These checkpoints included setting a SMART financial goal[3], creating a household budget and balance sheet, and reviewing their credit report.

IV. CHALLENGES OF EVALUATING FINANCIAL COACHING

In addition to achieving the above goals, the new evaluation system also sought to address several challenges:

- **Standardizing measures of success and indicators of progress**
  One distinguishing feature of financial coaching is its emphasis on a client-driven agenda. Coaching programs are driven by the philosophy that "the client ultimately has the answers on what behavioral changes will be required to succeed in meeting financial goals."[4] Rather than follow a set curriculum, coaching clients have the freedom to select which financial goal (or goals) are most important to them and then develop a personalized plan to reach these goals.

  When utilizing such a customizable approach, it can be difficult to set standard measures of success and indicators of progress. For example, the steps toward developing and implementing a successful cash flow management system (one of the most common goals among coaching clients) will vary based on a number of factors ranging from financial to social to psychological. Progress rarely looks the same for two clients and, even if two clients have identical goals, they may need to reach different milestones while working towards that goal. Figure 1, for example, demonstrates the path that two different clients take towards saving for retirement. Both clients understand the need to save for retirement, but Client B needs to readjust his budget before moving forward with retirement planning. The clients eventually end up regularly contributing to a retirement savings account but reach different milestones along the way.

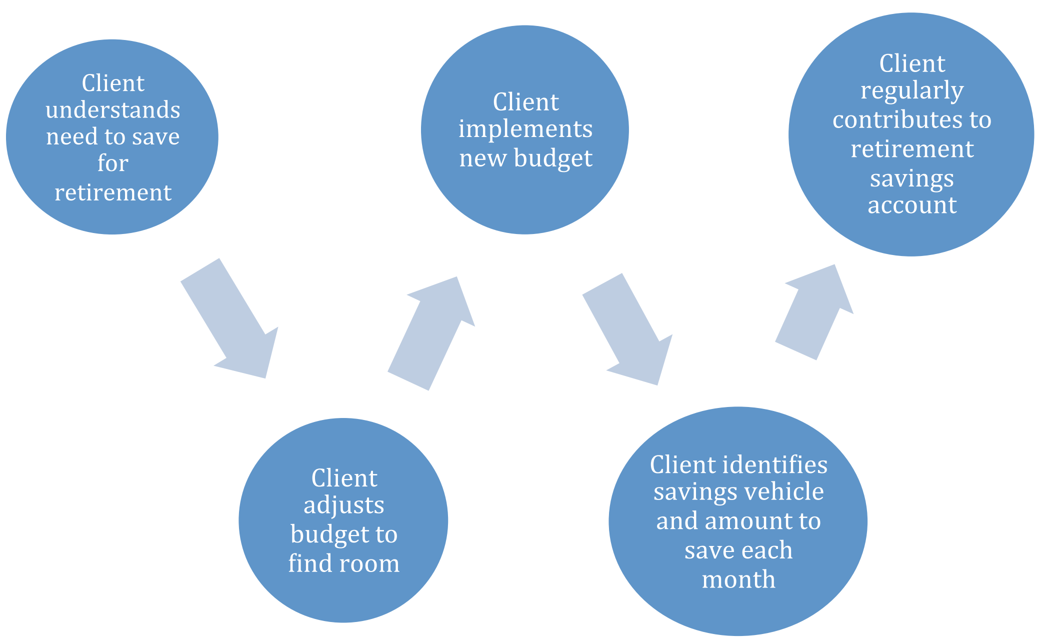
[3] A SMART goal is defined as a goal that is specific, measurable, attainable, realistic, and timely. Coaches use this framework to help clients focus their aspirations into a more precise and relevant outcome.
[4] Ben Mangan, "Advancing Financial Coaching for Low-Income Populations: Midstream Lessons from EARN." EARN Research Institute, 2010.

Figure 1: Two Clients Saving for Retirement

Client A

Client A understands the importance of saving for retirement and wants to get started. She first identifies an appropriate savings vehicle and amount she wants to save each month. Next, she implements her plan to save and contributes to her retirement account each month.

Client B



Client B also wants to save for retirement and starts at the same place as Client A. Client B, however, needs to make some adjustments to his budget first. He makes these changes and spends some time following the new budget to make sure it works for his financial situation. He then goes back to his original goal of retirement savings and identifies a specific savings vehicle and amount to save each month before implementing his retirement savings plan.

It can also be difficult to set standardized measures of success when evaluating a program with wide-ranging attitudinal and behavioral characteristics to consider. Because coaching is rooted in behavior change, it is crucial that programs demonstrate that clients adopt new behaviors as a result of working with a coach. One difficulty of doing so is that programs have to either rely on clients to accurately self-report existing attitudes and behaviors or rely on coaches to objectively assess a set of subjective measures. The psychological metrics that coaches are often interested in tracking – confidence, resourcefulness, willingness to change, future outlook – may manifest themselves differently from client to client and these clients (as well as the coaches) may identify these characteristics in different ways.

- **Capturing client progress throughout coaching engagement**

  Another challenge the evaluation system aimed to address was the difficulty of successfully capturing progress at points within the coaching engagement. As previously described, earlier iterations of the financial coaching program focused on collecting information on client characteristics when they entered and exited the program. While this yielded valuable results on change throughout the program as a whole, it was difficult to point to key turning points during an individual's coaching engagement.

  While coaches themselves are attuned to the progress a client is making throughout their time in the program, it is important to have this information available and accessible for third-party stakeholders such as program managers and funders. In order to efficiently present these stakeholders with evidence that clients are progressing through the coaching engagement, it was necessary to implement a set of benchmarks that coaches could easily check off as clients completed them. This allowed for recognition of and analysis of progress throughout the engagement: this was especially important in the event that clients did not successfully complete the program. If an evaluation system could effectively capture data throughout the coaching engagement, it would be able to demonstrate its impact on all clients, even those who did not successfully complete the program.

- **Adoption and implementation of evaluation tools**

  Prior to implementing the evaluation system, EARN and its nonprofit partner anticipated that adoption and implementation of the new system could be viewed by some program staff as additional work that detracts time from clients. Our past experience taught us that it can be difficult to seamlessly integrate data collection into regular coaching sessions. Coaches may already have their own personal systems in place for tracking client progress and adding new tools can seem burdensome to both client and coach. When coaches carry a large client load, collecting specific data points may be overlooked as coaches focus on their day-to-day interactions and relationships with their clients.

  The challenges here were to create evaluation tools that provide minimal disruption to existing program activities and to establish a common belief in the importance of the program evaluation methods in use. Data collection methods should take into account the amount of time and effort required to collect this data and consider how to minimize this impact while still collecting meaningful information. Designers of evaluation systems should also work closely with coaches to determine what information will be most useful to collect in order to create buy-in and a common understanding of why certain data collection methods are being implemented. This will improve consistency and quality of data collection and a more unified approach to evaluation.

- **Application of information collected through evaluation plan**
  The most important but often overlooked challenge in developing and implementing an evaluation system is ensuring the timely reporting of data to drive decision-making. The program collected large quantities of data but lacked a regular reporting structure that synthesized and reported information back to program staff in a well-timed and meaningful way. This unfortunately reinforced the idea that data collection can be time-consuming and unnecessary: staff did not see the information they collected being put to good use. At the same time, it can be challenging to allocate staff time to reviewing and reporting on data when resources are limited.

  Finding an efficient way to apply data collected through evaluation efforts is important because it allows programs to continuously develop and improve. By regularly looking at data collected, organizations can track patterns and trends and develop an understanding of what is working and what is not working within their programs. When data is reported out in useful ways, it can be clear and actionable for practitioners and provide meaningful insights into what program adjustments should be made. Additionally, program staff will be more likely to commit to consistent and quality data collection if they see that their efforts have tangible results.

V. DEVELOPMENT AND IMPLEMENTATION OF THE EVALUATION TOOL

EARN worked with its partner organization to develop and implement a new evaluation plan in early 2012. Our goal was to meet the three objectives previously outlined as well as address the challenges frequently experienced while evaluating coaching programs. The steps we took are outlined below:

Step 1: Increase organizational readiness.
The first step we took to ensure successful implementation of the evaluation was to meet with our partner's leadership and staff to obtain buy-in. In this stage, it was critical that financial coaches and staff understood and believed in the goals and benefits of program evaluation. In order to accomplish this, EARN assembled a cross-functional group to plan out the new evaluation tools. More importantly, EARN identified potential challenges and concerns of the evaluation so that potential barriers to adoption of the tool could be addressed early on. These discussions also created alignment among stakeholder needs.

Step 2: Determine goals of evaluation plan.
With its partner organization, EARN spent a significant amount of time narrowing the goals of evaluation. While coaching can yield many positive changes in the individual, we decided to primarily focus on evaluation that would allow us to assess client progress toward a specific financial goal as a result of working with a coach. We aimed to collect data that would ultimately tell us whether or not a client was demonstrating financial and psychological shifts as a result of participation in our coaching program. Because financial coaching's aims are twofold – to increase the actions a client takes towards a specific goal and to increase the client's ability to set and achieve goals in general – we wanted to measure both financial and attitudinal/behavioral factors. This focus helped solidify what specific outcomes the program wanted to drive and guide the means of evaluating these outcomes.

We also identified the shortcomings of our previous evaluation methods. First, we wanted a standard set of success metrics and indicators of progress that would allow us to demonstrate client progress across the program as a whole. We also wanted to devise an evaluation system that would help us account for clients entering the program in different stages of readiness. Since the aim of coaching is not to get a client to a specific point financially but rather empower them and help them advance forward towards their individual goals, we wanted to implement a system that would demonstrate movement on a spectrum. Finally, we wanted to incorporate data collection at numerous stages throughout the coaching engagement in order to track client progress; previous methods had focused only on the client's status at program entry and exit.

Step 3: Select key metrics.
After agreeing on the goals of the evaluation, we continued our approach of "starting with the end in mind" by first defining success metrics of the partner organization. Given that the ultimate success of the coaching engagement was defined by the client's ability to reach the goal, coaches first identified nine financial goal categories: Creating and maintaining a budget, Building emergency savings, Reducing debt, Improving credit score, Investing in retirement, Saving and investing in a child's education, Resolving a tax issue, Estate planning, or Seeking out proper insurance.

In order to achieve "standardization" across different goals, we applied a well-known framework, the transtheoretical model, to track a client's progress towards their specific goal.[5] The transtheoretical model, outlined below in Figure 2 is a structure used to demonstrate how change occurs in different stages, each of which is characterized by the individual's readiness to change. The model is frequently used around different health issues such as quitting smoking or losing weight; it's also an appropriate model to measure change in individuals forming their financial habits.

[5] James O. Prochaska, John C. Norcross, Carlo C. DiClemente, *Changing for Good: A Revolutionary Six-Stage Program for Overcoming Bad Habits and Moving Your Life Positively Forward* (New York: William Morrow, 1994), pp. 36-46.

Figure 2: Stages of Behavior Change

Pre-Contemplation
- Individual not interested in changing behavior and/or unaware of need to change

Contemplation
- Individual interested in changing behavior but not planning to do so in the near future

Preparation
- Individual ready to change behavior in the near future and is making concrete plans on how to change

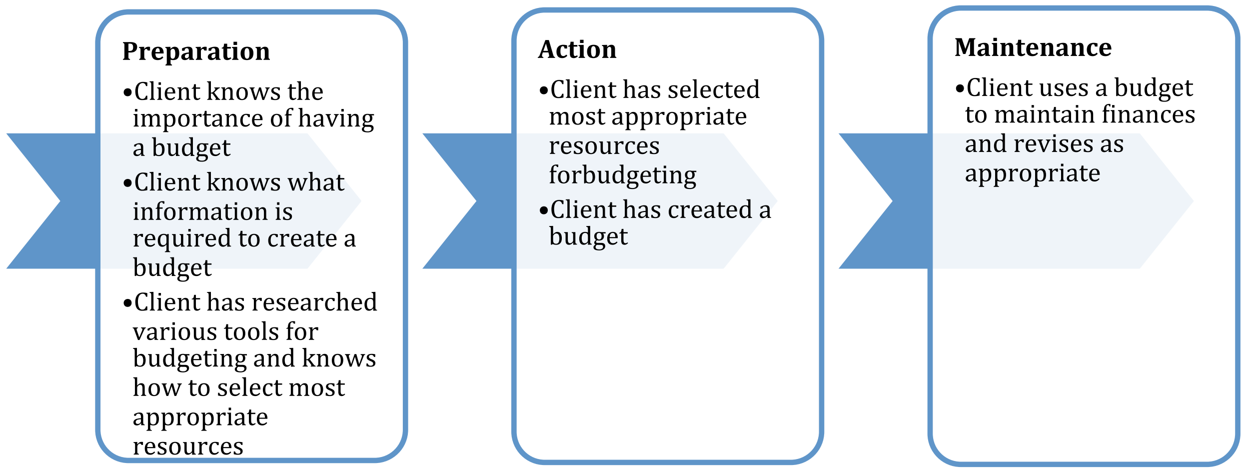
Action
- Individual implements plan and takes concrete steps towards changing behavior

Maintenance
- Individual maintains new behavior and adjusts as necessary

Source: James O. Prochaska, John C. Norcross, Carlo C. DiClemente, *Changing for Good: A Revolutionary Six-Stage Program for Overcoming Bad Habits and Moving Your Life Positively Forward* (New York: William Morrow, 1994), pp. 36-46.

For each financial goal, we identified behaviors and actions that corresponded with which stage of change. Figure 3 demonstrates, for instance, the steps a client may take while creating a budget. That client may fall in the Preparation stage once she understands the importance of having a budget and then move to Action once she creates a spending plan based on her income and expenses. This framework enabled us to demonstrate that clients began coaching in different stages of readiness and to also standardize certain indicators of progress from client to client. Additionally, this framework created consistency from coach to coach; each coach used the same milestones to mark client progress. This was particularly helpful when informing coaches what beliefs or actions to look for in their clients. EARN coaches were all professional coaches who had varying degrees of financial background, and the framework helped them adapt their coaching skills to our specific scope of work.

Figure 3: Steps to Creating a Budget throughout each Stage of Change



Source: Stages of Change for Financial Goals framework developed by Saundra Davis of Sage Financial Solutions, 2012

Step 4: Collect data.

After finalizing the set of evaluation metrics, EARN worked with its partner organization to determine how each metric would be coded and collected for analysis. An in-depth training was conducted with our partner organization's coaches and staff to go over implementation of the new evaluation system. Coaches began implementing these tools with the cohort of clients that joined the program in March 2012.

One significant change we made was to develop a more targeted pre- and post-survey. In addition to collecting information on the individual's specific financial situation, the survey also gathered data on specific financial behaviors and indicators of overall awareness about their finances. The shortened survey contained questions related much more to concepts like planning, consistency, and awareness that an individual would ideally gain from working with a coach.

Another tool we introduced was a regular check-in on client confidence throughout the coaching engagement. As previously mentioned, increasing client confidence a coaching program goal; we wanted to guarantee consistent data collection on this point over time. As with the tracking of financial actions through the stages of change, this measure also came about as part of the partner organization's need to account for where a client was when entering the program and track progress over time. At the end of each session, the coach would ask the clients to rate their confidence in their ability to use the tools available to get where they wanted to be financially. Charting the responses would better help us understand the degree to which clients were improving along this measure regardless of where they entered and regardless of subjectivity on the part of coaches or the clients themselves.

Additionally, we decided to keep the coaching checkpoints we had previously used to indicate when clients had reached major milestones such as setting their financial goals and developing basic financial competencies. These checkpoints touched on what we determined were the basic financial skills necessary for all individuals to master while working towards financial security.

We also decided to keep utilizing the financial wheel as a pre- and post-measure of a client's financial satisfaction and well-being. This measure, as with the confidence measure, intended to help EARN capture information on an individual's movement forward but with even more specific grounding in set financial topics. Furthermore, it had already proven to be a successful indicator of a client's progress.

Step 5: Learn from data and drive continuous improvement.

The final stage in program evaluation involves learning from data collected and using this information to make programmatic improvements where necessary. At this point, we have focused solely on the development of the evaluation plan, implementation of the tool, and data collection. We have collected a robust set of metrics for the participating cohort and have yet to fully delve into these results. Analysis of this information could yield important insights into program strengths and weaknesses and motivate EARN to take action based on these findings.

VI. RECOMMENDATIONS

Given our experience in the financial coaching field and our recent evaluation project, EARN has several recommendations to make to other practitioners looking to effectively evaluate their programs.

1. **Devote staff resources to oversee data consistency and quality.** A reality of data collection within any organization is that the process can be overlooked while staff members focus on their primary duties. In order to ensure that data is being collected in a timely and consistent manner, we recommend allocating staff time specific to data oversight and then clearly delineate these team roles and responsibilities. Staff responsible for regularly checking on data quality should do so on a regular basis so coaches can easily act on requests for further clarification or missing data points.

2. **Work with coaches to find ways to drive program improvement through the collected data.** While we spent a significant amount of time on the front end deciding what key questions we wanted to answer and how and when we should collect corresponding metrics, we could have spent more time working with staff on where and when to report and apply the data (e.g. weekly staff meetings). We recommend

not only laying groundwork for data collection but also devising a specific plan indicating how and when data is reported to staff. From there, program staff and coaches can formalize their understanding of program trends and patterns and make program decisions accordingly.

3. **Begin with the end in mind when setting metrics.** Our goal was to set standard measures of success and indicators of progress within our coaching program. To this end, we first considered what outcomes we wanted clients to achieve. Our coaching program ambitions were to enable clients to make concrete actions towards a specific financial goal and to then increase their abilities to work towards goals (financial or otherwise) on their own. To track progress towards a specific goal, we created the aforementioned framework that drew on an understanding of common goals most clients were working towards. While our specific system had built-in limitations, we recommend that greater attention be paid to the issue of multiple goals throughout coaching engagement and to account for nonlinear progress. The existing framework allowed us to specifically demonstrate how clients were moving toward their financial goals.

4. **Implement tools that account for subjectivity across certain metrics:** One of the challenges expressed earlier in this report was the difficulty quantifying attitude and behavior because of an inherent subjectivity. One way our evaluation plan addressed this was to track movement along these challenging metrics, as opposed to trying to quantify the characteristics themselves. For example in each session, the questions about confidence accounted for clients who may have rated themselves on different scales but still were able to demonstrate movement and trends in a certain direction. Additionally, the financial wheel proved to be a useful tool for showing similar shifts in financial satisfaction.

5. **Plan for long-term evaluation of clients after program completion.** One limitation of EARN's evaluation tool was its sole focus on in-program process. Our recommendation is to collect data on a client's financial state after ending their coaching engagement to evaluate whether coaching's benefits offer long-term impact.

VII. CONCLUSION

For low-income clients with a desire to improve their financial situation, financial coaching is a promising response. Future evaluation efforts may further validate this claim. In order for evaluation to be successful, efforts should be viewed as an ongoing process that requires continuous improvement and refinement. By "repeating the steps" recommended, organizations can be on the path to developing an evaluation system that works best for them. Continued study of areas outlined here will yield important results for the field and ultimately improve the quality of financial coaching programs throughout the nonprofit sector.

ABOUT THE AUTHORS

Lisa Ruskin is a Special Projects Associate at EARN, where she is involved in new product development, program evaluation, and strategic advising for organization-wide initiatives. She holds a B.A. in Urban Studies from Stanford University with a focus in Urban Society and Social Change.

Nga Chiem is Chief Strategy Officer at EARN. Ms. Chiem earned an M.B.A. from Harvard Business School and a B.A. in History and Public Policy from Brown University.

ACKNOWLEDGMENTS

EARN would like to offer acknowledgement and appreciation to the Citi Foundation, whose support made this research possible. We also thank Saundra Davis for lending her expertise in the financial coaching field. The authors would also like to thank Naomi L. Maloney for her contributions to publication and distribution.

ABOUT EARN

EARN, the nation's leading provider of microsavings, is an award-winning California non-profit that gives low-income workers the power to create economic prosperity for generations to come. Since 2001, EARN has helped tens of thousands of low-wage families through innovative financial products including matched savings accounts, checking accounts for the unbanked, micro-loans, and money management coaching. EARN's powerful combination of lasting assets and financial know-how enables families to build wealth and achieve life-changing goals such as saving for college, purchasing first homes, or starting small businesses.

The EARN Research Institute evaluates the impact of EARN's work and publishes original data, sharing lessons learned and best practices. EARN uses this unique grounding in rigorous research and direct service experience to transform the financial services landscape and to champion effective public policies. EARN's ultimate vision is that millions of well-informed, low-income American families will achieve financial success through proven strategies, fair public policy, and their own hard work.

Connect with EARN at www.earn.org, twitter.com/earn and facebook.com/earnorg.

FOR FURTHER INFORMATION

Please contact:
Nga Chiem
Chief Strategy Officer
nga@earn.org