The Application of Coaching Techniques to Financial Issues

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Financial coaching is emerging as a distinct approach to building personal financial capability. In practice, the term "financial coaching" refers to a wide array of approaches. This article reviews the literature in order to propose a definition of financial coaching as a process that helps individuals define financial goals, develop plans of action, and implement steps toward their goals. Data presented from three active financial coaching programs are consistent with coaching's focus on goal-directed behavior. The financial coaching field is still in development and faces several challenges, including a lack of evidence-based practice standards.

Keywords: financial coaching; goal-setting; financial management

INTRODUCTION

A growing number of public and private entities have adopted the term "financial coaching" to describe a broad set of activities aimed at helping clients attain greater financial security. In many cases, organizations describe financial education, counseling, and planning as financial coaching, regardless of the strategies used with clients. Financial coaching remains a largely unregulated field, where the title "financial coach" lacks precise meaning. However, applied research on life coaching, health coaching, and other coaching domains has emerged over the past decade. The field of coaching psychology, in particular, offers insights into why financial coaches may be successful in helping people achieve self-defined financial outcomes. This article draws from prior research on coaching in other fields in order to outline a framework that helps define the emerging financial coaching field, and then presents field data that are broadly supportive of the financial coaching approach.

As described in greater detail below, coaching is a process that supports clients by helping to set financial goals, develop an action plan, and then follow through on that plan. Coaching includes deliberate monitoring and evaluation of progress, including iterative

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feedback to modify goals, intentions, and actions (Grant, 2001; Grant, Cavanagh, & Parker, 2010). The client and coach work together toward the client's goals, even if those goals are not goals that the coach would personally promote or advise. When applied to personal financial management, coaching may be particularly useful for people with self-control or procrastination problems, who may be struggling to move from knowledge and intentions to goal attainment and behavior change (Kauffman, 2006).

Research on coaching in general expanded greatly over the last decade, as evidenced by the formation of university-based research centers and coaching-specific journals. For instance, the Institute of Coaching was established in 2009 at McLean Hospital, a Harvard Medical School Affiliate. The Institute of Coaching holds an annual conference, supports and disseminates research, and develops standards of practice (Institute of Coaching, n.d.a). At least three other university-based coaching psychology programs exist, including programs at the University of Sydney, City University London, and East London University. The University of Sydney's Coaching Psychology Unit is the earliest, having formed in 2000 (Palmer & Whybrow, 2007; University of Sydney Coaching Psychology Unit, n.d.). The Institute of Coaching lists nine academic journals with "coaching" in their titles, and 12 additional journals of interest to coaches (Institute of Coaching, n.d.b). Grant's (2009) review of scholarly coaching publications from 1937 to 2009 documented a spike in the number of publications beginning in the late 1990s, with the total number of publications increasing from 34 in the 1995 - 1999 period, to 304 in the 2005 - May 2009 period. Although research on coaching has expanded rapidly, scholarly attention to financial coaching is in its infancy. The financial coaching field stands to benefit from the broader initiatives around coaching.

The goal of this article is to outline the characteristics of financial coaching that delineate it from other approaches, such as financial counseling or financial education. After reviewing the coaching literature generally, we focus on how coaching can be applied to financial issues. We then present field data from three financial coaching programs to illustrate key components of coaching. The article concludes with a discussion of the future of financial coaching and the need for further research.

LITERATURE REVIEW

The Coaching Approach

Researchers who have examined coaching in a variety of contexts have observed that the term "coaching" is used to refer to a wide range of approaches across a vast array of topics (for example, see Seligman, 2007). Coaches may hold specific qualifications, but most are unaccredited; no universal standards define what it means to be a coach (Grant & Cavanagh, 2011; Seligman, 2007). Grant and Cavanagh (2011) observed that some coach training programs appear to be little more than "credentialing mills" (p. 295). In the health coaching field, Wolever and Eisenberg (2011) concluded that "there is no consensus on the definition of health coaching, what it entails; what the training, credentialing, and licensure

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standards should be; and what evaluations should be established to ensure some level of competency among those trained as health coaches" (p. E7). Financial coaching largely reflects the trends in other coaching fields, as it too lacks specific standards or definitions.

Positive psychology is a relatively new subfield of psychology that focuses on performance improvement and well-being, as opposed to pathologies. Coaching has clear connections to positive psychology and is an example of an application of concepts from this emerging area of study (Biswas-Diener & Dean, 2007; Kauffman, Boniwell, & Silberman, 2010). Biswas-Diener and Dean (2007) observed that coaching and positive psychology are a good fit because they share the underlying assumption that "people are basically healthy, resourceful, and motivated to grow" (p. 11). In commenting on the "chaos" of the coaching field, Seligman (2007) asserted that coaching is in need of two "backbones," a scientific one and a theoretical one, both of which positive psychology offers (p. 266).

Coaches use a variety of approaches when working with clients. Most of these approaches appear to be developed through practice, rather than through research or evidence-based experimental testing. Examples of coaching models include COACH (Competency, Outcomes, Action steps, and CHecking) (Fleming & Taylor, 2003); GROW (Goals, Reality, Options, and Way forward) (Alexander & Renshaw, 2005; Whitmore, 2009); and PRACTICE (Problem identification; Realistic, relevant goals developed, Alternative solutions generated, Consideration of consequences, Target most feasible solution, Implement Chosen solution, and Evaluation) (Palmer & Szymanska, 2007). These acronym-driven strategies are quite similar to one another and are useful for practitioners in the field because they are easy to remember and can be implemented in a stepwise fashion. Moreover, these strategies have much in common with the few theoretically-grounded psychological approaches that have been applied to coaching, including solution-focused coaching and cognitive behavioral coaching (for examples, see Palmer & Whybrow, 2007). Each of these approaches represents a different set of techniques used in the coaching session, ideally matched to the qualities of the coach and the needs of the client. Importantly, the core aspects of coaching hold true across all of these models.

APPLYING COACHING TO PERSONAL FINANCES

Defining Financial Coaching

Grant (2003) defined *life coaching* as "a collaborative solution-focused, result-orientated and systematic process in which the coach facilitates the enhancement of life experience and goal attainment in the personal and/or professional life of normal, nonclinical clients" (p. 254). Grant has articulated other definitions of coaching, but these definitions all include facets such as goal-focused self-improvement and are premised on the assumptions that clients are resourceful, have basic capabilities to take action, and are willing to identify problems and work toward solutions. Grant's definition of coaching focuses on four key elements: (a) identifying behavioral outcomes, (b) collaborative goal

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setting, (c) brainstorming to develop strategies to achieve these goals, and (d) action planning that facilitates self-directed learning (Grant, 2006b). Grant, Cavanagh, and Parker (2010) added two more factors, (e) enhancing motivation by focusing on strengths and building self-efficacy and (f) monitoring and evaluating progress. These features capture the primary themes of the coaching literature that together distinguish a coaching approach from counseling or education. Importantly, this description of coaching does not involve directly educating the client, providing advice, or assisting with a crisis. Adapting Grant's definition of life coaching, we define financial coaching as a collaborative solution-focused, result-orientated, systematic, and strengths-based process in which the coach facilitates the enhancement of personal financial management practices.

This definition of financial coaching highlights several core concepts drawn from the prior literature. First, the client and coach work collaboratively, and the coach is a facilitator rather than an expert. A financial coach may, however, ask for the client's permission to step outside the role of facilitator when appropriate (e.g., when it is clear that the client would benefit from a piece of information), and may at times have an obligation to be directive (e.g., when the client is unsafe or being financially abused). Second, financial coaching focuses on identifying practical solutions and attaining measurable results. Coaching is primarily forward looking, and part of a coach's job is to motivate clients and hold them accountable. Third, coaches engage in a systematic process to facilitate growth and learning through active listening and critical questioning. Fourth, financial coaching is strengths-based because coaches encourage clients to identify what they do well and then apply those strengths in the pursuit of their financial goals.

Although this definition of financial coaching may seem applicable to a range of approaches, it includes several key points of departure from more common strategies such as financial education, counseling, and planning. Perhaps most importantly, coaching is not prescriptive, and financial coaches do not focus on conveying information or advice to clients. Unlike a financial advisor, a financial coach generally does not function as an expert on financial matters. Furthermore, in contrast to most forms of financial counseling, coaching is not intended to help clients deal with financial crises. In fact, coaching's focus on building strengths may not be well suited for clients facing a financial crisis. A financial coach must understand the boundaries of the coaching relationship and be prepared to provide appropriate referrals if acute legal, financial, or emotional problems surface.

Grounding financial coaching to a specific theory in psychology is challenging. The closest common theoretical core applicable to financial coaching draws from cognitive behavioral coaching and solution-focused coaching. Both approaches have been well-documented in the organizational setting, but are not documented in the financial setting. By design, solution-focused coaching is flexible and not intended to engage in deeper therapeutic exploration of underlying social-emotional issues (O'Connell and Palmer, 2007). Yet, both of these approaches focus on goals and perceived self-efficacy to achieve goals (Bandura, 1969). Bandura's model predicts that behaviors are learned, modeled, and changed through self-perceptions of the ability to change. Self-efficacy develops into

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persistence to pursue and achieve goals. Related to goal-directed behavioral theory is Prochaska, DiClemente, and Norcross's (1992) transtheoretical model of change. Coaching can serve as an aid to help people progress through stages of behavior change, especially the action and maintenance stages (Passmore & Whybrow, 2007).

Figure 1 highlights several distinctions across financial coaching, education, and counseling. Coaching is a process that evolves over weeks or months, compared to financial education, which may occur in a single evening or over a few weeks. Financial counseling may also be limited in duration, sometimes to just a few hours, in order to solve a specific problem. Coaches never engage in 'telling' clients didactically what to do, at least relative to financial education, which primarily presents information in a unidirectional manner. Unlike coaching, counseling involves some direct prescriptions used to advise the client what to do. Accountability and follow-up are fundamental to coaching, yet are less frequently a part of education and only involved in counseling with regard to specific problem solving steps. Outcomes across the three approaches also vary. Coaching is focused on the facilitation of skills and behavior through attaining clients' self-directed goals. Education is focused on the acquisition of knowledge, and counseling on solving the presenting problem. Finally, coaching clients need to be stable and ready to manage their own growth in financial capability before starting. Clients in education may not need to have that degree of readiness to act, but do need to be able to absorb information. Counseling clients may be in crisis and need more support to make decisions and take action.

Figure 1
Distinctions among financial coaching, education, and counseling

	Financial Coaching	**Financial Education**	**Financial Counseling**
Length of Service	Weeks, Months +	Hours, Days, Weeks	Minutes, Hours, Weeks
Didactic Sessions	Never	Mostly	Some
Accountability / Follow Up	Always	Little-None	Some
Outcomes	Skills, Self-directed Behavior	Knowledge, Skills	Problem Solving
Client Type	Stable	Mostly Stable	In Crisis

Roles of a Financial Coach

Given a working definition of financial coaching, it is helpful to consider what a coach does in coaching sessions. Drawing from behavioral economics and psychology, we describe how coaching models can be linked to existing theories and approaches. The primary task of financial coaches is facilitating clients to set goals and develop plans of

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action, a process Grant, Cavanagh, and Parker (2010) described as the fundamental purpose of the coaching relationship. In financial coaching, goals are not externally imposed by the coach or any other entity. Rather, clients set their own financial goals, and it is their prerogative to decide which financial behaviors and changes are in their best interest. Coaching is flexible in order to allow clients to formulate goals, refine their goals, or even change their goals entirely over time; coaching is supportive, but not prescriptive. Clearly, trust is important within the coaching relationship, so that clients feel they have the freedom and flexibility to reveal their goals and change their course of action during the process (Bluckert, 2005). In addition, the coach has to trust the client's vision of success and help facilitate measurable progress toward this vision. Because clients select their own goals, it is difficult to generalize what types of goals or content areas are most amenable to financial coaching. In practice, coaching clients' goals range from budgeting and credit management, to savings and entrepreneurship. Because a key strength of coaching is attention to self-control, goals that require ongoing support may be particularly amenable to coaching.

The focus on goals and goal-setting is central to the coaching approach, an area that is well-supported in the psychological literature. Locke and Latham (2002) concluded that goals affect performance via four mechanisms: (a) focusing attention on relevant activities and away from goal-irrelevant activities; (b) energizing individuals, which leads to greater cognitive effort; (c) increasing the persistence toward and time spent on goal-focused activities; and (d) facilitating the discovery and application of knowledge relevant to the task (for more detailed information on goals and goal-directed behavior, see Moskowitz & Halvorson, 2009). One common coaching activity for identifying goals is a scaling exercise through which clients rate themselves on a scale of 1-10 across several financial domains. The use of scaling techniques was first introduced by therapists who provided brief solutions-focused counseling (de Shazer, 1985; de Shazer et al., 1986; de Shazer & Dolan, 2007). The coach then builds on those ratings by asking clients to reflect on what higher scores would look like for them, and then asks clients how they might achieve that vision. Facilitated reflection on where the client wants to be, followed by setting a measurable goal in the area he or she most wants to improve, are integral to financial coaching.

Once the client has defined his or her primary financial goal, the coach helps clients set concrete steps to achieve their goals, a process rooted in literature on behavior change. In many respects, this process follows a solution-focused financial therapy approach (de Shazer, 1985). Gollwitzer (1999) emphasized the distinction between goal intentions and implementation intentions. Goal intentions stipulate desired outcomes, whereas implementation intentions establish links between specific situations and behavioral responses. For example, goal intentions take the form of "I intend to reach goal *x*!" while implementation intentions take the form of "When situation *x* arises, I will perform response *y*!" Implementation intentions are associated with a much greater likelihood of successful behavior change than goal intentions alone. They work by motivating the initiation of goal-focused behaviors, increasing time on task, discouraging unproductive tasks, and supporting persistence without cognitive depletion (Gollwitzer & Sheeran,

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2009). Financial coaches help clients translate goals into specific behavioral responses, which in turn enable clients to attain their goals.

In practice, many coaches use rules of thumb to help clients design implementation plans. For example, coaches often utilize the SMART goal framework, an acronym for Specific, Measurable, Attainable, Realistic, and Timebound (Grant, 2006a). Biswas-Diener and Dean (2007) described a higher-impact coaching approach that extends beyond the SMART framework. At each step of an implementation plan, the coach discusses and addresses issues or behaviors that either facilitate or impede the client's progress. To the extent that coaches use construal theory to explore approach versus avoidance goals, clients may be even better prepared to overcome obstacles and focus their efforts during implementation.

The second role of a coach is to monitor clients' adherence to their implementation plans. Monitoring clients' progress takes the form of both celebrating successes and holding clients accountable. Several studies show that people often fail to achieve their financial goals due to procrastination (de Meza, Irlenbusch, & Reyniers, 2008; Howlett, Kees, & Kemp, 2008; Thaler & Benartzi, 2004). Economists label this phenomenon "inconsistent time preferences," which can result in people continually delaying financial behaviors that they believe are ideal for their future well-being (Frederick, Loewenstein, & O'Donoghue, 2002; O'Donoghue & Rabin, 2001).

In addition to self-control failures, some people fail to adhere to their desired goals and plans simply from a lack of attention. Several studies have shown that making a behavior more salient can focus attention and increase adherence to goals (Karlan, McConnell, Mullainathan, & Zinman, 2010). A financial coach serves as a mechanism for reminding the client about future goals. Studies in the field of psychology suggest that self-control is a like a muscle—it is a limited resource that becomes depleted with overuse, but can also be strengthened with practice (Baumeister & Tierney, 2011). Financial coaches may help in both respects, by allowing clients to focus on their stated intentions for a longer period before becoming psychologically depleted, and by helping clients strengthen behaviors consistent with their long-term goals. Studies of behavior modification also demonstrate that simply focusing on and formally tracking progress, especially in a manner that is transparent to outsiders, can facilitate goal attainment (Baumeister & Tierney, 2011). Thus, a financial coach can serve as an external monitor to whom the client is accountable and makes a commitment to maintain behaviors over time.

FINANCIAL COACHING FIELD STUDIES

This section presents findings and themes from secondary data collected by a group of financial coaching programs targeting lower-income clients. These data were collected for small scale pilot tests, lack randomized control groups, and therefore do not represent a controlled trial of financial coaching. Nonetheless, the data are illustrative of the types of behaviors financial coaching might be predicted to influence, and are suggestive of the

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outcomes financial coaches are likely to encounter, especially with lower-income clientele. The data are organized around three main themes from the theoretical literature: focusing on financial management, financial goals, and ongoing financial behavior.

Financial Management Self-efficacy: Evidence from a Community College Coaching Program

Central New Mexico Community College (CNM), located in Albuquerque, New Mexico, operates an Achievement Coaching program designed to help students across a range of issues, including personal finances. Coaches use a variation of the COACH model mentioned earlier, with a focus on defining goals and concrete plans of action, as well as identifying resources and monitoring progress. CNM coaches typically hold a Master's degree in social work or education and conduct sessions face-to-face or on the telephone.

In April 2010, CNM sent two groups of CNM students—400 who had participated in at least one coaching session and a second group of 800 who had not been offered coaching—a 34-question online survey. Overall, 178 students responded to the survey, including about 20% of the coached students and about 12% of the students who had not been offered coaching. Although designed as a needs-assessment survey, CNM shared the data so we could better understand the role of coaching for those students who took part in coaching relative to those who did not have the opportunity to do so. Two-thirds of students were female, one-half have children, and more than 46% were over the age of 30. The typical student has less than $500 in savings, and 72% are of a non-White, non-Hispanic race-ethnicity.

The survey included a number of questions about students' self-reported ability to manage finances, including one question in which research suggested that coaching might enhance following a budget. Responses were reported using a Likert-type scale ranging from 1 = "Poor" to 5 = "Excellent" (see the Appendix for more detailed information about the survey questions). Table 1 presents an Ordinary Least Squares (OLS) regression to test coaching's association with following a budget, controlling for gender, marital status, number of children, English as a Second Language (ESL), and Grade Point Average (GPA). The coefficient for the receiving coaching indicator variable suggests that coaching helped students adhere to a budget, an activity that requires attention and maintenance. These results are suggestive of positive perception of self-control and self-efficacy related to budgeting.

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Table 1
Self-Reported ability to follow a budget, 1=poor, 5=excellent

	Beta Coef.	(Std. Err.)
Coached (1=yes)	0.34*	(0.18)
Constant	2.81**	(0.23)
R^2	0.015	

Note. Controls for Gender, Marital Status, Number of Children, ESL, and GPA
* p<0.10 , ** p<0.001

Focus on Goals: Evidence from a Community-based Program

The Financial Clinic of New York City is a nonprofit organization that serves lower-income clients on financial issues. The Financial Clinic has developed an extensive financial coaching toolkit for diagnosing common financial problems and making referrals to supportive services when appropriate. The program uses a combination of staff coaches and trained volunteers. The structure of the program is most similar to the PRACTICE model (Neenan & Palmer, 2001) based on cognitive behavioral theory. Coaching relationships typically last six to eight weeks, and coaches are trained to work systematically with clients to diagnose problems, develop goals, identify alternatives, consider consequences, and implement the most feasible solution.

In January 2010, the University of Wisconsin-Madison Survey Center mailed a survey to 1,501 Financial Clinic clients who worked with the agency on filing income taxes in 2008 or 2009. A subset of these clients had also enrolled in the Clinic's financial coaching program. A total of 436 clients responded to the mail survey, for a response rate of 29%. Of these respondents, 60 reported having worked with a financial coach. Like CNM, clients tend to be low-income and had little savings. The average take home monthly income among clients was $1,200, and 75% had less than $500 in savings. More than 90% of the final sample were from racial and ethnic minority groups.

A key question on this survey relevant to the coaching literature is related to having a financial goal. A total of 83% of clients who had worked with a coach reported having a financial goal, compared to 60% of non-coaching clients. Table 2 presents the results of an OLS regression of the effect of working with a coach on having a financial goal, controlling for income, education, and race. Coaching clients were 17.8 percentage points more likely to have a goal when these demographic factors were controlled. This result represents a large marginal difference in the rate of having goals, consistent with the literature on coaching overall.

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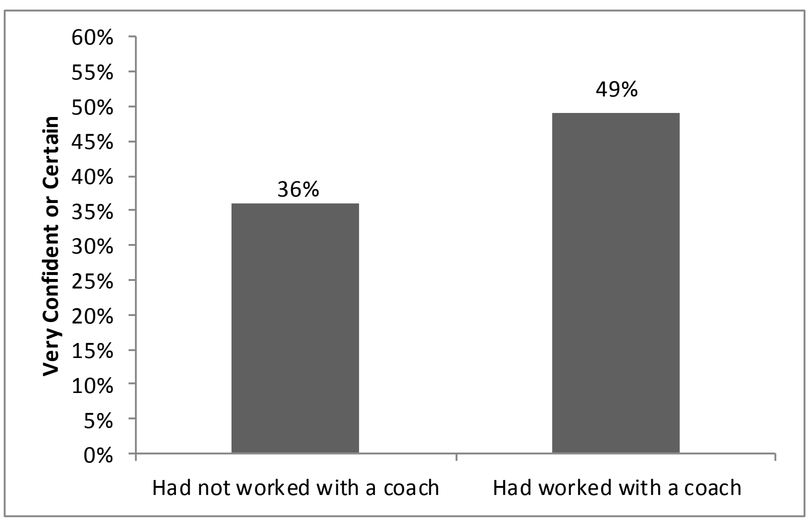
Table 2
Coaching and the probability of paving a financial goal (n = 398)

	Probability of Having a Financial Goal	
	Beta Coef.	(Std. Err.)
Coached (1=yes)	0.178**	(0.06)
Constant	0.361**	(0.119)
R^2	0.073	

Note. Controls for Income, Education, and Race/ethnicity
** p<0.01

Coaching clients also reported higher confidence in achieving their financial goals (conditional on having a goal). Clients rated their confidence from 1 = "not at all confident" to 5 = "certain." The overall mean response was 3.1, indicating "somewhat confident." A total of 38% of clients responded "very confident" or "certain." Figure 2 shows the contrast between coached and non-coached clients with regard to confidence. Thirty-six percent of non-coached clients reported being very confident or certain in their ability to attain their financial goals, compared to 49% of coaching clients. This finding suggests that in addition to being associated with greater goal formation rates, coaching is also associated with greater confidence in goal attainment. This result is consistent with the role of financial coaching in reinforcing goal intentions.

Figure 2
Confidence in achieving financial goals



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Behavior Change: Evidence from Centers for Working Families

The Annie E. Casey Foundation supports Centers for Working Families (CWF) sites across the United States. CWF coaches receive standardized training, and coaching is implemented in a similar manner across the participating sites. The program focuses on longer-term coaching offered by trained counselors and caseworkers. The sites also collect common data points, including a survey of client financial behaviors administered to clients in the coaching program and clients in other programs, but not active in financial coaching. In 2008, Abt Associates, a contracted research firm hired by the Annie E. Casey Foundation, conducted a survey of three Centers for Working Families sites: the Met Center in St. Louis, Missouri, one campus of Central New Mexico (CNM) Community College (the program described above), and Bon Secours in Baltimore, Maryland. The coaches in the program generally were trained by CNM and used the same approach described above. The final sample included 168 respondents, 83 of whom reported working with a financial coach at least once and 85 who never worked with a coach.

Data were collected through interviews conducted by Abt Associates, as well as administrative data and survey questions in 2008 and 2009. The Annie E. Casey Foundation shared an extract of the data for analysis, including a series of questions about financial behaviors such as savings and bill payment. The average client had a total reported income just under $14,000 and little or no savings. More than 80% were from a racial/ethnic minority group, and two-thirds were women. Clients reported how often they engaged in certain financial behaviors including paying at least the minimum balance on bills, setting aside savings, and paying bills on time; each of these measures represents a financial behavior performed regularly.

Table 3 compares the mean self-reported saving behavior of coached and non-coached clients including standard deviations and a two-sample, two-tail t-test with equal variances. On a 5-point response scale, the average reported savings behavior was slightly higher for the coached group (M = 3.8) compared to the non-coached group (M= 3.2), which is a statistically significant difference using a standard two-tailed t-test at the 99% confidence level. Likewise, the average score for setting aside money for savings was higher for the coached group (M= 3.1) compared to the non-coached group (M = 2.6), also a significant difference at the 99% level. The average score for paying bills on time was also higher for coached clients (M = 4.1) compared to the non-coached group (M = 3.8), which is marginally statistically significant at the 90% confidence level. These results suggest that coaching clients are more likely to exhibit positive financial behaviors requiring ongoing attention and focus on budgeting choices.

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Table 3
Self-reported behaviors by coaching status, (1 = Never, 5 = Always)

	Worked with a Coach (n=83)		Not Coached (n=85)		
	Mean	SD	Mean	SD	2-tail t-test
Pay ≥ min. balance	3.8	1.28	3.2	1.51	-2.70**
Set aside money for savings	3.1	1.18	2.6	1.29	-2.69**
Pay bills on time	4.1	0.95	3.8	1.12	-1.79*

* $p < .10$, ** $p < .01$

DISCUSSION

The literature on coaching generally supports the application of the approach to personal financial management. Financial coaching, defined as a collaborative solution-focused, result-orientated, systematic, and strengths-based process to facilitate the enhancement of personal financial management, appears well-positioned to complement, supplement and, in some cases, replace existing strategies such as financial education and counseling. Drawing on the literature in psychology on goal intentions and self-efficacy, financial coaching is most critically grounded in systematically forming intentions, setting goals, and then monitoring performance over time.

The data presented offer a window into how financial coaching is being implemented at a series of nonprofit organizations that work with lower-income clients who tend to also be female and racial/ethnic minorities. These are not generalizable datasets, but they can be used to illustrate themes that the broader literature on coaching suggested in terms of the potential for financial coaching. The analysis of data from CNM shows a correlation between coaching and budgeting, which is a challenging behavior requiring self-efficacy, goal formation, attention, planning, and maintenance. The analysis of data from the Financial Clinic suggests that coaching clients are more likely to have financial goals, as well as to have greater confidence in achieving those goals. Goals and the ability to pursue goal-directed behavior are fundamental to the coaching approach; these data support a goal focus in financial coaching, as well as fostering the self-efficacy required to achieve goals. The Centers for Working Families data focus on paying bills and saving, challenging behaviors for people with limited incomes and access to financial resources. The accountability and monitoring functions of a financial coach shows the potential to enhance performance of financial behavior in these domains. Again, these data were not collected for the purpose of evaluating financial coaching, but rather used as an illustration of how solution-focused models of coaching are being applied to financial management issues. These programs serve economically distressed clients. As such, the

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magnitude of the relationships between coaching and behavior changes are perhaps muted. Coaching does not offer direct access to financial resources, only strategies for managing resources under current constraints. Nevertheless, along a series of measures, financial coaching in these programs appears consistent with what might be predicted from the generalized coaching literature.

Overall, financial coaching holds promise as a means for helping clients reach their financial goals. Coaching's focus on supporting clients through the process of changing behavior and attaining goals is particularly relevant in the area of financial management, where, just as with dieting and exercise, individuals may struggle to follow through on their own intentions. Nonetheless, several challenges must be addressed for the financial coaching field to expand successfully.

Financial coaching can only be successful for clients with the ability and desire to make performance improvements. Clients in crisis need coaching to be provided in conjunction with counseling or other remedies. In some cases, coaching may be best deferred until a client is stable and capable of focusing on goals and behavior change. As financial coaching becomes more widely applied, coaches and researchers need to determine the limits of coaching and the situations when a coaching approach is optimally employed.

Another constraint is the lack of theoretically-grounded and evidence-based coaching models. Financial coaches share common approaches and strategies, drawn from a variety of counseling and therapeutic models. Coaching psychology theory is still in its infancy. This paper describes the functions of financial coaching and the primary theoretical rationales that justify the application of coaching to personal finance. Further work is needed to develop applied step-by-step models and then test the efficacy of each component in the field. In tandem with more defined models of financial coaching, the availability and quality of training opportunities is likely to expand. Related challenges include increasing coordination across programs, adopting industry-wide standards, and creating sustainable business models. Additional standards for training and supervision of coaches are needed, including standards for consultative supervision to help coaches manage professional and ethical issues that may come up in work with clients.

A study using randomized assignment to financial coaching would produce an extremely valuable contribution to the field. An experimental approach is the gold standard in evaluation research and could help determine if financial coaching's positive effects on behavior are primarily related to who attends (selection) versus the effects of coaching itself. One complication with current financial coaching programs, as evidenced by the data presented in the field studies in this paper, is a lack of standardized measures of client progress. Along with more rigorous methods, research on financial coaching needs to implement standardization in measures. Developing empirically tested outcome metrics will result in clearer and more powerful data.

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CONCLUSION

In the U.S., there are a diverse set of organizations working on programs designed to improve personal financial skills, knowledge, and capabilities. Programs commonly focus on educating individuals on financial topics, counseling them through crises, advising them on technical issues, or connecting them to financial products. Although these are all valuable approaches, financial coaching offers a distinct approach that has the potential to facilitate goal attainment through theoretically grounded mechanisms, such as goal-setting, implementation intentions, and monitoring. By utilizing principles from coaching psychology, behavioral finance, and positive psychology, the field of financial coaching has the potential to facilitate behavior changes that result in greater financial security.

In practice, the term financial coaching remains poorly defined. This article attempts to push the financial coaching field forward by advancing a framework to define key aspects of this approach. The data presented in this paper are consistent with financial coaching being associated with goal-setting and positive financial outcomes. As further field evidence is collected on how coaching operates in the financial domain, our understanding of the behaviors most impacted by coaching will develop. Further efforts to apply theories from positive psychology will also help to advance the ways in which coaching is implemented, ideally refining approaches and achieving additional impact on the financial well-being of individuals.

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APPENDIX: SURVEY QUESTIONS USED AS DEPENDENT VARIABLES

2010 Central New Mexico Community College Online Survey

Q10. How do you rate yourself in the following area during the last 3 months?

Q10a. Following a budget

[1] Poor [2] Below Average [3] Average [4] Above Average [5] Excellent

2010 Financial Clinic Survey Conducted by the UW Survey Center

Q6. Currently, do you have at least one financial goal? [1] Yes [0] No

Q6a. What is your main financial goal? [Open-ended]

Q6b. How confident are you that you will achieve this financial goal in the next year?

[1] Not at All Confident [2] A Little Confident [3] Somewhat Confident [4] Very confident [5] Certain

2009 Centers for Working Families Survey Conducted by Abt Associates

Q6. Thinking about the past year, rate your Financial Behavior on a scale of 1 to 5:

Q6a. I pay at least the minimum balance due on my credit cards or other bills

[1] Never [2] Rarely [3] Sometimes [4] Usually [5] Always

Q6b. I pay my bills on time

[1] Never [2] Rarely [3] Sometimes [4] Usually [5] Always

Q6c. I set aside money for savings (or ‘paid yourself’)

[1] Never [2] Rarely [3] Sometimes [4] Usually [5] Always

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