Financial coaching is a promising strategy to help households improve their long-term financial well-being. Low-to moderate-income (LMI) individuals and families face multiple economic barriers that prevent them from achieving financial stability. Many of these barriers go beyond income but rather are due to a lack of access and experience with the United States’ complex financial services industry. While many households lack access to quality financial tools, they also need to build their financial capability in order to make informed decisions about the use and management of money. Millions of families face financial insecurity due to circumstances such as loss of housing wealth, long-term unemployment, high levels of debt or poor credit. Financial coaching can help families and individuals regain their financial footing by helping them learn how to navigate our financial system more successfully and build habits that lead to financial security. This is a vital component to getting families back on track.

Managing limited resources and building savings is a constant challenge for many LMI families. This is because many have very little income available after paying for basic necessities. Despite these challenges, CFED and our partners have discovered through decades of client service, research and evaluation that low-income and very poor families will save to start businesses, purchase homes and go to college in order to create secure economic futures for themselves and their families. However, to participate effectively in the financial mainstream, families need to combine solid financial knowledge and confidence with trusted and quality financial products.

Financial coaching is a resource and framework for helping households to prioritize paying down debts, increasing credit and savings for longer-term assets, such as a house or car.

- Neighborworks America

Financial coaching is a resource and framework for helping households to prioritize paying down debts and building credit and savings for longer-term assets, such as a house or car. This focus on taking smaller steps to improve daily finances and build long-term stability allows coaches to meet households where they are and to highlight where there is opportunity to strengthen their finances. Financial coaching is different from financial counseling or case-management because clients define their own goals and coaches provide a structure for clients to develop their own solutions. These client-centric goals are self-motivated and self-defined and are largely why this approach is so effective.

People at every income level benefit from financial advice; but only high-income or high-wealth individuals can easily access financial advisory services, such as a financial planner or wealth manager. Despite the need for financial advice and support, LMI households generally cannot access private market services. Financial coaches fill this gap.
Financial coaching has demonstrated the ability to enhance financial capability of LMI households. Research has shown that financial education, personal and household budgeting, credit counseling and general money management can directly impact employment rates, employment retention, housing and savings. However, financial coaching is rarely funded directly through large-scale federal, state or local resources, despite research and field experience that demonstrates that financial coaching is a high impact service and can help individuals reach long-term financial stability. Unfortunately, many government funded social services that could benefit by financial coaching either prohibit or discourage the use of federal dollars for this purpose.

This report identifies key policy recommendations to ensure that promising financial coaching practices continue to grow and help families save for the future. Our recommendations address the challenges that prevent many organizations from providing financial coaching and highlight opportunities to increase financial stability by addressing a households financial capability needs. We focus on the workforce and housing system where there is already a good amount of exploration occurring, however, is currently only reaching a small proportion of the financially vulnerable that need these services. Enhancing public support could leverage these channels and increase the impact and effectiveness of services provided to millions of households.

Financial Coaching Focuses on Changing Financial Behaviors

Financial coaching provides an open dialogue on a variety of financial issues and challenges that the client is facing. This goes beyond solely delivering financial education and allows clients to develop skills and learn about resources for confronting future financial challenges and decisions. The focus on client’s self-defined goals leads to a sense of autonomy and confidence about their abilities to manage their financial lives.

Organizations rely on three different groups of people to provide financial coaching: financial experts in the community, existing staff members or volunteers. Each model has pros and cons regarding cost and overall effectiveness.

1. **Financial experts** tend to have a high level of expertise, but their services are often costly and they are not as familiar working with LMI households. This can sometimes make it difficult for clients to develop rapport with the client, which can decrease the quality and impact of the coach-client relationship. Furthermore, they may be less familiar with forming a “coaching” relationship and may be more inclined to focus on financial planning and not on changing behaviors.

2. **Existing staff members** are less costly and they have extensive knowledge of the population being served and are usually better able to provide services on a long-term and consistent basis. However, in-house staff may lack the financial expertise and may not have the confidence to coach others about their financial decisions when they could be unsure about their own.

Financial coaching includes four key elements:

1. A focus on **long-term outcomes**;
2. An ongoing, systematic, **collaborative process** for assisting clients to change behaviors;
3. Support to practice **new behaviors**; and
4. A focus on building skills and teaching content based on the client’s unique needs and goals.

Source: [Annie E. Casey Foundation](http://www.annefoundation.org), 2007
3. **Volunteers** are very cost-effective and may have expertise in the financial services field but often have very little experience working with the target population and may require significant training. Many organizations who use volunteers to deliver financial coaching report a high retention rate which provides consistency for clients.

**No matter which route organizations take in providing financial coaching, coaches need training and support, which is costly.** As with learning any new skill, practitioners, volunteers or experienced financial planners all require training and ongoing feedback. Free training products, such as the Federal Deposit Insurance Corporation (FDIC) *Money Smart* curriculum or the Consumer Financial Protection Bureaus (CFPB)’s *Your Money, Your Goals* toolkit and training, are available to help volunteers and staff learn about finances; however these type of products need to be combined with hands-on and peer learning. This upfront investment in training can create more effective coaches who feel more prepared to handle their client’s financial barriers and challenges.

**As financial coaching initiatives have grown, it has become clear that there is a variety of impactful ways to deliver this service.** Initial assumptions were that one-on-one coaching offered through an isolated program would be the best model, but some organizations have successfully added financial coaching to an existing program, such as individual development account (IDA), employment, entrepreneurship or homeownership programs. There is compelling evidence that providing financial coaching alongside these and other traditional social services has a “supervitamin” effect. This means that homeless prevention or workforce development services, for example, achieve better results when financial coaching is woven into the delivery of these services.

**Integration of services works.** In one study participants who receive multiple services were three or four times more likely to achieve a major economic outcome – such as getting out of debt, purchasing a car, or completing a training or education program – than those whose services were siloed. Integration of services also provides for cross-community collaboration which can maximize scarce resources.

**Financial Coaching Leads to Long-term Financial Stability**

Despite lack of uniformity, many organizations have tracked impressive data regarding financial coaching. There is currently no standard for measuring an individuals’ or households’ financial status, which creates a significant barrier to a more widespread and rigorous evaluation. New York City’s Office of Financial Empowerment (OFE) has worked to standardize outcomes and data tracking across their 30 Financial Empowerment Centers, which served 25,000 clients as of 2013. They use a “Financial Health Assessment” to look at a client’s banking, credit, debt and savings progress, and use these data points to measure concrete outcomes. Under the “Savings bucket” OFE looks for each client to 1) increase savings by at least 2% of net income and 2) save monthly. This is an example of how financial coaching outcomes can be standardized throughout the field. This is a vital step to supporting the case to expand financial coaching.

**Financial coaching increases credit score, income and net worth.** The Local Initiatives Support Corporation (LISC) in Chicago offers financial coaching alongside other various social services at 12 different sites where the client’s median...
income typically under $12,000 per year. Between January and April of 2010 LISC Chicago served 2,269 clients. They have aggregated several measures of success, including:

- 44% of clients improved their credit score with the median improvement being 39 points;
- 72% increased their net income; and
- 48% showed an increase in net worth.\(^\text{14}\)

Similar results were found in a pilot program that paired access to a basic checking account with an average of one to two hours of financial counseling for a population of adults who were transitioning off of public benefits in New York City. The pilot demonstrated the impact financial counseling can have on participants’ financial capability, including credit history, financial behavior and attitudes. All 1,034 study participants were offered safe, affordable bank accounts with direct deposits, and half were also offered free one-on-one financial counseling with trained providers. Overall, the research found that participants who received the one-on-one counseling were more likely to stay current on debt payments at the six and twelve-month follow-ups.\(^\text{15}\)

**Evidence is growing that receiving financial empowerment services leads to better financial outcomes.** The Compass Working Capital program partners with housing authorities in Massachusetts, who are enrolled in a government sponsored savings program, and provides financial education and long-term coaching to help move them out of public housing. An evaluation showed that participants for whom data was available at the twelve-month point in the program demonstrated marked improvement in their financial status. Specifically:

- An average increase of $2,916 in annual earned income;
- An average decrease of $1,862 in annual public benefits;
- An increase in credit scores by an average of 21 points; and
- A reduction of debt by an average of nearly $1,300.\(^\text{16}\)

**Financial coaching increases financial stability by giving families the tools to continue to succeed on their own.** Results like this indicate that making an investment at these critical points of contact with LMI families can result in greater returns in the long-run. Shrinking government budgets and increasing caseloads potentially mean fewer services will be available and positive outcomes may be harder to achieve. This upfront investment can lead to a decrease in public benefits in the long run. For example, Compass has estimated that transitioning a family from subsidized housing to homeownership saves the public approximately $8,809 per household.\(^\text{17}\) Investing in a household’s financial skills has the potential to produce significant long-term savings. The path to scale for financial coaching requires government support and this can lead to reduced long-term spending on many benefit programs if low-income clients can more effectively exit financial insecurity.

**Scaling Up Financial Coaching Requires Public Support**

**Financial coaching is a rapidly growing field.** In 2007, there were approximately 40 active financial coaching programs focusing on low- and moderate-income populations.\(^\text{18}\) More recent estimates say there are far more currently operating. The Working Families Success Network (WFSN), a national network of sites offering coordinated services to low- and moderate income individuals, including financial coaching and education, employment services and improved access to public benefits, has about 115 locations in more than 30 cities in two dozen states.\(^\text{19}\) However, despite this growth, the majority of these programs are relatively small in scale. Starting or running a financial coaching program is resource intensive, and because of that programs often keep their population served relatively small.
Financial coaching is still struggling to find scale and standardization. Despite these positive outcomes, best practices and standards for collecting data are still being developed and often vary between different organizations. Delivery model, client need and their capacity to offer financial coaching services. This diversity fosters innovation but often does little for achieving scale and assuring quality and efficiency across different programs. However, continuing to prove the value and data measurement of financial coaching to funders, policymakers and other organizations is important. In the meantime, the problem remains that many financial coaching sites are not collecting common data points and therefore, program results cannot be aggregated or compared across organizations.20

Very little financial support for financial coaching comes from public sources. Despite the positive effect that financial coaching can have on clients’ financial security and overall outcomes, public funding sources are often so rigid that it deters organizations from receiving funding to provide financial coaching as a core social service. When public funding is provided for financial coaching, it is often only at the state level rather than through larger federal programs. Although state support is beneficial, if each state sets different standards than there is little hope for across the board alignment of coaching standards and outcomes, which would allow programs to consistently improve service delivery and potentially boost results.

Financial coaching services are mainly funded through philanthropic resources. Although this allows for potential flexibility and innovation, without federal support, it will be difficult to foster continuity, sustainability and scale of the field. Additionally, as small philanthropic funding continues to dominate, there will be little opportunity to reach every segment of the population who is need of these services. Private funders see the benefit of more individuals behaving financially responsible, and thus have helped build the financial coaching field to what it is today; but as long as there continues to be few incentives to standardize outcomes and no large data system to share best practices, the financial coaching field will struggle to grow and prove its potential to help low-income households.

Community Development Block Grant (CDBG) program, Community Service Block Grant (CSBG) program, and the Workforce Investment Act (WIA)21 are the largest public sources of funding for financial coaching services; however, support is generally small. WIA funds seemed to be utilized most consistently because workforce programs have taken the lead in integrating financial services into their core services and many workforce programs use these funds.22 Additionally, CDBG and CSBG are more flexible funding sources and tend to fund more holistic services for LMI families. Organizations often mix private and public funds and state and federal funds, in order to have enough funds to offer financial coaching to their clients. However, many organizations providing financial coaching actively avoid larger public funds because they are generally thought to be “too difficult” to deal with when trying to provide quality and wrap-around services for their clients.

Current Challenges to Federal Funding for Financial Coaching

Federal reforms need to address multiple challenges faced by organizations that are attempting to provide financial coaching. Quality financial coaching programs need upfront investment to train coaches, market to clients, receive technical assistance and imbed an evaluation plan. Furthermore, there is currently no agreed upon level of training, experience, education or supervision need to make a quality financial coach. Policy has a role to play in standardizing this field. Large federal funding streams currently present three major challenges: 1) federal programs’ outcome measures are not designed to measure financial coaching’s efforts; 2) financial coaching is rarely listed as an allowable activity; and 3) prevalent funding models for providing coaching are not sustainable or continuous. These barriers present challenges as the financial coaching field attempts to grow and stabilize more families in need.

Arizona’s 2015–2016 CSBG budget plan allocated $150,000 to an organization who provides financial coaching services to clients. However, this was out of Arizona’s entire CSBG budget of $5,174,556. Needless to say, this was a small percentage of the entire funding pool and most likely it wasn’t all used to support financial coaching services.
1. **Federal programs’ outcome measures are not designed to measure financial coaching.** Many community-based organizations have faced challenges related to time restrictions associated with federal funding streams’ outcomes. Many LMI families are hard to serve because they require multiple services and interventions before they are able to become financially stable. For example, individuals can hit barriers to reaching employment or housing if they have low-credit scores but the Workforce Innovation and Opportunity Act (WIOA) does not require sites to work with clients on credit issues. This causes a lack of prioritization of these outcomes and sites rarely provide financial coaching to increase credit scores. This is not intentional, but rather a result of limited resources while programs try to increase their required outcome measures. Some state offices are beginning to report credit scores as a metric for improved outcomes but this rarely is reported to the Department of Labor (DOL) as a program outcome. The specific outcomes and measurement time lines that these programs require create issues for organizations that realize that it often takes years before a family is financially stable. The year-to-year government funding does not allow for this longer type of intervention to ensure that long-term goals are met.

2. **Financial coaching is rarely listed as an allowable activity under large federal funding streams.** Although some of these funding streams list financial education or literacy, this add-on service is not implemented unless there is state or organizational leadership which makes this a priority. Financial coaching, specifically, is rarely listed as an allowable activity, rather financial literacy and financial education is listed which leads to more classroom-based initiatives which usually do not have a hands-on approach and are limited in their effectiveness. Furthermore, when it is not explicitly allowed, fewer applicants know it’s an option and program managers may not understand how it could fit into their program’s objectives. More and more successful financial education initiatives involve a hands-on component, which moves a person from just being knowledgeable about financial issues to being capable in them.

3. **Funding is not sustainable or continuous.** By consistently relying on non-public funding sources there is a constant challenge to ensure that funding streams will be sustainable and reliable in the future. Many organizations use private funding and state grants to fill funding voids, but these funding streams often change with state leadership. Further the ability of these programs to meet the totality of the need can be restricted when the funder requires that services be provided to a particular population. For example, the interests of a private funder can change an organization’s client base to only women because that was the population the funder was interested in serving; however this change could leave other vulnerable families out-to-dry.

**Policy Recommendations to Expand Financial Coaching**

Financial coaching has the potential to help millions of Americans find solid financial footing. Public policy support is necessary to bring financial coaching to scale. The following recommendations would implement quality standards and outcome measures and create sustainable resources for organizations and government agencies that integrate financial coaching into the core services they offer. As the responsibility of navigating the financial marketplace continues to fall onto consumers, these services will become more imperative.

Congress, the Department of Labor and the Department of Health and Human Services need to adapt federal program outcome measures to encourage the adoption of financial coaching practices.

Large federal funding streams, such as Temporary Assistance for Needy Families (TANF) and WIOA have very limited required outcome measures, including employment rates and caseload counts. This creates little incentive for programs to ensure their clients are moving towards long-term financial security. Adapting outcome measures to include, for example, improved credit score, employment retention, increased net income, or decreased debt, will encourage these programs to begin to offer financial coaching which has been proven to bolster programs outcomes.
• Congress should reauthorize TANF to require financial security performance measures that incentivize programs to ensure clients are moving towards financial security, not just moving out of the program or to low-wage jobs.

As currently defined, a “successful” TANF program does not need to move families to financial stability but simply needs to move them off of TANF. As a result, TANF families rarely leave the program in a better condition than when they sought public assistance in the first place.

State TANF plans are not required to describe how the state’s TANF program will help families develop the financial capability necessary to attain long-term self-sufficiency. Nor do the individual assessments of TANF beneficiaries include any requirement to help those families plan for a future life of financial independence. TANF programs should start incorporating financial coaching, in order for their participants to access safe and affordable financial products, develop emergency savings, and repair credit or decrease debt. In the next reauthorization of TANF should change performance measures to reflect these service changes and measure increases in credit scores, decreases in debt, increases in savings, decreases in public benefits and increases in earned income.

• HHS should continue to provide TANF waivers to states and localities to adjust performance measures that focus on financial empowerment outcomes.

Since TANF’s passing the Secretary of HHS has been allowed to provide state waivers which allow states “to consider new, more effective ways to meet the goals of TANF…” Under this provision, states can apply for these waivers and test new and innovative approaches to helping these families reach employment. HHS should consider prioritizing state waivers which list collecting alternative outcome measures that focus on financial stability and capability. HHS could standardize a set of metrics in order to states to be approved for the waivers. These metrics should focus on ensuring that these families are reaching financial stability. This would promote standardization in the field.

Additionally, HHS can provide information memoranda on the benefit to integrating financial coaching into workforce programs and how adapting different outcomes can move more families in need to long-term financial stability.

• Congress should continue to fund the CSBG and the CDBG to increase coordination of services and more holistic solutions to communities in poverty, including financial coaching services.

CSBG and CDBG both have a goal of moving households out of poverty into self-sufficiency, making financial coaching a natural fit. The shared goal of self-sufficiency has led the programs taking a more holistic view when providing social services. Programs with CSBG funding have seen benefit of providing coordinated services that can ameliorate short-term (i.e. housing or food assistance) and long-term (i.e. quality early-education or improved executive functioning) financial challenges. In fact, a CSBG evaluation found the every dollar invested into CSBG leveraged $23.43 of other federal, state, local and private funds.

### Recommended outcome measures for Financial Stability

- Increase savings by at least 2% of net income
- Save regularly/monthly
- Livable income that reaches the Self-Sufficiency Standard
- Credit score of 650 or above
- Savings equal to three months of living expenses
- Debt less than 40% of monthly income
Currently, outcome measures for CDBG and CSBG include employment rates, increase of income from employment, employment supports, economic asset enhancement and economic asset utilization, among others. The economic asset utilization measure looks at whether a family can maintain a budget, whether they open up a savings account, whether they increase savings, whether they purchased a home with savings and whether they purchased other assets. These outcomes, are substantially more extensive, and require more coordinated and holistic services to cause more long-term economic security. In short, these outcomes require individuals to receive financial coaching services in order to be knowledgeable about our financial mainstream and become an active participant in our economy.

- **DOL should support efforts to coordinate workforce training services and economic initiatives and provide waivers to grantees who want to collect performance measures that focus on financial empowerment outcomes.**

  The newly reauthorized WIOA, has taken some steps to encourage financial education, especially in youth programming. However, performance measures are still limited to how many workers entered and retained employment, their median wages, whether they attained a credential and their measurable skill gains. But the Secretary of Labor has the authority to provide states with waivers that will allow them to collect additional performance measures that can capture credit history or increase savings.

  Additionally, WIOA has begun to hold One-Stop Career Centers, which offer a range of federally-supported employment services under one-roof, and Workforce Investment Boards (WIBS), state and local groups that help run One-Stop Centers, more accountable for coordinating their workforce development programs and their community economic development programs. Economic development does not just involve growing more jobs, but also getting more people actively involved in the economy, by getting them banked and helping them save. Financial coaching is a key service that could provide this type of increase in economic activity. It is vital that this new provision gets implemented effectively in various one-stop centers as WIOA is rolled out.

**Department of Labor should integrate financial coaching into adult and youth employment programs.**

Government sponsored employment programs provide assistance to financially insecure individuals who are looking for jobs that provide consistent, livable incomes. Many of these clients are struggling with debt or budgeting. There is a natural relationship between working to increase your income and learning how to manage your personal finances, making financial coaching a good complement to employment services.

- **DOL should ensure that One-Stop Centers are “integrating available services” to inject local financial coaching services and organizations that provide them into employment programs.**

WIOA begins to take steps in the right direction by requiring local youth workforce programs to have a “financial literacy” element; however the adult population served by WIOA is still not provided these types of services. There is a new language in the legislation to integrate available local resources. This is an opportunity for communities to capitalize and coordinate financial coaching services that may exist in their area. DOL
should provide resources to One-Stop Centers on the benefits of financial coaching and a resource directory of financial empowerment services available in their area that they could integrate.

- **DOL should implement WIOA’s youth financial literacy provision, with financial coaching programs.**

  Young adults today are navigating financial decisions and markets far more complex than what their parents experienced; from managing student loans to avoiding credit card debt and saving for retirement and for homeownership. Financial knowledge is most effective when provided at a point in time when people feel that the information is relevant to their lives and can apply the new information promptly. Early job experience is a key entry point for providing financial capability in a meaningful way.

  Youth programs focused on youth employment, such as Job Corps, Youthbuild, and state- or city-run youth employment programs, have program components that are supposed to help youth “manage their finances” and “achieve economic self-sufficiency,” however, very few of these programs take these steps. Requiring, and funding, these youth employment programs to provide financial coaching as part of their supportive services could capitalize on a key moment when youth are managing, what is for many, their first paychecks. Conversations about budgeting, savings, and responsible use of credit, are all topics that will allow this program to combine concrete experiences with best practices when it comes to financial management.

  As previously mentioned, WIOA’s new legislation does take a step in the right direction by requiring a financial literacy component for all locally run youth workforce programs; however, financial coaching is still not specifically mentioned as an allowable service. This is a concern because programs may choose classroom based initiatives that have been demonstrated to be less effective than the individualized approach of coaching. DOL should ensure that information on the benefits of financial coaching is distributed to program managers prior to this part of the law going into effect.

- **DOL should award WIF funding to applicants that are integrating financial coaching into their workforce programs.**

  The Workforce Innovation Fund (“the WIF”), a relatively new federal grant program, should also support financial coaching. The WIF was created with the foresight that workforce development programs will frequently be called upon to do more with less. WIF grantees are tasked with “a) retooling service delivery strategies and/or policy and administrative systems and processes to improve outcomes for workforce system customers and b) evaluate the effectiveness of such activities appropriately.” Moving forward, DOL should think of employment services and financial security programs as two-sides of the same coin and leverage the opportunity to expand an individuals’ financial capability while they look for employment.

**Congress and Department of Housing and Urban Development should integrate financial coaching into federal housing programs.**

Policymakers should build on the momentum created by efforts to integrate financial coaching into workforce programs by doing the same with housing assistance programs. Programs that are well-suited to incorporate financial coaching include HUD’s Family Self-Sufficiency (FSS), Moving to Work (MTW), and Choice Neighborhoods programs.

- The FSS program provides a powerful opportunity for families receiving federal housing assistance to achieve their financial goals and reduce their reliance on public assistance. FSS combines three services: 1) stable affordable housing; 2) case management to help families access services needed to pursue employment and achieve other financial goals; and 3) a savings account that grows as families’ earnings increase over a five year period.

- The MTW program is a demonstration program that provides public housing authorities (PHAs) the opportunity to design and test innovative, locally-designed strategies that use Federal dollars more efficiently,
help residents find employment and become self-sufficient, and increase housing choices for low-income families.\textsuperscript{33}

- The Choice Neighborhoods program supports locally driven strategies to address struggling neighborhoods with distressed public or HUD-assisted housing through a comprehensive approach to neighborhood transformation. One of the core goals is to improve educational outcomes and intergenerational mobility for youth with services and supports delivered directly to youth and their families.\textsuperscript{34}

- Congress should incentivize the FSS and MTW programs to increase the coordination of services and encourage more high-impact solutions, including financial coaching, to distressed communities.

The FSS and MTW programs already have client-coordinators who are responsible for supporting clients’ efforts to achieve financial stability. These positions could feasibly incorporate financial coaching into their case-management role; however, this will require additional training. Also both FSS and MTW help clients enter or find better employment to increase their income, which offers a key moment to engage clients in building financial capability. Compass, a nonprofit based in Boston, MA, has partnered with Section 8 building owners and public housing authorities to provide financial education and financial coaching to FSS participants.\textsuperscript{35} They are experimenting with creating a more sustainable funding stream that will invest increased funding into financial empowerment services, including access to one-on-one financial coaching for the entire duration of the FSS program. Considering FSS’ focus on savings and long-term financial stability, this program is an ideal opportunity to integrate financial coaching into their model. Similarly, MTW has the flexibility to add financial coaching as part of their services as they help public and Section 8 housing residents’ move into employment and into financial stability.

In the meantime, HUD should ensure that FSS and MTW programs have the proper tools and education to start connecting their programs to local financial coaching organizations. This public, non-profit and private partnership is a way to get multiple stakeholders involved and reach populations that are in need of financial capability services in order to move into stable employment or out of public housing.\textsuperscript{36} HUD could create a resource directory for states to reference if they are looking to access financial coaching organizations in their area.

- HUD should encourage Choice Neighborhood grantees to integrate financial coaching services into their overall transformation plans for both youth and adults.

Financial coaching strategies naturally fit into the Choice Neighborhoods program, which aims to transform neighborhoods and expand economic opportunity. HUD can set a funding priority for grantees in the Notice of Funds Availability (NOFA) that require financial coaching services for youth and adults. In the current NOFA, financial literacy is listed as an allowable “supportive service,” but financial coaching is not listed explicitly giving grantees little incentive to include it. Considering the importance that financial coaching can have on a multitude of outcomes, explicitly allowing this service could help residents mitigate future financial challenges and save for future opportunities.

Conclusion

Practitioners and researchers recognize the positive effect of integrating financial coaching into social services. Financial coaching is associated with significant improvements in multiple financial outcomes for clients. This financial groundwork can improve credit scores before applying for housing or employment and can help diminish the use of predatory financial services. Additionally, learning to budget using safe and affordable banking products can help the newly employed make the best use of new, as well as current, income streams.\textsuperscript{37} Financial coaching helps clients achieve long-term financial stability by empowering them to use financial products and services effectively, as well as
build the skills and resources to protect themselves against future financial shocks and downturns. In short, these services help families move away from public benefit income support and towards economic self-sufficiency.

As families struggle with new financial challenges, we need to provide new, impactful solutions. Financial coaching offers a high impact service to households and increases their long-term financial security. As the Federal government implements current policies and reauthorizes others, we need to think creatively how we can get this vital service to low- and moderate income families across the United States.

Acknowledgements
This policy paper is the product of numerous interviews and correspondence with practitioners and advocates in a variety of sectors. We thank the following organizations for generously sharing their expertise, answering our questions, connecting us with new organizations and providing feedback: Seattle King County Asset Building Collaborative, United Way of Greater Cincinnati, Head Start Pilot Project in MA/PA, Four Bands Community Fund, Hopelink, Cities for Financial Empowerment, LISC, Foundation Communities, Association for Financial Counseling and Planning Education, Experiment in Self Reliance, Community LINC, Center for Financial Social Work, Prosperity Center for Financial Opportunity, United Way of Miami- Dade and Empire Justice.

1 Financial capability is “the capacity, based on knowledge, skills, and access to manage financial resources effectively.” From the Department of Treasury, Amended Charter: President’s Advisory Council on Financial Capability.
8 Consumer Financial Protection Bureau, Your Money, Your Goals, July 2014.
17 Compass Working Capital, Return on Investment Model, organizations calculations from 2013.

21 WIOA, which became law in July 2014, reauthorized the Workforce Investment Act (WIA). WIA’s Common Measures have been revised, and DOL must now implement rules on how states and workforce organizations apply the new WIOA Performance Measures and financial literacy requirements. For more detail on the differences between WIA and WIOA, see DOL’s WIOA FAQ.


24 Office of the Administration for Children and Families, Guidance concerning waiver and expenditure authority under Section 115, July 2012.

25 Beck, Tabitha, Mark Schmeissing and Eric Stam, Community Services Block Grant Annual Report, National Association for State Community Services Programs, July 2012.


27 More information on why economic development initiatives need to be coordinated with workforce development read: Lucas McKay, Katherine, Lauren Williams, Alicia Atkinson and Ezra Levin, Enhancing Support for Lower Income Entrepreneurs Through Major Public Systems, January 2014.


29 Furthermore, research has shown that high school students have very low financial literacy. In a 2008 financial literacy survey, the average score among high school students was just 48.3%, the lowest level recorded. For more information on this subject, see “Building Financial Capability in Youth Employment Programs,” published in partnership with the Consumer Financial Protection Bureau and the Administration for Children and Families in August 2014.


36 Compass Working Capital has formed a partnership with three housing authorities in Massachusetts to deliver financial capability in conjunction with their local FSS programs. See more information on how this partnership works in CFED’s publication, “Compass Working Capital partners with housing authorities to help low-income families build wealth.”