Community and Economic Development in North Carolina and Beyond Blog: Investors benefit from financial planners and coaches: Can the poor do the same?

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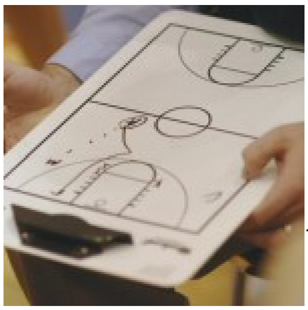

This post is part of a series that highlights approaches described in a ***School of Government web guide on asset-building tactics*** *for individuals and communities on the economic margin.*

What if a concept that works for investors and their financial planners could be used to build the personal financial assets of low-income persons? An approach called financial coaching is being employed in North Carolina to coach low-income persons on financial behaviors that will enable them to build savings and other financial assets.

A 2007 report, *Financial Coaching: A New Approach for Asset Building?,* reviews the ways that coaching has been used to improve human behaviors in a range of areas:

> *There are health coaches who work with clients to curb bad habits like smoking or improve their diet and exercise. There are life coaches who help people to make plans and changes in their career and home life. There are executive coaches who help managers in the workplace to improve their approaches with colleagues and on projects. There are career coaches who help clients explore options for changing or advancing their job prospects. There are job coaches who help developmentally disabled people maintain steady employment. There are performance or skills coaches who work with clients on a specific task or event. And there are financial coaches or wealth coaches who help clients make changes in their financial lives. All of these coaching approaches add value to clients by providing an external force to help them to learn and improve some aspect of their work or personal lives.*

It was simply a matter of time before coaching approaches were tried in the context of anti-poverty efforts. Since the 1990s, leaders working to alleviate poverty have increasingly recognized that income supplements designed to support immediate consumption needs, such as welfare payments and food stamps, are not sufficient on their own to lead low-income persons out of poverty. Michael Sherradan, author of *Assets and the Poor* (1991), suggests that income support payments should be augmented with efforts to facilitate the accumulation of assets (such as savings and homeownership). Accumulated assets can then be used by low-income persons to get them through personal life crises and to develop their capacity to participate more fully in the economy. Perhaps most importantly, as mentioned in this prior post, asset ownership leads to improved outcomes for low-income persons.

As a result, a wide array of asset-building strategies have been developed to help low-income persons accumulate assets. Earlier blog posts have described some of the programs, such as financial literacy and matched-savings programs. However, these programs by themselves may not be sufficient for some low-income persons who may need more intensive one-on-one guidance on financial behavior. That is where financial coaching comes in. Financial coaching attempts to change financial behaviors over time through an ongoing relationship between the coach and the client. Coaches can be volunteers or professionally-trained financial social workers.

In Wilson County, North Carolina, the Wilson County Department of Social Services, at its Career Plus Center, offers a financial coaching program called CASH'N (Changing Attitudes with Smart Habits – Now!). The service is available to low-income families at or below 200% of the Federal Poverty Level. All families leaving North Carolina's Temporary Assistance for Needy Families (TANF) program are referred to CASH'N, although there is no requirement to join. The program works with families on an individualized basis, evaluating household financial needs, setting financial goals, coaching families through financial problems and decisions, and assisting families with taking control of their money and their lives. Families make progress toward their financial goals by meeting weekly with a "coach"—that is, a certified financial social worker—and by completing weekly home assignments. After meeting a goal, the individual can "cash in" and receive an award, usually a gift card or other financial prize. Program participants remain in the program between six months to two years, depending on the goals set. Initial evaluations of the program showed that most participants had higher credit scores upon exiting the program than when they began.

For more information on financial coaching and how such programs relate to other asset-building approaches, see the School of Government web guide on asset-building strategies for individuals and communities on the economic margin (click here for the section on financial coaching).