



Impact of Financial Coaching and Economic Stability Programs throughout COVID

Introduction

The COVID-19 pandemic has exacerbated significant economic inequalities in communities of color, vulnerable populations and raised the visibility of economic and health disparities in Texas. Financial coaching cannot solve the problems created by deep inequities that existed long before COVID. However, our focus groups and survey of financial coaches in Texas in the summer and fall of 2020 revealed that clients who worked with a coach to establish financial goals and plans to achieve those goals before the pandemic were more likely to be financially resilient during the pandemic, versus those who had not.

COVID – 19 Impact on Financial Health

The financial hardship caused by the pandemic follows decades of policies and practices that have undermined family financial stability. Since 2000, wages have increased 10.4%, while housing costs are up 31.5%, and both health care and college education costs have increased by more than 50% ⁽¹⁾. 60% of Americans are living paycheck to paycheck as wages have not kept up with rising costs. Due to this growing gap between wages and everyday expenses, it is not surprising to learn that 1 in 3 adults struggled to pay basic expenses prior to COVID, and lower-income households struggled at an even higher rate ⁽²⁾.

When COVID-19 hit the United States in 2020, businesses shut their doors, parks closed, and millions of people lost their jobs. 25% of U.S. adults report that they or someone in their household was laid off or lost their job due to COVID-19. Even if a person did not lose a job, 1 in 3 people reports they had a reduction in wages or hours. The pandemic exacerbated the financial struggles of Americans and has brought these challenges into a brighter light. In Texas, an Episcopal Health Foundation survey found that 50% of Texans say the pandemic has caused financial hardship for them and their household, including 22% who report that the pandemic has caused severe financial suffering. ⁽³⁾

This paper will explore how financial coaching supported clients in the early months of the pandemic, supports clients in working toward their financial goals, and makes recommendations for financial coaching programs moving forward.

Financial Coaching

Financial coaching is different from financial literacy and education. Financial education and literacy programs provide information to people about various financial topics. Each person has the opportunity to learn and apply the information to their own life. Financial coaching builds on this education and works with clients to create long-lasting and multigenerational change.

Financial coaching is a client-driven process in which individuals and families work to reach personalized goals related to improving their financial well-being. Coaches should not provide expertise on their clients' financial issues but offer tools and resources, encouragement, and monitoring throughout the process of self-directed behavior change ⁽⁴⁾. Financial coaches often work with their clients on budgeting, increasing savings and investing, paying down debt, and increasing their credit score to acquire assets.

RAISE Texas and the University of Houston – Downtown's Financial Coaching and Economic Stability Lab reached out to financial coaches and managers who oversee financial coaching and other economic stability programs. The goal was to see how their coaching programs have changed and the impact the programs have had on the clients they serve. This report is based on information received from two focus groups: nine financial coaches and four financial coaching program managers, and a survey distributed to approximately 400 financial coaches in Texas, with 58 responses from 19 cities throughout the state.

Key Findings

Creating a connection with clients is key to the coaching relationship.

- Clients who engaged in financial coaching pre-COVID were more likely to: continue to work towards their financial goals, build on their established relationship with their coach to seek out resources and opportunities, and be more confident about their financial future, even while experiencing setbacks.
- Many coaches reported meeting with established clients more frequently during the pandemic and investing more time in their coaching relationships, which further strengthened their connection with clients.

“Relationships are the key. Having regular contact with a coach can support them from making decisions that will be more problematic down the road. It is hard to think long-term when you are stressed. We were able to talk about the choices and make decisions that will be most helpful because of the relationship we created.”

~Financial Coach, Austin, Texas

“I am spending more time just listening and talking to my clients. They are stressed and need someone to just listen. I find that clients are thrilled to hear from me and just being there matters.”

~Program Manager, Brownsville, Texas

Individuals working with a coach on their financial goals before COVID have shared with coaches that they found themselves better positioned to navigate their financial challenges.

- According to the surveyed financial coaches, 57% of the coached clients who met with a coach before the COVID pandemic, and continued meeting with a coach during the pandemic, are more optimistic about their financial future than clients who initially met with a coach during the pandemic.

“The ability and resilience to move from crisis to purpose made a huge difference for the clients I had been working with before COVID.”

~Financial Coach, Fort Worth, Texas

- 65% of the coached clients have continued to work towards their financial goals during the pandemic. Even with the many changes and challenges, most coached clients could brainstorm with their coach and continue working towards their goals.

“Clients might have had to update their goals because of the situation they were in, but they found ways to continue working towards their goals and their financial future.”

~Program Manager, Brownsville, Texas

“Several clients who were close to purchasing a home have paused, not stopped, but are wanting to make sure they can meet the financial demands of homeownership.”

~Financial Coach, Dallas, Texas

- The survey showed that 60% of coached clients who started coaching before COVID are more financially prepared than the clients who started working with a coach during the pandemic.
- 79% of coached clients with a savings account seemed less stressed about their finances than those without any savings.

“We always are talking about savings with our clients. Our clients who had savings, even \$100 were able to weather the storm a little. The savings went fast and during this time we were able to apply for government funding or other programs to help them pay their bills.”

~Financial Coach, Fort Worth, Texas

"All of my clients are thinking more about the importance of saving. And, the need to prioritize [saving] more in the future."

~ Director, Bryan, Texas

Financial coaches who take time to create space and listen can help lessen financial and everyday stress.

- Working with a financial coach will not eliminate financial challenges or stress. However, having someone to talk with to brainstorm possibilities, create a plan, and walk through the steps can lessen financial and daily stress. Even though stress still exists, 67% of financial coaches reported their existing clients had less financial stress than new clients who recently engaged with a coach.

“If clients were in a crisis mode before, they lost everything. When in crisis everything shuts down and the client did not/was not able to engage. If clients had a plan, they were shell shocked and then were able to talk through options.”

~ Financial Coach, Waller, Texas

- Coaches report that they are taking more time to create space and listen. Thus, allowing them to have more consistent communication with their clients.

“As a financial coach all my clients have life goals, and many of them have money aspects to them. I have been listening more, and we have been exploring how our money goals intersect with our life goals.”

~Financial Coach, Dallas, Texas

"Having a coach as a resource, someone [being able to] call me, the truth is the pandemic is ugly, no matter how you do it."

~Financial Coach, Fort Worth, Texas

Coaches need to continue learning more about and collaborating with other organizations and programs to best meet their clients' needs.

- 60% of coaches are now spending more time connecting their clients with additional resources than in pre-COVID.

“The programs offered through the government were vital to the clients I worked with. We need to make sure we take time to learn and collaborate with other people.”

~Program Manager, Austin, Texas

“I have referred more clients to food pantries and other assistance since the beginning of COVID. I am thankful there is someone in our office who is more of an expert in knowing what resources are around us.”

~Financial Coach, Dallas, Texas

Challenges

While clients who engaged in coaching programs before COVID may have been able to weather the pandemic with more confidence in their financial situation, financial coaches and clients still face many challenges.

- Technology has been both a blessing and a challenge for programs. Financial coaching programs serving larger cities have seen their no-show rate of clients drop to as low as 8% with virtual services. Other areas of Texas have found it is more challenging to connect with clients due to technology challenges. Additionally, coaches and employees have differing levels of experience and comfort using technology and providing services virtually.
- Clients have diverse needs and challenges; it is essential to continue to build knowledge of and relationships with other organizations within the community. Several coaches and programs stated it has been challenging to learn about all the new programs offered at the federal and state levels.
- Coaches are now connecting more frequently with clients through virtual meetings, which requires more of a coach's time. Coaches need to remember to continue to take care of themselves and practice self-care.

Recommendations for the Field

Through this study, we have seen that clients who engaged in financial coaching pre-COVID, are in a stronger financial position now than clients who engaged in financial coaching during the pandemic.

Clients who engaged in financial coaching before COVID were more likely to: continue to work towards their financial goals, even while experiencing setbacks; build on their established relationship with their coach to seek out resources and opportunities. Clients were also hopeful about their financial future.

The information shared from coaching programs also highlights the importance of building relationships with coached clients on an individual and personal level. It also highlights why collaborating with partner organizations to support clients is essential; and the need for the ongoing support of clients and their goals.

Conclusion

This study revealed that clients who started working with a financial coach before COVID were more likely to be financially resilient. These clients also continue working toward their financial goals during this unprecedented time of a financial and health crisis. While financial coaches cannot eliminate financial challenges or get someone their job back, financial coaches see that the support, tools, and resources they provided before and during the pandemic have helped their clients navigate financial challenges while focusing on future goals.

“But that uncertainty will provide us with an opportunity to innovate and create in ways that we might not have considered in the past. Coaches are still living this with our clients – pull the truths together with clients. “

~Program Manager, Fort Worth, Texas

“Financial coaching is a social justice issue, as we work together with our clients we help think through and develop plans, to change mindsets to change behaviors. The true value in coaching is the relationship, not the financial knowledge we have when serving our clients.”

~Financial Coach, Houston, Texas

Resources

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