Financial Security in Low- to Moderate-Income Communities: The CFPB Well-Being Scale in a Direct Services Setting

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Project Summary

- In 2015, The Financial Clinic launched Change Machine to empower financial coaches and NGOs interested in financial security building services

- Using Change Machine, coaches are able to guide clients through the Financial Well-Being Scale

- Over 2700 individual surveys completed since 2016

- What is the well-being of this unique sample of coaching clients? How is it related to their experience of coaching?

Research Questions

- *Question 1:* What is the well-being of this large group of coaching clients? How does it compare to the Bureau's national data?

- *Question 2:* Does engagement with financial coaching vary by level of financial well-being?
  - Total Meetings Attended
  - Total Financial Security Actions Completed
  - Total Financial Security Outcomes Achieved

- *Question 3:* Do coaching clients with different levels of well-being achieve different types of financial security outcomes?

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Financial Security Outcomes

Assets	Achieved by a client that saves consistently. Triggered by two deposits, a new auto-transfer, or increase for existing
Banking	Achieved by clients that decrease their total financial transaction costs. Tracked meeting to meeting.
Credit	Achieved by clients that establish or improve their credit score. Tracked meeting to meeting using credit report
Debt	Achieved by clients that decrease the value of any of their debts entered into Change Machine by a financial coach.
Taxes	Achieved by clients that save a portion of their tax return for an identified financial goal.
Financial Goals	Achieved by clients that complete a financial goal identified with a coach.

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Research Approach

- Descriptive analysis
  - Data collected by financial coaches during service delivery on Change Machine.
  - Unique population and dataset, but missingness makes causal inference challenging
  - Identify new questions and suggest opportunities for future research

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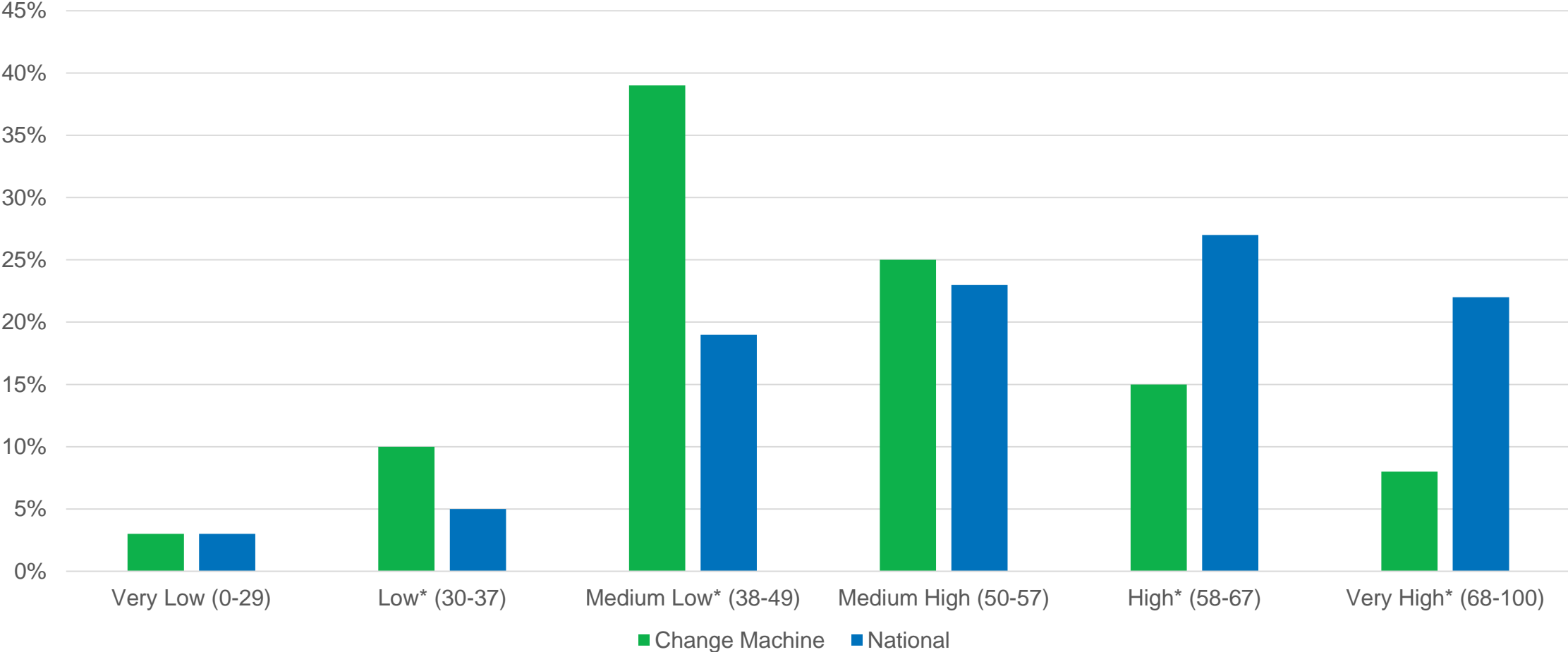
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Data and Sample

- Sample of 2,744 coaching clients served by 23 community organizations across 18 states
  - Median income between $20-29k
  - Mean age of 41
  - 72% female
  - 65% identify as African American or Latino/Hispanic
  - 49% GED/HS diploma or less
  - 39% report assets of less than $100

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What Did We Find?

- *Question 1: Overall Well-Being*
  - Within score range two sample *t*-tests
  - Clients on Change Machine report <u>much lower well-being than US adults, but are represented across all ranges</u>

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What Did We Find?

Financial Well-Being Scale Score, by score range

Chart showing Financial Well-Being Scale Score by score range comparing Change Machine (green) and National (blue):

Score Range	Change Machine	National
Very Low (0-29)	3%	3%
Low* (30-37)	10%	5%
Medium Low* (38-49)	39%	19%
Medium High (50-57)	25%	23%
High* (58-67)	15%	27%
Very High* (68-100)	8%	22%

■ Change Machine ■ National

* Statistically significant at the 99.9% confidence level

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What Did We Find?

- *Question 2: Coaching Engagement*
  - Financial well-being appears to be unrelated to client engagement with financial coaching

Average Coaching Indicators Across Score Ranges

	Very Low*	Low	Medium Low	Medium High	High	Very High
N (% sample)	88 (3%)	272 (10%)	1082 (39%)	678 (25%)	401 (15%)	223 (8%)
Meetings Attended	2.8	2.7	2.6	2.2	2.7	2.2
Actions Achieved	4.2	3.9	3.8	3.6	4.1	4.3
Total Outcomes	.40	.51	.50	.39	.56	.56

*Reference Category

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What Did We Find?

- *Question 3: Outcome Achievement*
  - Compare frequency and rates of outcome achievement
  - Chi-square test of independence and simple OLS regression for pairwise testing

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What Did We Find?

Financial Security Outcomes Achieved by Score Range

	All Clients	FWB Score Range at Intake					
		Very Low*	Low	Medium Low	Medium High	High	Very High
Assets	80 (3%)	2 (2%)	8 (3%)	27 (2%)	17 (2%)	18 (4%)	8 (3%)
Banking	31 (1%)	1 (1%)	3 (1%)	17 (1%)	2 (<1%)	4 (1%)	4 (2%)
Credit	487 (18%)	14 (16%)	52 (19%)	197 (18%)	96 (14%)	80 (2%)	48 (21%)
Debt	612 (22%)	18 (2%)	65 (24%)	259 (24%)	125 (18%)	96 (24%)	49 (22%)
Financial Goals	120 (4%)	0 (0%)	10 (4%)	39 (4%)	27 (4%)	28** (7%)	16** (7%)
N	2744	88	272	1082	678	401	223

* Reference Category

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What Did We Find?

Financial Security Outcomes Achieved by Score Range

		FWB Score Range at Intake					
	All Clients	**Very Low***	**Low**	**Medium Low**	**Medium High**	**High**	**Very High**
Financial Goals	120 (4%)	0 (0%)	10 (4%)	39 (4%)	27 (4%)	28** (7%)	16** (7%)
N	2744	88	272	1082	678	401	223

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○ Clients with "High" and "Very High" financial well-being scores <u>achieve more personal financial goals</u>

○ Need to investigate confounding factors:
  ■ Goals are defined with financial coach

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What Does It Mean?

- Financial well-being is dynamic and representation across score ranges illustrates this
  - Coaching has to be focused on client needs, especially their financial goals, not one-size-fits all
- Higher well-being uncorrelated with our chosen measures of coaching engagement.
- Higher well-being coincides with achieving more personal financial goals.
  - Higher FWBS score at baseline can suggest more confidence or feelings of control/self-efficacy
  - If we could identify a connection, could be valuable for coaches to target support for clients.

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Questions & Contact

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