TIAA Institute

Trends and Issues
May 2025

Evaluating the effectiveness of financial coaching:

Evidence from a randomized controlled trial with Catholic Charities Dallas

Expanding our understanding of the effectiveness of financial coaching

William Skimmyhorn
William & Mary

Patrick S. Turner
University of Notre Dame

Financial capability and instability remain pressing personal and public challenges (Lusardi and Mitchell 2023, Fetzer et al. 2020, Sherraden et al. 2017). For example, a large majority of households live paycheck to paycheck (Forsyth 2012), half lack sufficient emergency savings (Foster 2021, FINRA 2012), and most are unprepared for retirement (Tavares et al. 2024, Greig et al. 2023, Rhee 2013). These challenges are even more significant for low-to-moderate-income (LMI) individuals and households (Roll et al. 2021, Brown and Braga 2019, Shah, Mullaintathan and Shafir 2012).

Despite significant research on programs and interventions, there is little consensus on how best to improve financial capability (Miller et al. 2015). Common challenges include proper scope (i.e., covering a set of topics neither too narrow nor too broad), personalization (i.e., covering the specific challenges someone faces), and impact (i.e., affecting actual financial behaviors and outcomes). Financial education is appealing in its potential to generate human capital and while evidence of its effectiveness is growing (Kaiser and Lusardi 2024, Kaiser et al. 2022), support is not universal (Willis 2021, Miller et al. 2015, Fernandes et al. 2014, Hastings et al. 2013). That said, developing knowledge sufficient to generalize across topics is a challenging task, and as a result, many financial education programs address a small subset of topics (e.g., retirement saving, debt management).

Financial advice provides more personalized and actionable information (MacDonald et al. 2023), but it typically covers a much narrower set of financial topics (e.g., investing or employment benefits), and it requires informed demand (Stolper & Walter 2017).[1]

In this paper, we experimentally evaluate the effectiveness of financial coaching, a relatively less studied method that leverages a combination of education, advice, and encouragement to help clients improve their financial condition. By design financial coaching is more personalized and it places greater emphasis on goal setting and accountability to overcome gaps between knowledge, intentions, and actions in order to generate impact (Collins et al. 2013, Collins and O'Rourke 2012). To the extent that developing generalizable and actionable human financial capital via education is difficult and/or that financial advice is less trusted or accessible, financial coaching might serve as a promising policy tool for improving financial well-being. We evaluate the effects of a large, year-long financial coaching and support program using a pre-registered randomized field experiment and a combination of linked credit bureau, labor market, and survey data.

Existing research provides suggestive evidence of meaningful benefits, though many knowledge gaps remain. In the first experimental analysis of financial coaching, Theodos et al. (2018) find positive effects that varied across domains (e.g., increasing savings vs. reducing debt) and by location but not by subpopulation. Modestino et al. (2019) document improvements in access to credit and credit scores among youth as well as potential heterogeneity by groups (i.e., for the youngest participants and those who are African-American).[2,3]

Our research expands the scope and validity of the financial coaching literature in several ways. First, our study provides large-scale experimental evidence on the causal effects of financial coaching as specified in a published pre-analysis plan (Skimmyhorn and Turner 2022), increasing our confidence in the results (Olken 2015). Our unique combination of data, which cover individual financial (i.e., credit bureau), labor market (i.e., employment and earnings), and behavioral characteristics (i.e., surveys), supports other contributions. Specifically, these data enable us to complete a broader analysis of the potential effects of financial coaching in terms of direct effects on individual financial conditions, as well as downstream effects (e.g., employment). We construct a panel data set that yields insights into the longitudinal dynamics of these programs. Finally, our detailed survey measures enable us to investigate the potential mechanisms (e.g., financial knowledge vs. capability) that differentiate financial coaching from other leading interventions like financial education or financial advice.

Financial coaching with Catholic Charities Dallas

Our study evaluates the effectiveness of the Next Gen Wealth Academy, a financial coaching program operated by Catholic Charities Dallas (CCD) which is a large urban service provider serving more than 180,000 clients annually.[4] Clients for the year-long program are recruited from other service programs offered by CCD (e.g., immigration and refugee services, pregnancy and parenting programs, and hunger services), as well as from other local community partners and through word-of-mouth and direct advertising.

The primary component of the Next Gen Wealth Academy is personalized, one-on-one financial coaching. New clients sign a coaching agreement that outlines the roles and responsibilities of the coach and client and commit to 12 months of program engagement. During their first coaching session, clients complete a financial assessment and discuss their financial and personal goals with their coach. The coach walks the client through worksheets that collect information on income, savings, and information from their credit report. Clients then develop a personalized spending plan with their coach. This budget is designed to help clients think about how they spend their income and create habits that help them work toward their financial goals, which often include increasing their savings, reducing their debt, or managing their credit score. Throughout the year, clients make progress toward their goals and engage monthly with their coach to revisit their plans, receive encouragement and accountability, and to address any new concerns or questions.

1 Financial advice may also suffer from mistrust in the profession (MacDonald et al. 2023), confirmation bias in the selection of advisors (Zaleskiewicz & Gasiorowska 2023) and overconfidence in clients' rejection of advice (Reiter-Gavish et al. 2021).

2 In related work, Theodos et al. (2023) leverage a quasi-experimental design to analyze the effects of the $Stand By Me financial coaching program and find varied effects on clients' debt levels (e.g., decreases in credit card debt and increases in student loan debt) with minor overall improvements in credit scores (approximately 4 points) and delinquent debt. Despard et al. (2021) provide observational evidence on workplace financial counseling programs, noting similar patterns to the evidence noted above. Rogers et al. (2022) provide evidence that concurrent financial coaching and smoking cessation may reduce financial distress.

3 For summaries and qualitative analyses of the implementation of financial coaching, see Collins et. al (2021), Loomis (2018) and Collins et al. (2012).

4 When CCD and the research team launched this study in November 2020, CCD was starting a new program called Financial Stability and Career Services (FSCS). CCD re-branded this program to the Next Gen Wealth Academy during the evaluation. While the name changed, the program's offering of financial coaching supported by employment services and housing counseling remained the same.

The program pairs financial coaching with additional employment services and a homeownership program for clients who need them. Because income is an important component of the client's budget, CCD connects unemployed and underemployed participants with an employment coach. Clients work with their employment coach on drafting a resume, preparing for interviews, building their professional wardrobe, and connecting with local employers. If needed, clients also have opportunities to engage in local job training programs that allow them to work toward industry-recognized certifications. Additionally, participants can work with HUD-approved housing counselors. Through this component of the program, clients can receive pre- and post-purchase counseling, get connected with down payment assistance, or receive counseling on dealing with mortgage delinquency or landlord issues. This program that places financial coaching, employment services, and housing counseling under one roof is becoming an increasingly popular service delivery model for supporting the economic well-being of LMI individuals and households (Annie E. Casey Foundation, 2020).

An experimental evaluation of financial coaching

We partnered with CCD to implement a randomized controlled trial evaluation to measure the impact of financial coaching. Between November 2020 and March 2024, 634 potential Next Gen Wealth Academy clients were enrolled in the research study. To be eligible for the program, individuals must have had stable housing, been 18 years of age or older, had household earnings under $58,000 annually, and committed to one year of service interactions.

After completing a detailed intake survey, study participants were randomized into either a treatment group (N=317) that was offered the opportunity to enroll in the Next Gen Wealth Academy or a control group (N=317) who continued to receive access to other social services provided by CCD and other agencies in the community. Program enrollment was relatively high among the treatment group: more than two-thirds participated in financial coaching and nearly half of enrolled participants remained engaged with their coach for at least 6 months.

The population served by CCD is economically disadvantaged and composed primarily of women from racial and ethnic minority groups. Roughly 4 in 5 study participants are women, and the average age of the sample is 40. Half of the participants identify as Hispanic and another third identify as Black, non-Hispanic. About 40 percent of the sample have a high school diploma or less and three-fifths are employed full-time. While most participants are banked (about 80 percent have a checking account), savings rates are low (roughly one-third report having any savings), and the average household income is below $25,000 per year. Importantly, these sociodemographic characteristics are well-balanced between the treatment group and control group providing evidence that randomization was successful.

We measure the program's impact on credit outcomes, labor market outcomes, financial behaviors, and financial knowledge by linking study participants to quarterly panels of administrative credit and earnings data, as well as collecting a 12-month follow-up survey. Our credit data allow us to quarterly measures of creditworthiness and credit usage during the year before program application through the year following program application. Because access to financial coaching was randomly assigned, we assume that the average outcomes of the treatment group would have been similar to the average outcomes of the control group had they not participated in financial coaching. Thus, we can attribute any differences we see in average outcomes across the two groups to the effect of program access, as opposed to differences in the types of people who participate in financial coaching versus those who do not.

Our study presents two types of effect estimates because not everyone who was randomly assigned to participate in financial coaching took up the program. Our first set of estimates are intent-to-treat (ITT) estimates that measure the impact of the offer of financial assistance. These impact estimates come from the comparison of average outcomes between all members of the treatment group and all members of the control group. A second set of estimates are treatment-on-the-treated (TOT) estimates that measure the impact of receiving financial coaching. These estimates are generated by accounting for the fact that the treatment group was roughly 65 percent more likely to receive financial coaching. As such, the TOT estimates (i.e., the effects of financial coaching) are roughly 50 percent larger (1 / 0.65) than the ITT estimates (i.e., the effects of gaining access to financial coaching).

The effects of financial coaching

In our study, financial coaching did not lead to meaningful improvements in client debt that was held by collections agencies or on their overall credit score. We find that financial coaching reduced collections debt by $441, an 11 percent decrease relative to the control group mean of $2,934. However, this effect is not statistically significant. Effects on collections debt tend to be larger among less educated clients, younger clients, Black clients, and clients who entered the program with either relatively low credit scores or relatively high debt balances. Additionally, we find no impacts on credit scores during the first year following program application. These null effects are precisely

measured and close to zero, and we can rule out credit score increases larger than 21.7 points. Exploratory analysis of additional credit outcomes suggests financial coaching reduced total debt somewhat, in particular student loan debt, though these effects are imprecisely measured.

We find no large improvements in financial well-being or overall mental/physical well-being, as measured by a 12-month follow-up survey. We solicit information about banking, savings, usage of small-dollar loans, and a measure of the client's financial capability (Collins and O'Rourke 2013). We find no evidence of improvements on a standardized index of these financial well-being measures. However, consistent with the program's goal of improving financial behaviors and knowledge, we do find evidence that coaching increased the likelihood of using a budget by 36 percent and increased a standardized index of financial knowledge—measured both through objective questions and through self-assessment—by 0.17 SD.

Finally, we find some evidence that financial coaching and employment services improved labor market outcomes. This preliminary analysis comes from linking a subset of study participants (i.e., those who provided a valid SSN at program intake) to data on formal-sector earnings in the state of Texas. While quarterly employment rates were similar between the treatment and control group, we find that the program increased average quarterly earnings by $856 per quarter (28 percent) relative to the average quarterly earnings of $3,030 in the control group between the quarter of application through the 4th quarter following application.

It is important to note that these results only focus on short-run measures and administrative data for the subset of study participants. In future work, we will explore the longer-run impacts of financial coaching with additional labor market outcomes and credit data, and ideally for more study participants.

About the authors

William Skimmyhorn is an Associate Professor of Finance and Economics at William & Mary. Prior to joining the faculty at the Raymond A. Mason School of Business, he was an Assistant and Associate Professor of Economics at the United States Military Academy at West Point. While there, he served as the inaugural Long-Term Research Coordinator for the U.S. Army Office of Economic and Manpower Analysis. In this position, he was responsible for providing analytic support to senior government leaders, managing a research network of leading scholars at more than a dozen institutions nationwide, and designing research and program evaluations to improve public policy.

He earned a BS degree in Economics from the United States Military Academy at West Point, an MS degree in Management Science and Engineering from Stanford University, an MA degree in International Policy from Stanford, and a PhD in Public Policy from Harvard University. Prior to arriving at William & Mary, Dr. Skimmyhorn was a career military officer in the U.S. Army as an aviator and an economist.

Patrick Turner is an Associate Research Professor in the Wilson Sheehan Lab for Economic Opportunities (LEO) within the Department of Economics at the University of Notre Dame. His research interests are in the fields of labor and development and focus on the intersection of public policy and the labor market. His recent work in the U.S. examines the effects of adult education and workforce programs on earnings and employment. His work in Matlab, Bangladesh explores the long-term employment, migration, and health effects of early-childhood health improvements. Prior to coming to Notre Dame, he received a PhD in Economics from the University of Colorado Boulder in 2018 and a BS in Business Administration from Saint Louis University in 2009.

About the TIAA Institute

The TIAA Institute helps advance the ways individuals and institutions plan for financial security and organizational effectiveness. The Institute conducts in-depth research, provides access to a network of thought leaders, and enables those it serves to anticipate trends, plan future strategies, and maximize opportunities for success.

To learn more, visit tiaainstitute.org.

Join the conversation online: @TIAAInstitute

4507974

TIAA Institute

(05/25)