

The Opportunity To Offer 'Coaching' To Members

By Dan Clark



Have you sensed the changes you would go through if the movement lost the federal income tax exemption? Political pressures are growing to increase federal revenues, clean out unworthy tax exemptions, and maybe (dare I say it) stop the bankers from whining. Can you imagine the challenges?

The CU Contract with America is relatively simple: serve people not fiscally attractive to bankers.

Congress recently challenged NCUA Chair JoAnn Johnson to produce statistical evidence that the movement is doing good and is accomplishing its goals. The data is scant at best. There's no central collection with enforcement behind it. However, I know from experience that credit union people do much more than they report. Yet, there's much more to do.

The time is ripe for credit unions to increase the delivery of knowledge to people of modest means. Millions of families find themselves in a holding pattern, somewhere between financial ruin and having money to invest. They are living paycheck to paycheck. They need neither traditional financial counseling nor financial planning.

The national movement for financial literacy is heating up. Never has there been so much information readily available and inexpensive to access. For example, search a Bookseller's website for "personal finance." You will receive a list of more than 14,000 titles. Many choices are there for do-it-yourselfers. There's the Jump\$tart Coalition for Personal Financial Literacy in Washington. Major financial institutions and governmental agencies support it.

There's also a state coalition in all but seven states. Joint ventures for literacy have popped up around the country. Tom Gallagher, Florida's Chief Financial Officer, with the associations of credit unions, banks, and insurance companies, and the Council on Economic Education, created a helpful website, "Your Money, Your Life."

All of these state and national efforts provide ease of access for essentially similar material. All are for people to study on their own. Some of these efforts provide limited periods of education. Many people need more.

Experts acknowledge that there are many reasons that prevent adults from using what they learn. People's financial beliefs and habits are as difficult to change as a drinking or smoking habit. A concerted, long-term effort is missing from all the existing resources.

People will they change their behaviors long enough to produce results only when they change their beliefs. We'll measure their results by increases in net worth. In my opinion, long-term financial coaching is the way to assist people in identifying and changing beliefs and habits about money.

What I'm talking about is coaching the way athletes buy coaching; the way couples hire marriage counselors; the way people obtain coaching at Weight Watchers. What I'm talking about is the kind of coaching people pay for, where they develop a plan, focus on one-step at a time, and are accountable to their coaches over an extended period.

Coaching of this nature will challenge resource allocations. Credit unions have for years tried to be "leaner and meaner." That's necessary because they are fighting it out in a "red" ocean with many competitors offering like-products. The bottom-line bleeds as a company drops prices to gain market share. This coaching is a "blue ocean" strategy. It creates a new market space. Clients will pay for results.

Consider the Weight Watcher's model. While thousands of books on dieting are available, thousands of people go weekly to their local Weight Watchers meeting places. Each month they pay more than the price of basic cable. And, Weight Watchers keeps progress records for each client—data that proves the program's value.

The movement for financial literacy will wake people up to the hazards they face if they do not change their financial lives. CUs should be there with the kind of long-term coaching many consumers will need. Success from the coaching will spur more people to find a coach. The proof of effectiveness will be in clients' balance sheets and in their net worth growth.

The place to start is to train credit union staff as financial counselors—the traditional, remedial kind. Credit union staff already trained in remedial counseling can begin to learn the ways to approach members on the preventive level. Following that, we want to move members, whom we begin to call "clients," to the productive or "wealth-building" level. Similar communications techniques are necessary at each of these three levels.

The coaches will need a high-level understanding of the ways clients think, how to determine their basic beliefs, and how to work with their language and behaviors. The techniques needed on the remedial level are the foundation for taking financial coaching to new levels.

Credit unions will need to earn a reputation for their coaching abilities. Financial planners, retirement planners, and investment advisors establish their credibility and prospect for clients through seminars and classroom presentations. Credit union based financial coaches will need to be as effective in front of groups as they are one-on-one.

Credit unions can prove with statistics that they educate low-to moderate-income people. Credit unions can also begin to improve the financial positions of middle-income people through long-term coaching. With statistical proof that credit unions are fulfilling their contract, lawmakers will leave the tax exemption intact.

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