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WHITE PAPER

# A Missing Element of Financial Capability - Your Money Mindset

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***Leaders of workforce development programs have been taking the initiative to integrate financial literacy and capability services into their own curriculum and services.***

However, this requires resources, knowledge, and capacity that workforce development programs may not have. With support from JPMorgan Chase & Co., The Prosperity Agenda partnered with two workforce development programs with the goal of answering, “*How might we improve the financial wellness of graduates in career development programs?*”

Financial capability is commonly known as having the “knowledge, skills, and access to manage financial resources prudently and effectively.”<sup>1</sup> Many workforce development programs see the need for such services, as their students often experience an increase in income after the program has ended. As graduates of these programs, being able to capitalize on this increase in income creates a key moment to secure their financial footing.

Financial capability services in workforce development programs often include things like financial coaching, credit counseling, credit building, and financial education. But what if there was an element of financial capability that has been overlooked? An element of financial capability that precedes hard or more technical financial information? An element of financial capability that is more accessible for workforce programs to integrate into their programs? The Prosperity Agenda sought to learn more about the challenges and opportunities that exist in workforce development programs to integrate financial capability services.

## **Our Approach**

We leverage a design process to generate new products, programs, processes, and services that reflect the values and goals of the families we serve – rather than our own. This means we listen to students and staff to be inspired and challenge our assumptions, judgments, and inherent biases.

To learn and understand the nature of the problem in depth, we talked to ten graduates, 30 current students, 11 staff members, and three other stakeholders to learn more about how students see their own financial wellness and how programs could contribute to building more opportunities to increase their wellness.

Through this process we heard invaluable insights from students and staff. We learned about their perspectives, barriers, and opportunities to successfully integrate financial capability services into workforce development programs.

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<sup>1</sup> President’s Advisory Council on Financial Capability (June 2015). President’s Advisory Council on Financial Capability for Young Americans. Retrieved from: <https://www.treasury.gov/resource-center/financial-education/Documents/PACFCYA%20Final%20Report%20June%202015.pdf>



## Challenges to Integration in Workforce Development Programs

Staff at workforce development programs often shy away from offering more robust financial capability services, such as financial coaching or credit counseling, due to:

- ▶ **Lack of resources** – There is usually not enough staff time and program resources for financial coaching and other trainings to build capacity internally at organizations. The 2016 Financial Coaching Census listed a lack of dedicated funding for 1) financial coaching training and 2) implementation and integration challenges as key barriers to programs integrating financial coaching more regularly.<sup>2</sup> Additionally, this “add-on” training is usually the first budget line to be scrutinized during resource constrained times.
- ▶ **Lack of confidence in financial topics and resources** – We often hear that staff in social service and non-profit programs have experienced some financial insecurity and struggles of their own, which makes them hesitant to offer financial advice to their students. On top of this, the American financial system is complex and assisting people in navigating their finances can be daunting, especially with the fear that the financial advice you offer to your students could lead them to financial trouble.
- ▶ **Lack of time during workforce training program** – Time is often limited in workforce development programs due to the amount of technical information and skill-building that needs to be covered in the program. For example, many apprenticeship programs include on-the-job training, math classes, physical fitness, and shop classes. Finding time to dedicate to financial literacy or capability topics can be logistically challenging because it may mean shortening other curriculum, or replacing a hands-on activity that students need to be immediately successful in their new career paths.
- ▶ **Lack of resources to develop something new or customized** – Although many workforce programs have identified a need for additional services and support for their students (such as financial capability), there is often a lack of resources to develop something new or customized that speaks directly to the needs and challenges that their students face.
- ▶ **Lack of ability to make the financial resources timely** – The financial capability field often discusses how important it is to think about the “point of integration”: integrating financial capability services into a moment where the students are already thinking about money and their financial future. However, many students in these programs will not observe a significant income increase until they have exited the program. Being a part of these programs results in a significant time commitment where the students do not receive any income. In these circumstances, talking about savings or budgeting at a

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<sup>2</sup> Lienhardt, Hallie (2017). Financial Coaching Census of 2016: A Progressing Field of Practice. Retrieved from URL: [http://assetfunders.org/images/pages/AFN\\_Financial\\_Census\\_Brief\\_2016.pdf](http://assetfunders.org/images/pages/AFN_Financial_Census_Brief_2016.pdf)



time of financial insecurity and uncertainty can feel inappropriate as students are not sure what their financial future will hold yet.

- ▶ ***Lack of engagement from students in classroom-based financial education-*** We find that even when financial workshops are offered onsite for students, that engagement can be low from the students. This has been found to be the case with many classroom-based financial education classes.<sup>3</sup> Often we hear that the curriculum is not meeting students where they are in their financial lives making it seem like the information they're learning isn't relevant.

## Referral and Partner Model Challenges

Due to these challenges, some organizations choose to pursue a referral or partner model where they bring in an outside resource once a month for their students. While this model has worked well in some cases, it is not ideal for these reasons:

- 1) Finances can be overwhelming and anxiety-inducing, and bringing in an outside resource into the program can result in losing the existing trusted relationships students have built with the workforce program staff.
- 2) Every organization is different, so outside resources rarely have a complete grasp on the specific needs and challenges of the population the organization is serving, as well as the unique, strategic priorities of the organization itself.
- 3) Outside resources typically provide financial resources to students once a month or once during a cohort cycle. This one-and-done model does not create a trusted, open, and ongoing space for students to talk about finances when it makes the most sense for them.

## What We Learned

As part of our design process we start by asking questions and talking to staff and students – those who are in the best position to provide the insight that we can't get from a paper survey. We learn about the unique constraints of their environment, and they help us identify where we can make the greatest impact. We immerse ourselves into these environments to better understand how students feel about their financial future. We focus on listening and asking questions like: What do you think would help you reach your financial goals? Who's in your corner? What stands between you and your financial goals? How do you feel about your financial future?

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<sup>3</sup> Fernandes, Daniel, Lynch Jr., John G., and Netemeyer, Richard G. (2014). Financial Literacy, Financial Education and Downstream Financial Behaviors. SSRN, pg. 1 – 103. Available at: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2333898](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2333898)



Through this qualitative research, we learned that many individuals in these programs are investing in themselves, are struggling to make ends meet, are unsure of their futures, and many had experienced significant financial challenges in their life.

## Key Insights

### *There's power in talking about money – even when people don't want to.*

Social pressures often make it taboo to discuss your financial life, perpetuating this fallacy that we all have it together when it comes to managing our financial life. Dialogue can be a powerful way to learn about other people's experiences with money that make us think differently about the way we approach money. Creating more tools to have these conversations may be the key to financial capability integration in these workforce programs.

In this way, we are thinking beyond just knowledge transfer or even connecting people to resources, but rather about preparing individuals for a moment in the future when they will think more intentionally about their wants, needs, desires, and choices around money.

### *Peer-to-peer learning, support and problem solving builds trust.*

Learning from peers is a powerful way to talk about financial issues, versus a typical teacher-student dynamic. Many of the individuals we spoke with shared stories about their own life challenges, both financial and otherwise. Not acknowledging the experience that exists in the classroom is a lost opportunity when it comes to improving financial capability.

The financial capability field is acknowledging the financial coaching model as a promising practice worth implementing more broadly. The 2016 Financial Coaching Census found that about 41% of financial coaches are coaching in a group setting.<sup>4</sup> Nonprofits, such as The Maryland CASH Campaign, piloted a group financial coaching program and found that all participants were highly satisfied with the group coaching approach. They found that there were some clear benefits to the group setting including: increased level of support provided by peers, camaraderie among group members, peer encouragement to make progress toward goals, and inspiration group members offered one another.<sup>5</sup> This model can build off of the already strong cohort model these workforce development programs use and strengthen their bonding by showing that they

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<sup>4</sup> Abid, pg. 4, Financial Coaching Census of 2016.

<sup>5</sup> Group Financial Coaching: Summary of Interview and Survey Findings, Center for Financial Security, University of Wisconsin-Madison; Issue Brief 2013-8.1.



are an organization who acknowledge past financial experiences and allow for growth opportunities moving forward.

***"Don't tell me what not to do."***

We learned that despite the best intentions, financial education classes often create places for judgment. Many students reflected that some of their biggest takeaways from the financial literacy classes they had been a part of was what NOT to do – such as, “Don’t buy the shoes,” or “Don’t buy the truck.” Because of these blanket statements, there was a lack of understanding in how these things fit into the students’ own goals, values, and desires. There is often an assumption that those with high- or middle-incomes know how to spend their money, and those with lower-income don’t and need to be told. This approach with financial education programs can create feelings of judgment and alienation.

## What We Created

In response to the insights and challenges we learned, The Prosperity Agenda created ***Money Mindset Cards***, activity cards that help staff facilitate conversations that allow their students to develop their own path to financial well-being. We learned that financial capability integration is not about delivering more information more frequently, but about building mindsets when it comes to the culture of money by talking about it early and often. Through dialogue generated by activity cards we ***inspire*** clearer goals and meaning when it comes to money, build healthy ***identities*** with financial wellness, and create ***intention*** for the financial future students want.

### **Money Mindset Cards –**

helping you develop your own path to financial well-being.

Money Mindset Cards are activity cards that generate dialogue to build inspiration, healthy identities, and intention when it comes to money.

Our goal is not to change mindsets, but to create awareness that people have a money mindset that impacts their day-to-day lives, their decisions, and their future. In this way, we can start acknowledging there are no good or bad financial decisions--there are just decisions people make that is the best decision for them in that moment. Money Mindset cards generate dialogue that is student-driven, so we can start acknowledging the savviness, intuition, and strength of people experiencing financial insecurity.

We’ve heard from staff testing these cards that they are able to start conversations with individuals from a place that truly matters to them. They are able to make more technical financial knowledge relevant because they are learning what is driving their students, and what is important to their students in these financial discussions. Staff say that in a cohort model the cards facilitated faster bonding because the cards create



a safe space to discuss the financial realities people are facing. “We don’t have to pretend we all have it together when it comes to finances” – a difficult, but transformational sentiment when it comes to personal and professional growth. Staff say they are learning right alongside their students when using the Money Mindset Cards. Not only are they learning more about their students’ lives, they’re also uncovering what drives their own decisions and what challenges they have with their own money mindset.

## What’s Next?

Money Mindset Cards help students build awareness of their mindset through reflection and conversation. Through this dialogue, we create memorable moments and a financial vision for their future with the goal of creating something that will serve them long after they are out of the program. Over the next six months we will continue to test, refine, and develop the Money Mindset Cards with our current testing partners, and with new partners in the workforce development field. We will learn quickly and create new, additional cards that speak to the needs of the staff and students from our new testing partners.

We continue to think deeply about what success looks like when we think about financial capability service integration. We now know that financial capability is not simply knowledge, skills, and access to financial resources. Financial wellness depends on a healthy money mindset, and one of the best ways to build that is by talking about it early and often. Talking about money is something that is accessible to us all -- it doesn’t require training and it doesn’t require you to be a financial expert. It simply requires that you create more moments for you and the individuals you serve to reflect and build their money mindset.

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## Acknowledgements

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