

# Sustainable Financial Planning Services for LMI Individuals

## Background

The Foundation for Financial Planning and GreenPath Financial Wellness set out to discover how we might best help people with low-to-moderate incomes (LMI) attend to their long-term financial planning. We experimented with different approaches to connect people with pro bono financial planners and conducted market research to understand barriers and gain insights on what people need to overcome financial stress and debt and to plan for retirement.



## Goal >>

Learn how to empower people's journey to financial wellness in a sustainable way.

## Overview >>

In the conversations we had with financial planners and clients, **debt** emerged as the biggest barrier to retirement planning and saving.

Most LMI people are caught between crisis and cash flow challenges. Therefore, they are focused on survival as opposed to taking a long-term view of retirement. There is often a feeling of hopelessness, coupled with distrust of financial systems that have failed them in the past. Even if services are available for free, motives are often questioned.

The stereotypes of wealth managers and Wall Street, along with a lack of faith in financial systems, leaves the LMI audience at a cross roads. They know they should be planning for retirement and saving, but see no realistic path forward to do so. Trust then becomes foundational if we are ever going to bridge the disconnect between financial planners and LMI individuals.

## Activities & Barriers >>

GreenPath leveraged techniques and training in design thinking to glean insights and gather data through a number of activities, including email campaigns

crafted with behavioral science, and human-centered design workshops and exercises. Additionally, we partnered with a variety of bank, fin-tech and non-profit organizations to unlock barriers and identify best practices.

We uncovered a number of barriers that present obstacles to LMI individuals use of financial planning services.

Creating human connection was difficult: Organizations struggled to communicate the impact of financial planning services with messaging that persuaded LMI individuals to change. Establishing trust in the services was also a challenge, as organizations had limited resources to focus on building trust. People's natural instinct to focus on near-term needs presented a behavioral barrier: A tendency to feel exaggerated urgency of short-term needs caused people to discount the value of planning for a far-off future.

Additionally, cognitive barriers of financial stress and a perception of resource scarcity (not having enough money) prevented people from recognizing how financial planning services could help them. Therefore, individuals did not prioritize time to meet with financial planning professionals.

Following are the key insights and some best practices for organizations seeking to connect individuals with financial planning services.



## Insights >>



### Limited Email Results

Email was not an effective means of engagement. We A/B tested messaging, employing behavioral science strategies, and did not see any significant up-tick in open rates or willingness to reach out and engage.



### Consistency in Empathy Approach

It's difficult to consistently use a judgment-free approach with true empathy. People often tend to respond with empathy blockers, which damages the human connection. This connection is critical because it's the gateway to providing meaningful help and advice.



### Crisis Paralysis

People often become "stuck" in crisis. The cognitive ability in a stressful situation diminishes, making it difficult for people to see potential solutions. They develop a "scarcity mindset," in which they focus on present scarcity instead of working toward a brighter future. They tend to lose hope, feeling that their situation will never improve. They convince themselves that, "I'm just destined to be poor" or "I know I'll never be able to retire."



### Importance of Trust

We had some success with our workshop combined with a follow up session, but engagement was still relatively low. We targeted 30 people in 3 cities. A total of 24 people attended the workshop, and only 12 people conducted a follow up one-on-one session. We learned that, even with incentives, people must believe that the workshop and counseling content will be realistic and worth their time. Up front, it's important to establish trust and a personal connection that gives them hope.



### Impact of Future Stressors

Stress about "tomorrow" (the future) makes it difficult for people to focus on "tomorrow." It is easier to focus on today because speculating about the future creates feelings of stress. If I am OK in this moment, I don't have to think about possibly not being OK in the future.



### Impact of Perceived Value

Research has shown that people are more likely to use services they pay for because they are perceived as higher value. This phenomenon is called the value of free. We saw some signs of this, where people dismissed the value of the session because it was free. Rephrasing a "free" session to a "\$150 value session" could have a more positive impact.

## Best Practices >>

Nonprofits serve people dealing with a myriad of issues, such as homelessness, domestic violence, rehabilitation, addiction, re-entry to society post-prison, poverty, and more. As these nonprofits seek to arm people with the financial skills they need to move forward, the following best practices will be helpful.

### 1. Create a process for warm hand-offs.

If you have built trust with someone, they will trust your recommendation to connect them to a pro bono financial planner. That could be as simple as having space at your location to meet with the planner, or being on the phone to connect them to the planner and make a warm introduction.

### 2. Establish a clear understanding of what pro bono financial planners do.

In a world of distrust, clearly communicate that they won't be sold any products. Tell them the focus will be on thinking about long-term strategies with small steps they can realistically take today.

### 3. Find a way to connect on a personal level.

Email campaigns were not effective ways to connect with people regarding pro bono financial planning opportunities. A phone call or text directly to someone would be a much better way to help them understand the benefits of working with a planner. People are more likely to respond to a personal message from someone they know.

### 4. Use simple messaging without jargon.

Connecting in language common to the society and culture with which they identify is a key component of validation and recognition. Terms such as financial planner, advisor, or counselor tended to carry a negative connotation, while terms like "financial coach" and "expert" resonated more positively with individuals.

### 5. In many cases, people are juggling multiple jobs and family responsibilities.

Somehow, we must convince them to carve out time in their busy lives to think about their financial future. Reserving connection time is a key objective. Try hosting a workshop to connect personally with people, and follow that up with an opportunity to conveniently speak one-on-one with a pro-bono financial planning expert.

### 6. Understand where the person is on their financial journey.

No two people are the same, and everyone's financial wellness journey is unique. Making sure you have a basic understanding of their financial needs and goals, as well as their emotional state and how you can best support them, is critical to financial wellness success.



## Summary >>

It has become abundantly clear that the average American struggles with financial health. This is impacting their physical health, relationships and work productivity. Its increasing stress levels. It's permeating into multiple aspects of their lives in a negative way.

Nonprofits are realizing that financial issues are at the heart of issues their clients are experiencing. They are recognizing an opportunity to play a role in helping their clients improve financial resiliency.

We hope you can use what we have learned to build a program of impact and connection that helps people improve their financial health.

## Interested in a Partnership with GreenPath?

We support hundreds of organizations to deliver a full spectrum of financial wellness services to their members, customers and employees. With our GreenPath partners, we are creating a world where it is easier to make healthy financial choices.

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*This was a joint study by:*

