

# SmartPath's Theory of **CHANGE**

## Our Approach to Personal Finance: Shifting Mindsets, Changing Habits, and Creating Lasting Impact

At the heart of the financial wellness industry is a core question: How do people get better at managing money? In other words, how do people change? The answer to this question will largely determine how an organization like ours measures the success of its program.

Over nearly two decades in this industry, we've learned some valuable lessons that have shaped our theory of change. Let's start with the basics.

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### What We Know About **PEOPLE**

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It's a well-known fact that humans have limited mental bandwidth. Most of us have forgotten our lunch on the counter or driven past our exit because we have "too many things on our minds." In fact, experts believe we can only attend to two (and at most four) things at once. However, every day, a lot more than four messages compete for our attention at any given moment. How many notifications did you get today inviting you to spend money, buy new clothes, or order lunch out? Compare that with messages you received that invited you to save money, stop relying on credit, or plan for the future.

What's even worse is that the advertising game has only gotten more advanced since the dawn of the smartphone, social media, and now, AI. You're not receiving generic money-spending opportunities anymore—you're seeing the ways you'd very much like to spend your money, based on what you've clicked on or hovered over before! The problem with inviting people to healthier money habits is that it's pretty boring, and our messages will easily be muffled by far more enticing messages.

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## What We Know About **MONEY TOOLS**

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There are a lot of great tools that aim to help people become better money managers. But they all require attention and consistent, intentional action.

- **Budgeting** tools are great and a lot of users have success with them. However, they require discipline and consistency over time—which is something most people will struggle with, especially people who aren't good at managing money.
- **Assessments** can help. In this type of tool, a user usually puts in their information, and an algorithm will give them a checklist of recommended next steps. Some of us love checklists! However, they also require the user to be motivated and consistent.
- **Products** (e.g., a secured credit card, early wage access, buy now, pay later, etc.) can help users take a step forward if they know which product is right for them. The reality is a lot of people won't, especially folks who live paycheck-to-paycheck.

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## Theory of **CHANGE**

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So if our attention is divided, and getting better with money requires attention and action, how do we help create change in individuals?

At SmartPath, our theory of change is based on a core principle: **long-term financial health is driven by one good decision at a time**. A total financial overhaul will require a lot of discipline, but if we can interact with people on an impulse level, we have a much better chance of rewriting some bad habits and seizing prime financial opportunities. Here are a few key ways we engage our users in good decision-making.

**We Confront the Urgent:** We know that people can't attend to multiple things at once, so we target each demographic with individual opportunities to solve a pressing need.

**We Capture Teachable Moments:** People engage with their money when they have a problem or an opportunity. These are what we call "financial moments" and could include starting a new job, receiving stock units, starting a family, or undergoing a pension freeze. When we offer timely education related to events like these, we've seen 65% engagement.

**We Go to Them:** We don't expect users to come to us to get the help they need. Instead, we share different tools, content, and lessons, based on where they likely need help.

**We Are Human:** Digital tools are a great way to connect with users. However, even in the digital age, we maintain a personal approach. We've built a coaching and presenter team of warm and thoughtful humans who provide compassionate support.

**We Make the Right Decision Easy:** It's easy to apply for a loan. It's harder to set up a Roth IRA. That seems backward to us. We equip individuals with the information, resources, and support they need to take action on the next right thing.

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## Seeing is **BELIEVING**



Your primary question at this point should be: does this approach work? You're right to ask. We've conducted several studies with our clients to explore how our services impact other factors in an employee's life, such as how they save for retirement, how much they spend on healthcare, and how they feel about their finances. Below you'll find some key results from each of those studies:

- Engagement in a 401(k) was measured at **81% for SmartPath users** at an organization as compared to 48% in the control group.\*
- ER visits were reduced by **24% for SmartPath users** at an organization while the control group increased their visits by 2%.\*
- The length of short-term disability was reduced by **40% for SmartPath users** at an organization while the control group increased their duration by 19%.\*
- In our surveys, **95% of class attendees** say they feel more confident in their finances after taking a SmartPath class.\*


These results tell us that SmartPath users not only feel better but also take action and that is what we're after. We can't create long-term change overnight, but we can create incremental change with messages and content, delivered to the right person at the right time. This kind of change is the backbone of the transformation we want to see and it's why we do what we do at SmartPath.


\*For complete results of these studies, please visit our website at <https://www.joinsmartpath.com/content>.


### About SmartPath

SmartPath is the leading provider of comprehensive financial education solutions in the country. Its robust offering includes daily educational classes, one-on-one coaching, and digital tools that empower individuals on the journey to financial freedom. Founded in 2010 and supporting over 700,000 individuals, SmartPath delivers its financial education solutions in partnership with financial institutions, fintech companies, and employers nationwide. For more information, visit [www.joinsmartpath.com](http://www.joinsmartpath.com).



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