

# INDIVIDUAL DEVELOPMENT ACCOUNTS: HELPING FAMILIES MOVE TO SELF-SUFFICIENCY

## Background on IDAs



Individual Development Accounts (IDAs) are matched savings accounts that can be used for a wide range of purposes including home ownership, education, training, and small business capitalization. Community-based organizations develop and administer IDA programs; and there is opportunity for creative program design and partnerships with other public, private, and nonprofit agencies. Federal, State, and local governments, private foundations and community and faith organizations provide

funds to match deposits for low-income families. Financial institutions are also funding IDA programs and holding accounts.<sup>1</sup>

Across the U.S., States and localities are implementing IDA programs. As of August 2000, 29 states had IDA legislation and several others have started to consider IDA legislation. More than 400 community-based IDA programs have been implemented to date, and more are in the process of being planned.<sup>2</sup>

Under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, States can incorporate IDAs into

their welfare reform plans and Welfare to Work (WtW) grants, but they do not have to fund them. The 1996 law stipulates that IDAs can be set up by or on behalf of an individual eligible for assistance under a State's TANF plan for the purposes of post-secondary education, to buy a first home, or to capitalize a business. As of March 1999, 28 states have IDAs as part of their TANF plans.<sup>3</sup> In 1998, the Assets for Independence IDA program, authorizing up to \$125 million over a period of five years, passed the U.S. House and Senate. This legislation made asset building available to thousands of citizens.<sup>4</sup>

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<sup>1</sup> "Individual Development Accounts: What are IDAs?" Center for Social Development, George Warren Brown School of Social Work, Washington University. Accessed on the Internet at: [http://gwweb.wustl.edu/csd/Areas\\_Work/Asset\\_building/IDAs/index.htm](http://gwweb.wustl.edu/csd/Areas_Work/Asset_building/IDAs/index.htm).

<sup>2</sup> "Individual Development Accounts: What are IDAs?" Center for Social Development, George Warren Brown School of Social Work, Washington University. Accessed on the Internet at: [http://gwweb.wustl.edu/csd/Areas\\_Work/Asset\\_building/IDAs/index.htm](http://gwweb.wustl.edu/csd/Areas_Work/Asset_building/IDAs/index.htm).

<sup>3</sup> "Individual Development Accounts: Federal and State IDA Policy Overview." Corporation for Enterprise Development. Accessed on the Internet at: [http://www.cfed.org/individual\\_assets/Assets\\_Policy/fed\\_state\\_overview2.html](http://www.cfed.org/individual_assets/Assets_Policy/fed_state_overview2.html)

<sup>4</sup> "Individual Development Accounts: What are IDAs?" Center for Social Development, George Warren Brown School of Social Work, Washington University. Accessed on the Internet at: [http://gwweb.wustl.edu/csd/Areas\\_Work/Asset\\_building/IDAs/index.htm](http://gwweb.wustl.edu/csd/Areas_Work/Asset_building/IDAs/index.htm).



## The American Dream Demonstration

IDA programs have proven successful in helping poor people save and obtain assets. The American Dream Demonstration (ADD) is the first large-scale test of IDAs as a social and economic development tool for low-income communities. The Demonstration includes more than 2,000 IDAs and growing and takes place in 13 sites across the United States. The project was started by the Corporation for Enterprise Development in September 1997 and will span a 5-year-period. As of June 30, 1999, 1,326 participants had enrolled in the ADD program and

saved \$378,708—which equals \$741,609 in matched savings.<sup>5</sup> The chart below shows the total ADD IDA savings:

Use	% of Participants
Home Purchase	24%
MicroEnterprise	24%
Post-secondary Education	21%
Home Repair	20%
Retirement	9%
Job Training	3%

Source: *Individual Development Accounts: American Dream Demonstration. Corporation for Enterprise Development. Accessed on the Internet at: [http://www.cfed.org/individual\\_assets/ida/newcontent\\_idanet/csdfindings.html](http://www.cfed.org/individual_assets/ida/newcontent_idanet/csdfindings.html).*

As of June 30, 2000, 13 percent of ADD IDA participants had made matched withdrawals. The table below shows how ADD IDA Participants used their matched withdrawals:

	December 1997	June 1998	December 1998	June 1999
Participant Savings	\$3,300	\$59,968	\$186,665	\$378,708
Matching Funds	\$4,329	\$112,356	\$366,042	\$741,609
Total IDA (Participant + Matching)	\$7, 629	\$172, 324	\$552, 707	\$1, 130, 317

Source: *Recent ADD Data Corporation for Enterprise Development. Accessed on the Internet at: <http://www.idanetwork.org/index.php?section=research&page=recentadd.html>.*

<sup>5</sup> “Individual Development Accounts: American Dream Demonstration.” Corporation for Enterprise Development. Accessed on the Internet at: [http://www.cfed.org/individual\\_assets/ida/newcontent\\_idanet/csdfindings.html](http://www.cfed.org/individual_assets/ida/newcontent_idanet/csdfindings.html).

## IDA Resources

### ◆ Center for Social Development

[http://gwbweb.wustl.edu/csd/About\\_CSD/index.htm](http://gwbweb.wustl.edu/csd/About_CSD/index.htm)

The Center for Social Development (CSD) maintains current data on State IDA policies and conducts research on IDAs. CSD designed a management information system, MIS IDA, to facilitate program design and management, and to collect timely comparable data from multiple IDA sites. The Center's Web site includes policy and program design information, as well as publications, news articles, and other relevant information on IDAs.

### ◆ Corporation for Economic Development

<http://www.idanetwork.org>

The Corporation for Economic Development (CFED) has assumed responsibility for spearheading Federal policy changes, as well as for organizing efforts to promote IDA programming and policy efforts. Five annual national conferences on IDAs have been coordinated by CFED to promote education and advocacy for the IDA field. CFED has also designed a handbook entitled, *Program Design Handbook: A Step by Step Guide to Designing an IDA Program*, that provides IDA programming suggestions and instructions. The CFED Web

site contains information on IDA policy, research, news, and resources. The site also features a State page that lists current State programs, contacts, links to State policy summaries, and news about upcoming events.

## Welfare PEER TA Workshops Around IDAs

On December 13-14, 2000; April 18-19, 2001; and February 5-6, 2002; the Welfare Peer TA coordinated three workshops entitled *Establishing Individual Development Account Programs: Programming, Policies, and Resources*. The purpose of the workshops was to bring together experts in the IDA field from across the nation, including representatives from the Center for Social Development at Washington University and The Corporation for Enterprise Development (CFED), to promote information sharing and fact finding. The workshops provided an opportunity for participant interaction on how to effectively implement IDA programs in their states. Representatives from five Federal agencies offered information on IDA funding sources available to states as well as programmatic advice.

## Spotlight on the States

During the workshops, several States and localities presented information on promising IDA programs. The Chicago Mayor's Office of Workforce Development allocated Federal WtW funds for the Chicago IDA Welfare to Work Partnership. The Welfare to Work Partnership makes IDA contributions to Chicago area families who are transitioning from welfare to work. IDAs are provided to current TANF recipients who have successfully completed 30 days of employment. The accounts maybe used toward the purchase of a first home, for continuing education options, or to start a small business. WtW funds are used as a 2:1 match with up to a maximum of \$1,000 in savings and \$2,000 in matching funds for a total of \$3,000.

The Shorebank Neighborhood Institute, a nonprofit corporation that offers services to assist neighborhood residents with finding employment, is a WtW contractor with the City of Chicago. The Institute has partnered with South Shore Bank, a community development bank, to provide IDA services and personal financial management training services to families who are participating in the IDA program.

Shorebank has developed many innovative strategies to increase enrollment in the IDA program. Working with employers, Shorebank marketed IDAs as a reward for securing employment. As a result, one of its employer-based sites recently enrolled 25 people who have been successfully saving for more than three months. The average savings is \$65 per month among participants. Most participants are working low-paying service jobs but they are still able to save each month. Another strategy Shorebank used to increase participation in the IDA program was to advocate for electronic fund transfers to simplify the deposit process for clients. Working with employers and banks, Shorebank made direct deposits possible through regular payroll deductions. Direct deposits remove the people aspect of savings and instead rely on technology. Shorebank wanted participants in the IDA program to be able to take advantage of the conveniences of direct deposits through regular payroll deductions.

As a result of Shorebank's efforts, the IDA program has achieved many positive outcomes. These include:

- ◆ 230 WtW customers have been served
- ◆ 70 "successful" savers (regular monthly savers)

- ◆ 400 graduates from the financial training "Choose Wealth"
- ◆ 2 asset purchases to date (1 home and 1 car)
- ◆ More than \$18,000 saved and more than \$60,000 accumulated in total assets.

The Savings Plus program, a Denver area IDA initiative, is another example of a promising IDA program. The program is administered by Mile High United Way in collaboration with Rocky Mountain Mutual Housing Association, Del Norte Neighborhood Development Corporation, and MI CASA Resource Center for Women. Savings Plus has several funding sources, including Federal, State, and local governments; private foundations; public and private corporations; and individuals. The program allows for participant savings for first time homeownership, business capitalization, and post-high school education. A 3:1 match is offered to participants. The average client is able to contribute approximately \$100 per month into their account in the Savings Plus program. The program also includes financial and micro-business training.

The city of Denver also has a local Earned Income Tax Credit initiative (EITC). This program, implemented in January 2002, is funded with TANF dollars. The Mayor and the Denver City Council recognized the

importance of creating a more customer-friendly, cost-effective and outcome oriented method for directing a portion of Denver's TANF dollars to the city's working poor. The Mayor has called for setting aside \$5 million from the TANF funds for the local EITC. With these funds, Denver will offer a "local match" of 20 percent of the Federal EITC to thousands of working low-income families. As a result, a single mother in Denver who is earning \$8.50 an hour can receive an additional \$600 from this program in a streamlined, efficient, and unmediated manner. In order to allow Denver residents to enroll in the local EITC quickly and conveniently the Mayor's Office of Workforce Development's five workforce centers are available for client services. To apply for the program, applicants must have received the Federal EITC in 2001, be a Denver resident, and have at least one child.

To advance this local EITC initiative, the Mayor's office of Workforce Development entered into a partnership with the Mile High United Way. Through this partnership, the Mayor's Office of Workforce Development will be able to offer low-income workers a "single point of access" at one of five One Stop Centers for both the local EITC payment and an optional 3:1 match of some portion of that payment through an IDA. The combination of the local EITC

and the IDA could result in as much as \$3,100 in additional income assistance for a working low-income person in Denver.

## Outcomes

### Programs and Initiatives

Attendance at the *Establishing Individual Development Account Programs: Programming, Policies, and Resources* workshop provided participants with information on starting IDA programs in their own States. Cecil County, which is located in Elton, MD, implemented an IDA program. Participants in the county's IDA program are saving, as well as taking part in financial education and asset specific education classes.

In Philadelphia, a local WtW grantee developed an IDA program for transportation, such as buying a car. Ten participants in the program are currently saving. Three participants achieved the savings goal of buying a car and have chosen to keep their accounts open even though the match is no longer available to them. The local WtW grantee is also offering a financial literacy training using "Money Smart" materials developed by the FDIC.

### Collaboration and Partnerships

Attendance at the *Establishing Individual Development Account Programs: Programming, Policies, and Resources* allowed for participant interaction and networking, which resulted in increased coordination and collaboration for IDA programs. In Cecil County, an IDA advisory committee was established. This committee is composed of Department of Social Services, a private nonprofit counseling agency, county agriculture extension services, three different financial institutions, a local rural development group, and a county housing group.

### The Welfare Peer TA Network

The Administration for Children and Family's Welfare Peer Technical Assistance Network is an invaluable tool States and localities have used to learn about innovative programs and effective strategies to successfully move low-income families to employment and self-sufficiency. The Peer TA Network facilitates the sharing of information across State lines and the building of linkages among organizations serving the needs of TANF recipients.

Since its inception in 1997, the Welfare Peer TA Network has provided more than 50 technical assistance events on topics such as inter-agency service integration, substance

abuse, transportation, rural issues, community- and faith-based initiatives, hard-to-serve, and IDAs. The Welfare Peer TA Network Web site highlights policy relevant research, innovative programs, related links and upcoming events and has an interactive question and answer feature.

## Things to Come

The Peer TA Network will continue distributing an electronic newsletter on issues of strong interest to States and localities. We encourage you to e-mail us at [peerta@calib.com](mailto:peerta@calib.com) with your suggestions of policy topic areas for upcoming newsletters. Possible future topics include:

- ◆ Building faith-based partnerships
- ◆ Incarcerated parents
- ◆ Marriage and family initiatives
- ◆ Fatherhood programs.

Also, please make sure to review the Welfare Peer Technical Assistance Web site at <http://www.calib.com/peerta>. Web site features include:

- ◆ **Peer TA Event Summaries.** Summary reports on each Welfare Peer TA event, detailing lessons learned and participant contact information

- ◆ **What's New.** Timely information on recently released funding announcements, legislation, research and resources, and upcoming events
- ◆ **Research and Resources.** Welfare-related research and resources categorized by policy topic
- ◆ **Innovative Programs.** State-submitted, innovative programs and services to assist families transitioning from welfare to employment and self-sufficiency
- ◆ **Interactive Q&A.** Interactive Q&A session categorized by policy topics
- ◆ **TA Request Forms.** On-line or downloadable technical assistance forms
- ◆ **Events Calendar.** Listing of upcoming welfare-related events categorized by date
- ◆ **Related Links.** Listing of related government and research Web sites.



**U.S. Department of Health and Human Services  
Administration of Children and Families  
Office of Family Assistance,  
Welfare Peer Technical Assistance Network**

**Web Address**

<http://www.calib.com/peerta>

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