

IDAs

Individual Development Accounts

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History of Asset-Building in the US

- Homestead Act of 1862
- G.I. Bill of 1944
- Mortgage Interest Tax Deductions

Michael Sherraden – Center for Social Development

- Responsible for concept of Individual Development Accounts
- “Few people have ever spent their way out of poverty. Those who escape do so through saving and investing for the long-term.”

Individual Development Accounts

- Matched restricted savings accounts for low-income families combined with financial education
- Enable participants to save on a regular basis and to obtain an economic asset for the long term

Economic Assets Matter

- Stronger, healthier families
- Long-term thinking and planning
- Enhanced self-esteem
- More community involvement
- **Hope for the future**

Asset-Building Strategies

- Education/career counseling
- Earned Income Tax Credit
- Homeownership programs
- Small business development
- Individual Development Accounts

Client Savings Plan Agreement

- Amount to be saved
- Schedule of deposits
- Match rate
- Economic education plan
- Asset specific education plan

Assets purchased with IDAs

- Typically, IDA programs offer account holders a choice of 3 assets to purchase:
 - First home
 - Business capitalization
 - Post-secondary education

Funding Sources for IDA Programs

- AFI is largest, but not only federal IDA program
- Assets for Independence (AFI) is administered by the Office of Community Services, within the US Dept of Health and Human Services
- AFI grants provide matching funds (1:1) for IDA Programs

IDAs – Impact on the Family

- The kids see mom saving
- They buy a home
- This helps with some generational poverty issues

IDAs – Continuum of Services

- Most organizations offering IDAs are already serving the same target population with other services
- Strong community partnerships are critical to managing successful IDA Programs

IDA Outcomes

- Although all IDA account holders do not end up purchasing an asset, most leave the program with a stronger understanding of financial education, reduced debt and an understanding of the power of regular savings.