

Support HB 664 Sponsor Rep. Caferro
Create an Individual Development Account Program

What are Individual Development Accounts (IDA)?

IDAs are restricted savings accounts for low-income families. This new philosophy for poverty alleviation takes into account a factor that is traditionally ignored when looking at poverty. This factor is the distinction between income-poverty and asset-poverty.

What is the difference between asset and income poverty?

The greatest disparity in family wealth actually lies in assets, not income.

- The average low-income family is *three times* as poor as the average middle-income family when we look exclusively at income.
- The average low-income family is *twelve times* as poor as the average middle-income family when we include assets in our assessment.

Families that own assets have a safety net should something unexpected (illness or job loss) happen. Families who do not have assets have nothing to prevent them from plunging further into poverty should the same unexpected event befall them.

How do IDAs work?

IDAs work by allowing participants to save for an asset (a home, post-secondary education or small business) and provide the opportunity for matching funds.

- IDAs offer participants aid in setting up a savings program.
- Participants are required to enroll in financial education courses that teach budgeting, savings skills and credit repair.
- At the end of the three year program, participants can access matching funds (at a rate of 2-1) which must be used to purchase their asset goal.

What is a restricted account?

A restricted account is one that is earmarked for a specific purpose, and can not be used for any other purpose.

Who is eligible for this IDA program?

An individual is eligible for the program if the family income is below 150% of the federal poverty level.

How long can an individual be in the IDA program?

An individual can participate in the program for up to 3 years.

How much matching money can an individual receive?

An individual can obtain up to \$4000 in matching funds. The matching rate is 2-1, which means if an individual only saves \$1400 in the 3 year program, they will receive \$2800 in match. The maximum amount of savings that can be matched is \$2000.