

Individual Development Accounts (IDA)s



This savings incentive program is a proven economic development tool which creates more homeowners, safer homes, small businesses, and higher educated wage earners.



Income qualifying households set a goal of first time homeownership, home repair, higher education, or small business capitalization. After completing the required financial education and learning to better manage their existing finances, they begin saving for their future.

We provide motivation for financial responsibility with a 2:1 match of their savings. The client saves for a minimum of 6 months and participates in life-skills workshops designed especially for strengthening their financial security.

IDAs...

- Transition low income families **off** of government and social services assistance
- Break the cycle of generational poverty
- Build assets in our communities

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Motivating low-income families to create economic security is more cost-effective than leaving them trapped in social services.

The Kansas IDA Tax Credit:

- Leverages up to 1,000,000 federal dollars annually for asset purchases in Kansas through our Assets for Independence matching grant.
- Leverages private resources for economic stability in our state.



The IDA program has measurable results with documented success both locally and nationally:

- **Corporation for Economic Development¹ (CFED)** provides supportive research estimating every government dollar invested will yield a return of approximately \$5 to the economy in the form of new businesses, additional earnings, new and rehabilitated homes, reduced welfare expenditures, and human capital associated with greater educational attainment.
 - **Thirty-one** families have purchased assets through our program since its inception in 2008.
 - **Forty-one** clients continue saving for the purchase of their asset.
 - That equals **over seventy** new homeowners, higher educated wage earners, small businesses or better maintained homes in less than three years.

¹ http://cfed.org/programs/idas/ida_faq_article/

- **Assets for Independence (AFI)**, which is currently matching our tax credit contributions, completed an impact study in early 2008². This analysis reports the IDA program's impact on key components of net worth and on employment status and income of participants. The results of this three year study revealed that the monthly earnings of the IDA accountholders increased every year after opening an IDA, while at the same time reported a steady reduction of their dependence on government subsidy.
 - We are seeing similar trends in our Kansas IDA program as those mentioned in the AFI nationwide report. Our IDA graduates continue saving and setting new goals even after they complete the program. This is a clear indication of the impact our financial education and life-skills workshops provide.

- A 2008 report, **Getting Ahead in Kansas**³, written by Karen M. Edwards was generated through organized meetings with Kansas Action for Children (KAC) and Kansas Partners in Asset Development (KPAD) with stakeholders in five major Kansas cities. One of the five priorities that came from these discussions was to improve support for IDAs. The report states several large philanthropies made considerable investments in researching whether or not low-to moderate income families would build wealth if given comparable opportunities to wealthier families and the answer was a resounding **YES**. Their research revealed families in lower income tiers can and will save for the future, build assets and make economic progress that can improve their lives in significant ways. However, these families save only if they also have connections to the financial mainstream and are offered meaningful opportunities to save and invest, opportunities that reflect their needs, goals, and circumstances, such as IDAs.
 - In the report, the top recommendations for better supporting IDAs in Kansas is “Increasing the percentage of the tax credits appropriated for contributions to IDAs from 50 percent to 75 percent.”
 - Many states across the nation support the IDA program through a 75 percent state tax credit.

² Assets for Independence Act Evaluation Impact Study: Final Report
http://www.acf.hhs.gov/programs/ocs/afi/AFI_Final_Impact_Report.pdf

³ *Getting Ahead in Kansas An Asset-Building Policy Roadmap for Establishing Real Opportunities for Kansas Families to Achieve Financial Prosperity* <http://www.kac.org/ftp/File/Publications/assetdevroadmap.pdf>

- **A Policy Report on Tax Credits and IDA Programs was completed in July of 2003 by the Center for Social Development** at the Washington University in St. Louis. This report listed the benefits to states that support IDAs through tax credit programs and the many ways the tax credits are used as a community economic development strategy across the United States. The report states that *“IDA tax credit legislation offers several benefits for states...tax credits allow major corporations and individual taxpayers to be socially responsible by directing their charitable giving to a nonprofit that provides low-income families opportunities for economic improvement.”*
 - Center for Social Development reports that states with the best documented financial return to the local economy from the IDA program have a 75 percent state credit to support the program.

- **The Federal Deposit Insurance Corporation (FDIC)** also generated a report on the economic benefits to banks and financial institutions from the IDAs. The quarterly report titled *Individual Development Accounts and Banks: A Solid “Match”* describes the program and the transition it provides for an “un-banked” or “under-banked” low income household to transition into the mainstream financial system, creating a self-reliant, financially stable household through asset building.

Summary

IDAs are successful because the program **motivates** low income families to *support themselves*. It helps families **build assets** as they learn to earn and save more money for their future while **transitioning off of government subsidies**. It **provides the education and skills** enabling low income families to *manage a healthy and responsible financial lifestyle*. It **creates a new habit** of *earning for themselves, paying their bills on time* and saving for their future month after month and year after year.

IDAs provide accountability while empowering people to set a new tone for the rest of their lives. After IDA clients have experienced the **true American Dream** of working hard, providing for themselves and reaching a goal of homeownership, continuing education, or even small business capitalization their life is never the same. IDA graduates set new goals, work hard, and make economic progress...all on their own.