

Individual Development Accounts

Individual Development Accounts (IDAs) are unique savings accounts that match the deposits of lower income people and families for asset-building purposes. For every dollar saved in an IDA, savers receive a corresponding match, which serves as both a reward and incentive to further the saving habit. Savers agree to complete financial education classes and use their savings for an asset-building purpose – typically for post-secondary education, job training, home purchase, or to fund the creation or maintenance of a small business. In addition to earning match dollars, individuals or families learn about budgeting and saving and receive additional training before they purchase an asset. IDAs make it possible for lower-income individuals and families to build the financial assets they need to achieve their financial goals.

How Do IDAs Work? IDAs are offered through partnerships between financial institutions (such as banks and credit unions) and local nonprofit organizations or program sponsors. The IDA program sponsor organization recruits participants for the program and provides financial education classes and additional training based on the participant's asset choice. For example, training might include counseling and education for first-time homeowners, small business training, or guidance on choosing and enrolling in post-secondary education or job training programs.

After signing up for the IDA program, each participant opens a savings account with the partnering bank or credit union. The financial institution handles all transactions to and from the IDA, just as they do with other types of accounts. IDA account holders receive regular statements detailing how much they have saved and the amount of matched savings they have earned.

Time-frame & Withdrawal: An IDA program can be as short as six months or as long as several years from beginning to end. IDA participants are allowed to withdraw their money as soon as they have reached their savings goal, but they must first get approval from their IDA program sponsor. Some participants choose to use their funds toward one large savings goal, such as buying a home, while others choose to make withdrawals for a number of smaller, related goals, such as purchasing a computer and textbooks or paying for their college tuition.

Benefits of IDAs:

- IDAs have shown to be highly effective at improving savings and asset building for lower-income families.
- These services can help individuals and families build skills, further their education, and

have the opportunity to purchase a home or start a business they would not have been able to do otherwise.

- IDAs can be a key tool in helping individuals and families out of extreme poverty or cycles of poverty.

Limitations of IDAs:

- Families with severe credit issues may not qualify for loans to help their situation, even with IDA assistance.
- IDA matching programs require a lot of money for every family served, so the reach of who receives an IDA from a bank or nonprofit can be limited.¹⁴⁸

To learn more about IDAs and find a local service provider, visit: <https://www.oregonidainitiative.org/>

Habitat for Humanity: Another resource for asset-building and homeownership is Habitat for Humanity. In their Sweat Equity concept, future homeowners work alongside volunteers to build their home or another family's home. Homeowners can also participate in homeownership classes, clear debris from build sites, thank donors and make lunch for volunteers as forms of sweat equity. For more information, visit: <https://www.habitat.org/stories/what-is-sweat-equity>

Economic Empowerment

Empowerment is the ability, knowledge, and power to make an informed decision for oneself. Economic empowerment is the feeling when you know you are in control of your money instead of your money being in control of you.

Ways to achieve economic empowerment:

- Invest your time and energy in learning the fundamentals of personal finance.
- Review your expenses and look for unnecessary spending. Prioritize necessities when shopping, learn to live within your means, and think before you spend.
- Know the impact of interest on your loans and/or debts
- Make savings a priority. Begin saving for retirement and to build an emergency fund or financial cushion early on.

¹⁴⁸ "Individual Development Accounts (IDAs)." *Rural Family Economic Success Action Network*. <https://rufes.org/2012/11/21/individual-development-accounts-idas/>