

# Colorado Asset Growth Project

## Individual Development Accounts

**Assets change lives: more than income enhancement, asset accumulation affects individuals' confidence about the future, willingness to defer gratification, avoidance of risky behavior, and an investment in community. In families where assets are owned, children do better in school, voting participation increases, and family stability improves. Reliance on public assistance decreases as families use their assets to access higher education and better jobs, reduce their housing costs through ownership, and create their own job opportunities through entrepreneurship.**

**Asset-building is not a new idea. The Homestead Act, GI Bill, IRAs, 401(k) and the home-mortgage interest deduction are good examples of how government has helped millions of American families acquire assets and achieve economic independence.**

**The Individual Development Accounts (IDAs) Program is an example of an asset-building program. IDAs are a time-limited and goal-oriented savings program for low-income individuals and families. It is a matching program through which the Program Participant deposits weekly or monthly designated amounts, usually \$25 - \$50 per month, into a savings account at a local bank in their community toward a specific goal. The deposited funds must come from earned income. If the Program Participant reaches their savings goal in the established timeframe, the funds are then matched.**

**By incorporating Individual Development Accounts, the community can help America's working-poor families save, acquire assets, and participate more fully in the economy.**

**IDA Program Participant's designated goals fall into one of three areas if federal matching funds are used:**

- home ownership
- higher education
- small business startup

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## More on Individual Development Accounts

The benefit to the business community is the increase of potential customer base in the local community. All of the program participant's goals take place within their community—home buying, higher education or even that new business must be established within your community's parameters. A community might be city or county, a multi-county effort, or a program/project in a city or county.

IDA programs are designed by the community in which the program is placed. Needed at the table are agencies that are self-sufficiency oriented, housing programs and projects, banks, businesses, county commissioners, city officials, human services, colleges, lending institutions, housing programs or projects, potential funders and other collaborators.

Why have all these various groups involved? The IDA project is not stand alone, it is very much a collaborative effort and takes the community to make it work. However, the benefits to the community are numerous: Reliance on public assistance programs is reduced; more money stays within the local community; and the increase in saved funds results in higher spending with local businesses.

Additionally, each IDA program must also raise the matching funds and this requires a community effort

The IDA program is the starting not the ending point. For example, the saved and matched funds will not purchase the house. IDAs will help a person or family reach the initial financial goal such as the down payment for a home. However, the process of developing better habits through financial education, which is an integral part of the program, and consistent saving on a monthly basis should allow participants to continue to prosper and contribute to the local community after completing the program.