



Individual Development Accounts: Chance of a Lifetime

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What's so great about IDAs?

Individual development accounts provide a very special opportunity for low-income individuals and families to get ahead. These special savings accounts enable participants to multiply their savings with the help of matching funds. The matching funds may double, triple, or quadruple deposits that are earmarked for one of these three goals: post-secondary education, first-time home ownership, or the start-up and support of a business activity.

IDAs serve two purposes: they encourage and reward savings, and they enable low-income households to develop assets that can change their lives. Participants receive training in financial matters. They are given the opportunity to set aside savings regularly in a no-fee, interest-bearing account. The money deposited to their account is matched with an equal or greater amount at no cost to them. If they stay with their program, the money saved plus the matching funds are theirs to use for their chosen goal. If they quit the program, all of their savings plus any interest earned is theirs to keep, but the matching funds would be forfeited.

Can you show me a sample program?

Alu Like's IDA program supports persons of Hawaiian ancestry who wish to pursue any of the three goals mentioned above. After completing an IDA application, prospective participants are interviewed and then placed in a brief training program. After this, each individual wishing to continue is assisted in delineating his or her goal and setting up a specific savings plan. A typical plan may set aside \$25-\$40 per month for savings. These funds would be matched by \$2 for every \$1 saved for an education or business goal and \$3 for every \$1 saved for home ownership. Individual plans may take up to 24 months.

What are some features of IDAs?

Typically, IDA programs limit the amount of individual savings that will be matched. The limit is generally about \$500 per account. Some programs allow participants to apply for



a second eligibility period after the first, and this could double the amount. Furthermore, once a family establishes eligibility, more than one family member may set up an IDA account. In fact, even older children who earn income that can be saved may establish separate IDA accounts. Such accounts can be accessed as soon as six months after they are started if used for authorized expenses.

Who is eligible for this type of account?

General eligibility requires that the family have less than \$10,000 in assets, excluding a home and one vehicle, and that their income be no greater than \$10,030 for families with no children, \$26,473 for families with one child, and \$30,095 for families with two or more children. Those who qualify for the Earned Income Credit or Temporary Aid to Needy Families automatically qualify. But acceptance into a specific IDA program also depends on the participant's intended goal. Not every sponsor supports all three goals.

How is the money made available?

Matching funds are made possible through the federal government and its partnerships with a consortium of state and local agencies that sponsor IDA programs. The sponsoring agencies recruit participants, determine their eligibility, provide pertinent counseling and training, and oversee the establishment and use of the individual savings accounts. The individual accounts are held at participating financial institutions in the name of the participant. Any matching funds are held by the sponsoring agency in a parallel account.

How can I find an appropriate sponsor?

Many programs are just getting started, so stay alert for recruitment activities in your area. Presently, native Hawaiians may call (808) 535-6720 for information or an application. Others may call (808) 537-6861 for further information or to locate the nearest applicable sponsoring agency.