

INDIVIDUAL DEVELOPMENT ACCOUNTS (IDA): A PROPOSAL FOR RIVERSIDE COMMUNITY CHURCH

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How Does the Government Address Poverty?

Traditionally, assistance for people with low income is delivered through welfare policies that base aid on income. Families and individuals receive assistance through economic supplements like food stamps, vouchers for rent, and other forms of income. These income supplements might alleviate the pressing immediate economic needs for individuals and families living in poverty, but do not lead to upward mobility amongst recipients, or promote financial stability once the assistance is removed (Sherraden, 1991). Providing a financial benefit, however, does not address the underlying situations for people experiencing poverty. This indicates a need for a more holistic approach that connects low income individuals with resources for lasting change and independence.

Why are Assets Important?

Individuals and families who have low income often live in neighborhoods that lack access to the services that promote upward mobility—connections and resources that exist beyond a paycheck. It is widely agreed that “wealth (in the form of capital and property) is a fundamental fault line of social stratification” (Shapiro & Wolff, 2001, p. 13). Categorizing people solely by their income ignores vast differences in assets amongst even individuals of the same income bracket, and ignores the benefits of a strong asset base for the individual family.

Using income for asset building, whether in the form of a financial instrument or real property, opens the possibility of additional income streams based on the growth of the asset (Shapiro & Wolff, 2001, pp. 206-231). Assets also act as a form of insurance against the vagaries of the employment market or the status of income sources for individuals and families (Sherraden, 1991). Research done among ethnic and racial groups in the United States has highlighted the increasing disparities of asset ownership among these groups, even when controlling for income levels (Shapiro & Wolff, 2001, pp. 132-161). This divide has implications far beyond economic stability, however—whether or not a family holds assets impacts the educational opportunities of a family’s children, retirement opportunities for parents, and the transmission of substantial wealth from one generation to the next (Wilhelm, 2001).

What are Individual Development Accounts?

Individual Development Accounts (IDAs)—sometimes called Child Development Accounts when the program is specifically focused on the accumulation of educational resources for children—provide a way for people with low income to bridge the asset gap. IDAs are matched savings accounts designed to assist their holders in establishing an asset base to overcome poverty. A national government or non-profit agency matches and/or subsidizes deposits into the accounts, which are restricted to designated purposes such as educational expenses, housing, medical expenses, business startup, or purchasing a vehicle (Sherraden, 1990). Matching, subsidization, or

both address the most prominent cause for the lack of savings on the part of low-income individuals and households: the lack of significant surplus income to make saving an attractive financial decision (Edin, 2001). The matching rate is variable, and may be scaled to increase as participants make larger and more regular deposits.

What are the Benefits of IDAs for Participants?

Based on asset theory, asset accumulation rather than annual income is the source of economic stability. As highlighted above, IDAs have a positive effect on savings rates. This rise in savings and asset accumulation has been shown to have a positive effect on a number of objective outcomes for low-income families, including economic, psychological, and social well-being (Sherraden, 1991). When IDA programs are offered through local organizations and congregations, they also serve to create a greater sense of community pride and connection, and may protect people from turning to the predatory lending services widely available in many low income communities (Williams Shanks, Boddie, & Rice, 2010, p. 95, 107; Okech, 2012, p. 363).

The benefits of IDAs are striking for children as well as their families. The Corporation for Economic Development (2017a) reports that “low-income children who have just \$500 in college savings are three times more likely to graduate from college” (¶1; See also Assets and Education Initiative, 2013). A study of the SEED program in Oklahoma found that infants who were automatically enrolled in Individual Development Accounts at birth already had better developmental outcomes by the age of four than did their counterparts who were not enrolled (Shanks, 2014, p. 14). Part of this success has to do with parental attitudes and hope. IDAs instill in parents the hope that if savings are possible, the child’s education and other positive outcomes are also within reach (Kim, Sherraden, Huang, & Clancy, 2015). This hope for achievement has positive psychological effects for the whole family (Mason, Nam, Clancy, Kim, & Loke, 2009; Stevens, 2009).

“Asset building is central to community development” (Williams Shanks et. al., 2010, p. 98). IDA services offered through local entities provide opportunities for positive community interactions. Asset building provides opportunities for investment and economic growth in the community and a greater sense of community pride. Thus asset building not only provides access to financial resources, but also has the potential to address poverty by changing the way the community thinks about itself (Williams Shanks et. al., 2010).

What are the Benefits of IDAs for Churches?

When congregations are involved in IDA programs, the congregations themselves reap the rewards through a deeper connection within the community and opportunities to apply gospel principles in a practical way. Though many congregations are involved in addressing community needs, Boddie and Thirupathy (2005) find that they often serve in temporary, “charity-based” ways that respond to an immediate need rather than by promoting lasting change in their communities (p. 16). Local congregations are stakeholders in their communities, and may be motivated to improve the long-term health and flourishing of the surrounding neighborhoods and thus desire ways to have a deeper impact. IDA programs enable churches to have far-reaching, empowering effects in their communities that focus on the community’s strengths rather than its deficits.

According to the Chalmers Center for Economic Development, “Rather than focusing on what low-income people do not have, IDAs build upon people’s hard work, discipline, and

financial assets in order to help them acquire even more behavioral and financial assets so that they can be self-sufficient. This leads to intergenerational economic stability in families, which in turn strengthens the entire communities in which these families reside” (Chalmers Center, 2008, ¶4). IDAs offer churches the opportunity to address and even change some of the underlying causes of cyclical poverty in the community, rather than engaging in a temporary fix that does not address deeper needs for change.

Congregations have a unique role in a community’s structure, as established institutions that often have a level of community trust. In many ways they are a prime placement for asset-building programs, according to Boddie and Thirupathy (2005, p. 16). They often have a network of social connections as an organization that the individuals they seek to serve may not be able to draw upon on their own.

Asset building also has a basis in the practice of tithing (Boddie & Thirupathy, 2005). Some congregations see their tithing practices as going beyond support of the routine operations of the church and extending to serve the broader community. They believe that the church's care for the community deepens as it invests in this way. As Boddie and Thirupathy (2005) state, “Giving, particularly tithing, is a spiritual practice that can transform attitudes, beliefs, and values related to stewardship of resources” (p. 7).

Questions for Starting an IDA Program

Where does funding come from?

The funds for matched savings can come from a variety of sources, depending on the program. Programs utilize such varied funding options as grants, private donors, partnerships with credit unions, and individual or organizational tithing (Boddie & Thirupathy, 2005; Friedman, n.d.).

What is the match rate for an IDA?

The most common match rate for an IDA is 1:1, wherein every dollar a participant deposits in the account is matched with one from the funding source (Corporation for Economic Development, 2017b). However, each program can decide to match at a higher or lower rate, even up to 8:1.

What do recipients use their IDAs for?

Each program can set its own parameters for use. Common uses for IDA funds include purchasing a home, buying a car, starting a small business, or providing education funds (Corporation for Economic Development, 2017b; Assets for Independence Resource Center, 2017).

Who is eligible for an IDA?

Each program can also determine its own recipient eligibility requirements. Some programs choose to focus their efforts on a certain geographic area within the community, a certain age bracket, or an income level (Moneytips, 2016). Programs usually have some form of screening process to determine that the participant meets eligibility requirements and can be successful in the program. Some programs have other requirements as well to support that success, such as participation in financial literacy or home ownership classes (CSRA Economic Opportunity Association Inc., 2016).

Resources for Starting an IDA Program

For ready-made tools for starting an IDA program with your congregation, visit the Chalmers Center for Economic Development website at <https://www.chalmers.org/matched-savings-ida-toolkit>.

For additional information about IDAs and applying for grant funding, visit the Assets for Independence Resource Center at <https://idaresources.acf.hhs.gov/>. For an example of a Housing Authority presentation on IDA program guidelines, see <https://www.hud.gov/offices/pih/programs/ph/hope6/css/bmntha-ida.pdf>.

The Corporation for Enterprise Development (CFED) has resources for IDA programs with children at <http://cfed.org/programs/csa/>.

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