

## Michigan IDA Program Appendix D. Why Support IDAs?

The Michigan IDA Program is based on the **Individual Development Account (IDA)** program that is being hailed as a way to help poor people develop assets and escape poverty. IDAs are special savings accounts for people with limited incomes and limited ability to save. The theory behind the program is that with economic incentive and education, low-income people can and will save for long-term goals.

The IDA concept has a multifaceted appeal. Private charitable foundations, government agencies, community activists and ordinary citizens are united in support of IDA programs not only because they believe IDAs offer concrete hope to impoverished families, but also because they see that IDAs are sound public policy for a wide range of reasons. The following list summarizes some of the most widely noted strengths of the IDA concept.

IDA programs:

***Promote economic independence.*** IDAs emphasize the need to equip low-income families and individuals with the resources (assets) and tools (economic literacy) to be self-sufficient. By fostering self-sufficiency, IDA programs can be part of a long term "solution" to the problems of poverty.

***Are innovative.*** IDA programs recognize that traditional "income maintenance" social policy isn't enough to end poverty. Asset building is an innovative, new philosophy that combines self-help with financial and personal support.

***Deliver outstanding "return on investment."*** A successful IDA program will ultimately transform a small contribution into a much larger payoff. A few years down the road, participants will be investing IDA funds in their communities as they acquire assets. Finally, as IDAs increase participants' standard of living, they also increase the amount of disposable income available to be spent in a local economy.

***Enjoy bi-partisan support.*** IDA programs have attributes that appeal to both major political parties. While IDAs are part of an anti-poverty social agenda, they also demand and reward hard work and self-discipline. Senior lawmakers of both the Republican and Democratic parties have supported federal IDA legislation.

***Combine public and private support.*** IDAs are neither a "government program" nor the exclusive domain of the private sector. The existence of combined support may appeal to both funders who are generally opposed to government programs and those who believe government should be doing more to help low income people.

***Are not untested.*** Although IDAs are a relatively new concept, the theory on which they are founded — that low-income people can and will save for long-term goals — has been tested through microenterprise programs, homeownership programs and decades of Community Development Credit Union experience in low-income communities.

***Follow a middle class precedent.*** Asset ownership has been a long standing "American Dream" and has been encouraged through legislation like the Homestead Act and GI Bill. IDAs are a way to extend a traditional middle-class value to low-income communities.

**Build financial knowledge and skills.** In addition to developing asset owners, IDA programs teach participants important *skills*, like how to plan a family budget or manage a financial emergency.

**Increase homeownership.** Creating homeowners is a direct outcome of IDA programs. The value of homeownership has been widely recognized, as homeowners are able to provide more stability for their families and have a strong incentive to be invested in their communities.

**Lead to education and jobs.** IDAs encourage and make possible enrollment in education programs of all types, from community colleges to vocational training programs. Making educational and training opportunities more widely available has long been seen as a key to fostering long term economic self-sufficiency.

**Develop microenterprises.** IDA programs bring self-employment within the reach and imagination of low-income people not only by creating vital microenterprise financing, but also by equipping IDA holders with the skills that are essential for entrepreneurial success.

**Strengthen families.** Economic self-sufficiency and asset ownership strengthens families, both immediately and for generations to come. Asset ownership, as a pathway to economic self-sufficiency, is an ideal way to make a *lasting* impact on families' lives.

**Protect children.** Asset ownership promotes family stability and self-determination. These qualities make more secure homes for children. Parents who have earned a post-secondary degree or who own a home, for example, are more likely to raise children who will one day obtain a post-secondary education or become homeowners.

**Serve women and men.** A great number of IDA participants are women. With their focus on asset ownership, IDA programs are both an excellent way to foster economic self-sufficiency and autonomy among women and a means to create opportunities for often-neglected groups of low-income men.

**Strengthen communities.** Asset ownership gives participants a stake in their communities and provides an incentive to more fully participate in community affairs. In addition, as participants' standards of living and disposable incomes rise, the economic benefits of an IDA program will diffuse throughout an entire community.

**Deliver measurable outcomes.** IDA programs target clear, measurable goals (asset ownership) and can therefore be straightforward to evaluate and to "hold accountable" for the funding they receive. Particularly with an MIS system, it is possible to track the evolution and ultimate impact of an individual funder's contribution.

**May help reform welfare.** IDAs can help welfare recipients learn new financial skills and, by becoming asset owners, make lasting, meaningful changes in their lives. With the current focus on welfare reform and resulting benefit time limits, the need for innovative programs to help welfare recipients achieve self-sufficiency is all the more acute.

**Are not "handouts."** Before receiving any direct financial support, IDA participants must demonstrate a commitment to fiscal self-discipline, long term saving

and financial skill development. Participants will not receive any “unearned” support or assistance.