

Individual Development Accounts
How to move from a program for thousands to a product for millions



Economic Opportunities Program

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Executive Summary

The Charles Stewart Mott Foundation and the Annie E. Casey Foundation funded the Economic Opportunities Program of the Aspen Institute to conduct an independent exploration of the current state of Individual Development Accounts (IDAs)¹ and to inform nascent strategies for moving IDAs to the next level in terms of infrastructure, sustainability and integration into broader asset-building initiatives.

During the first eight months of 2003, EOP held meetings and conducted interviews with more than 25 IDA practitioners, academics, funders, financial institution partners, and intermediary representatives and conducted a literature review. In December 2003, a convening of the field's leading thinkers is scheduled to review the initial findings and discuss areas of future research.

This preliminary review explored several major research questions:

- How do IDAs fit within broader asset-building strategies?
- How can the structure and functioning of IDAs be improved?
- How can IDAs reach scale?
- How can IDAs become sustainable?

This document summarizes the initial findings from this process and poses a series of questions with options on how to proceed with the research. The paper is intended to provoke discussion and generate concrete ideas on how to move from the current IDA system, which reaches thousands of individuals, to an asset-building system for the tens of millions of Americans who lack ways to build and maintain assets.

Several key observations and findings have emerged from EOPs research thus far:

- 1) Asset poverty and inequality must be overcome through comprehensive strategies that help low-income Americans link to the financial system, build savings and accumulate assets.
- 2) Individual Development Accounts are one of many asset-building mechanisms designed to help narrow the wealth gap. IDAs must be structured to complement and leverage other asset development strategies and subsidies.
- 3) Today's IDAs – provided by community-based organizations, accompanied by money management education and case management, and funded by charitable dollars – differs from the 401k-like asset accounts originally conceived.
- 4) IDAs – as they are currently designed and delivered by nonprofit organizations – are too resource-intensive to be scaled to reach millions of Americans.

¹ Individual Development Accounts (IDAs) are matched savings accounts that assist low-income individuals and families to accumulate assets such as a home, higher education or a small business.

- 5) While most agree the IDA must become cost-effective to reach scale, there are significant differences in opinion on how to get there and who may be left behind.
- 6) The path toward a mixed or hybrid system – where financial institutions and nonprofits play complementary roles – may offer the most promising prospects for transitioning IDAs to the next level. Moving forward, this is a place where further research could be very beneficial.
- 7) Financial institutions (and potentially employers and unions) should play a greater role in design and delivery of IDAs.
- 8) IDAs are still in early or “fledgling” stages of development and may benefit from greater investment in research and product development.
- 9) Reducing the cost of program delivery is critical to program sustainability on both a policy and programmatic level.
- 10) The sustainability of IDAs relies upon a policy environment that will deliver incentives (or matching funds) for IDA savers. Existing policy and proposed policy, such as Savings for Working Families (SWFA), are still not enough to help IDAs attain sustainability.
- 11) New players are emerging to pursue promising ideas and innovations in the asset-building arena. These ideas and innovations may have important implications for future directions of IDA development and will require a closer analysis in the next phase of the research.
- 12) The infrastructure that supports the IDA field is changing. New players have emerged in support roles and existing players, including funders, are reconsidering their roles. Whatever path the IDA takes in its development and roll-out, significant investments in infrastructure will be needed. Coordination at the programmatic, policy and investor/funder level are critical and steady communication of advancements, evolutions and setbacks will be needed if the field is to move to greater scale.