

Establishing an Individual Development Account Program

Individual Development Accounts are savings accounts for people with low wages where the individual saves and his/her savings is matched by public or private funds. The individual uses the savings to invest in a qualified asset usually a home, post-secondary education, or small business. Savings are generally matched 1:1 or 2:1. That is, the individual saves \$1 and the program matches that dollar with either \$1 or \$2.

Is your organization considering setting up an Individual Development Account Program (IDA)? If so, here are 10 key considerations to establishing and running a successful program.

- IDAs are a resource-intensive financial service program. Does an IDA program fit into your organization's goals?
- IDAs usually require that savers use savings to purchase a home, start a small business, or pursue a post-secondary education. To support your clients, your organization needs to provide education and support around these three types of investments. Does your organization have the capacity to do so, or does it have strong partnerships with other organizations that provide this support?
- IDA savers are low wage workers with few assets. Do your clients meet program requirements? Do they have an earned income? Do they have emergency savings?
- IDA program start up costs for operations and fundraising costs are high. Can your organization raise the match and program capacity funding?
- The initial phases of establishing an IDA program will be largely devoted to acquiring clients. This takes time and effort. Do you have the organization resources to conduct significant outreach, deliver financial education and case management?
- Managing a successful IDA program is very labor intensive. Significant capacity is required to do IDAs well; according to industry benchmarks it takes 1 full time employee to manage 50 accounts.
- A saver's average time in an IDA program is approximately 2+ years. There are heavy costs related to providing ongoing case management during this period and especially as your program begins to grow. Plan to recruit people who have this kind of experience and are comfortable with mastering financial services and supporting clients in this area.
- A strong bank partnership is critical to IDA program success, so budget time and resources to managing that relationship. Make sure your account manager understands exactly how the program works and how you and your clients will be interfacing with the bank. Make sure the bank product is a no fee account.
- If your IDA program will include federal grants, be aware that Federal grant requirements are stringent and reporting is intensive. Does your organization have a data management system in place that is capable of handling these reporting requirements?
- Evaluation and measurement of your results is important to demonstrate impact. Budget appropriately for program evaluation.

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