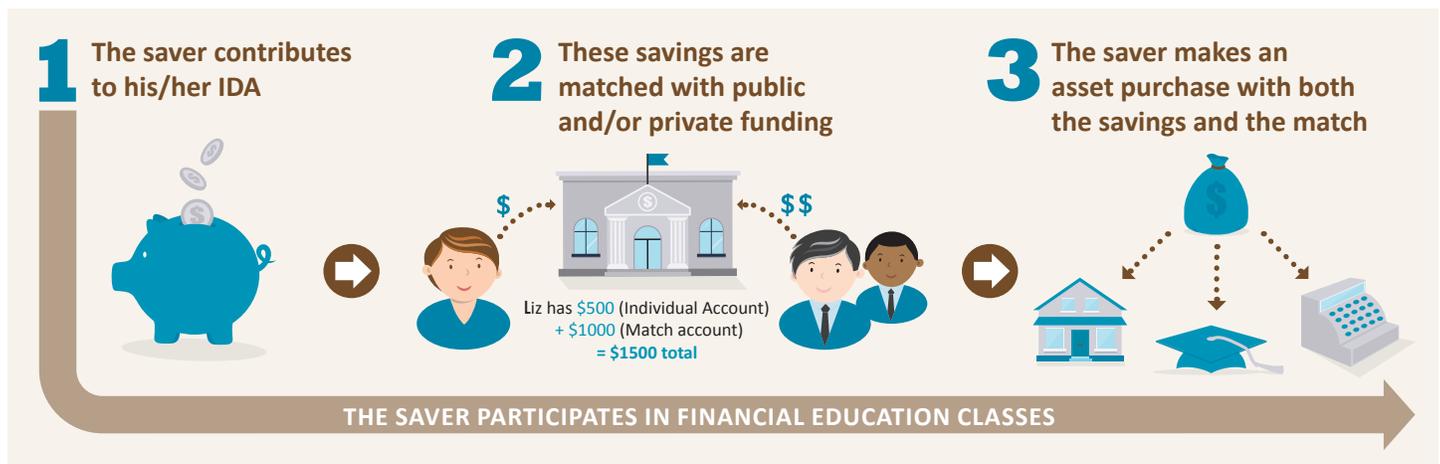


# INDIVIDUAL DEVELOPMENT ACCOUNTS

Individual Development Accounts (IDAs) are special, matched savings accounts that help low-income individuals save money to buy a home, start a business, obtain a post-secondary degree, or purchase another type of financial asset.

## HOW IDAs WORK

- Community-based organizations that run IDA programs help low-income savers open an IDA account at a bank or credit union.
- The organization works with the savers to determine what their savings goals are and how they will work together to reach those goals.
- For every dollar deposited in savers' accounts, the organization matches a certain amount depending on the match rate. For example, if the saver contributes \$500, the organization would match \$1000 if the match rate is 2:1.
- As savers reach their agreed upon savings amount, the savings and match money can be used to purchase or invest in their goal (e.g., a home, small business, higher education, etc.).
- Throughout the savings program, the saver participates in financial education classes and works with a financial coach to address any credit, debt, or other issues that could prevent them from reaching their financial goals.



## IDAs DELIVER A STRONG RETURN ON INVESTMENT

Research evaluating Minnesota's largest and statewide IDA program (known as Family Assets for Independence in Minnesota, or FAIM) demonstrates the positive impact IDAs can have, such as the following:

- Of the participants surveyed who had completed the program and purchased a home, 97% still owned their home. Only 2 homes had been sold and no foreclosures were reported.
- Nationally, only 66% of businesses survive the first two years of operation. In contrast, 86% of FAIM respondents were still in business within the first two years and 89% after two years.
- Across all types of public assistance, usage decreased—often by more than half. None of the respondents who were receiving public financial assistance when they entered FAIM were using any type of cash assistance at the time of the survey.