

PURPOSE

The Savings for Working Families Act (S.985/H.R.2277) ensures that *our nation's savings and ownership policies* assist working-poor families by enabling them to save, build wealth, and enter the financial mainstream through the use of a financial product tailored to their needs: Individual Development Accounts (IDAs).

IDAS ARE AN ECONOMIC INVESTMENT WITH A SOCIAL BENEFIT

IDAs are matched savings accounts restricted to three uses that help low-income families build appreciating assets: (1) buying a first home; (2) receiving post-secondary education; or (3) starting or expanding a small business. These assets help families become financially self-reliant.

IDAS INVEST IN LOW-WAGE WORKING PEOPLE WHO INVEST IN THEMSELVES

The bills would make IDAs available to at least 2.7 million citizens or legal residents of the U.S. between the ages of 18 and 60 (except students), and whose federal adjusted gross income does not exceed \$20,000 (single), \$30,000 (head of household), or \$40,000 (married). Currently, more than 1,100 sites in the U.S. provide IDAs to more than 85,000 savers, resulting in more than 9,400 new homeowners, 7,200 educational purchases and 6,400 small business start-ups.

IDAS RELY ON PARTNERSHIPS BETWEEN THE PRIVATE AND PUBLIC SECTOR

To participate, an individual would set up a savings account with a financial institution that has received an allocation of credits. The individual would make deposits into his or her account and the financial institution would provide deposits into a separate, parallel account that matches what the individual saves dollar for dollar.

When the accountholder has accumulated enough savings and matching funds to purchase the asset (typically over two to four years) and has completed a financial education course, payments from the IDA are made directly to the asset provider such as a college, or financial institution. Financial institutions would be reimbursed for the aggregate amount of dollar-for-dollar match funding provided (up to \$500 per person per year for four years), plus an annual \$50 per account credit to maintain the account.

Community-based organizations would work in partnership with the qualified financial institution that holds the deposits. The community organization – usually a nonprofit, tribe, public housing authority, credit union or community development financial institution – recruits working individuals or families into the program and provides financial education.

THE TAX INCENTIVE LEVELS THE PLAYING FIELD OF WEALTH-BUILDING POLICY

The legislation invests approximately \$4.05 billion over 10 years—a fraction of the \$367 billion in asset-building policies that the federal government invests annually, the vast majority of which assists those with higher incomes. The IDA tax credit has received broad-based and bipartisan support with 127 cosponsors in the 110th Congress. The American Banking Association, H & R Block, the Credit Union National Association, United Way of America, America's Community Bankers, the National Urban League, the National Council of La Raza, Consumer Federation of America and many other organizations in the private sector support the legislation.