

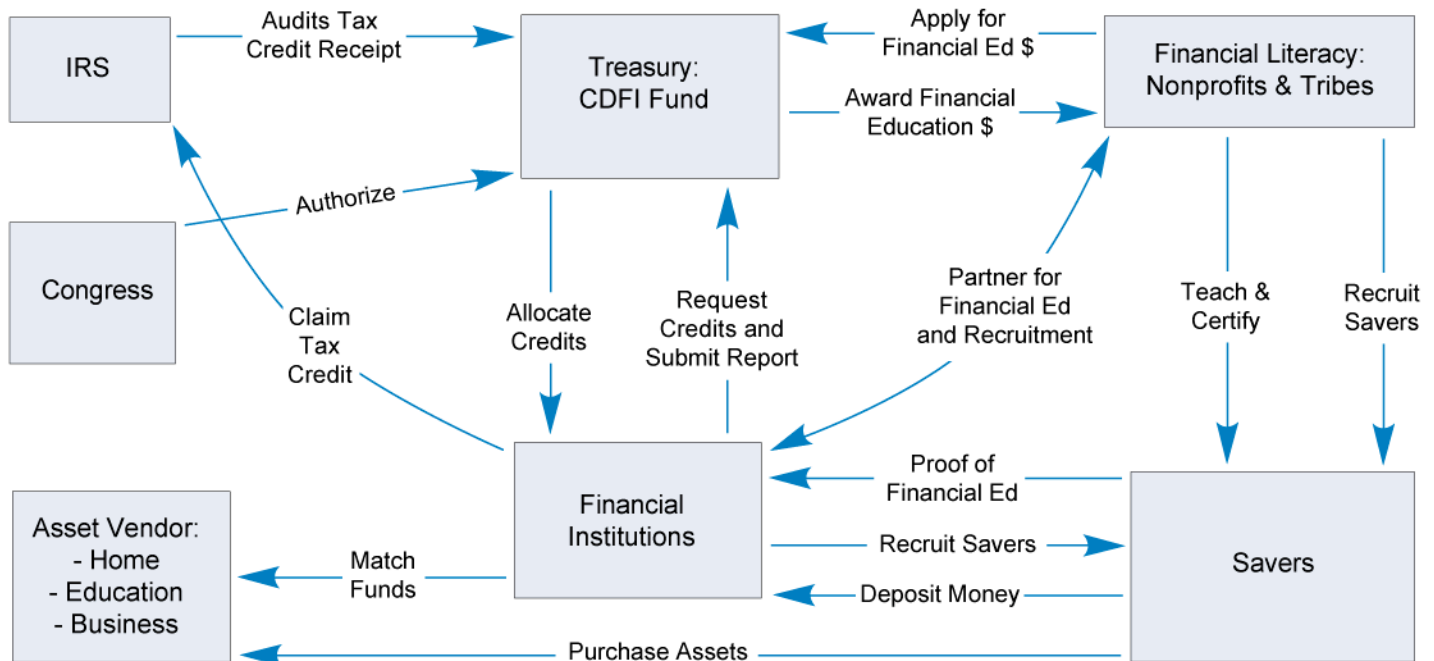
## INCREASE ACCESS TO INDIVIDUAL DEVELOPMENT ACCOUNTS: SUPPORT THE SAVINGS FOR WORKING FAMILIES ACT

Individual Development Account (IDA) practitioners seeking to expand asset-building opportunities for low-income families should support The Savings for Working Families Act (SWFA). SWFA 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. Among the variety of policies promoting savings incentives for working poor families, only SWFA expands IDAs, supports entrepreneurship and provides a role for nonprofit community-based organizations and tribes.

### SWFA MATCHES 2.7 MILLION IDAS

SWFA would provide a tax credit to financial institutions that match the savings of 2.7 million citizens or legal residents of the United States. Currently, there are more than 1,100 sites in the United States that serve more than 83,000 savers.

### Savings for Working Families Sector Partners



### SWFA AUTOMATICALLY PROVIDES THE SAVINGS MATCH FOR IDAS WITH GOVERNMENT RESOURCES

The expansion of IDAs has long been limited by an inadequate supply of matching funds for individual participant's savings. Currently, programs must raise grant funds to match participants' savings. SWFA removes the fundraising requirement by providing an automatic match. Participating financial institutions provide matching deposits into a separate, parallel account that matches dollar for dollar what the individual saves. Individuals can get matches of up to \$2,000 (\$500 per year for four years) to purchase one of three assets: (1) buying a first home; (2) receiving post-secondary education; or (3) starting or expanding a small business. The financial institutions get a dollar-for-dollar reimbursement from the federal government for their matched contribution.

### **SWFA INCLUDES ENTREPRENEURSHIP**

Unlike other retirement savings policies, only SWFA incents assets such as starting or expanding a small business. Savers in an IRA may remove a portion of their savings without penalty for college costs or first-time homeownership. This is not the case for entrepreneurship.

### **SWFA ENCOURAGES PARTNERSHIPS BETWEEN THE PRIVATE AND PUBLIC SECTOR**

SWFA encourages financial institutions to participate by partly offsetting their participation costs: participating financial institutions receive a tax credit for the combined amount of dollar-for-dollar match funding provided, *plus* an annual \$50 per account credit to maintain the account and provide financial education. Nonprofits would have numerous opportunities to collaborate with the financial institutions. When financial institutions apply for an allocation of credits, the nonprofit can join the application as a participating agency providing recruitment, case management, and financial education.

### **SWFA SUPPORTS THE FINANCIAL EDUCATION, RECRUITMENT, AND MANAGEMENT SUPPORT ROLE OF NONPROFITS AND TRIBES**

Unlike other legislative proposals to increase savings activities among low-income people, the IDA Tax Credit is the only legislation that defines a clear role for nonprofits and tribes and provides funding for financial education, recruitment, and management. The legislation authorizes \$120 million over 10 years as part of the tax credit. The financial education funds would most likely be administered by the CDFI Fund at the Treasury Department through a competitive grants process that gives a greater priority to nonprofit and financial institution collaboration. It is also expected that the Tax Credit would complement the Assets for Independence program: AFI funds would support some of the educational and management activities and the tax credit would provide some (or all) of the matching funds.

### **SWFA HAS AN EXCELLENT CHANCE OF PASSAGE IN THE 111TH CONGRESS**

SWFA has broad-based and bipartisan support. Legislation supporting an IDA Tax Credit has passed the Senate twice. In the 110<sup>th</sup> Congress, SWFA garnered 27 co-sponsors in the Senate and 100 co-sponsors in the House of Representatives. H&R Block, Wal-Mart, the Financial Services Roundtable, the Credit Union National Association, America's Community Bankers, Washington Mutual, and other financial services providers support the legislation. The United Way, National Council of La Raza, National Coalition for Asian Pacific American Community Development, Results and other national nonprofits also support the bill.