



The Chalmers Center

For Economic Development

About Matched-Savings Programs

Matched Savings Programs, also known as Individual Development Accounts (IDAs), are simple tools that help the economically poor build an asset base. Assets represent a deepening fault line of disparity in the United States. This trend has been exacerbated by government asset-building programs that have largely left the poor un-helped, such as IRA tax code and tax-deductible mortgage interest.

Schreiner and Sherraden define assets as resources kept through time. This perspective not only looks at the financial balance sheet of a household, but also at its capabilities and capacities. When taken in this light, assets serve four primary roles:

1. Provide a buffer against economic shocks;
2. Create additional income;
3. Create additional assets; and
4. Give the owner a more positive view of the future and improve current behaviors.

In the early 1990s, Dr. Michael Sherraden of the Center for Social Development first proposed the concept of matched savings for the working poor. These matched savings accounts for low-income/under resourced individuals enable participants to purchase a productive asset. The saving process can last anywhere from six months to five years. During this time the participants receive general financial literacy training and counseling in addition to education specific to their intended asset purchase. Match rates have varied from 1:1 to 9:1. However, most programs settle on a rate between 1:1 and 3:1.

A collaborative effort between The Center for Social Development and The Corporation for Enterprise Development resulted in a broad-based, national, publically and privately funded matched savings (IDA) demonstration that was designed to assess the efficacy of IDAs as an asset-building tool for poor Americans. During the project ran from 1997 to 2001 and sought to answer the question, "Can the poor save?" Matched savings services were delivered through 14 host organizations to 2,350 participants who on average accumulated \$1,609 in net assets (IDA savings + match). Matched savings proved to be effective tools for helping individuals save, acquire assets, and develop financial skills.

Since 2001, matched savings have enjoyed considerable success. Currently there are more than 500 programs operating throughout the United States. Most of these programs seek to operate on a large scale. They do a good job of effecting change on a systemic level by helping a large number of people obtain assets and a financial education. However, because of their scale, and their need to show tangible outcomes, the ability to help participants address non-economic issues in their lives has been limited. This generally remains the case despite research that indicates success rates are positively correlated to "face time" with program staff. And this is where the Church has great opportunity!