



Guidelines for Matched Savings: Where Should the Money Go?

As you establish the features of your matched-savings program, a key question arises: what asset purchases will we allow?

Your answer to this question will have a direct impact on participants and their experience in your program. Decisions should therefore be based on clear information, careful thought, and prayer.

General Guidelines for Permissible Savings Use

As you determine permissible uses, these 4 guidelines will help you identify assets that will improve the lives of individuals, their households, and their communities. Assets purchased with matched-savings funds should:

1. **Contribute to Economic Self-Sufficiency:** Assets purchased with matched savings should enhance participants' abilities to provide for the economic needs of their household.
2. **Maintain Illiquidity:** Assets purchased with matched savings should not be easily converted into cash. This ensures that purchases enhance the economic capacity of a household and do not serve to meet temporary, short-term, needs or desires by selling the asset.
3. **Appreciate in Value:** Ideally, assets increase in value over time. However, it may be possible that the actual monetary asset value decreases over time while simultaneously increasing economic self-sufficiency. Carefully consider how you define "value."
4. **Honor God and the Community:** Consider what impacts a given asset will have on a community. Do not assume that household and community interests are always aligned. For example, a highly profitable liquor store may be financially beneficial for the owner's household, but devastating for other households.

Traditional Uses for Matched Savings

Traditionally, matched savings have been used directly for, or for costs associated directly with, the purchase of one of the following assets:

House Purchase: This typically entails the down payment on a primary residence and associated costs such as closing costs and appraisal fees.



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Education or Vocational Training: This enhances participants' career opportunities and earning potential by increasing their capacities and credentials. Local universities, seminaries, community colleges, adult education centers, and vocational education facilities are possible sources for this training.

Small Business: This entails providing start-up costs or the purchase of a relevant asset for an existing small business. However, matched savings funds should only be used to support solid business plans that clearly demonstrate the competency needed to operate a business.

Other Matched-Savings Uses to Consider

Explore the option of allowing participants to save for assets in addition to the traditional options listed above. Nationwide research suggests that participants believe there are other asset purchases, which are more attainable and practical than the traditional options.ⁱ A few assets to consider are:

Automobiles: Studies have shown that owning a car is positively correlated with income. One study even claims to have determined that owning a car causes one to have a higher income.ⁱⁱ This seems logical as a car increases the sheer number of jobs to which one has access as well as transportation regularity and travel flexibility. Also, some asset purchases may seem out of reach because of their high cost. Cars provide a viable alternative. Third, cars drastically improve mobility for a family with children. However, some disapprove of cars as a valid purchase because they often depreciate faster than owners can build equity. Also, uninsured autos can instantly lose all value and functionality through theft or accident.

Home Repair: Home repairs can protect or add value to an existing asset. Consider limiting this permissible use to essential repairs or improvements (installation of indoor plumbing, roof repair). Generally, repairs should add value that is equivalent to or greater than cost. However, repairs that add functionality and therefore quality of life should always be permitted regardless of monetary value added (i.e. handicap access).

Mobile Homes: In rural areas and high-priced markets, mobile homes may be the only viable homeownership option. Like a standard home, mobile homes offer freedom from paying rent, and can be the first step to establishing good credit. However, like automobiles, mobile homes depreciate rapidly. Since financing arrangements at mobile home parks can be predatory, leasing or renting a plot of land on which to park a mobile home may be risky.



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Retirement: Asset holdings seem to affect the way people view the future and behave in the present.ⁱⁱⁱ Assets appear to change expectations. Thus, it seems a good idea to enable people to save for retirement, helping give them a more financially secure future. IDAs used for retirement should always be placed in an account that restricts access to the principle. This ensures that the money is actually used for retirement and not to subsidize current consumption. A drawback to this use of IDAs is that nothing constrains the use of retirement money in the future. When funds are withdrawn, they may be spent freely.

Children's College Savings: Allowing participants to save for their children to attend college is a tangible way to involve parents in the education process. This type of asset building will likely lead to higher parental expectations, which sets children up for academic success.^{iv} Like retirement savings, college savings for children should be placed in an account, such as a 529 plan, that restricts access until money is withdrawn for the intended use.

Tools of the Trade: Many individuals may be earning a living as sub-contractors in trades such as plumbing or carpentry. Even though these are not registered businesses, you could allow these individuals to purchase tools that would increase their effectiveness or earning potential. You may even consider coupling this purchase with vocational training.

Other: It is strongly encouraged that your ministry remains open to "other" uses for IDAs on a case-by-case basis. This is an opportunity for your ministry to be both participatory, and asset based by relying on participant knowledge. Participants may have an idea for an asset purchase that you had not thought of, yet it makes perfect sense for their situation.

Considerations When Determining Permissible IDA Uses

Target Group

What types of assets does your target group wish to purchase? Allowing them to participate in this part of the planning process ensures that their interests will be central to your ministry. Three questions will help you connect to the desires and capacities of participants. The first two are asset-based questions, and the third is a participatory question:

1. What assets do the target group view as attainable?
2. For what assets will the target group be willing to save?
3. What assets do the target group claim will make a lasting difference in their lives, and their community?



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Focus groups are a good means to determine what participants want and need. A good place to start this fact-finding is among current participants in your existing ministries if they fall within your target group.

Available Resources

What resources are available to help participants reach their asset goals? Matched savings are not the only means by which people are empowered to build assets. Both financial and non-financial forms of assistance may already exist to help low-income families attain assets. Before settling on a list of permissible uses, take an inventory of accessible resources that might be helpful. Look for these resources in:

The Task Force: What types of asset purchases are you equipped to handle as a group? Perhaps, someone is a realtor and can advise participants on home purchases. Maybe an individual's brother owns a used car dealership that would inspect potential auto purchases for free. Leveraging these types of resources may be key in helping people successfully purchase an asset.

Asset-Driven Development of Chattanooga: ADDC is in the process of developing partnering relationships with local housing organizations, colleges, and vocational training schools. Before you begin, get in touch with us about potential asset-support organizations.

The Church Congregation: Many of the resources listed above may not be available directly within the task force. However, they may be available in the broader church congregation. Other church members stand not only contribute to the success of the ministry but also to learn from being involved.

The Denomination/Network of Churches: The Church is much bigger than your local congregation. Are there other church bodies that would be willing to dedicate volunteers, money, make connections, or give other types of support? This is an opportunity to not only obtain resources but to develop greater unity within the Body of Christ in your community.

The Community: Do other organizations in your community (either current or potential partners) offer asset-building programs? Microenterprise training, homeownership workshops, first time buyers' programs, grants for community college, adult education courses, or vocational programs may already be offered. Connecting participants to these programs can make these asset goals substantially more attainable.



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Key Points to Remember For Matched-Savings Use

Be participatory. This is an opportunity to affirm the image of God in your target group and to developmentally address the *poverty of being*. As participants are given a say in what type of assets will be available, it reinforces a message that says, “You’re opinions are valuable, and your ideas are good.” Additionally, the IDA ministry will be more relevant to the people you seek to serve.

Assets purchased with IDAs should be fairly **illiquid**. This helps prevent the temptation to convert an asset purchase to cash. Matched-savings programs were created as an asset building strategy, and they cease to function as such when used for consumption. Consumption expenditures include, but are not limited to food, personal items, luxury goods, or rent. Assets should either increase in value or increase a household’s income generating capacities.

Matched savings cannot be all things to all people. By rejecting a particular permissible use, your organization is not necessarily declaring that the asset is unimportant. Participants are free to pursue other options to acquire the item or service they need, and you still may be able to assist them. For example, if your ministry decides against allowing automobiles as a permissible use, you may still help participants find low-cost car loans.

Decisions To Be Made

- What assets interest your target group?
- What assets will your task force allow?
- How will you decide whether to approve or deny a request for an asset that falls in the “other” category?



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i Carpenter, E. (2008) Major Findings from IDA Research in the United States. *Center for Social Development*, Research Report No. 08-04.

ii Raphael, S., & Rice, L. (2002). Car Ownership, Employment, and Earnings. *Journal of Urban Economics*, 52 (1), 109-130.

iii Shobe, M. A., Boyd, A. S. (2005). Relationships Between Assets and Perceived Economic Strain: Findings From an Anti-Poverty Policy Demonstration. *Journal of Community Practice*, 13 (2), 21-44.

iv Grinstein-Weiss, M., Yeo, Y.H., & Irish, K. (2008) Parental Assets: A Pathway to Positive Child Educational Outcomes. *Center for Social Development*, Working Paper.