CSD Report

Hope in Concrete Form
The Downpayments on the American Dream Policy Demonstration : Conception, Contributions, Challenges, and Consequences

Robert Friedman

CSD Report 05-37

2005

Taking the Measure of the American Dream Demonstration: An Assessment of Knowledge Building and Impacts in Applied Social Research

Conference Research Papers

Center for Social Development

Washington
WASHINGTON · UNIVERSITY · IN · ST · LOUIS
George Warren Brown School of Social Work

Hope in Concrete Form
The Downpayments on the American Dream Policy Demonstration : Conception, Contributions, Challenges, and Consequences

Robert Friedman
Chairman, CFED

CSD Report 05-35

2005

Center for Social Development
George Warren Brown School of Social Work
Washington University
One Brookings Drive
Campus Box 1196
St. Louis, MO 63130
tel 314-935-7433
fax 314-935-8661
e-mail: csd@gwbmail.wustl.edu
http://gwbweb.wustl.edu/csd

Hope in Concrete Form

The Downpayments on the American Dream Policy Demonstration

Conception, Contributions, Challenges and Consequences

The Downpayments on the American Dream Policy Demonstration (ADD) taught us a lot about Individual Development Accounts and how low-income families can save and build assets. More fundamentally and more generally, it taught us a lot about the American Dream, circa 2000, and how to achieve it.

ADD taught us that the American Dream, the prospect of owning a home, building a business, pursuing higher education, saving for retirement or of otherwise securing a brighter economic future, is alive, if latent, among a wide variety of low-income and very poor families. In fact, the dream is so strong that families will go to great efforts to achieve it – working, saving, learning and investing – even if that means very real sacrifice. They save, they work more, they conserve, not because it is easy, but because it is the price of stability, the price of hope.

ADD taught us how to make the dream real for low income families: provide access, incentives (in the form of savings matches), information (financial education and account statements), and support, and even families making less than half the poverty line will save, build assets and connect to the mainstream economy.

Indeed, ADD proved that saving and asset-building is more a function of structure than it is of skill or habit. 401(k) savings and asset building accounts work because saving is made easy – with monthly direct deposit, the accountholder does not have to think about making deposits. But 401(k) plans do not really provide meaningful access, incentives, information or support for most low income families who are not employed by firms offering such retirement accounts, cannot take advantage of tax incentives advantageous to higher incomes, and often do not even hear of their availability. But now we know from ADD that given these supports, a wide variety of low income families can and will take advantage.

There is both an individual and a collective side to the American Dream. On the one hand, it is an individual dream – the dream that given thought and effort, one can craft a bright economic future for oneself and one's family. But there is a collective side to the dream as well, the fundamental and radical idea that given a realistic opportunity, common people will forge their own economic futures, and in doing so, will build the nation's. When Thomas Jefferson talked of "a nation of small farmers and shopkeepers," such was his vision. In the 19th Century, the Homestead Act underscored this potential; putting land in the hands of millions of resource poor Americans willing to work it, thereby building a property base under close to a quarter of the population today. In the 20th Century, the GI Bill renewed it, investing in the college educations, homes and businesses of returning veterans who in turn drove postwar growth. ADD provides a framework for extending the dream to the one-third to one-half of the American population who is asset poor today and may well feel excluded from the economic mainstream. And this is perhaps its greatest gift: we now know how to extend the American Dream to the margins of the society, to include thousands of communities and millions of families who are left out. Of course, we will have to learn more, especially about how to offer tens of millions of accounts efficiently and effectively, but we can undertake this learning knowing that it can be done.

* * * *

Conception:

The Downpayments on the American Dream Policy Demonstration (ADD), the first large-scale, comprehensively evaluated test of the efficacy of Individual Development Accounts (IDAs) as a tool for saving and asset-building for low-income working families.

ADD was conceived in the mid-1990's, some 4-5 years after Michael Sherraden first proposed Individual Development Accounts in his seminal book, *Assets and the Poor: A New American Welfare Policy.*[1] After half a decade's advocacy, while the idea had attracted a measure of high level attention and discussion – Jack Kemp, then Secretary of Housing and Urban Development, would carry the book around the country and wave it at speeches – there was little concrete evidence or action. Five fledgling attempts to create IDAs appeared across the country, but struggled to implement the idea and produce even the most minimal data. In Tupelo, Mississippi, the effort closed within a couple years of inception after generating little take-up. An early effort to create business and medical IDAs in Montana helped several micro-entrepreneurs buy some business equipment, but its funding was temporary. The Joyce Foundation funded evaluation design and advocacy work, and seeded three community efforts which established prototypical accounts of widely varying construct and struggled to produce any real effective practice or data. In Indiana, a 9:1 match rate was unlikely to induce any savings and the lack of withdrawal restrictions ended when one early accountholder bought (and then promptly lost) a boa constrictor. Legislation had been introduced in Congress as early as 1991 which contained the outlines of what would later become the Assets for Independence Act, but it was largely proposed to instigate and focus discussion and was not headed for any imminent passage. Clearly, something more was needed if the promise many saw in IDAs was to be realized. It was out of this soil that ADD emerged. Spurred by rising interest by the Ford and Charles Stewart Mott Foundations and the continuing interest of Joyce, it occurred that the national demonstration outlined in the proposed Federal legislation might be developed with private funding, if on a more modest scale, building on the Joyce-funded initiatives. Indeed, such a private demonstration might hasten the serious consideration of the Federal legislation. And ADD was born.

[1] Michael Sherraden, Assets and the Poor: A New American Welfare Policy, M.E. Sharpe, 1991.

Why a Demonstration?

While interest in IDAs and asset-building antipoverty strategies had been growing at all levels, before ADD clear limits and barriers to the development of the field had already emerged, among them:

- <u>Practice:</u> While community groups can and had launched local demonstrations, they confronted daunting and often prohibitive challenges in terms of program design, fundraising, and evaluation. Not only did these challenges threaten to inhibit the number of community efforts, but also to undermine their quality and increase the chances of failure (which will be all the more visible given the paucity of model efforts).

- <u>Learning</u>: Mechanisms to share lessons among programs were few and weak, inhibiting the development and spread of best practices.

- <u>Evaluation</u>: Separate community-level evaluations were unlikely to generate the hard data necessary to inform significant policy changes.

- <u>Funding</u>: Few foundations had been funding IDA efforts, and national funders that had become interested sought national impact and balked at considering many small proposals.

It became clear that a national multi-site demonstration could overcome these obstacles. A private sector demonstration could establish a base of best practice lessons, human stories, political support, public education and an evaluative framework for further demonstration, policy and practice. Such a demonstration could help focus technical assistance and evaluation efforts while generating materials and lessons useful to IDA initiatives outside the demonstration.

The original proposal was explicit in its aims: "ADD is ambitious. But so is its promise: ADD will test the extent to which poor people can and will save if properly supported, can utilize their leveraged savings to build businesses, homes and skills, and, in doing so create jobs, build families, restore hope, and generate profits, taxes, economic and social development. In addition to facilitating the movement of more than 2,000 low-income families to economic independence, ADD will become the cornerstone of a new asset-building investment policy designed to complement income maintenance policies that has been the main stay of American antipoverty policy for most of this century. In dollar terms, we are seeking to make the case for reallocating a decent portion of the $400 billion we spend annually to subsidize the asset accumulation of the non-poor towards similar investment in the poor."

The Downpayments on the American Dream Policy Demonstration (ADD) sought to test the efficacy of Individual Development Accounts as an antipoverty strategy, and thereby impel and inform larger policy and programmatic initiatives. It did so by helping thirteen leading community development organizations (and their states) collaboratively develop better practice in the design and implementation of IDA programs and then rigorously evaluate the effects of IDAs on low income account holders.

The key objectives of the Demonstration were to:

- Open at least 2,000 IDAs, honing the tool, and, in doing so, seeking to help those families move toward economic independence;

- Develop an effective practice IDA initiatives in thirteen diverse communities which benefit from access to the best information available about best practices;

- Build a field by sharing the lessons of ADD and establishing an inclusive learning network with other interested public and private innovators;

- Identify and evaluate the economic and social effects of IDAs, and the savings, asset-acquisition and economic literacy they entail; and

- Inform and impel state and Federal policy development.

We believe ADD achieved and for the most part exceeded each of these objectives.

Eight Hypotheses

ADD was designed to test several explicit hypotheses about asset development including:

- Low income people can and will save if appropriately supported and encouraged to do so.

- With IDAs, low income people do indeed start businesses, buy homes and pursue higher education.

- Savings and asset development increase economic independence and well-being.

- The accumulation of savings and assets has important effects including gains in income, self esteem, family stability, initiative taking, economic literacy, skill development, civic participation.

- Community groups working with financial institutions can create effective asset-building programs.

- Different IDA programs -- different match-rates, program components etc. -- have different effects on different communities.

- IDA programs increase economic literacy, advancing the understanding of and effective participation in the new economy.

- An investment in IDAs can generate positive returns for all investors.

ADD contributed important if not always complete evidence for each of these hypotheses.

During the demonstration, which officially ran from 1997 to 2002, a diverse population of 2,364 low-income and very poor people opened IDAs through 13 community partners across the United States.[2] Organized and coordinated by the Corporation for Enterprise Development (CFED), ADD was rigorously studied by the Center for Social Development (CSD) of Washington University in St. Louis and Abt Associates using eight different research methods, including implementation assessment, participant case studies, cross-sectional survey, monitoring, in-depth interviews, cost analysis, experimental site impact evaluation, and assessment of community effects.[3] ADD was supported by 12 national foundations: the Charles Stewart Mott Foundation, the Ford Foundation, the John D. and Catherine T. MacArthur Foundation, the Citigroup Foundation, the F.B. Heron Foundation, the Ewing Marion Kauffman Foundation, the Fannie Mae Foundation, the Joyce Foundation, the Levi Strauss Foundation, the Met Life Foundation, the Moriah Fund, and the Rockefeller Foundation.

While the evaluation of ADD continues, much has been learned. Indeed, ADD has largely established the hypotheses that it began with:

- **Poor people can and will save** if offered the right combination of incentives, access, and institutional supports. The 2,364 ADD accountholders—nearly half (46%) of whom lived below the poverty line -- who had a median annual household income of $16,296, saved a total of **$1,248,678**, or an average of $19.07 a month, over a span of 2 years. Average and total gross savings were much higher—$40 per month for a total of **$2,530,538** -- as accountholders deposited an additional $601,660 in accounts even though they knew the deposits could not be matched, as well as $680,200 in matchable deposits that they would ultimately withdraw without a match for emergencies or other urgent needs.

  In fact, the poorest 20% of accountholders—those with incomes under half the poverty line—saved about the same amount as accountholders making over twice the poverty line; moreover, as a percentage of income the poorest 20% saved more than three times the rate of those with the highest incomes (2.85% vs. 0.9% of earned income, respectively). Evaluators deemed a little over half

---

[2] Unless otherwise noted, all data come from the final report on ADD, *Saving Performance in the American Dream Demonstration* (Schreiner, Sherraden, & Clancy, 2002).

of the accountholders (56%, or 1,324) as “savers” in that they had deposited (and kept) more than $100 in their accounts. The average accountholder made a deposit in 6 of 12 months.

Low-income people do save—not because it is easy, but because it is the price of stability and hope. They save by shopping more carefully (70%), eating out less often (68%), consuming less alcohol and tobacco, spending less on leisure activities (64%), and working more (29%) (Moore et al., 2001).

The in-depth interviews of a random subsample of the treatment and control groups at the Tulsa experiment generated significant insights to the nature of ADD’s saving impacts:[4] the interviews found that over 2/3 of accountholders (69%) articulated long-term and focused savings and investment goals and engaged in regular savings while only 40% of controls did.[5] On the other hand, controls were twice as likely to mention a plethora of shorter-term and diffuse savings goals and less likely to know what their savings were.[6]

- **With IDAs, a wide variety of low-income people do indeed accumulate assets, buy homes, start businesses, pursue education, and save for retirement.** Matched at rates ranging from 1:1 to 7:1 but averaging just under 2:1 (1.92:1), accountholders accumulated an average of $1,543 each ($2,755 each if only the 1,324 savers were counted), for a total net accumulation of **$3,648,149**. As of June 30, 2003, after an average of just over 3 years of saving, half of all accountholders (90+% of accounts with significant savings) had purchased an asset. More than 1198 ADD accountholders used matched withdrawals to finance 479 homes (40% of purchasers), 218 businesses (18%), 262 stints of postsecondary education or job training (22%), and 126 retirement accounts (11%).
  The Abt impact assessment of the Tulsa experiment found highly significant impacts on home ownership across the entire sample (14% more than the control group), and especially significant increases in home ownership and retirement savings for African Americans (treatment effects of more than 40% in home ownership and $1,081 or 85% more in retirement savings).[7]

---

[4] Margaret Sherraden, A. McBride, E. Johnson, S. Hanson, F. Ssewamala, T. Shanks, Saving in Low-Income Households: Evidence from Intereviews with Participants in the American Dream Demonstration. St. Louis: Center for Social Development, Washington University George Warren Brown School of Social Work, January 2005.
[5] Ibid. pp. 109-111
[6] Ibid.
[7] Gregory Mills, R. Patterson, L. Orr, and D. DeMarco, Evaluation of the American Dream Demonstration: Final Evaluation Report. Cambridge, MA: Abt Associates. August 19, 2004. pp. vi-vii.

- **Low-income people—regardless of race, age, gender, or education; whether employed, unemployed, or receiving welfare—can and will take advantage of the asset-building opportunity provided by IDAs**. ADD accountholders included women (80%) and men (20%) from urban and rural areas, of various races and ethnicities (African American: 47%; Caucasian: 37%; Latino or Hispanic: 9%; Native American: 3%; Asian American or Pacific Islander: 2%). They ranged in age from 13 to 72 years old (with an average age at enrollment of 36 years) and represented both married and unmarried individuals. Most participants had children (76%) and were employed (78% full- or part-time). Compared with the general low-income population, ADD accountholders were more likely to have some college education (61%), be employed (58% full-time, 20% part-time), and have a bank account (79%).

  Neither income, gender, nor previous welfare receipt is a good predictor of either the likelihood of saving or the level of savings. Education level and age (up to 40 years) correlate Latinos and Hispanics, Asian Americans, and Pacific Islanders tended to save a little more than Caucasians, and African Americans and Native Americans saved less ($5 and $8 less, respectively, in average monthly net deposits). However, these differentials pale in comparison with racial asset differentials in society as a whole and group participation rates in ADD.. On the other hand, assets beget assets: ownership of a house or car, health coverage, and lack of debt have a significant effect on savings level and likelihood of being a saver.

- **Saving and asset-building are more than just habits: they are a function of structure; that is, institutional factors—measured and unmeasured—have a much greater effect on savings performance than do demographic characteristics.** Higher match rates increase the likelihood of becoming a saver (though the effect diminishes as match rates increase beyond 3:1) but not the amount of savings, while higher match caps (targets) increase savings rates. Direct deposit increased the likelihood of becoming a saver by a dramatic 22%. Each hour of financial education up to 8 hours increased average monthly net savings by $1.3, and preliminary data suggest that asset-specific training (e.g., homeownership, entrepreneurship, or educational counseling) may have similar effects. The variation in average and median monthly net deposits, accumulation levels, deposit frequencies, savings rates, and number of unmatched withdrawals by factors of four to ten across the 13 ADD sites suggests the strength of unmeasured institutional factors, even if we cannot pinpoint the reasons.

- **Assets do “change people’s heads,” increasing the expectations, work, confidence, and economic engagement of accountholders and their families.** Ninety-three percent of accountholders said they were more confident of the future, 84% more economically secure, 85% more in control of their lives, 85% more likely to buy a home, and 57% more likely to start a business (Moore et al., 2001). For the average accountholder, her IDA is five times as large as savings in any other liquid bank account and any savings she had before opening an IDA. A third of accountholders said they actually worked more and increased their earnings because of IDAs (Moore et al., 2001). The in-depth interviews across a random subsample of the treatment and control groups at the Tulsa experimental site clearly demonstrate that IDAs change the expectations, attitudes, and aspirations of accountholders, their children, and their relatives and friends.[8]

ADD was deliberately more than a carefully documented and researched test of IDAs. It was designed to simultaneously address several goals: to hone IDAs as an effective savings and asset-building tool, to develop an effective practice and build a broader field, and to impel supportive state and federal policy development while providing evidence of effectiveness. Though there is certainly more to do, ADD achieved these objectives too.

- **ADD established IDAs as effective savings and asset-building tools**. We now know that match rates between 1:1 and 3:1 seem to provide an effective asset-building incentive to low-income populations while opening up real opportunities to accumulate assets over just a few years of saving; higher match rates are not only more expensive but had no effect on savings level. Ninety percent of ADD accountholders approved of the match rates, which averaged about 2:1 (Moore et al., 2001). The ADD's parallel account structure—which kept individual savings separate from match funds that were only paid to the vendor at the time a purchase was approved by the accountholder and program alike—proved remarkably effective at preventing fraud and balancing the sense of shared and yet separate ownership. The fact that ADD community partners were able to accommodate $1.2 million in oversaving and unmatched withdrawals while ensuring that match funds went only to approved asset purchases is testimony to the effectiveness of the account structure. Over 80% of accountholders approved of the withdrawal restrictions, often commenting that the restrictions helped them save (Moore et al., 2001). Monthly account statements arrive like diplomas, become a source of family learning and pride, provide a quantitative measure of progress, and build confidence and a sense of economic efficacy.

- **ADD established an effective model for IDA delivery**: a partnership between a wide range of community organizations and private financial institutions offering a few hundred accounts a year along with basic and asset-specific financial training. We know that at least 8 hours of basic financial education and use of direct deposit have significant impact on savings outcomes, and we have developed a financial education curriculum based on the most effective practices of ADD partners and others. We have learned that such institutional characteristics as match and time caps/goals have significant

[8] Margaret Sherraden, et. al., loc. Cit.

effects on savings level and likelihood. More than 85% of ADD accountholders approved of the services provided and the financial education (though the minority who did not think highly of the financial education was vocal in their belief that not all poor people—any more than all nonpoor people—need such education) (Moore et al., 2001). Most ADD programs provided additional supports—counseling, case management, peer groups, and more. The management information system for IDAs (MIS-IDA) developed by CSD as a research, reporting, and recordkeeping tool, proved an indispensable if somewhat overweight tool for managing IDA programs.

All these achievements come at a price. CSD's comprehensive assessment found the costs (including imputed costs for volunteer labor and every quantifiable contribution) in the large, experimental site were $64 per participant per month over the first 33 months: $2.20 per dollar saved, or $1.50 per dollar in assets accumulated (Schreiner, 2002). This is a relatively high cost, though it dropped 50% after the first year. New ways of reducing the cost of delivering IDAs are necessary if they are to go to millions rather than just thousands of accountholders, and some are at hand: more widespread use of direct deposit (used by only 6% of ADD accountholders); reorganizing IDA programs by centralizing some functions while decentralizing outreach and support; streamlining financial education, accounting, and reporting and moving those responsibilities to institutions with expertise in those areas; and generally taking advantage of economies of scale in marketing and delivery.

- **ADD built a field** comprised, by the end of 2002, of more than 510 community and state IDA partnerships that opened more than 20,000 accounts in communities across the nation and in all states Almost all of these independent efforts were informed and encouraged by ADD. From the beginning and throughout ADD, we shared emerging lessons through four editions of the *IDA Program Design Handbook*, five national IDA Learning Conferences that grew from 300 attendees to 900 (including international participants), 120 trained VISTA (Volunteers in Service to America) volunteers, the online IDAnetwork, the quarterly newsletter *Assets*, a best-practices financial education curriculum *Finding Paths to Prosperity*, and a training institute, all of which were catalyzed by and grew out of ADD.

- **ADD impelled state and federal policy.** Throughout ADD, the lessons of community practice and the guidance and advocacy of practitioners and accountholders were used to inform and impel state and federal policy. ADD partners and the emerging field drove a reduction in asset penalties in existing benefit programs and the creation of IDA programs at the state level in 41 states. The lessons, local and state demand, advocacy and coordination provided by ADD led directly to the passage of the 5-year, $125-million, 50,000-account Assets for Independence Act (AFIA) authorization.[9] Not only has AFIA become the major source of funding in the field, but it has, in turn, fostered the development of complementary federal policy changes, including the Office of Refugee Resettlement's multimillion-dollar IDA initiative, positive tax treatment from the Internal Revenue Service, and supportive Community Reinvestment Act policies from federal regulators. All of these steps have led us to the verge of much larger-scale IDA policy, notably, the federal Savings for Working Families Act (SWFA), which would support hundreds of thousands of IDAs and lay the groundwork for millions more through a tax credit to financial institutions to match the first $500 in annual savings. SWFA commands support from the leadership in both parties in both houses of Congress and the Bush Administration and has opened the door to a large, truly inclusive, progressive, enduring, and participant-centered savings and asset-building system.

It should be noted that the five distinct faces of ADD – people, programs, field, research and policy – interacted and strengthened one another. The accountholders and programs of ADD were inspired by a policy/system idea; in turn, the accountholders and programs bumped up against and challenged current asset limits and penalties and impelled the development of the field and the passage of the Assets for Independence Act. Research results animated policy discussions in the US, Canada and the United Kingdom, contributing to multi-billion dollar proposals in the US, and large scale childrens account initiatives in Canada and the UK. Practice, policy and research are rarely in sync. The legislative proposal that finally became AFIA inspired ADD, but, by the time AFIA passed, ADD practice had moved ahead of AFIA, with more functional account designs, MIS systems and program models. So too the development of the field began to point beyond the current community partnership delivery model to much larger scale systems.

Challenges:

ADD exceeded all its objectives. But, just as clearly, the ambitious initiative had its limits, failings, and challenges. In many ways, it could only be a beginning. At least ten challenges deserve consideration:

1. Time: ADD was necessarily of limited duration. What Michael Sherraden had proposed as lifetime accounts had been changed into a 3-5 year intervention. Surprisingly, IDAs worked pretty well in this foreshortened version, but just as certainly, some accountholders who might have become actively involved in their accounts later or accumulated a more adequate nest egg, never got the chance. On the other hand, the shorter time frame may well have forced earlier attention and action. In any case, most community programs and legislation would adopt IDAs as temporary interventions.

[9] Of the full authorization, $95 million was actually appropriated during the first five years of AFIA, with somewhat over 30,000 accounts actually incented.

Moreover, we have yet to be able to see the longer-term effects of IDAs beyond the first 2 years—the ultimate use of the accounts; the way assets grow once invested in homes, businesses, and education; or the enduring effects of IDAs after matching ceases. Nor do we know what the long-term effect would be of accounts that were not artificially constrained by the time limits of a necessarily temporary demonstration effort.

2. Limits of the Impact Assessment: The experimental impact assessment of IDAs at the large site at the Community Action Project of Tulsa County may well have been the first experimental test of savings behavior in the U.S. Perhaps it should not come as any surprise that it would have shortcomings.

   The costs of the experiment were significant; not only was the dollar cost high – more than all the other evaluation components combined – but the burdens of staging the experiment were severe and the ethical costs were significant. In order to keep the control group pure, controls were actually denied housing downpayment assistance to which they would otherwise have been able to access. Indeed, it should be noted that the research which drove policy and field building to date was entirely from non-impact findings.

   The impact assessment of ADD conducted by Abt Associates demonstrates beyond a reasonable doubt that IDAs produced significant differences in home ownership (+14%), especially among African-Americans, whose homeownership was 41% than the control group and whose retirement savings were 85% higher than the control group.[10]

   But what is, at least on first view, most surprising is the fact that the impact assessment found no significant difference in savings, asset-building (other that that noted), business ownership, start-up or preparation etc. We believe that if the tree falling in the forest made no sound, it was not because trees failed to fall, but that the study's couldn't hear them. Abt notes in its final report that due to the size of the sample, inherent variability of the outcome measures and data quality, the minimum detectable effects (MDE's) of this study were so large that they exceeded "the plausible range of impacts for the intervention."[11] Among the outcomes where the MDE exceeded the plausible range of impacts by more than 25% of the control mean were home purchase, business ownership, business start-up or purchase, activities preparatory to business start-up, liquid assets, and retirement savings.[12] The threshold for detecting any significant change in total, net and other financial assets was even larger – more than 50% of mean – which Abt notes is "implausibly

[10] Gregory Mills, Rhiannon Patterson, Larry Orr and Donna, DeMarco, Evaluation of the American Dream Demonstration: Final Evaluation Report. Cambridge, MA: Abt Associates, August 19, 2004. pp. 37, 46, 51
[11] Op. cit., p 62.
[12] Ibid.

large."[13] Consider that for the impact study to have registered significant differences in total financial assets, the treatment group would have to have averaged gains in excess of $4,697; differences in real assets of $8,827, in total assets of $10,666, and net worth of more than $8,531.[14] Significantly, the in-depth interviews, conducted on a random sub-sample of both treatments and controls, demonstrates huge differences between the treatment and control groups in terms of savings, long-term orientation, and other attitudinal and behavioral variables.

The Abt impact evaluation of the CAPTC IDA experiment proved IDAs work within its range of acuity, but is probably best regarded as a promising beginning. Other impact assessments of random experiments like those going on in Canada will have to fill in the picture.

3. Costs and Benefits: ADD produced a comprehensive assessment of the costs of running the CAPTC IDA program.[15] Even after attempting to control for random assignment, start-up, research, and demonstration burdens, the $61 per participant-month cost was higher than expected.[16] IDA program costs – even with the match – are lower than other relatively intensive interventions like HeadStart, public service employment and training. Still, costs are hard to judge without a comparably comprehensive assessment of benefits. The benefits of IDAs were qualified if not quantified in ADD, and include savings, savings behavior, future orientation, financial intelligence, asset-appreciation, business preparation, formation and growth, postsecondary education and skills, home ownership, etc. But assessing the monetary value of these and other benefits is necessarily difficult, since the outcomes are often long term, hard to quantify and still hard to project. Until cost-benefit or return on investment studies can be done, we must deal with the fact that no study has shown IDA programs as configured under ADD are not cost-effective or even quite productive.

4. Scale, Policy and Financial Systems: The cost figures on IDA programs did cause some observers to suggest that IDA programs as configured in ADD were "un-scalable" -- that is, they were too expensive (and perhaps too labor intensive and local) to deliver millions of accounts. Indeed, the ADD effective practice model involves a community-based organization- financial institution partnership which opens a few hundred accounts at any one time. Clearly, it is hard to imagine how a delivery system consisting of programs so structured – even if they were to multiply in number, efficiency and

[13] Ibid.
[14] Loc. Cit., p. D-3
[15] Schreiner, M. (2004) Program Costs for Individual Development Accounts: Final Figures from CAPTC in Tulsa. St. Louis: Washington University, Center for Social Development.
[16] Schreiner, M. op. cit.

effectiveness – could build from the current base of 500 programs and 20,000 accounts, to more than tens or hundreds of thousands. As we have been able to think about the performance of ADD partner programs, of the field ADD spawned, and the performance of third generation IDA programs restructured to serve thousands of accountholders rather than just hundreds, it seems to be becoming clear that: 1) scale is more than one thing, and the current level of performance with tens of thousands of accounts is significant; but 2.) larger scale performance will require breakthroughs in public policy (real incentives for hundreds of thousands and millions of low-income people) and 3.) a profitable, efficient financial product which can be profitably delivered by the hundreds of thousands or millions by private financial institutions. Such a system will necessarily be streamlined, and may well need more intensive local or state programs to reach as or more deeply and effectively into disadvantaged communities as ADD programs were.

5. Take-up Rate: ADD accountholders were the products of both self-selection and program selection. We do not know from ADD what the take-up rate of IDAs would be from the full population of asset and income poor households, let alone among moderate income households. ADD results would suggest that universal enrollment will not come effortlessly, and will require changing the institutional and cultural environment, strong validators, financial education and legitimacy, and as much automatic inclusion techniques as possible.
6. The Deteriorating Base for Economic Progress: The ability of low-income working families to take advantage of the asset-building opportunity offered by IDA programs is significantly affected by the economic and social conditions confronting low income people trying to get ahead. Specifically – as came out in the in depth interviews – the decline in job and income opportunities (and the rise in low wage, low benefit, temporary employment), medical coverage, crime, housing stock, etc., all make it difficult to save, learn, work and invest. As the report on the in-depth interviews commented: "Lack of adequate health insurance, low incomes, insecure employment, low-quality schools, an dangerous neighborhoods contributed to the difficulties that families had in accumulating significant IDA savings. These structural problems beg for policy solutions."[17]
   If IDA and asset-building opportunities are to be effective, these starting conditions will need to improve. Indeed, it is unbelievable that against this baseline of declining economic opportunity, low income working families have been able to advance on the heels of IDAs at all. Universal health insurance, making work pay, altering the mass messages to consume, borrow and use credit, and the like will need to be improved and the safety net will need to remain in place as asset, earning and entrepreneurship penalties are removed.
7. Other types of Asset-building Accounts and Products: Children's accounts, employer- or job-based accounts, as well as unbundled account products

[17] Margaret Sherraden, et al. p 185

(separate first accounts, tax-and EITC related facilitation, basic and asset-specific financial education, asset-leveraging etc.) were inspired by ADD, but not demonstrated by it.

8. Communications: The communications efforts which accompanied ADD were modest compared to the volume of activity, the depth and breadth of data and lessons, the quality of the accountholder stories, and the extent of the policy and financial implications of ADD. It is not too late to communicate the story and lessons of ADD, and the academic literature continues to grow, but more deserves to be done.
9. Philanthropic Downturn: Just as ADD began winding down, the stock market turned and philanthropic endowments and giving declined. This meant that some ADD funders pulled out before completion. It also meant that there was no funding to continue or make enduring the field support provided under ADD at just the time when the scope of the asset-building field was expanding, new entrants to the field were maturing and existing actors were beginning to feel the competition for resources. The generosity and connection of the field, which had always accelerated its development and maturation, was thus undermined.

Consequences: Hope in Concrete Form

The community organizations and financial partners who took part in ADD pioneered the field and made it possible for thousands of low-income people to save and build assets. Thanks to the ADD project and its partners, we know that IDAs can work, and, more broadly, that given the right incentives, access, information and supports, low-income and even very poor people can save, build assets and increase economically activity. Now is the time to use what's been learned to benefit hundreds of thousands, possibly even millions, of people. To do so, we need to develop larger-scale and more efficient delivery systems that add value for all individual and institutional participants, and we need to build large-scale public support. We need to move from field to market, from community tool to universal, inclusive, and enduring system. We are not there, but we are much closer because of ADD.

Whatever happens, ADD has provided good evidence that poor, low-income, and even moderate-income people should not be excluded from savings and asset-building policies, existing and new, and deserve at least equivalent incentives.

"Assets," in Michael Sherraden's memorable phrase, "are hope in concrete form." In a very real sense, ADD too is best characterized as hope in concrete form. In the stories of accountholders, the records of community programs, the layers of state and federal policy, the evolving financial institution products and systems, the growing understanding of the dynamics and causes of saving and asset-building and the reams of evidence produced by ADD are the outlines, rationale, and means of a truly inclusive savings and asset-building system in the United States (and beyond). If the original ambitions of ADD have not all been realized yet, ADD provides a strong and vibrant foundation on which to build. This is altogether due to the extraordinary people involved in ADD – accountholders and their families, foremost, but also creative and effective community practitioners, willing financial institutions, committed and thoughtful researchers, responsive policymakers, risk-taking, thoughtful, patient and generous funders – partners all, who made ADD possible.