Research Report

IMPLEMENTATION AND OUTCOMES OF AN INDIVIDUAL DEVELOPMENT ACCOUNT PROJECT

(Revised September 1999)

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Policy Report

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IMPLEMENTATION AND OUTCOMES OF AN INDIVIDUAL DEVELOPMENT ACCOUNT PROJECT[1]

Individual development accounts (IDAs) are savings accounts that help low-wealth households accumulate assets for long-term economic security. Proponents of asset-based strategies hypothesize that emergence from poverty in the long-term occurs most successfully through asset accumulation.[2] The failure of current means-tested assistance policies, which are income maintenance policies, is that people are provided income only at the subsistence level and are restricted in their ability to develop and hold assets. They are restricted by the actual income amount provided and by the limited assets allowed for program eligibility. Without assets, low-income people are precariously balanced on the edge of financial insolvency and are unable to weather financial difficulties such as medical expenses, accidents, divorce, or temporary job loss. As a result of even one of these situations, they may become destitute or trapped in a downward financial spiral. In addition, people without assets are unable to take advantage of public assistance available to those in the economic mainstream through home mortgage interest deductions, various investment tax incentives, and capital gains.

Between 1996 and 1998, ADVOCAP, Inc., a community action agency in Fond du Lac, Wisconsin, administered an Individual Development Account program. This report summarizes the results of the implementation and outcome evaluations.

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[1] This policy report summarizes information from the following unpublished reports by Dianne Lazear: "Individual Development Account Interim Implementation Analysis and Report for ADVOCAP, INC." (May 1997); "Individual Development Account One Year Outcomes Analysis and Report for ADVOCAP, INC." (August 1997); and "Outcome and Implementation Evaluation of the Individual Development Account Project" (1998). Findings regarding the impact of the IDA program should be viewed as preliminary because analyses do not control for differences between the IDA group and the control group and because they are based on small samples. In addition, for the analyses described here, the original reports do not indicate what types of statistical tests were used.

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

PROGRAM INFORMATION

ADVOCAP is a private not-for-profit corporation serving three counties in east-central Wisconsin. The organization was founded in 1966 as a community action agency and has a mission "to create opportunities for people and communities to reduce poverty." Programs include Home Ownership Development, Business Development, Head Start, Senior Services, Community Employment, and Community Services.

ADVOCAP conducted an IDA project from January 1996 to March 1998. Eligible participants had income at or below 150 percent of the poverty line (adjusted for family size) and had at least one adult working at least half-time.[3] The level of household assets was not part of the eligibility criteria. The IDA program consisted of four key activities:

1. Provision of a four-to-one match

Four IDA program dollars were provided for each dollar saved by an IDA program participant. Participants could save up to $100 each month, with no minimum savings required. Although individuals could save as much as they wished or could over the life of the program, a maximum of $500 was matched by $2,000 in IDA funds. The match dollars and the individual dollars used to earn the match had to be used for home ownership, job training, education, or microenterprise development. After the program's two-year savings period, participants had an additional two years to spend their savings and match.

2. Provision of budgeting and planning support

Participants developed budget and savings plans and asset-related goals by completing budgeting and planning worksheets with case managers. These activities were intended to help participants to develop an awareness of saving and spending behaviors, to develop an appropriate plan for their finances and savings, and to establish new financial behaviors.

3. Provision of financial education activities

Educational activities were designed to help participants increase their knowledge of budgeting, savings, debt, and the benefits of asset development. Participants attended financial education seminars developed by the IDA coordinator or, when appropriate, education programs provided by ADVOCAP's Home Ownership Development and Business Development programs. In addition, participants received individual financial counseling from their case managers.

4. Provision of emotional support and encouragement

In pre-program discussions with evaluators, project managers identified emotional support and encouragement as an important aspect of the IDA program. This support was unstructured and generally occurred as case managers and participants worked together on IDA activities.

Three important structural features shaped the organizational and programmatic context in which these key activities took place:

1. Case management approach for delivery of services

The project proposal, the Project Coordinator, and the Director of Planning each identified case management as the primary context within, and method through which, the IDA support activities would occur. Case managers in the Head Start, Home Ownership Development, Business Development, Community Services, and Community Employment Programs were designated as the primary providers of these services. Since the IDA participants were already affiliated with these ADVOCAP programs, case managers were most likely already acquainted with their IDA participants. An IDA participant could work with more than one case worker if his/her asset goal also fit into another ADVOCAP program, such as Home Ownership

[3] Applicants had to submit evidence of income sources and amounts for the most recent six months.

or Business Development. The case management approach emphasized individual contact and the development of a relationship between case manager and participant.

2. Integration of the IDA program into existing ADVOCAP programs

Case management for IDA participants operated through each of ADVOCAP's existing programs, rather than as a freestanding program with a separate staff. Participants' IDA case managers were the same case managers they used in the ADVOCAP program with which they were already affiliated. Participants worked with their case managers and completed IDA activities in the context of their original ADVOCAP program. The case managers served as primary IDA contact persons, but the IDA Project Coordinator also provided significant follow-up and additional financial education and programming. Not all services were provided in a one-to-one setting. For example, the financial education activities were group activities. Although some of these groups consisted solely of IDA participants, some included other ADVOCAP clients who were not participating in the IDA program.

3. Use of IDA funds for specifically defined asset expenditures

Participants could use their IDA savings for specifically designated purchases. Eligible asset expenditures were defined as: a down payment for home purchase, education that enhances career opportunities, job training to upgrade skills, and seed capital for self-employment in a small business. In addition, up to 10 percent of the total matched funds could be used for emergency purposes.

EVALUATION METHODOLOGY

Two types of evaluation were conducted. The first, a formative implementation evaluation, documented the program's development and the correspondence between proposed and implemented activities. The primary purpose of this evaluation was to help managers and staff recognize emerging issues and to identify potential areas for modification. Data for this evaluation came from progress reports, public and intra-agency communications, and individual and group interviews with staff, managers, and participants.

Second, an outcome evaluation was conducted, using a randomized field experiment. Eighty eligible applicants were randomly assigned to either a thirty-person control group or a fifty-person treatment group.[4] Members of both groups continued to receive the same services from ADVOCAP as they had prior to their application for IDA participation. Those in the treatment group also received financial counseling and matching dollars for their IDA savings as described above. The purpose of this evaluation was to compare the financial, asset development, social, and psychological outcomes of the control group and the IDA group. Data from the IDA group were also used to identify differences and similarities between the high-saver and low-saver participants.

Agency records and case manager surveys were used to track IDA participant savings activities and program involvement. In addition, face-to-face interviews were conducted with control group members and IDA participants. Baseline data were collected in January 1996 prior to random assignment. Post-program data were collected in 1998. Of the 30 control group participants, 29 were reinterviewed. Of the 50 IDA participants, 48 were reinterviewed.[5] Characteristics of the control group and IDA group are summarized in Table 1.

[4] Applicants to the IDA program were grouped by ADVOCAP program. From each group, applicants were randomly drawn to participate in the IDA program. Those not selected were placed in the control group.
[5] One control group participant scheduled but then refused a second interview. Two IDA participants moved out of the project area at the start of the program and could not be located.

Table 1 Sample Characteristics, 1996

	IDA Group (%)	Control Group (%)
Sex		
Female	78	73
Male	22	27
Race/Ethnicity		
Caucasian	90	80
Asian/Asian American	4	7
Hispanic/Latino(a)	2	7
African American	2	0
Native American	2	0
Other (or Missing)	0	7
Age (mean years)	33.1	35.3
Marital Status		
Married	44	53
Single	52	40
Cohabiting	4	7
Education		
Less than high school	20	3
High school degree/GED	18	14
Some college	40	66
College degree	22	17
Household Size (mean number)	4.3	4.9
N	50	30

Note: Members of the control group had significantly more education than members of the treatment group. Other bivariate differences are not statistically significant.

At the time of the second interview, some of the 48 remaining IDA group members were no longer considered active IDA participants by ADVOCAP or by themselves. This was most often due to relocation (often coupled with divorce), a change in financial circumstances, or a decision not to pursue one of the allowable program goals. However, comparisons between control and IDA groups use available information from the original IDA group members, regardless of their later commitment to the IDA program. In a broad policy application, some proportion of eligible people can be expected to choose not to participate. Therefore, including all original IDA participants should better predict IDA effects in a general lower-income population.

IMPLEMENTATION

The following six subsections describe implementation activities and lessons learned about the implementation of IDA programs.

Recruitment of Eligible Participants

Recruitment of participants was more difficult than expected, partly because recruitment was not for participation in the IDA program but in the randomized experiment. In November 1995, case managers were asked to provide referrals for the IDA project from their client lists. Project managers quickly realized that this would not generate enough potential applicants and therefore began a mass recruitment process. An informational flier was mailed to 450 ADVOCAP clients, and an article appeared in the local paper describing the program and eligibility requirements. About 110 people called for applications. The Project Coordinator telephoned those who had requested but had not submitted applications to answer questions and encourage them to apply if eligible. Case managers also followed up with their clients by phone and in person. As a result of these efforts, 45-50 individuals submitted applications and appeared to be eligible. In late December, project managers extended the deadline for application and expanded eligibility to include residents of a third county and persons receiving public assistance and working at least 20 hours a week. Another mass mailing was conducted, and staff again did intensive telephone follow-up. In March 1996, the number of eligible applicants reached 82, and recruitment was ended.

Managers, staff, and participants cited many reasons for the low initial response to recruitment efforts. First, people reported that they did not receive the mass mailings. Either the mailing address was incorrect, or they did not open the flier, or they did not recall seeing it. Second, the IDA program was confusing to people, despite written and oral explanations. Some participants thought the program sounded to good to be true and assumed there was a "catch." Third, some people were unable to complete the application process and dropped out instead of seeking help. Fourth, at the time of the application, some did not have an asset goal that fit program requirements. Finally, some people were not willing to go through the application and income verification process for the *chance* to participate in an IDA program. It appears that intensive telephone and face-to-face contact, as a follow-up to the mailings, was critical to the recruitment process. Although potential applicants were often difficult to reach for follow-up discussions, some said they did not believe what was offered or fully understand the program until they were contacted personally.

Integration of IDA Program into Existing ADVOCAP Programs

The integration of the IDA program into existing ADVOCAP programs allowed IDA participants to access the expertise available in existing programs. This approach also facilitated the development of participant-case manager relationships and allowed for more IDA funding to be allocated to participants rather than to overhead. However, this approach created several challenges. First, the IDA program was an additional burden on an already busy staff. Second, the role of Project Coordinator had to expand to fill whatever gaps in administration or services emerged as the project unfolded. For example, since the Head Start program operated only during the academic year, Head Start case managers were not available during the summer months. The Project Coordinator maintained summer contact with IDA participants who were affiliated with the Head Start program.

Third, IDA participants sometimes needed more specific assistance in achieving their goals than the related ADVOCAP program offered. For example, business development participants wanted assistance with marketing, pricing, and financial management. Home ownership participants wanted to learn how to physically inspect homes before purchase and how to maintain and repair their homes after purchase. Finally, IDA participants who had education and training-related goals received less structured support because ADVOCAP did not have a pre-existing education and training program. If the agency had had more education programming expertise, staff may have recruited more participants with education and training-related goals, and they may have completed goal-setting with these participants differently. This may have been especially helpful for those who chose to change goals during the IDA program.

Case Management Approach

Regardless of their level of saving activity, participants reported that their case managers were very helpful and supportive. However, the extent to which participants used case managers varied substantially. The number of face-to-face contacts between case managers and IDA participants ranged from 0 to 104 during the two-year period. Three people (6 percent) reported no contact with a case manager. Twenty-five (50 percent) reported seven or more contacts. Sixteen (25 percent) reported 12 or more contacts. Many participants, particularly those who were less successful at saving, wished for more assistance.

Several other issues and observations are worth noting. First, as noted above, business development participants desired more assistance with their businesses once they were up and running. Second, some home ownership participants realized early in the IDA program that they would not be able to purchase a home. The most common reason was a credit problem (e.g., student loan default). These participants tended to drop out of the home ownership program. Participants who had worked with ADVOCAP case managers prior to joining the home ownership program often returned to these case managers to develop new IDA goals. Others had trouble defining new IDA goals. Often, these were the participants who saved at low levels or who dropped out of the IDA program. It is important for agencies which are implementing IDA programs to consider ways to identify and support those who wish to reassess their IDA goals.

IDA Deposits and Withdrawals

Table 2 summarizes IDA activity for IDA participants between January 1996 and March 1998. Forty-two participants (84 percent) opened IDA accounts. Eight individuals in the IDA group did not open accounts. Eight other participants saved in IDA accounts but closed these accounts prematurely. The primary reasons for not opening accounts and for closing them prematurely were moving out of the program area, divorce, deciding not to pursue one of the IDA goals, or choosing to spend savings on a non-program goal. Uncommon reasons included inappropriate placement in the program and, in one instance, advice from a county social worker against participation for fear of adverse impact on other benefits.

The protocol for depositing and withdrawing IDA project funds was developed and implemented by the Project Coordinator. Separate agreements were negotiated with banks in each of the three counties to handle the IDA project accounts. Participant contributions and IDA match funds were kept in separate accounts. A computerized account activity system was developed which allowed case managers to check the activity in participants' saving accounts from their office terminals. Participants received periodic notices showing the amount of money they had saved in their IDAs and the deposits required in the project time remaining to save the full $500. Participants who recalled receiving these statements felt they were helpful and encouraging. IDA participants saved a total of $13,674, an average of $273 per participant. Twenty-two participants (44 percent) saved the maximum amount ($500). Thirty-two participants (64 percent) saved $200 or more (Table 2).

Table 2 IDA Activity for IDA Participants (N=50)

<u>IDA Accounts</u>

42 participants (84%) opened IDAs

23 participants (46%) opened IDAs in the first month

27 participants (54%) opened IDAs within the first two months

35 participants (70%) opened IDAs within the first six months

<u>IDA Savings</u>

32 participants (64%) saved $200 or more

25 participants (50%) saved $400 or more

22 participants (44%) saved the maximum amount, $500

As a group, participants saved a total of $13,674

The average amount saved was $273

<u>IDA Asset Purchases</u>

As a group, participants spent $41,329 (own savings and matching dollars) on asset purchases

The average amount spent on asset purchases was $827

Note: Table includes activity between January 1996 and March 31, 1998. Figures include 12 individuals who prematurely withdrew from the IDA program, primarily because they moved out of the eligible area.

When ready to make an asset purchase, a participant submitted a request to IDA staff. A check was issued, drawn on the IDA match account, and sent to the vendor. This process helped ensure that IDA expenditures were appropriately used. However, the case managers used discretion. Many of the business expenditures were for operating expenses that were necessary to keep businesses running. In addition, emergency withdrawals were not unusual.

Participants felt that initiating and completing purchases went well after vendors understood the funds withdrawal arrangements. Some home ownership participants felt that local real estate agents were wary of the IDA matching program when participants explained it to them but became more accommodating when after the agents met IDA staff. In the first year, business development participants perceived the IDA matching-check disbursement process and waiting time as cumbersome. At the end of the project, they no longer felt this was a problem. Participants who used IDA funds for education, job training, or home ownership expressed satisfaction and saw no need for changes in the administrative process. Participants spent a total of $41,329 (own savings and matching dollars) on asset purchases, an average of $827 per participant (Table 2).

Budget Development

Budget planning was designed to be one of the first activities after selection into the IDA program. Thirty-six participants (72 percent) reported developing a budget with their case managers. (Eight participants could not recall.) By the end of the program, it was clear that the budget document was not an integral component of the IDA case management process. In fact, staff and participants thought the budgeting worksheet was of questionable usefulness for several reasons. First, participants, who had completed similar exercises in other agencies, generally considered the activity redundant. Second, both staff and participants felt the worksheets were not helpful because they were often used as a one-time exercise (i.e., the exercise was essentially finished when the form was complete). Third, staff and participants felt that the worksheets became obsolete almost immediately because participants' incomes were very unstable.

Financial Education

As part of their agreement to participate in the IDA program, IDA participants agreed to attend financial education seminars. However, this component did not turn out to be an integral component of the program for participants who were not part of the Home Ownership or Business Development programs. IDA participants who were affiliated with the Head Start and

Community Services programs were fairly unlikely to attend these seminars. Staff saw nonattendance as reflective of larger issues, such as inability to plan and to manage time. Participants cited conflicts with family, transportation problems, and other pressing demands on their time. ADVOCAP staff who were not affiliated with the Home Ownership and Business Development programs did not actively encourage and facilitate seminar attendance and were generally only vaguely aware of the seminar content. Most did not know if their participants had attended the required seminars. As a result, case managers could not reinforce or clarify the seminar content.

The low level of integration and implementation of the financial education component has implications for policy development. First, in a broad policy application, it may be quite difficult to require IDA account-holders to attend financial education seminars. Second, since it appears that most IDA participants who attended education seminars—and who used this information—did so on their own initiative, then we might conclude that IDA participants can save successfully without the benefit of financial education programs.

OUTCOMES

This section describes asset-related outcomes for the IDA group as a whole, outcomes for particular subgroups of IDA participants, and differences between high savers and low savers.

Asset-Related Outcomes for the IDA and Control Groups

As noted in Table 2, 44 percent of the original 50 IDA participants saved $500, the maximum amount. Fifty percent saved at least $400, and 64 percent saved at least $200. When 12 participants who prematurely exited the program (largely because they moved out of the program eligibility area) are excluded from the analysis, 58 percent saved the maximum amount, 66 percent saved at least $400, and 84 percent saved at least $200. When IDA savings are included, IDA participants saved significantly more in savings accounts than did control group participants over the two-year project period (p=.05).[6]

Many observers of IDA programs would like to know whether IDA deposits represent new saving or "reshuffled" assets. There is little evidence that participants financed IDA deposits by withdrawing money from other accounts. Table 3 shows changes in the mean value of assets held by IDA and control group members. Both groups had more assets in 1998,[7] but there were no significant differences between the two groups in the rates of change in any of these four asset categories. In particular, the value of liquid cash assets—*not including* IDA savings—increased at least as rapidly for the IDA group as it did for the control group.

Because means are very sensitive to extreme values, it is also important to examine median values (Table 4)[8] The median values of liquid cash assets and total assets increased for both groups. For total assets, the increase was larger for the control group. For liquid cash assets, the increase was larger for the IDA group. Since reshuffling would most likely cause a decline (or smaller increase) in *liquid* assets, these figures do not support the reshuffling hypothesis.

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[6] These analyses do not include ADVOCAP matching contributions.

[7] Increases in home ownership contributed to increased assets.

[8] The median is the value that divides a distribution so that the same number of observations falls above and below it (i.e., the value at the 50th percentile). A simple example will demonstrate how the median value of total assets can be fairly large even though the median values in the asset categories which comprise total assets are quite small (as occurs in Table 4). Assume there are three individuals (A, B, and C) and two asset categories (property and non-property). Suppose person A has no property assets but has $6,000 in non-property assets, Person B has $40,000 in property assets but no non-property assets, and Person C has no property or non-property assets. The median value of property assets and the median value of non-property assets would both be zero, but the median value of total assets would be $6,000.

Table 3 Change in Mean Value of Assets of IDA and Control Groups, Excluding IDAs, 1996-1998

	IDA		Control	
	1996	Change by 1998	1996	Change by 1998
Liquid Cash Assets	$1,350	+$740	$1,080	+$20
Non-Liquid Cash Assets	250	+1,340	100	+2,470
Property and Business Assets	9,270	+11,050	13,240	+22,860
Total Assets	14,770	+12,010	18,180	+16,670

Notes: Cash assets include money in checking accounts, non-IDA savings accounts, savings bonds, certificates of deposit, and savings clubs; and money saved at home and in "other ways." Non-liquid cash assets include money in retirement accounts and stocks, and the cash value of insurance policies. Property and business assets include home, other property, and business assets. Total assets include all of the above. There were no significant differences between the groups in the rates of change.

Table 4 Change in Median Value of Assets of IDA and Control Groups, Excluding IDAs, 1996-1998

	IDA		Control	
	1996	Change by 1998	1996	Change by 1998
Liquid Cash Assets	$110	+$590	$300	+$350
Non-Liquid Cash Assets	0	0	0	0
Property and Business Assets	0	0	0	0
Total Assets	4,700	+6,300	3,100	+16,450

Notes: Cash assets include money in checking accounts, non-IDA savings accounts, savings bonds, certificates of deposit, and savings clubs; and money saved at home and in "other ways." Non-liquid cash assets include money in retirement accounts and stocks, and the cash value of insurance policies. Property and business assets include home, other property, and business assets. Total assets include all of the above.

There is also little evidence that IDA participants used credit or postponed other financial obligations to finance IDA deposits. The mean value of consumer debt declined somewhat for the IDA group but increased substantially for the control group (Table 5). The difference in the rate of change was marginally significant (p=.08). Differences in rates of change for the other three debt categories were not significant. Median values of consumer debt and total liabilities increased for both groups, but the increases were smaller for IDA participants (Table 6).[9]

Table 5 Change in Mean Value of Liabilities of IDA and Control Groups, 1996-1998

	IDA		Control	
	1996	Change by 1998	1996	Change by 1998
Consumer Debt	$5,280	-360	$5,450	+1,580*
Asset-Related Debt	8,730	+15,500	14,190	+5,580
Medical Debt	800	-100	750	-540
Total Liabilities	14,810	+15,050	20,320	+6,690

Notes: Consumer debt includes car loans, credit card balances, installment loans, personal loans from formal and informal sources, past-due bills (non-medical), and collection agency obligations. Asset-related debt includes mortgages, home improvement loans, education loans, business loans from formal and informal sources, and other property loans. Medical debt consists of medical bills. Total liabilities include consumer, asset-related, and medical debt.
* p < .10

[9] Since liabilities (as measured here) cannot be negative, it was not possible for the median values of asset-related debt for the IDA and control groups, or the median value of medical debt for the IDA group, to decline.

Table 6 Change in Median Value of Liabilities of IDA and Control Groups, 1996-1998

	IDA		Control	
	1996	Change by 1998	1996	Change by 1998
Consumer Debt	$2,340	+400	$3,170	+1,300
Asset-Related Debt	0	0	0	0
Medical Debt	0	0	100	-20
Total Liabilities	5,900	+4,750	7,000	+14,370

Notes: Consumer debt includes car loans, credit card balances, installment loans, personal loans from formal and informal sources, past-due bills (non-medical), and collection agency obligations. Asset-related debt includes mortgages, home improvement loans, education loans, business loans from formal and informal sources, and other property loans. Medical debt consists of medical bills. Total liabilities include consumer, asset-related, and medical debt.

Outcomes for IDA Participants with Home Ownership as Primary Goal

Thirty IDA participants identified home ownership as their primary goal. These individuals participated in ADVOCAP's Home Ownership Development program, which allowed them to purchase homes with down payments as low as $500. Nine individuals used IDA savings to purchase homes. At the end of the two-year program, average home equity for these individuals was $13,700. By and large, individuals who purchased homes through the ADVOCAP IDA and Home Ownership Development programs were extremely happy about their purchases and experiences.

In addition to the nine who purchased homes, eight IDA participants saved in their IDA accounts but had not yet purchased a home. Some of these individuals were still looking for suitable homes. Others had changed their IDA goals or had stopped saving. For those in the latter group, several factors were relevant. First, some participants felt that home ownership was not attainable. IDA participants and ADVOCAP staff were concerned that the amount available through IDA savings and matching funds, even with the assisted-mortgage program from

ADVOCAP, was not adequate for a down payment in some areas outside of Fond du Lac. In addition, some participants felt uncomfortable making purchases because their employment or income situations were not stable. And, in a few cases, participants had credit problems (e.g., student loan defaults, bankruptcies) that may have prevented them from obtaining mortgages.

Restrictions on the type of homes which could be purchased with IDA funds also prevented some participants from purchasing homes. Because the IDA program was linked with the ADVOCAP home ownership program, participants could only purchase lower-cost stick-built homes. Some participants did not want to purchase a “fixer upper,” and some did not want to live in the neighborhoods where low-cost stick-built homes were located. Participants also expressed preferences for manufactured homes. They felt that manufactured homes were nicer than comparably-priced stick-built homes and that options regarding location and the home itself were greater for manufactured homes. Participants also felt that they could purchase a manufactured home more quickly and therefore improve their families’ living conditions more quickly. Finally, participants felt that they could move manufactured homes if they found better jobs or acquired property elsewhere.

Outcomes for IDA Participants with Business Development as Primary Goal

Ten IDA participants identified business development as their primary goal. Patterns of saving and using IDA funds were quite different for these individuals, compared to those working toward home ownership. Home ownership participants generally saved until they reached the maximum amount and then withdrew the entire amount for home purchase. Business participants deposited and withdrew at greater frequency and in smaller amounts. Withdrawals were used to cover both capital equipment purchases and operating expenses.

Participant satisfaction with the IDA program varied greatly across respondents. In two instances, participants reported that the skills and experiences they gained from operating their businesses enabled them to acquire stable and better-paying employment. All participants considered the experience a positive, though often painful, learning experience. All desired greater assistance in various aspects of business development than was available from ADVOCAP. Most business participants felt severely undercapitalized, even with the IDA funds. Most said they would spend their IDA funds differently if they had the chance to do this again. In fact, several said they would not undertake an entrepreneurial venture again but would spend their IDA money on a different asset.

Differences between High Savers and Low Savers

Finally, it is useful to examine the IDA group for differences between the high savers (those who saved more than $200) and low savers (those who saved less than $200). This analysis may identify the types of people for whom this IDA program was most effective. Still, as a single study of limited size, findings should be interpreted cautiously.

At the beginning of the study period, there were a few differences between those who became high savers and those who became low savers. Low savers, on average, were younger, had had their first child at a younger age, and received higher AFDC and food stamp benefits. This group may have had more consumer debt than the high saving group. High savers had significantly more money in checking and savings accounts and may have had slightly more education. This group also reported greater community involvement (e.g., more frequent church attendance, more frequent voting) and greater involvement in their children's education (e.g., more frequent attendance at school events). However, the two groups did not differ with regard to number of children, single-parent status, total wages (from all sources of employment), total income, or number of cars owned. The two groups were also almost identical in their estimation of how often there was money left over at the end of the month and how hard it was to make ends meet.

Differences between the two groups that developed over the course of the study period may reflect changing circumstances that affected participants' ability to save. Between 1996 and 1998, the high savers appear to have experienced improving economic conditions, while the low savers seem to have experienced significant decreases in public support and in assistance from informal support systems. Compared to the high-saving group, the low-saving group experienced slower wage growth and more substantial declines in AFDC and food stamp benefits. This group reported experiencing more hardship as a result of changes that occurred in Wisconsin's welfare laws. In addition, the low savers increased their consumer debt while the high savers increased their asset-related debt.

OTHER FINDINGS

Individual interviews and focus groups with participants and staff revealed several other relevant findings.

Lump-Sum Saving Patterns

While the standard recommendation regarding saving is to set aside small amounts regularly (e.g., to "pay yourself first"), this pattern was not the pattern of most IDA savers. Given the choice of saving in small increments or in chunks as large as $100 per month, almost all of the savers in this project saved when they acquired a lump-sum gain. These are sums of new money acquired above and beyond normal income flows. Examples include insurance settlements, tax refunds, a marked change in employment earnings, and even a lottery win. Participants often reported having the entire $500 in-hand at some point and attempting to hold it while dividing it into the maximum allowable monthly IDA deposits. Some were successful, and some were not. Still, the acquisition of savings through lump-sum gains was the predominant pattern of saving. Participant stated that it was easier to earmark lump sums for savings than to try to extract money from very tight budgets. Only three participants reported putting small amounts aside regularly.

Interrelated Needs and "Cascade Effects"

Stabilizing family life and moving people out of a sense of perpetual chaos and crisis requires attending to a wide range of family issues and needs. In the IDA project, these needs included: dependable, affordable transportation (including liability insurance and the ability to replace a wrecked vehicle through insurance, debt, or savings); affordable and accessible child care; *predictable* income flows; jobs with adequate wages and *health care benefits*; and safety from domestic violence. Participants consistently identified the lack of these as obstacles to saving and asset development. In many instances, the challenges in these areas dominated participants' problem-solving energy, and limited their ability to develop and implement long-range goals. The more of these issues that were present, the more difficult it was for people to save and to think about saving.

Participants were highly aware of the precariousness of their financial situations. This was particularly true with issues of medical care and transportation . Changes in one area in a person's life—even changes in a social service system—created "cascade effects." Failure or loss in key areas often started a cascade of economic or personal decline that rippled through participants' lives, with long-term economic and personal consequences.

Varying Case Management and Support Needs

The extent to which successful savers used case managers' assistance varied a great deal. When successful savers felt they needed assistance, they initiated contacts, responded to case manager-initiated communication, and accessed assistance or support. The participants who were less successful at saving indicated a desire for more case manager assistance, but they did not initiate it and tended not to maintain or follow-up on early contacts initiated by case managers. These patterns indicate a need for a menu of strategic intervention options, rather than a standardized case management approach. A customized case management approach might produce more effective outcomes with greater efficiency, since case management resources can be used selectively, depending on the needs of the participant.

Culturally-Specific Implementation

The non-Caucasian population in this project was very small, but two observations can be made. First, assets that promote development may be different for different groups. For the Lao-Hmong community, citizenship is an asset which almost immediately expands opportunities and participation. Although citizenship classes are often available at no charge, in the future, testing fees and related transportation and child care expenses might be considered allowable IDA expenditures. Second, although it may require greater cultural competency on the part of the supporting agency, business systems and niches that are culturally specific should be recognized and encouraged.

Time Frame and Portability of Accounts

Most participants wished the IDA project's two-year time frame could have been extended. Participants recognized that amending financial situations (e.g., poor credit histories) takes longer than two years and that saving for home ownership might not be feasible until other credit obligations are brought to date. Other situations such as separation or divorce, job loss, and uncovered medical expenses also created a need for an extended project period. In addition, several participants had to withdraw from the program because they moved out of the ADVOCAP area. While this may appear to be project-specific, it might raise more broadly applicable implementation issues.

SUMMARY

Key findings from the implementation and outcome evaluations are summarized below.

- Low-income individuals who have access to IDAs save. Forty-four percent of the original 50 IDA participants saved the maximum amount ($500) during the two-year saving period, and 64 percent saved at least $200. When 12 individuals who prematurely exited the program (primarily because they moved of the eligibility area) are excluded from the analysis, 58 percent saved the maximum amount, and 84 percent saved at least $200.
- There is little evidence that participants financed IDA deposits by withdrawing money from other accounts or by increasing debt.
- The acquisition of resources for saving through lump-sum gains was the predominant pattern of saving.
- Within the IDA group, differences in saving outcomes may have reflected pre-existing differences between individuals and/or changing circumstances that affected participants' ability to save. Over the two-year study period, high savers seemed to have experienced improving economic conditions, while low savers seemed to have experienced deteriorating economic conditions.
- Participants identified the lack of transportation, child care, predictable income flows, jobs with adequate wages and health care benefits, and safety from domestic violence as obstacles to saving and asset development. Participants who were less successful at saving often desired more contact with case managers.
- Most participants wished that the project's two-year saving period could have been extended.
- Participants, especially those in the home ownership program, sometimes needed to reassess their IDA goals.

- Business development participants desired greater assistance in various aspects of business development (e.g., marketing, pricing, financial management) than was available from ADVOCAP. Most felt severely undercapitalized, even with IDA funds.
- Participants and staff did not find the one-time budget development activity very useful.
- Financial education seminars were an integral program component for home ownership and business development participants but not for participants with education and job training goals.

Overall, this first systematic study of Individual Development Accounts suggests that IDAs have the potential to facilitate saving and asset accumulation in low-income households. However, the provision of support services is crucial. Individuals who are having difficulty saving may need fairly intensive case management support. Other participants, especially those working toward home ownership and business development goals, may need support as they decide how best to use their IDA savings and matching contributions. Policy-makers and program administrators should keep these issues in mind as they develop and implement Individual Development Account programs.