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Expand the State IDA Program: *A Solid Investment in the Connecticut's Future Economy*

Asset-building strategies are some of the most effective methods of helping low-income working families escape from poverty. Individual Development Accounts, or IDAs, are an innovative program that has been pioneered by Connecticut's CAAs, in particular, CTE, Inc. in Stamford. The IDA program not only helps change the lives of the participants, it results in economic investment in our communities and stimulates our local economies.

IDAs are matched savings accounts where participants save their own money and which is matched by federal, state or private funds that are then used to purchase assets, such as a home, start a business or attend college. The Connecticut IDA program also provides matching funds for other assets such as the security deposit on an apartment, job training classes, or the purchase of an automobile. This provides an opportunity for people who may not be ready to purchase a home, but still can benefit from building assets.

One of the great benefits of this program is that it teaches people money management skills and how to invest in their own future. Many low-income people do not use banks, and thus pay exorbitant fees to check cashing services, or fall victim to predatory lending schemes. These money management skills are important for all people to have and the state should find new ways to provide these skills to people. An expanded state IDA effort should include support for financial education for low-income people to teach them the skills that many of us take for granted. Money management skills will help them be more responsible parents, better plan for life's emergencies, and help people begin to invest in their own future.

CAFCA's recommendations include:

- **Expand the Connecticut IDA program to \$500,000 per year.** This would provide matching funds for clients saving for assets such as the purchase of a home, education, starting a small business, security deposit on an apartment, or the purchase of an automobile.
- **An expanded state IDA effort to teach low-income people financial skills that many of us take for granted.** Expanded support would provide people money management skills, connect people to banking services, avoid predatory financial practices, and help them invest in their own future.
- **Expand outreach and tax assistance to increase federal EITC receipts in the state.** The state IDA program could increase outreach on the federal Earned Income Tax Credit. In 2001, over \$217 million came to Connecticut and this could be increased with more outreach to the low-income community.

Investment in programs that provide real returns and prevent future costs, will improve Connecticut's economic future at the same time as they will reduce poverty. The cost of poverty is significant in our state's budget. If the state is serious about reducing child poverty over the next ten years, then it should invest in preventative strategies that are proven and creating an economy that works for all of our citizens.