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How to Double Your Money by Opening an Individual Development Account

A unique financial opportunity is available through many nonprofit organizations to double your money, if you meet certain income guidelines. (See the chart below for specifics.) The Community Action Council, as well as other groups listed in this publication, offers a program to assist low-income individuals in Kentucky. Through their program, qualified persons can open a savings account and they will add two dollars for every dollar you deposit in the account after you have saved \$500. The money can be used to pay off educational tuition, to purchase a home, or to start a small business. After the \$500 contribution is saved, a 2 to 1 match is made by either the government or private sector sources. The match enables individuals the same opportunity offered by most employers to their workers to meet their financial goal more quickly. These savings accounts are called individual development accounts or IDAs.



How Did This Opportunity Come About?

The federal government passed the Assets for Independence Act. This act allows government and nonprofit agencies to assist low-income individuals develop a financial goal and the opportunity to meet that goal by using an IDA. In order to participate in an IDA program, participants are required to complete financial educational training. The combination of the financial education and the IDA will help participants secure long-term assets.

Who is Eligible to Open an IDA?

Most IDA funders use two times the poverty line for qualification. Each IDA funder will have additional qualifications; you will need to contact each agency for additional criteria for qualification.

The 2010 Poverty Guidelines for the 48 Contiguous States and the District of Columbia

Persons in family	Poverty guideline	IDA Double the Poverty Guideline
1	\$10,890	\$21,780
2	14,710	29,420
3	18,530	37,060
4	22,350	44,700
5	26,170	52,340
6	29,990	59,980
7	33,810	67,620
8	37,630	75,260
For families with more than 8 persons, add \$3,820 for each additional person.		7,640

SOURCE: U.S. Department of Health and Human Services. <http://aspe.hhs.gov/poverty/11fedreg.shtml>.

What Are the Steps for Opening an IDA?

According to the Community Action Council in Lexington, Ky., opening an IDA is not a difficult process. Participants will be asked to verify that they meet one of the program criteria. Documentation such as paystubs, letters verifying participation in Temporary Assistance for Needy Families is acceptable, or a copy of your last income tax form showing that you filled for the earned income tax credit.

In addition, participants will be asked to complete a financial education program such as The Money Smart program that was developed by the Federal Deposit Insurance Corporation. The Money Smart program teaches participants basic financial fitness. This includes how to balance a checking or savings account and how to develop a positive banking relationship. Also, each participant will develop financial goals. The IDA program has two major goals. The first goal is to determine how you will save for the IDA. The second goal is to decide if you will use the IDA for educational purposes, to buy a first home, or to start a small business. Once you have developed your goals and completed the financial program, you are ready to open an IDA.

What Will Happen to the Money in the IDA?

Monies for your IDA will be deposited into a savings account at a local bank or credit union. You and your program sponsor will decide how much money you can reasonably deposit into the IDA each month. Just like with any financial account, you will receive a monthly statement regarding all deposits. Your money will remain in the account until you reach the required minimum dollar amount which is \$500. After you reach your goal, you will notify your sponsor that you are ready to use the money to complete your goal. The matched funds cannot be withdrawn without approval of your sponsor.

How Long Can Money be Saved in the IDA?

Under most programs, you can save money in the account for 1 to 3 years. Every IDA program is different, though. You will need to ask the sponsoring agency how long funds will be matched. In addition, your sponsoring agency will provide you with the maximum dollar match that is allowed. There is a list of sponsoring agencies at the end of this publication.

Can Participants Quit the Program at Any Time?

Yes, you can withdraw from the program at any time. The money you deposit belongs to you. However, any matched funds will be returned to the sponsor by the participating bank or credit union.



Kentucky IDA Resources:

Kentucky Domestic Violence Association, Inc.

111 Darby Shire Circle
Frankfort, KY 40601
Phone: (503) 209-5382
Website: www.kdva.org

Community Action Council

710 High Street
Lexington, KY 40508
Phone: (859) 233-4600
Website: www.commaction.org

The Center for Women and Families

P.O. Box 2048 N/A
Louisville, KY 40201-2048
Phone: (502) 581-7200
Website: www.thecenteronline.org

United Way of the Bluegrass

2480 Fortune Drive # 250
Lexington, KY 40509
Phone: (859) 233-4460
Web site: <http://www.uwbq.org/>

The Race For Education, Inc.

4063 Iron Works Parkway Suite 2
Lexington, KY 40511
Phone: (859) 252-8648
Website: www.racingscholarships.com

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Photos: Microsoft Office

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