



# Rural Montana Saves Individual Development Account (IDA) Program

Questions Frequently Asked by Prospective Participants

## What is an “IDA”?

An Individual Development Account, or IDA, is a special matched savings account for people with limited incomes. These accounts are designed to help families and individuals of modest means establish a pattern of regular saving and, ultimately, purchase a “productive asset.” A “productive asset” is something of value that is likely to return substantial long-term benefits to its owner. While your paycheck helps you to buy food and clothing and pay your bills each month, an asset provides financial security for the future.

**The Rural Montana Saves Program is dedicated to helping participants save for and enter post-secondary education programs (such as attending college or university or job-training) in fields that will assist them in gaining higher wage employment.**

## What is a “savings match?”

A “savings match” is a promise to supplement an IDA participant’s savings deposit at a specific rate. The Rural Montana Saves Program will offer a 3:1 savings match, meaning that for every dollar a participant saves as part of the program, he or she will be eligible to receive another three dollars. So if you save \$200 throughout the course of the program and meet all the other program requirements you will be eligible for \$600 to purchase the agreed upon asset. The maximum match that the participant will be eligible to receive is \$1,200. So to take full advantage of the Program, participants should save \$400 which will allow for \$1,200 at the end of the program.

## Why is my money matched?

Saving matches are not “giveaways.” Participants *earn* savings matches by saving their own hard earned money and taking other steps to prepare for their future like taking personal finance classes. Providing match dollars is a way to help hard working limited-income families and individuals build a more secure future. IDA Programs benefit more than just those enrolled because participants conclude the program with a financial education and a *productive asset* to provide for themselves and their families which benefits the entire community.

## Where are savings deposited?

Usually savings are deposited in local community credit unions or banks. **In the Rural Montana Saves Program deposits will be made in one of our partner credit unions located in each of the Program counties.** The participant IDA is a restricted account owned by the individual participant: no withdrawals are made from the IDA without written consent of both the participant and the Case Manager. Rural Montana Saves participant deposits will earn interest at the rate in effect for non-IDA Credit Union accounts and will have all service charges or fees waived.

## Is there more to an IDA program than just savings matches?

Absolutely. The main goal of an IDA program is to provide each participant with a set of tools that will enable them to make well-informed choices and continue to build their assets long after the program ends. Financial education is provided to help participants acquire or polish the personal and financial skills that are essential for long term success, including skills like long-range planning, household budgeting, credit repair and savvy consumer habits. Each participant will also attend workshops based on the particular asset they are planning to purchase as well as their own interests/concerns. It is clear that participants who receive financial education and counseling as part of the program have a far better chance for long term success. For this reason financial education training is a mandatory part of the program.

Rural Montana Saves also incorporates a mandatory component to provide each participant with career exploration, planning and ongoing career counseling. Working with a Case Manager, a participant will also learn of other community resources and develop a plan to achieve his or her goals.

## Who is eligible to participate?

Eligibility for the *Rural Montana Saves* program is based on two factors. Applicants must meet both criteria to be eligible.

1. Any adult over the age of 18 who is not currently receiving TANF cash assistance and has at least one minor child (*under the age of 18 or up to the age of 19 if still in high school*) living in the household.  
**OR**  
Anyone age 16-18 **or up to** age 19 if still in high school; and,
2. The applicant must be a member of a household with Annual Household income at or below 185% of poverty.

**TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF):** commonly known as welfare, is the monthly cash assistance program for low-income families with children under 18. There is a four-year lifetime limit on cash assistance. Work is a major component of TANF and adult recipients with a child over the age of one will be required to participate in a work activity. TANF does not use federal poverty guidelines in determining eligibility.

**FEDERAL POVERTY GUIDELINES:** are a simplified version of the federal poverty thresholds used for administrative purposes – for instance determining eligibility for certain federal programs. They are issued each year in the *Federal Register* by the Department of Health and Human Services (HHS). The HHS poverty guidelines or a percentage of them (125 percent, 185 percent, or 200 percent) are used as eligibility criterion by a number of federal programs including Low-Income Home Energy Assistance Program (LIHEAP); Medicare – Prescription Drug Coverage; Food Stamp Program; Low Income Taxpayer Clinics and Legal Services for the Poor. Many charitable organizations also use the guidelines in setting eligibility for their services to low-income persons.

*NOTE: An eligible applicant must be in a position to save and expend the financial resources on current allowable expenditures no later than June 30, 2010.*

Family Size	185% of Annual Federal Poverty Guidelines	Monthly Income Limit (based on 185%)
1	\$20,036	\$1,670
2	\$26,955	\$2,246
3	\$33,874	\$2,823
4	\$40,793	\$3,399
5	\$47,712	\$3,976
6	\$54,631	\$4,553
7	\$61,550	\$5,129
8	\$68,469	\$5,706
For each additional person, add	\$6,919	\$577

SOURCE: Federal Register, Vol. 74, No. 14, January 23, 2009, pp. 4199-4201

## What is required of IDA participants?

Rural Montana Saves IDA participants agree to:

- Make a minimum of six (6) monthly or bi-weekly deposits of at least \$20
- Participate in personal finance/money management training
- Career counseling and education and employment plan
- Higher education preparation, financing and counseling
- Enrollment in a college, university, or other post-secondary training program or completion of a job training program and enter employment

## What about making savings withdrawals?

Because IDAs are intended to help people purchase productive assets, withdrawals for non-asset uses are not allowed. Because a participant has a very limited period of time to save and spend the IDA and match, enrollment in RMS requires the ability to keep assets accumulating. A participant may, if necessary, close their account, withdraw from the program and receive all of their savings and earned interest, but loses the opportunity to receive savings matches intended for post-secondary education and/or training.

## How do IDA participants access the 'Quick Start'?

Participants may be eligible for a *'Quick Start'* toward achieving his or her education and employment plan by accessing up to \$1,200 in need-based payments for training or supportive services. To qualify a participant must:

- Open Individual Development Account at a participating credit union
- Developed a savings plan
- Make three (3) regular monthly or bi-weekly deposits of at least \$20 or more
- Complete financial education, asset specific counseling, and Individual Employment Plan
- Apply for federal financial aid and for any other financial resources
- Complete a budget and show that a financial need or gap exists

## How do participants receive match funds and purchase their asset goal?

Matched funds will be made available when the participant is ready to purchase their asset goal based on both their savings and completion of all other Program requirements. At that time a vendor check will be issued directly to the company, institution or individual furnishing all or a part of a participant's asset goal.

The IDA savings and match will never be given directly to the participant. If there are additional funds remaining (including interest accrued) in the participant account they can be withdrawn at that time or transferred into their regular credit union savings or checking account for personal use.

## What asset purchases are allowable under the Rural Montana Saves Program?

The purpose of Rural Montana Saves is to help participants save to meet the costs of obtaining education, training or resources that can lead to employment in a higher-wage occupation. IDA funds can be used toward programs at a college, university, technical college, or vocational school. Participants may use the money in their IDA to pay for tuition and fees, room and board, books, supplies, and equipment required for courses at a Montana institution. All purchases must be a part of the participant's stated goals and approved by the project partners.

## Is the Rural Montana Saves IDA Program right for me?

This is a question that you and the REO Case Manager will answer together. If you meet the income eligibility requirements and would like to save for post-secondary education and/or training then participating in the Rural Montana Saves Program could be an ideal way to reach your goal. Each person and situation is different so take time to ask questions and learn as much as you can about the Program. A representative from the Rural Montana Saves Project will be happy to help you determine whether it is an appropriate program for your own asset goals and whether you are eligible based on income requirements.

If you are paying off a loan or have a lot of credit card debt, or if you are not ready to set education, training, or employment goals, you may not be ready to participate in the Rural Montana Saves Program. If it is determined that you are not ready to start the Program there are many things you can do in order to meet the eligibility requirements in the future. These include building credit, attending financial classes, and low interest loan repayment programs and career exploration and/or planning.

## How will savings in an IDA affect financial aid?

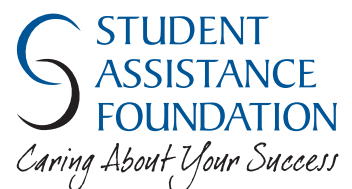
The savings in an IDA is considered a protected asset which means, according to Assets For Independence legislation (*SEC. 415. No Reduction in Benefits*), the IDA savings account is exempt as an asset for determination of entitlement grants such as Pell and state funds. The saved portion of the IDA is excluded from being counted as an asset when determining the Estimated Family Contribution (EFC). Since the saved money does not affect the EFC, then the saved money will have no affect on the student's access to financial aid.

## How will matched money in an IDA affect financial aid?

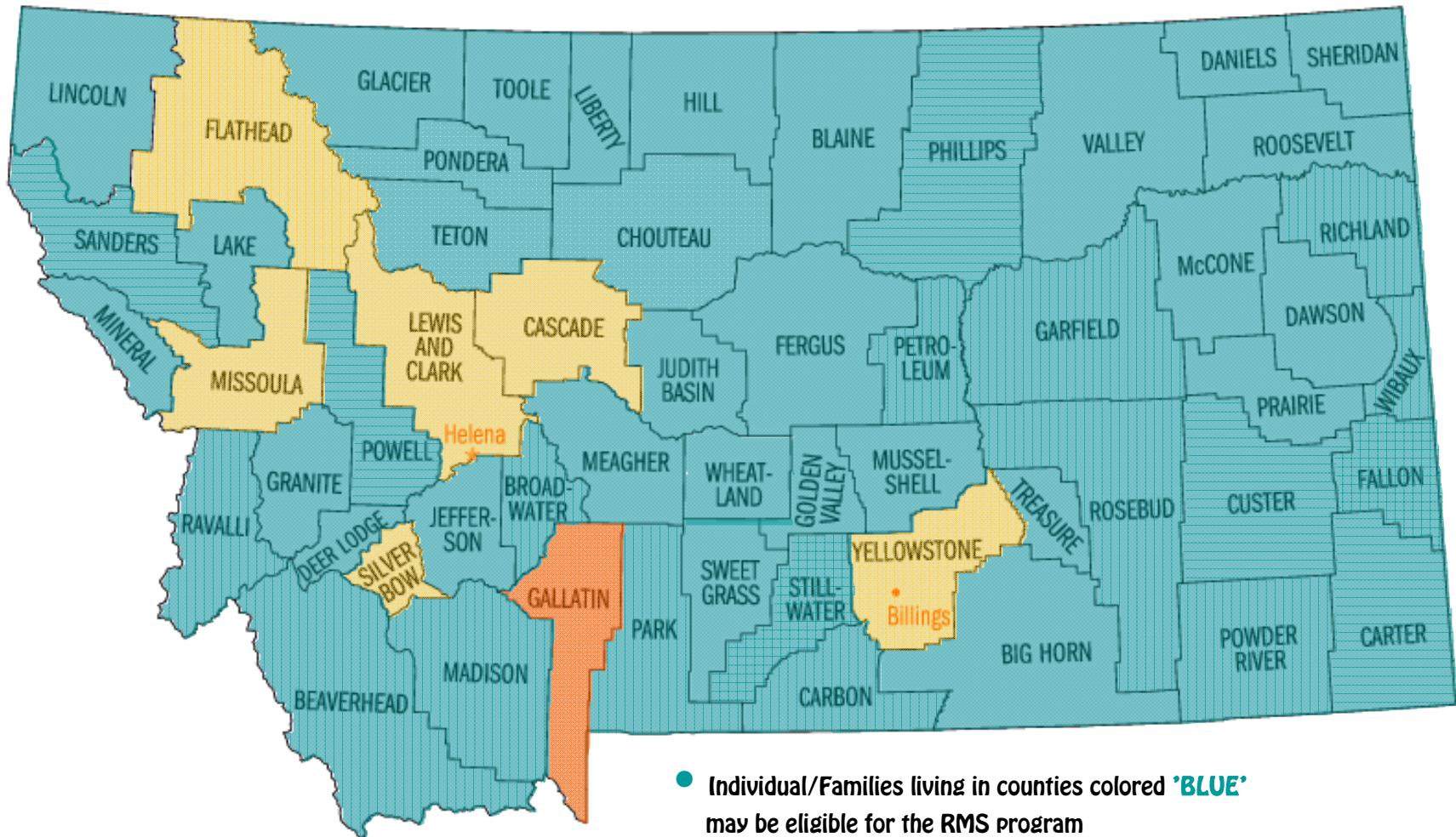
The savings in an Individual Development Account is excluded from being counted as an asset when determining Estimated Family Contribution. However, the matched money that the participant earns will most likely be considered an outside resource. Financial aid offices should treat the matched money as they treat any other outside scholarship; it should help decrease the amount of loans the participant needs to take out and would then decrease the amount of campus-based aid such as work study, Perkins loans and other institutional grants and loans. Generally, these institutions do not penalize low income individuals for saving and accessing outside grant resources as it is counter to their philosophy of access. In a few extreme cases where IDA savers also had an extraordinary amount of other outside scholarships resources, federal work study and loan aid was decreased. In these cases, as with other scholarship funds, IDAs helped the low-income students cover school costs with less debt and work obligations.

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Rural Montana Saves is a project of Rural Employment Opportunities, Montana Credit Unions for Community Development, Student Assistance Foundation, MSU Extension Service and Partner Credit Unions. This project is funded (*in part*) under a contract with the Montana Department of Public Health and Human Services. The statements herein do not necessarily reflect the opinion of the Department.



# Rural Montana Saves (RMS) Matched Savings Program



- Individual/Families living in counties colored **'BLUE'** may be eligible for the RMS program
- Individual/Families living in the county colored **'ORANGE'** may be eligible for the Gallatin County Saves program
- Individual/Families living in the counties colored **'YELLOW'** are not eligible for the RMS Program