Individual Development Accounts: A cornerstone of New Asset-based Social Policy?

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Assets, or accumulated wealth minus liability, indicate households' economic security. They can be used to meet consumption needs in times of economic stress, a particularly important function given larger trends in the casualization of work and welfare retrenchment. Yet American households are currently ill prepared to respond to threats to their income flows. Over a quarter of American households (27%) would be unable to maintain subsistence spending for three months if income flows were interrupted. This figure rises to 43% of American households if assets that cannot easily be converted to cash (e.g. homes) are excluded (Brooks and Wiedrich, 2012). As lower-income workers are increasingly forced to bear costs of the flexible labor they provide, social programs that provide them with incentives to build personal savings and purchase assets deserve particular attention.

Federally funded incentives for reducing personal spending to accumulate assets already exist, most visibly with tax-deferred 401(k) pension plans and home mortgage tax rate deductions. However, these asset-building programs target wealthier households. Over half of the nearly $400 billion spent by the government in 2007 to promote asset acquisition was directed towards the top 5% of taxpayers, and virtually none for low income individuals (Woo, Rademacher, and Meier, 2010). The resulting two-tiered welfare structure – generous but invisible tax-based benefits for asset accumulation by the wealthy and highly contested income-support programs for the most impoverished – contributes to an inequality of wealth distribution that dwarfs that of income (Howard 1999). In 2007, the Gini coefficient for *wealth* inequality in the United States (0.865) was nearly twice that of *income* inequality (0.45) (CIA 2012; Wolff, 2010).

Individual Development Accounts (IDA) is the first program to explicitly focus on helping low-income individuals *save money* towards assets. IDAs are administered by NGOs, which provide financial education and collect public-private funds to match savings accumulated by participants. Considerable research demonstrates that IDAs stimulate saving for participants within the program (Thyer and Richards 2010). Yet less is known if this ability to save was developed in the program and if saving behavior continues after program exit (Loibl, Grinstein-Weiss, Zhan, and Bird, 2010).