RECLAIMING THE AMERICAN DREAM:
ASSET BUILDING THROUGH INDIVIDUAL DEVELOPMENT ACCOUNTS

The New Jersey Institute for Social Justice (NJISJ) Proposes a New State-Funded Individual Development Account Program in New Jersey

WHAT ARE INDIVIDUAL DEVELOPMENT ACCOUNTS?

An individual development account (IDA) is a matched savings account where the amount of money that an individual or household contributes is matched by a sponsoring organization. Under an IDA program, an individual saves for a specific goal, such as buying a home, vehicle or home repairs, starting or expanding a business, or paying college tuition. By providing matched savings in addition to financial literacy classes, case management, and other support services, IDA programs help participants build and sustain wealth-building assets.

WHY DOES NJ NEED A STATE-FUNDED IDA PROGRAM?

New Jersey has one of the worst racial wealth gaps in the nation, where the current median net worth for white families is $309,936, and, according to the most recent data available, the median net worth for New Jersey’s Black and Latinx families is just $5,900 and $7,020, respectively.

NJISJ proposes a state-funded IDA program offering a progressive match rate—up to 5:1—based on the participant’s household income to help incentivize saving. By powerfully investing in systemically deprived communities, the proposed IDA program will allow residents of color to build wealth and finally realize the American dream, while reducing the state’s staggering racial wealth gap.

WHAT ARE THE BENEFITS OF IDA PROGRAMS?

- IDA programs build wealth in communities traditionally excluded from economic opportunity.
- Participants gain the skills and knowledge necessary to save for and attain wealth-building assets.
- Participants have the opportunity to prioritize saving and financial planning.

IDA PROGRAMS ARE INTENDED TO GO BEYOND SIMPLY ALLEVIATING FINANCIAL HARDSHIP—THEY ARE A VEHICLE FOR ECONOMIC SELF-SUFFICIENCY AND DETERMINATION.

A STATE-FUNDED IDA PROGRAM SHOULD DO THE FOLLOWING:

- Empower participants to save toward a broad range of goals, including tuition for continuing education; home or vehicle repairs; start-up costs for a small business; or a down payment for purchasing a home;
- Offer a progressive match rate to participants based on their household income—ranging from a 1:1 to a 5:1 match;
- Allow broadly defined eligibility requirements for program participation;
- Receive funds from both state revenue and donations. To raise donations, the state should offer tax credits to eligible taxpayers who donate to the IDA program;
- Create a Child Savings Account (CSA) pilot program that provides financial education and a matched savings account to eligible students. Following graduation, participating students may withdraw their matched savings to pay for costs related to post-secondary education or job training.

DONATIONS: A POTENTIAL FUNDING SOURCE FOR IDA PROGRAMS

Eligible taxpayers (individuals, businesses, organizations) may receive tax credits in exchange for donating to the IDA program. A model has already begun in Oregon.

How does it work?

- The State allocates tax credits (which function as discounts—where the taxpayer subtracts the amount of the credit from the taxes owed).
- Organizations administering the IDA program may apply to receive a certain portion of the tax credits that they then offer to potential donors.
- When a taxpayer donates to an organization’s IDA program, the organization coordinates with the State in giving tax credits to the donor.

To support our work and learn more about Individual Development Accounts, visit www.njisj.org/economic_justice