

Frequently Asked Questions

Q: *What is an Individual Development Account (IDA)?*

A: There are many different forms of Individual Development Accounts, but they all share certain common characteristics. IDAs are savings accounts to help low-income persons build assets by matching each dollar they save with a savings credit at a set ratio and for a set period of time. For example, if an account holder saves \$1 and is matched at 3:1, that \$1 becomes \$4. By matching each dollar saved, IDAs provide low-income families and individuals with an opportunity and an incentive to build savings that they ordinarily would be unable to do on their own. Account holders may also receive financial management training and case management services to help them meet their savings goals. The combined personal savings and matching credit can be spent by the account holder on one or more uses that will enhance longer-term economic well-being - for example, by returning to school or starting a small business. Depending on the project, the matching credit and delivery costs can be financed by governments, foundations or other sources.

The savings not only help account holders acquire new assets, but those assets provide opportunities with long-term benefits. The act of saving itself can also have important benefits for disadvantaged families and individuals, increasing a sense of hope and control over their future. When financial management training and case management services are provided, the benefits can be even bigger. **learn\$ave** will test ideas about how and why IDAs work and will evaluate the differences they make in the lives of account holders.

Q: *How do the **learn\$ave IDAs for learning work?***

A: While taking part in the **learn\$ave** project, account holders will be asked to save for at least 12 months and their savings will be matched by federal project funds. Different sites are using different ratios - ranging from 2:1 up to 5:1 - but most savings will be matched at 3:1. At a 3:1 match rate, **learn\$ave** account holders could accumulate as much as \$6,000 in combined personal savings and matching savings credits. The matching portion is not deposited directly into the IDA. Instead, it grows as a credit that can be spent in combination with an individual's personal savings for a course or program at a designated education or training provider or to start-up a small-business with a business plan. Many account holders will also receive financial management training and case management services to help them meet their savings goals.

Q: *Why not just give income support instead of matching savings?*

A: Poverty is not just a question of income, it is also a question of savings and assets. Savings and assets cushion against unexpected changes affecting income (such as job loss) and leverage other opportunities for asset accumulation. Even a small amount of savings can help low-income Canadians to enhance their own human capital in ways that may offer substantial returns. Income meets immediate needs, but assets help build futures.

Q: *Why a national project?*

A: Poverty is not uniform across Canada and different needs exist in different communities. **learn\$ave** has been designed to test approaches that will be as responsive as possible to the particular situation of low-income Canadians, no matter where their community is located. The project will reach a broad cross-section of eligible low-income families and individuals, both working poor and those on social assistance.

Q: *Why a demonstration project?*

A: Based on what we know, IDAs seem to make significant and positive differences in the lives of account holders. But a lot of the current information hasn't been tested and never on a national scale in Canada.

Better information produces better and more effective policy. Information and lessons learned through **learn\$ave** will provide solid information on the efficacy of IDAs for learning in offering long-term benefits for low-income Canadians. In all aspects of the project, the privacy, well-being and dignity of all Canadians who volunteer to take part will be protected.

Q: Who is involved in running **learn\$ave?**

A: Social and Enterprise Development Innovations (SEDI), a non-profit organisation, has advocated the use of IDAs over the last several years to promote self-sufficiency among disadvantaged Canadians. SEDI has joined with the Social Research and Demonstration Corporation (SRDC) to design and implement **learn\$ave** with federal funding from the Applied Research Branch of Human Resources Development Canada. SRDC, a leading expert in the field of social research, has designed the research study and will conduct the evaluation.

SEDI and SRDC have also built relationships with non-profit and charitable community agencies in 10 demonstration sites. Each of these organisations brings to the project important experience and expertise in working to assist and empower low-income Canadians. These community partners are acting as the delivery agents for the project, recruiting participants, providing services and gathering information for research.

SEDI has developed a partnership with RBC Royal Bank to provide enhanced deposit-account services to **learn\$ave** participants in 9 of the 10 project sites. RBC Royal Bank has also lent its core competencies to the project design and implementation through personnel time and expertise. Through relationships with local community partners, the Assiniboine Credit Union is the financial service provider in Winnipeg and, in Montreal, the Caisse d'économie Desjardins is offering account holders a choice of using the Caisse or RBC Royal Bank for their **learn\$ave** account.

Q: Where are the **learn\$ave demonstration sites?**

A: The project is being implemented in 10 communities across 7 provinces. These are Vancouver (B.C.), Calgary (AB), Winnipeg (Man.), Grey & Bruce Counties (Ont.), Waterloo Region (Ont.), Toronto (Ont.), Montreal (Que.), Fredericton (N.B.), Halifax (N.S.) and Digby & Annapolis Counties (N.S.).

Q: Who can apply to be part of **learn\$ave and how?**

A: Eligibility for **learn\$ave** is limited to low-income Canadians aged 21-65 years who don't already have significant savings. Full-time students are not eligible unless they are mature students who are completing their high school equivalency. Applicants who are aged 18-20 years may also be eligible if they have been out of school for at least 2 years. Eligibility criteria have been developed based on the Statistics Canada Low-Income Cut-offs as well as the recently released Survey of Financial Security. For more information on the eligibility criteria, see "[How to Apply](#)."

Applications are available by contacting the **learn\$ave** community partner in each demonstration site. The community partners can provide more information and help with the application process.

Q: How many low-income Canadians will be involved?

A: In each of Toronto, Halifax and Vancouver, 1,275 low-income Canadians will be recruited to take part on a voluntary basis. They will each be randomly assigned to 1 of 3 groups for research. One third of participants will be assigned to a comparison group. Another third of participants will be assigned to a group receiving a **learn\$ave** account and another third will be assigned to a group receiving a **learn\$ave** account plus financial management training and case management services.

In each of the remaining 7 sites, 150 low-income Canadians will be recruited to take part on a voluntary basis and will receive different variations on a **learn\$ave** account, financial management training and case management services.

In total, 4,875 low-income Canadians will take part in the demonstration and 3,675 of these participants will hold **learn\$ave** accounts. The remainder of participants will be part of the comparison group.

Q: Who is funding this demonstration?

A: Funding for the project is provided through the Applied Research Branch of Human Resources Development Canada. This branch supports research and innovation projects in order to assess possible policy/program interventions. **learn\$ave** is part of the branch's work on measures to enhance life-long learning. A total of approximately \$35 million over 9 years has been earmarked to fund this project. Of this, more than \$11.5 million is dedicated to matching the savings of **learn\$ave** account holders. The remaining amount will cover the costs of designing, managing and delivering the project to participants - including case management and financial management training - as well as the costs of research and evaluation.

Q: Are other levels of government involved?

A: Provincial and territorial governments have been briefed on the project by federal officials and by project staff. Provinces have been asked, where required, to waive the asset regulations on social assistance to ensure that social assistance recipients who volunteer for **learn\$ave** would not see their benefits decrease. Provincial and territorial governments will continue to be informed as the project unfolds.

In Fredericton, the **learn\$ave** community partner has received funding for one year from the Government of New Brunswick towards the financial management training for **learn\$ave** account holders in Fredericton.

Q: How long will the demonstration project run?

A: **learn\$ave** is planned to run for a total of 9 years, to 2009. June 2000 - May 2001 was a start-up year during which project partners developed and finalised the project's operational and research details. **learn\$ave** will be delivered from June 2001 - May 2007 but participants will only be accepted between June 2001 and May 2003. Each **learn\$ave** account holder will have up to 3 years to build their savings and matching savings credits. After saving, each account holder has up to 1 year to make use of his or her total account holdings, bringing an end to the delivery phase in May 2007. The follow-up and evaluation period will begin June 2006 and continue to May 2009.

Q: Who else is working on IDAs?

A: IDAs were first proposed by Dr. Michael Sherraden, Professor of Social Development and Director of the Center for Social Development at Washington University in St. Louis, Missouri. Dr. Sherraden's extensive research on the impact of assets on poverty led him to conclude that assets can make a significant social and economic difference in people's lives. His work and that of the Corporation for Enterprise Development (CFED) have led to a growing IDA movement in the United States, where federal and state legislation now supports on-going IDA programs in about 250 communities. Other countries, such as the United Kingdom and Taiwan, are also exploring IDA-style programs.

Q: Have IDAs been tried before in Canada?

A: Since SEDI began its work on IDAs 5 years ago, 4 IDA projects have been established in 3 communities. These include projects lead by: Lutherwood Community Opportunities Development Association in Kitchener; the Alberta Mennonite Central Committee Employment Development in Calgary; and by SEED Winnipeg Inc. and the North End Community Ministry in Winnipeg. These projects have helped low-income Canadians save for a computer, save for a home or save to start their own small business. Reports from these projects suggest that IDAs can be successfully implemented in Canada, that low-income Canadians can save and benefit from IDAs and that IDAs may have a positive impact in a variety of circumstances and in meeting a variety of asset goals. **learn\$ave** is pleased that each of these organisations will be acting as a community partner in the national demonstration.

Q : How is this different from existing initiatives?

A: Although there have been some measures to help Canadians build assets and other measures to help make education and training more accessible to low-income Canadians, no existing program offers the incentives being assessed in *learn\$ave*. Most measures to encourage saving - such as RRSPs and RESPs - require disposable income and so benefit middle and upper income Canadians mostly because they have significantly more disposable income to save. *learn\$ave* is testing a new approach targeted to low-income Canadians that will help them build-up savings and access one of the most critical assets of all, learning.

Q : But can people with low incomes really afford to save anything?

A: IDAs are not for everybody and they will be out of reach for some people. But evidence from other IDA projects suggests that many low-income account holders can and do successfully use IDAs to save. For example, in one project in Calgary, participants saved \$40 each month by the end of the first year. And in the US, the largest IDA project has found that participants accumulate more than US \$800 a year when their personal and matching savings are included. Financial management training and case management support also seem to play key roles in helping account holders to budget, meet their financial obligations and still contribute to their IDA. *learn\$ave* will test how effective IDAs are in promoting saving for learning and in what ways programs might be successful in improving the labor market prospects of participants.

