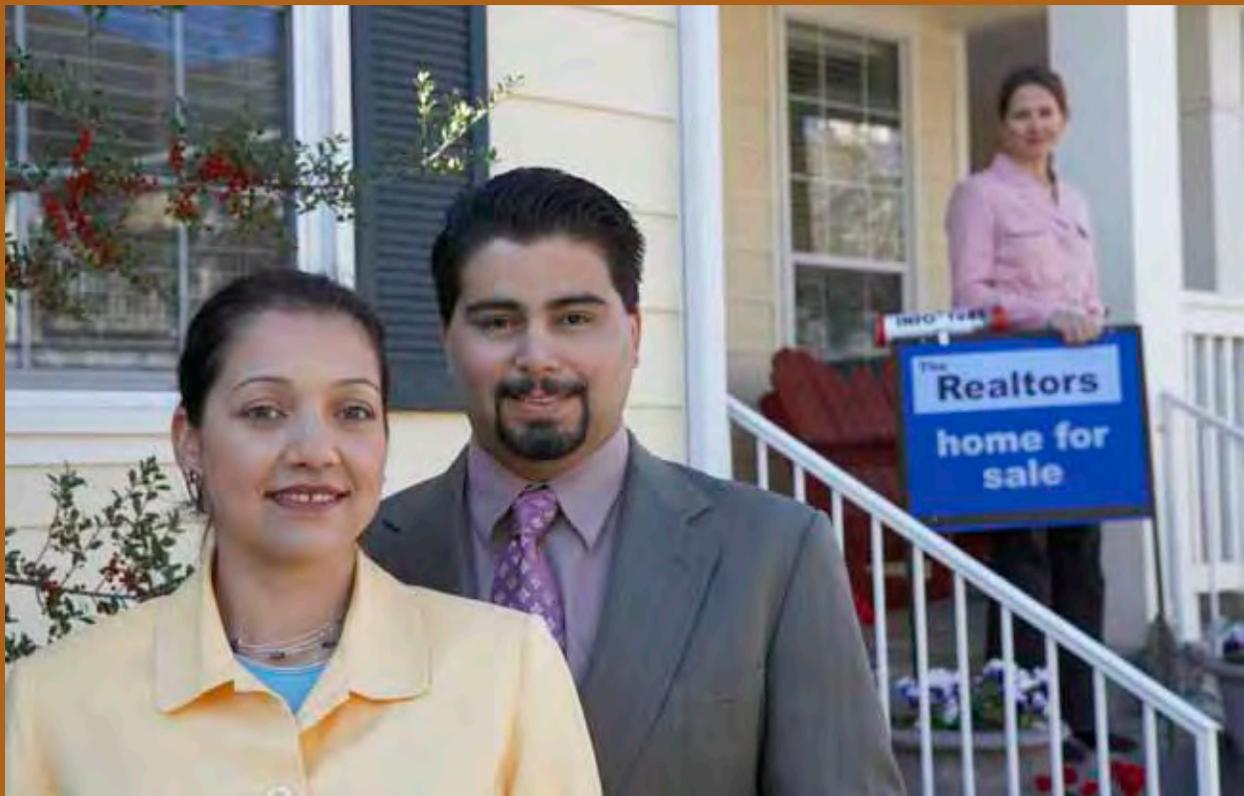


# EXECUTIVE SUMMARY



## The Effect of Matched Savings Programs on Low and Moderate-Income Asset Development in Massachusetts



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An Evaluation Report for the Midas Collaborative

# Executive Summary

In an era of economic instability, a new look at financial habits, personal savings, and investment decisions is in order. This report highlights the effect of a relatively new community-based economic development strategy that incentivizes and supports the building of assets of individuals and families as a vehicle to enhance long-term financial and economic stability.

Matched savings account programs, some of which are called Individual Development Accounts (IDAs), are offered across the country to assist low- and moderate-income residents to save money, manage their finances, and responsibly invest in assets, including first homes, small businesses, education, and other investments that will increase financial stability and growth. This is a program of mutual investment by savers, the non-profit organizations, philanthropies, and public agencies that strive to increase economic security.

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A typical program is designed so that participants, or “investors”, join for a period of 12–24 months at a community site and agree to save a minimum amount per month for the duration of the program, while participating in financial education and asset-investment (home-buying, small business, college access) training.

The non-profit organization matches the amounts saved by investors with funds from federal, state and private sources, usually providing \$1 to \$3 of matched funds for every \$1 saved by investors. These matched amounts allow investors to leverage their savings and more quickly acquire the desired asset than would otherwise be possible. The training educates investors in managing and protecting their assets, as well as developing their financial management skills which will serve them over the long term.

In Massachusetts, The Midas Collaborative, a state-wide non-profit organization, hosts matched savings accounts in partnership with its community-based member organizations. Community Partner Organizations are the face of the matched savings program—designing and adapting the program, recruiting, training and counseling their constituents as investors in their futures. Midas provides technical assistance, match funding, and back-office services such as account management, data collection, quality control, and evaluation.

Funding is provided by the US Department of Health and Human Services, Assets For Independence Act Program, The Massachusetts Department of Housing & Community Development, The United Way of Massachusetts Bay & Merrimack Valley, Citi Foundation, Citizens Bank, The Boston Foundation, TD Bank, Boston Private Bank & Trust, and other philanthropic partners, including many that support local partner organizations. Support for this evaluation was provided by the United Way of Mass Bay & Merrimack Valley.

The attached evaluation report examines the trends and outcomes for the Midas Collaborative’s matched savings programs from 1/1/2007 to 6/30/2010 and is authored by Rachel Bogardus Drew.

**Summary and updated outcomes through December 31, 2010 indicate that: Low -income/low-wealth people are motivated to build assets.**

The average annual income of the initial 413 investors in the program was \$21,405, with 10% earning over \$40,000. Though 62% had negative net worth, 95% of investors reported at enrollment that they

were trying to save money. Of the newly enrolled, 11% were unbanked; almost three times the state average.

### **Low income people will save.**

As of 12/31/2010, the 474 investors had saved a total of \$374,381 and accrued \$738,400 in matching funds, to total over \$1.1 million. Relative to income, Midas investors saved an average of 10% of their total monthly income, with one-tenth of them saving at least 20% of their income each month. This is much higher than the national savings rate for all persons in 2009 (which was less than 6% of annual income).

### **With support, incentives, and access, program participants can wisely invest in assets.**

The extensive training, counseling, and coaching and skill-building is critical to the program, and has yielded impressive results. **The 125 graduates to date have invested in homes, small businesses, and post-secondary education valuing a total of \$10.1 million**, after participating in training that prepares them to find, develop, and maintain their new assets. The 41 homebuyers have accessed affordable properties and sustainable mortgages to leverage \$7.4 million in first home investments. Of the 65 graduates saving for education, 31 invested their matched savings to leverage more than \$2.7 million in educational assets. The 19 small businesses added jobs and gained \$52,857 in equity.

### **Program participants change their long-term patterns**

The number of people that reported being on a budget and having financial goals increased by over 15% relative to the start of the program. The number of voters increased from 49% to 69% during the program period. Graduates had higher income, more bank accounts, and lower debt. Early data indicates graduates' credit scores increased by 21%.

### **This program addresses the poor distribution of wealth by gender and race.**

Community-based programs are designed and implemented to provide support, incentives, and access to people who face historic and current barriers to building assets. The investors in this program are 72% female, 34% African American, 34% Hispanic, 17% Caucasian, and 15% "other."

### **Matched savings stimulates local economies.**

By mutually investing in low- and moderate-income communities with the residents themselves, economic activity circulates locally. These dollars are saved and spent locally in investments that provide affordable homes, job-creating businesses, post-secondary education, and other fundamental pillars of economic stability and individual advancement. The vast majority of education investors are going to local colleges and trade schools.

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The new homebuyers are contributing an estimated annual amount of over \$86,000 in local property taxes<sup>1</sup>.

### **Public support for this program has demonstrated a public return on investment.**

Donors contribute to the savings match, participant training, and management of the program in small amounts relative to the resulting investments.

For example, the Commonwealth of Massachusetts contribution to this program totaled \$645,000 from 2007–2009 for investor matches, training, and administration. Many programs have a savings period of two years, so graduations are underway at present. **With the first 125 graduates investing at a level of \$10.1 million in assets, an estimated total of \$41.4 million<sup>2</sup> in economic investment will be made by program's end.** An additional graduation of 91 homeowners would result in an estimated \$192,165<sup>3</sup> in annual property taxes to total over \$278,700 for the program in property taxes.

**This indicates a return on investment in the form of local assets of \$64.32<sup>4</sup> for every state dollar contributed, and a return on investment in local property taxes of 43 cents<sup>5</sup> for every state dollar invested.**

A critical support for this program is the US Department of Health and Human Services Assets For Independence Act Program. It is the largest federal program that supports matched savings to assist low-income people to pursue self-reliance.

Matched Savings has proven its effectiveness in stabilizing families and communities through a combination of support, incentives, innovative management, and efficiently deployed public funding.

### **Midas Community Partner Organizations that participated in this success:**

Action for Boston Community Development, Allston-Brighton CDC, Beverly Bootstraps, Cambridge Economic Opportunity Committee, Chelsea Neighborhood Developers, Codman Square NDC, Center for Women

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and Enterprise, Crittenton Women's Union, Dorchester Bay EDC, DotWell, Heading Home, Homeowners Rehab Inc., Jewish Vocational Service, Lawrence Community Works, La Vida, Massachusetts Museum of Contemporary Art, Madison Park Development Corporation, One Family, Somerville Community Corporation, and Nuestras Raices/Solutions CDC.



#### **About The Midas Collaborative**

The Midas Collaborative (Midas) is a 501(c)(3) network of non-profit community-based organizations that integrate community development with asset-building and asset-protection initiatives across Massachusetts. Its mission is to facilitate asset development and protection of low-income families in a manner that is collaborative, helps build communities, and is practitioner-tested. Midas promotes, trains, manages, and supports asset-building and protection as economic development strategies in low-and-moderate-income communities across the state.



**The Midas  
Collaborative**

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