

Individual Development Account Financial Education Program

This workshop describes a statewide financial education program and impact evaluation for New Jersey Individual Development Account (IDA) participants. IDA program participants were required to take eight 2-hour classes. Class participants were primarily female, between 20 and 49 years of age, non-college graduates, and had household incomes of \$20,000 or less. Topics of class sessions included banking basics, developing a spending plan, understanding credit, income taxes, saving and investing on a shoestring, insurance, advanced credit topics, and predatory lending, identity theft, and financial frauds. Impact data were collected using both quantitative and qualitative methods.

Barbara O'Neill, Rutgers Cooperative Research and Extension¹

Description

This workshop describes a statewide financial education program and impact evaluation for Individual Development Account (IDA) participants in a northeast state. Individual Development Accounts (IDAs) are matched savings accounts designed to help limited resource individuals and households save money for goals that enhance long-term financial security. These goals include post-secondary education or job training, home ownership, small business capitalization, and other approved asset uses. Conceptualized by Professor Michael Sherraden of Washington University in St. Louis in the book *Assets and the Poor*, IDAs are designed to promote saving and asset accumulation by the working poor. One of their key components is a structured and supportive learning environment provided by a series of training classes on financial planning topics.

IDA program participants were required to take eight 2-hour classes on financial planning topics. Class participants were primarily female, between 20 and 49 years of age, non-college graduates, and had household incomes of \$20,000 or less. The state program that will be discussed is believed to be the only one in the nation that designated a state-selected financial education provider to deliver a uniform IDA financial education curriculum statewide. In other states, a multitude of community action agencies that administer local IDA programs generally select their own education providers and use different training materials and class formats. With the same instructor, curriculum materials, and evaluation instruments, however, aggregation of statewide IDA impact evaluation data was greatly facilitated.

Topics of eight class sessions included banking basics, developing a spending plan, understanding credit, income taxes, saving and investing on a shoestring, insurance, advanced credit topics, and predatory lending, identity theft, and financial frauds. Lessons built upon each other sequentially and included a combination of structured discussion and participant progress reports, PowerPoint slides, and a hands-on activity with case study problems centered on the life of a fictional single parent character with "financial issues" named Maria. In one class, for example, Maria calculates her net worth. In other classes, participants "help" Maria complete a 1040 EZ tax form and compare three competing credit card offers.

Program impact data were collected using both quantitative and qualitative methods. Specifically, there were pre- and post-tests to test knowledge gains at each class and two written follow-up evaluation forms that were distributed at class sessions #5 and #8, respectively. In addition, anecdotal information on participant behavior changes was recorded during informal "sharing" sessions at classes. These anecdotes put a "personal touch" on the quantitative data and provide concrete examples of how class topics were useful and relevant to participants. There were six common themes found in the qualitative data: 1. increased financial awareness of participants, 2. examples of participant empowerment, 3. examples of specific behavior changes, 4. examples of increased personal control, 5. impacts on participants' family, and 6. evidence of financial education classes as a social support mechanism.

In order to make the IDA financial education program sustainable after the grant contract period, narratives were recorded on CD-ROM for the eight PowerPoint programs. They were intended for use by sponsoring community agencies in individual IDA class make-up sessions and by financial educators nationwide who teach IDA financial education classes. Persons interested in obtaining a copy of New Jersey state IDA curriculum that includes annotated slides, PowerPoint shows, two videos, pre- and post-tests and answers, and evaluation materials can contact the presenter for additional information.

The author would like to acknowledge the assistance of Carole Glade, President, Consumer Dynamics International, and Mary Ann Barkus, New Jersey Department of Community Affairs, with the development and implementation of the New Jersey individual development account (IDA) program.

References

- Blansett, C. & McKenna, J. (2001). Assets: An opportunity for the working poor. *Journal of Family & Consumer Sciences*, 93(1), 50-53.
- Building assets through the New Jersey individual development account program* (2002). Trenton, NJ: New Jersey Department of Community affairs.
- Hester, T. (2002, Sept. 25). Low-income residents get boost to a goal. *The Star-Ledger*, p. 21,
- Individual development accounts: Strategy for asset accumulation* (1998, November). Washington, DC: Office of Thrift Supervision.
- Schreiner, M., Clancy, M., & Sherraden, M. (2002, Oct.). *Final report: Saving performance in the American dream demonstration*. St. Louis, MO: Center for Social Development, Washington University in St. Louis.
- Sherraden, M. (1991). *Assets and the poor: A new American welfare policy*. New York: M.E. Sharpe.
- Striving for Financial Security: IDA Financial Education Program Participant's Manual* (2003). New Brunswick, NJ: Rutgers Cooperative Extension.

¹Barbara O'Neill, Ph.D., CFP, CFPC, AFC, CHC, CFCS, Specialist in Financial Resource Management, Rutgers Cooperative Research and Extension, Cook Office Building, Room 107, 55 Dudley Road, New Brunswick, NJ 08901. Phone: 732-932-9155 x250. Fax: 732-932-8887. Email: oneill@aesop.rutgers.edu