

IDA Participation and Public Benefits Eligibility¹

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Abstract

It is possible for individuals receiving public benefits to participate in *non-AFIA* or *non-TANF funded* IDA programs without losing their benefits. However, IDA providers need to arm themselves with their state's eligibility requirements plus strategies to successfully help public benefits recipients become IDA savers. First, this paper outlines the potential effects of savings and asset accumulation on public benefits eligibility. This is followed by guidelines for finding the right people and asking the right questions to understand your state's eligibility policies. The paper concludes with strategies to successfully enroll and assist public benefits recipients with an IDA.

Program Challenge

Individual Development Accounts (IDAs) help low-income individuals and families achieve greater economic independence through savings and asset accumulation. An important IDA constituency is the working poor who receive public benefits to supplement their low salaries. IDA initiatives include an array of powerful strategies to help welfare recipients acquire the skills, self-esteem, stability, and independence that will eventually move them off welfare to self-sufficiency.

IDAs are currently funded by a variety of public and private sources. Federal legislation has provisions to ensure that public benefits recipients can participate in IDAs funded through the Assets for Independence Act (AFIA) as well as state-run programs funded through Temporary Assistance for Needy Families (TANF) *without* losing their benefits.² These legislative exceptions do *not* apply to other federally and privately funded IDAs.

Non-profit agencies running *non-TANF* and *non-AFI funded* IDA programs often face a dilemma: IDAs are designed to help low-income, working families build savings and assets; however increased savings and assets may disqualify them from receiving public benefits. As IDA activity continues to expand in the United States, it is important to ensure that IDAs, regardless of their source of match funds, meet the needs of the working poor who also rely on public benefits for their daily survival. This paper explores how participants in *non-AFIA* and *non-TANF funded* IDA programs can accumulate savings and assets *and* keep the food stamps that feed their children, the housing vouchers that keep them off the streets, the Medicaid that keeps them healthy, and the cash assistance that covers other needs.

¹ This White Paper is excerpted from a research paper, "Refugee Individual Development Accounts and Public Benefits" by Vikki Frank and Susan Smith written for ISED Solutions under funding from the Office of Refugee Resettlement within the U.S. Department of Health and Human Services. The full paper and California public benefits charts can be found at www.ised.org.

² See "How Do IDAs Affect Benefit Eligibility" by Zoe Neuberger of the Center on Budget and Policy Priorities www.idanetwork.org/research/docs/IDAbenefiteligibility.pdf for more information.

How IDA Practitioners Can Assist Public Benefits Recipients: Know the Impact

Impact of Public Benefits on IDA Eligibility

Recipients of public benefits who also earn income through full-time or part-time employment are usually eligible for IDA programs. Generally, if a family qualifies for public benefits, they are also within the income and asset limits of an IDA program. Public benefits programs, however, may have different household definitions than IDA programs. Be sure to follow the policy of your IDA funder when enrolling households in your IDA program.

Impact of IDA Savings on Public Benefits

Two questions are critical in understanding the impact of IDAs on public benefits eligibility:

1. How much **savings** can IDA participants have and remain eligible for public benefits programs?
2. Will acquiring the IDA **asset** impact public benefits eligibility?

Public benefits programs that target low-income individuals and households limit the value of income and net assets, called “property” or “resources,” beneficiaries can have or obtain, and still remain eligible for benefits. (Housing programs have only income limits but not asset limits.) Savings and asset limits for benefits include *all* of a participant’s assets (other bank accounts, certificates of deposit, retirement plans, net car values, etc.) minus debt.

Three of the benefits – cash assistance, food stamps, and Medicaid – are at least partially federally-funded; however, their resource (asset) limits are state-specific. The limit varies by program and by state. It can also vary by household composition or whether a family is receiving or applying for the public benefit. For example, a household *applying* for CalWORKs (the California cash assistance program) can only have up to \$1,000 in net assets. A household *receiving* CalWORKs can hold up to \$2,000 in net assets or \$3,000 if someone 60 or older resides in the household.

Supplemental Security Income (SSI), the federal cash assistance program for the disabled or elderly poor, and public housing are regulated only by federal legislation. Individuals receiving SSI may have a maximum of \$2,000 in net assets and couples may have \$3,000. Property of an adult child living with a recipient of SSI is not included in this asset limit.

Most federally-funded housing programs, including public housing and Section 8 programs, base eligibility on annual *income*. As long as the earned interest on the IDA account does not put the household over the annual income limit, recipients need not worry about accumulating savings. In fact, public housing programs often encourage savings.

Households often receive multiple types of benefits. *It is important to know which benefits a household receives and which family members are receiving those benefits*, since programs consider *household* assets and resources when determining eligibility. For example, a husband’s savings in an IDA could negatively impact his wife’s continued eligibility for Medicaid. For multi-generational households, adult children’s savings and assets will generally *not* have any effect on their parents’ eligibility for SSI or food stamps.

Exceptions to Savings Limits: Exempt Assets

Most of the public benefits programs including TANF, food stamps, SSI and Medicaid allow recipients to own certain assets apart from the “property” limit. Exempt items usually include an owner-occupied home, personal possessions such as clothing, furniture, and computers, as well as equipment for a small

business. In addition, public benefits programs permit the ownership of cars but usually limit the number and/or value of such vehicles.

Impact of IDA Asset Purchase on Public Benefits

As listed above, the most common IDA asset goals are exempt from “property” limits. IDA savers can purchase a home, computer, or equipment for a small business with no penalty. IDA participants can also pay for education or job training programs without negatively impacting their benefits. IDA programs which allow for vehicle purchases have the most difficulty since most public benefit programs limit the value of vehicles.

How IDA Practitioners Can Assist Public Benefits Recipients: Who to Ask What

Most states have eligibility specialists for each state-regulated public benefits program (e.g. cash-assistance, food stamps, Medicaid, etc.) IDA practitioners are encouraged to identify and contact the state specialist for each public benefit program to gain an understanding of its eligibility requirements. State benefits experts are also likely to know if there are any exceptions to the savings and asset limits. Be careful not to make assumptions since caseworkers at the local or county level may not always know that different legislation exists for the various IDA resources. Additionally, you may need to start locally and work up the chain of command before identifying the appropriate state eligibility specialist.

In addition to finding the right person, IDA practitioners can go on-line to official websites to research state and county administrative regulations and directives, which provide the details necessary for implementing state law. With the correct regulation number and the appropriate state eligibility specialist, IDA practitioners can advocate on behalf of IDA participants.

How IDA Practitioners Can Assist Public Benefit Recipients: 10 Strategies to Keep IDA Savers from Losing their Benefits

Informed IDA practitioners can help families on public benefits understand the allowable savings and asset accumulation rules *before* enrolling into the IDA program. The following is a list of ten simple recommendations to help practitioners and their IDA participants achieve the potentially competing goals of building savings and assets and also keeping public benefits:

1. **Know the Public Benefits Asset Limits for your State.** Use information proactively to advise IDA participants on savings and asset accumulation limits *before* IDA participants lose their benefits and/or *before* they enroll in the IDA project.
2. **Design your Match Structure within the State Asset Limit.** Many IDA projects have the flexibility to design a match rate and match structure that pairs account holder ability to save with the total funds needed to purchase the asset goal. Generally, keeping IDA savings goals under \$2,000 for households and providing adequate match for the asset goal will let public benefit recipients become successful IDA asset purchasers. Since the IDA match funds are never in the possession of the IDA saver, they are *not* included as part of the asset limits.

3. **Investigate or Advocate Exceptions to the Limits.** States have full flexibility to set federally-funded cash assistance asset rules. They can create whatever exclusions they want and whatever limit they want. They don't even have to have an asset test. Therefore, states can establish policy to exclude IDA savings from public benefit asset limits. California, for example, allows recipients of its cash assistance program to designate IDAs as a “*Restricted Account*.” By doing so, beneficiaries can save up to \$5,000 toward a first home, post-secondary education, or to start a small business. The *Restricted Account* is in addition to, and separate from, the \$2,000 asset limit. An exemption may exist in your state.
4. **Educate State Public Benefits Staff about IDAs.** Many IDA practitioners have found public benefits staff to be more supportive when IDA savings are escrowed and “inaccessible” to participants except to purchase an allowable asset. Write a letter or talk with front-line benefits staff asking if they will exclude an IDA from the asset test.
5. **Know the Public Benefits Status of Applicants.** During the IDA application process, ask applicants if they or anyone in their household receives public benefits. If you can, contact benefits case workers to be sure they share the same understanding of the resource eligibility rules, i.e., various Medicaid programs can have different rules, and make sure the applicant knows the correct one.
6. **Ensure that Participants Monitor Their Own Savings/Assets.** Remember that savings and asset limits for benefits include *all* of a participant’s savings/assets—e.g. other bank accounts, certificates of deposit, retirement plans, net car values, etc. Be sure to consider participants’ *total* existing assets when advising them on how to save in their IDA. Also, make sure participants are responsible for monitoring their own savings and assets. Providers may want to include language in their savings agreements protecting them from liability if a recipient gets cut off of their benefits during the savings period.
7. **Ensure Applicants Discuss Their Savings on Record with the Local Public Agency.** Before opening an IDA, encourage applicants to discuss the IDA with their caseworkers and establish how much savings/assets the agency has on record for them, according to their most recent eligibility review.
8. **“Save a little, spend a little.”** Encourage participants to save in small increments and plan for multiple withdrawals to avoid accumulating more than the asset limit. This works particularly well with micro-enterprise and education savers, and is also effective for reaching multiple smaller goals, like buying a computer and a used car. In this way, IDA participants may cumulatively save toward and receive the maximum IDA match for their household without losing their benefits. Remember, the IDA saver never “owns” the match funds—and thus, caseworkers do not count that as part of a recipient’s property limit.
9. **Limit Maximum Savings.** All public benefits allow recipients to have *some* savings. Just because a family may be eligible to save \$4,000 in an IDA does not necessarily mean that they *have* to save that amount. Many IDA programs already limit savings towards certain assets (e.g. a computer or car.) With \$2,000 in savings plus \$2,000 in match funds, an IDA household can still buy a computer, support education, capitalize a small business, or buy a decent used car—and remain eligible for their public benefits.
10. **Market IDAs as a Long-term Strategy to Leave Welfare.** Especially in an era of temporary or time-limited benefits, IDAs may motivate people to save money, acquire assets, and become economically self-sufficient for the long-term. Some public benefits recipients would rather save money and acquire assets than continue to receive public benefits.

Conclusion

IDAs play a key role in helping the working poor accumulate wealth and assets. IDAs can be particularly useful in assisting public benefits recipients build savings. Often, IDAs are the only opportunity for those receiving welfare to accumulate resources. IDA practitioners can effectively reach out to the working poor who also receive public benefits and offer them the unique opportunity of an IDA to help make their dreams a reality. By understanding public benefit rules and policies, IDA projects can help low-income wage earners strengthen their savings habits, establish or improve credit histories, and create skills that lead toward self-sufficiency.

Additional Information on This Topic

The full paper, *Refugee Individual Development Accounts and Public Benefits* by Vikki Frank and Susan Smith, was developed by ISED Solutions with funding from the Office of Refugee Resettlement within the U.S. Department of Health and Human Services. The full paper including asset limits and exclusion charts for all California public benefits can be found at www.ised.org.

“How Do IDAs Affect Benefit Eligibility” by Zoe Neuberger of the Center on Budget and Policy Priorities. www.idanetwork.org/research/docs/IDAbenefiteligibility.pdf

State asset limits for public benefits:

www.acf.dhhs.gov/programs/ofa/ASSETS2.HTM or www.sadrc.cfed.org/measures/assetlimits.php or <http://anfdata.urban.org/WRD/WRDWelcome.cfm>

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