

Opportunity Development Accounts

Introduction

Lutherwood Community Opportunities Development Association (Lutherwood CODA) is a large nonprofit social service organization whose mission is to offer opportunities for individuals, families and communities to build better futures. As part of the Opportunities 2000 project, we decided to pilot test the Individual Development Account concept with two groups of people living on low incomes – one for sole-support women in Waterloo Region and one for residents in a low-income community in Kitchener.

Opportunities 2000 is a project of the Lutherwood Community Opportunities Development Association in Waterloo Region. The organization has been working over the past four years with various community partners to develop initiatives that enhance employability and reduce poverty. The goal has been to help move 2,000 households out of poverty by the year 2000. The Caledon Institute is contributing to the learning, dissemination and evaluation components of the project. OP2000 is funded by the Atkinson Charitable Foundation, the Royal Bank and the J.W. McConnell Family Foundation.

What are IDAs?

Individual Development Accounts (IDAs) give people with low incomes an opportunity to save and accumulate assets over a period of time. These savings are matched by a financial partner and then directed toward a specific goal, such as education, job training or investing in a small business – something that will help increase the person's employability and income level.

Self-Employment Development Initiatives (SEDI) and Opportunities 2000 staff researched the American IDA experience and helped Lutherwood CODA develop and offer such opportunities for people in Waterloo Region.

What are ODAs?

Opportunity Development Accounts (ODAs) and IDAs are based on the belief that, when given the opportunity, people with low incomes can and will save and direct assets toward building better futures for themselves and their families.

Lutherwood CODA chose to use the term Opportunity Development Account (ODA) to

Demonstration Project to Test IDA Approach Nation-Wide

Four years ago Peter Nares, Executive Director of the Toronto-based nonprofit SEDI (Self-Employment Development Initiatives), discovered an innovative project called the American Dream Demonstration. This project was helping low-income Americans save money through Individual Development Accounts to buy or repair a home, go back to school or start a small business. Work with the American Dream Demonstration's lead agency, the Corporation for Enterprise Development, helped lay the groundwork for launching a similar program in Canada.

SEDI's initial work on Individual Development Accounts policy in Canada encouraged the start-up of two local initiatives: in Kitchener/Waterloo, the Opportunity Development Account project run by Lutherwood CODA described in this article; and a similar project in Calgary, run by the Mennonite Central Committee. Both initiatives demonstrated the potential of Individual Development Accounts programming for low-income Canadians and have been influential in SEDI's further work in this area.

Now, Self-Employment Development Initiatives and partnering organizations in ten communities across Canada, as well as the Social Research and Demonstration Corporation, are working towards the start-up of a multi-year national demonstration of IDA policy and programming. Both Lutherwood CODA and the Mennonite Central Committee in Calgary have agreed to take part in the demonstration and have lent their experience and expertise to the project planning. Funded by Human Resources Development Canada, the national demonstration project will be the largest of its kind in the world, reaching more than 3,000 low-income Canadians. Local financial institutions will be working in partnership with community agencies to provide deposit account services to Individual Development Accounts clients and the first accounts could be opened as early as June 2001.

Throughout the project, and for up to two years after the delivery phase, the Social Research and Demonstration Corporation will evaluate the initiative to determine its effectiveness and possible implications for public policy. In the US, such policy work has not kept pace with the practice. The hope is that this demonstration will lead to the development of a feasible new approach to assisting low-income Canadians for implementation nationally.

Further details and regular updates on this project are available on the SEDI website at www.sedi.org.

reflect the fact that this unique savings program benefits not just individuals, but entire families.

The first ODA pilot project

We chose to offer the first pilot project to sole-support women. In addition to the difficulties experienced by others living on low incomes, single mothers tend to have fewer supports in terms of income, family and community and therefore face additional barriers to asset accumulation.

The Co-operators Insurance Group of Guelph was our partner and funder for the project. They supported the ODA concept and agreed to contribute three dollars for every dollar saved by our participants.

It proved more difficult than anticipated to find people who were willing to participate in this initiative. We approached our many partner agencies and our own program coordinators to find recruits, with limited success. Many of the sole-support women we contacted already were involved with existing programs and were otherwise busy seeking out ways to support themselves and their families. Many were receiving some kind of government support and expressed skepticism about the program and the matched funds arrangement. They wondered why anyone would give them three dollars for every dollar they saved. For many, the idea sounded too good to be true.

We decided to send out flyers to advertise the program and a local television station and newspaper mentioned our work. All of these initiatives sparked interest – seeing something in print and on the news lent the project a certain legitimacy. We held information sessions to explain the project and its components to

potential participants and after these sessions, interested women were individually interviewed and screened. Eventually, 14 women were invited to join the project.

Our goals were to encourage each woman to save \$21 per month for one year, and to teach budgeting and money-management techniques. At the end of the project, each woman's \$250 savings was matched with \$750 from The Co-operators to allow them to purchase an asset-building goal of their choice.

In partnership with other organizations, we developed an economic literacy curriculum which addressed such topics as goal setting, spending styles, budgeting and reducing expenses through community alternatives and resources. These sessions were delivered every two weeks for several months.

Lessons learned

A number of participants claimed a basic knowledge of budgeting, but during the economic literacy training sessions it became clear that the word 'budget' meant different things to different people. Many women were 'juggling' their money and unable to cover all of their expenses each month. Our training sessions did not recognize that participants' capacity to save varied and that various participants took different approaches to finances in general. We were expecting participants to meet their savings requirement, but we were not giving them the tools they needed to be successful.

We learned to more fully appreciate the fact that sole-support parents on social assistance are under great personal and financial pressure. Some entered the project already carrying debts (which might include overdue service bills), making it

doubly difficult for them to meet the savings requirements. Most had little, if any, financial room to manoeuvre. A sick child, a broken car, unpaid telephone bills, the loss of family support around housing and child care made it difficult, and in some cases impossible, to maintain participation in this savings initiative.

We decided to change our meeting space halfway through the program. The new location had meeting and child care space, and was centrally located. We hired a child care worker and provided her with a volunteer assistant. Snacks and juice for the children and adults were offered throughout the program. Attendance improved immediately. These types of practical supports were vitally important to women who were doing their best to continue attending the program and put aside savings.

To help more participants succeed with the ODA project, we should have learned more about each woman's life situation, her current financial situation and her understanding of finance. Moreover, we should have delivered the economic literacy training before we asked people to make monthly deposits.

We also discovered that it was unrealistic to expect busy mothers to assimilate a very intensive economic literacy curriculum in just four hours per month. Many women complained that they were being presented with too much information at each session, and that there was insufficient time between classes to absorb and apply the material.

Eight of the 14 women successfully completed the economic literacy training and achieved their savings goals. The saved and matched funds were put toward tuition payments, computer purchases or guaranteed investment

certificates (GICs), which will be redeemed for education expenses in the future.

Aside from the actual saving and matching of funds, participants reported that the budgeting information we presented helped them develop good savings habits. Many were able to set short- and long-term personal and financial goals for themselves.

Other important lessons were gained both by organizers and participants. For example, including the women's successful budgeting strategies into the economic literacy training helped the group to personalize the lessons. We will make greater use of these types of experiences in future programs. We also found that it helped participants to look at the ODA's monthly saving requirement as part of their regular monthly bills. With this in mind, the remainder of their income could be calculated to allow them a weekly spending amount.

As a facilitator, I saw the participants develop into a cohesive group. This process was accelerated once we moved to the second meeting space and began providing for child care needs. People shared information with one another and demonstrated more confidence in their savings abilities as the project moved along. The women who completed the training were very different from when they began working with us. They were proud of being able to realize a goal they originally felt was beyond reach and they had a real sense of being one step closer to financial self-sufficiency.

Although evaluation to date has been more qualitative than quantitative, it will be interesting to see the extent of individual and life changes the ODA brings about in the years ahead. The lessons learned from our first pilot project contributed to the design of our second.



Participants in the ODA for computer ownership celebrate the successful completion of their project. Sixteen individuals developed money-management skills and saved the funds required to purchase new computers.

Second pilot project – ODA for computer ownership

The ODA for computer ownership project grew out of a larger initiative developed by Opportunities 2000, the Salvation Army, the Chandler-Mowat Community Centre (also known as the House of Friendship) and Lutherwood CODA. These groups established a computer resource centre at the House of Friendship and offered computer training for individuals and families living in the neighbourhood. Project funding was obtained from Human Resources Development Canada.

Once participants had learned how to use a computer, the next logical step was to provide them with an opportunity to purchase one for their homes. The employment and educational

resources available through the Internet are critically important to people who are working their way up the economic ladder.

Few Chandler-Mowat community members have the financial resources to purchase their own computer, but the ODA model provided an excellent purchase option. As with our first pilot project, we held an information session to explain how the ODA operated. This time, we asked about past savings achievements and savings strategies. We found that many participants had had to save a great deal of money over a long period in order to emigrate to Canada, and many were from cultures that saw family savings as a priority. While most of those wishing to participate were working, incomes were consistently very low. In addition, family sizes ranged widely from two members to nine. In the end, it was

agreed that participants would save \$35 to \$45 per month as opposed to the \$21 per month used in the initial project.

Eighteen families were invited into the program. The economic literacy sessions began before savings actually were deposited, but we stated the expectation that participants should deposit some funds to their ODAs while learning budgeting and money-management skills. Most of the participants did so.

We took to heart the suggestions from our first pilot project. We halved the amount of material presented in each training session, allowing for clear understanding of each component and time to apply the principles involved. Some of our participants were learning English, so we slowed the pace of the sessions to help address this issue.

The goals for this project were similar to the first – to build savings of approximately \$440 over the year-long program and to provide economic literacy training. In addition, the project aimed to bridge the technology gap.

On the other hand, there were also differences between the two pilot projects. The second ODA group lived in the same community and were familiar with one another before classes began. Many already were accessing the computer training program, and many were using other programs offered through the community centre. They shared the goal of owning their own computer, kept each other motivated and were very supportive of one another.

We also had the benefit of being able to meet at the community centre, which meant that there were no transportation issues. The centre afforded us a meeting space, child care space and

access to paid and volunteer child care workers. This last was an important factor in the high attendance rates we experienced.

Sixteen of the 18 participants completed the economic literacy training component and met their saving goals. Matched contributions were provided by Human Resources Development Canada and National Online Computers (now *worldwithoutwire.com*), a local computer retailer and Internet provider. National Online offered participants competitively-priced computer systems (including software and printers), warranties, individual delivery and installation, and ongoing technical support. The company also included some free Internet time and a discounted Internet signup package.

Participants have been using their computers to access job banks, take courses online, complete homework tasks (either themselves or their children) and start small businesses. Having access to their own computer also has helped some participants gain confidence in their English language skills.

Participants became more outgoing over the course of the training sessions, and they were proud both of learning computer skills themselves and of being able to offer a valuable technology tool to their children. Many continue to save toward other goals, some are attending school, others have secured employment and still others have used their computers to improve their small business operations.

Recommendations

When delivering ODAs in the future, we plan to strengthen our project design by adapting the curriculum to the participants' existing

knowledge of budgeting, saving and debt management. Assessing entry level skills will help to define the content and pace of financial literacy training sessions.

In order to assess a program's long-term usefulness, it is critical to have an evaluation plan. Such a plan should identify and evaluate each program component, help identify when problems are occurring and track the project's impact on participants' lives over a period of several years.

On a practical note, thorough consideration and accommodation must be made for basic necessities such as transportation and child care. Our second project had high attendance throughout, partly because child care arrangements had been thought out in advance. Some participants in the first project were dependent on family members to look after children; when these arrangements fell through, they were unable to attend meetings.

Conclusion

While the two ODA programs were geared to target groups whose savings goals were very different, both programs offered opportunities to families living on low incomes to accumulate assets and learn more about money management. Each participant had the personal satisfaction of achieving a goal that would have been unattain-

able without our program. People's self-esteem and confidence rose as a result.

Our projects demonstrated that householders in difficult financial situations can indeed save and accumulate assets, and can achieve financial and personal goals if given the appropriate opportunity and tools. We offered an opportunity – the participants themselves turned their dreams into reality. In the process, they furnished us with the feedback we needed to develop better programs for the future.

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