

HB 2316 with -2 amendment Building Financial Resilience through Lifelong Savings

The middle class is the foundation of our economy and community. When all of our neighbors have the opportunity to prosper and build foundations for economic stability and resiliency, our whole community thrives.

The Oregon Individual Development Account (IDA) Initiative builds financial resilience and creates pathways of opportunity for Oregonians with low incomes in every corner of the state. Individuals enroll with an Initiative Partner and develop both a goal for saving and a plan for making the most of their IDA.

Individual Development Accounts, or IDAs, are matched savings accounts that build the financial management skills of qualifying Oregonians with low incomes while they save towards a defined goal. Once the savings goal is reached and all parts of the savings plan are completed, every dollar saved by a participant is matched by the Initiative, typically three dollars for every one dollar saved.

Initiative participants may benefit from matched funds to help them purchase a home, fulfill an educational goal, develop and launch a small business, restore a home to habitable shape, or purchase equipment to support an employment goal. IDAs open up pathways of opportunity and create models of economic success in Oregon communities.



The Oregon IDA Initiative is funded by the contributions of individuals and businesses from all corners of the state. Contributions, which are eligible for a 75% credit on state taxes, are used entirely to support the costs of the Initiative.

State law currently exempts \$20,000 plus a potential participant's first home and vehicle from the net worth calculation when determining eligibility. **We propose that the first \$60,000 of the applicant's pension or retirement savings, as defined in administrative rule, also be exempted from the calculation of net worth. Income limits (80% of area median income or 200% of federal poverty level) would be unaffected.**

\$60,000 adds only modest income over time beginning at retirement. The table below shows the monthly payments over fifteen years at various interest rate levels:

- At 2%, \$60,000 will pay out **\$386 a month** for 15 years
- At 4%, \$60,000 will pay out **\$442 a month** for 15 years
- At 6%, \$60,000 will pay out **\$504 a month** for 15 years

Current limits on assets mean that many of our Initiative Partners have had to turn away otherwise eligible participants because of their modest retirement savings. This proposed technical adjustment to the original legislation removes a very serious disincentive to the very habits the Initiative is designed to foster.

To continue creating financial health and resilience, the IDA Initiative needs to remove barriers and disincentives for Oregonians to save for their retirement. We need to empower Oregonians to build pathways to overall financial wellness throughout their lives – including successful, planned retirements. We need to reinforce the value of saving for the future.

Please help us build financial resilience throughout all of Oregon, by investing in the personal and financial growth of individuals. We ask for your support.

Updated 3-19-2013