



The Bell Policy Center

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From income support to independence Assets are needed to break the cycle of poverty

By Daniel Spivey

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Many low-income families in Colorado are one financial emergency away from disaster. A car breakdown, sudden illness or losing a job can devastate a working poor family's ability to stay afloat. To weather tough financial times, families need assets.

Developing assets is difficult for the working poor because poverty is a cycle. Working poor families consume most of their income just to get by, and saving is difficult. But without savings, opportunities such as owning a home, going to college or starting a business are out of reach.

Too often, policies targeted at helping low-income working families focus only on helping families get by, not developing assets. For example, food stamps or rent assistance help pay the bills, but don't help low-income folks become self-sufficient. These policies are essential to the nation's safety net, but we need to take the next step and promote long-term economic independence through asset development.

Current policies provide generous incentives for saving, but these mainly go to the middle and upper classes. These incentives are mostly income tax breaks that subsidize home ownership and savings for education, health care and retirement.

Subsidizing assets is useful for middle- and upper-income folks to build upon existing wealth, but these benefits often leave out the working poor. Since the poor pay little in income taxes, they rarely benefit from these tax breaks. Creating ways to help low-income families benefit from asset ownership should be a policy priority.

A proven but under-used program to help low-income families develop assets is Individual Development Accounts. IDAs are dedicated savings accounts that help low-income workers save for a specific goal. Through an IDA, a worker puts money aside every month, and for every dollar saved, public and private sector programs offer a \$1 to \$4 match. IDA savings can only be used to purchase a home, go to college or start a small business.

Sometimes, families struggling to meet basic needs simply cannot save more than a meager amount. When a dollar match is provided, the meager savings can, through dedication and hard work, become a new home, business or college degree.

IDAs also foster a savings attitude and strengthen communities and local economies. Research shows that assets such as home ownership promote household stability and educational attainment, decrease the need for welfare, lower the risk of passing poverty on to the next generation and increase civic involvement.



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One IDA in Colorado is the Savings Plus program offered in Denver by Del Norte Neighborhood Development Corp., Mile High United Way, Mi Casa Resource Center for Women and Rocky Mountain Mutual Housing. In three years of operation, it has given a savings boost to more than 500 families.

Savings Plus is also the only IDA in Colorado to get public support in the form of a state tax credit for donations. This credit is only available in years when there is a TABOR surplus. The 2005 tax year is the first year in five for a TABOR rebate, however, Referendum C suspended all TABOR-related tax credits from 2007 until 2011.

Colorado policy makers are behind the curve in helping low-income workers develop assets. We should do more and aggressively pursue a statewide coalition between non-profits, financial institutions and state government to fund and manage a statewide IDA program.

Policies to help low-income families must look beyond income support and place equal importance on long-term economic independence.

Government support for asset development has a long history in the United States. The Homestead Act of 1863 gave 160 acres of land to anyone willing to rough out at least five years in the Western frontier. Almost 25 percent of Americans have a legacy of asset ownership directly tied to the Homestead Act. After World War II, the GI Bill allowed a generation of veterans to get a college education. Of every dollar invested in the GI Bill, the nation received \$12.50 in return.

Past leaders understood the important connections between assets, civic responsibility and economic independence. Colorado policy makers must reinvigorate this notion.

The path to economic independence cannot be traveled without assets. Leaders in Colorado and the nation should help more folks develop assets, rather than expanding incentives for those who already have them.

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