

# Momentum

A Community Economic Development Organization

## Individual Development Accounts

A way out of poverty

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# Momentum

A Community Economic Development Organization

## Vision

**Every person in Calgary can have a sustainable livelihood and contribute to their community.**

## Mission

**Partnering with the underemployed to develop their productive futures.**

# Momentum

**Partners with 4,000 people a year, who are living at or below the poverty line, so they can increase their economic security**

- **40 staff**
- **90 volunteers**
- **25 programs**

# Momentum Departments

- **Business Development**
- **Skills Training**
- **Financial Literacy**

# Financial Literacy Dept.

- 13 staff
- 10 programs
  - **5 IDA programs**
    - Money Management program
    - Money Matters program
    - RESP program
    - Train the Trainer in Western Canada
    - Rent Bank Program
- Published Financial Literacy Curriculum in 2007

# Individual Development Accounts (IDAs)

**Participants learn to ‘save’ their  
way out of poverty and build  
assets**

# Individual Development Accounts (IDAs)

- **Participants save their own money in a separate bank account**
- **Savings (up to a certain amount) are ‘matched’ at a predetermined rate**

# Individual Development Accounts (IDAs)

- **Started in USA in 1997**
- **Momentum started research & development in 1998**
- **Launched first IDA program in 1999**
- **Now has five IDA programs**
- **Longest running IDA project in Canada**

# How IDAs work at Momentum

- **Participants screened:**
  - ➡ **Income, debt load & net worth**
- **Programs run from 6 months to 2.5 years**
- **Participants save \$5 - \$150 every month**
- **Savings are matched 3:1 or 5:1**
- **Over 30 hours of financial literacy training**
- **Participants 'cash out' for an approved asset**
- **Cheque goes to the vendor, not the participant**

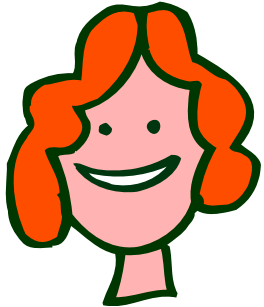
# Eligible Assets

- ➡ **Household goods**
- ➡ **Medical & dental expenses**
- ➡ **Damage deposit for rental**
- ➡ **Tools for work**
- ➡ **Education for self**
- ➡ **Education for a child (RESP)**
- ➡ **Small business start up**
- ➡ **Home ownership**

# Financial literacy topics

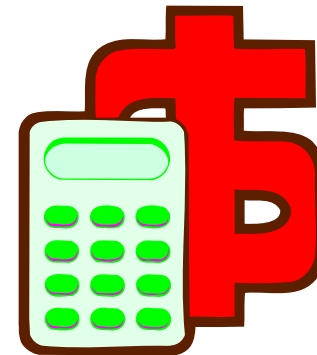
- ➡ **Budgeting**
- ➡ **Assets**
- ➡ **Banking**
- ➡ **Credit**
- ➡ **Consumerism**
- ➡ **Investing & Insurance**
- ➡ **Taxes**
- ➡ **Wills & estate planning**

# How the money adds up



## Year One

\$50 x 12 months	\$600
\$600 @ 3:1 match	\$1800
<b>Total:</b>	<b>\$2400</b>



## Year Two

\$150 x 18 months	\$2700
\$2,700 @ 5:1 match	\$13500
<b>Total:</b>	<b>\$16,200</b>

## Final Total

**\$2400 + \$16,200**  
**= \$18,600**

# Taxation: the bad news

**2004:**

**CRA decided to reinterpret section 56 of the Income Tax Act, and tax the matched funds.**

# Taxation: the good news

- **2007: Participants do not need to declare IDA matched savings as income, except for education and small business (ruling 0180281E5)**
- **T4s for education and business cash outs**
- **T5007s for all other cash outs**