

## Savings Tools

### Resources

American Dream  
Demonstration  
<http://add.cfed.org>

Bankrate  
[www.bankrate.com](http://www.bankrate.com)

Capital Area Asset  
Builders  
[www.caab.org](http://www.caab.org)

Centers for Economic  
Development  
[www.cfed.org](http://www.cfed.org)

Federal Deposit Insurance  
Corporation  
[www.fdic.gov](http://www.fdic.gov)

Greater Washington  
Urban League  
[www.gwul.org](http://www.gwul.org)

### Short-term Asset Ownership

#### Matched Savings Accounts

Many clients dream of owning a home, investing in a small business, or pursuing higher education; matched savings accounts can help low-income clients achieve these financial goals. An individual development account (IDA) is a specific type of matched savings account lasting 6 to 24 months that promotes asset building.

Clients may turn \$500 to \$2,000 by investing in an IDA with a match of 3 to 1. Unlike traditional savings accounts with low interest rates, IDAs match clients' individual savings from 1 to 8 dollars for every dollar a client saves.

Clients may find IDA programs at some local non-profit organizations, which usually implement the programs in partnership with financial institutions. Eligibility requirements can be very specific, but the return on investment is worthwhile.



**From 1997-2001, the American Dream Demonstration found that the average IDA participant accumulated a total of \$2,755 in savings with matched funds.**

#### IDA Restrictions

Although IDAs provide many advantages, they also have limitations. Under most IDA programs, clients must be saving for a wealth-building initiative including: homeownership, post-secondary education, or small business investment. These restrictions limit IDAs to a one-time deal, and focus on large endeavors without considering smaller assets like private transportation and computers.

Not everyone qualifies for this particular savings product, eligibility is determined based on federal poverty guidelines or area median incomes. All programs have different requirements, so the window of opportunity to participate may be small. Also, these programs may not be ideal for clients with outstanding loans or debt.

Some programs require a minimum monthly deposit, and will only match savings up to a certain amount. Typically clients must deposit funds from earned income, but some programs accept payments from public assistance programs.

Dial 211 to locate an IDA program in your area.

## Short-term Asset Ownership

### Certificate of Deposit (CD)

CDs can be an excellent product for longer-term savings. When a client purchases a CD they deposit a certain amount of money for a specific duration of time, and the bank adds interest regularly; for example, \$2000 for 36 months at 3% APY equals \$2,185.

CDs mature after a set period of time, anywhere from 3 to 120 months, and there are usually penalties for early withdrawal. Clients should inquire about the interest rate, whether it is fixed or variable, and how often the bank adds interest; and if they will be paid by check or electronic transfer.

Auto-build CDs are a flexible type of CD that allows clients to make as many deposits to the CD as they want, and the interest rate increases as the balance increases. These CDs usually have a low minimum initial deposit, and last for 12 to 24 months.



Using savings tools such as CDs and savings bonds can help clients achieve financial goals.

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### Savings Bonds

Saving for retirement and children's college funds can be a common source of anxiety. Savings bonds are another low-risk savings product that can assist clients in accomplishing their financial goals.

These government-backed bonds earn interest for 30 years, and are guaranteed to mature in 20 years. They can be redeemed after 12 months, but clients lose 3 months interest if they cash them before 5 years. The longer clients can retain their savings bonds, the more money they can earn.

Paper EE Savings Bonds have a fixed interest rate, are bought at half the face value, and can be purchased for \$25, \$75, \$100, \$500, \$1000, \$5000, or \$10000. Series I Savings Bonds can be purchased for the same values up to \$5,000 but are purchased at face value, and the earning rate includes both a fixed rate and inflation rate.

There are various savings tools available for clients so they can explore the options and decide what products accommodate their goals.

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### Money Market Accounts

If clients are interested in saving money, but would prefer to have access to their funds as necessary, opening a money market account may be appropriate. These high interest yield savings accounts allow multiple withdrawals without penalty fees.

There are limitations to how many withdrawals and transactions can be processed each month, and clients must maintain a minimum balance. However, as their balance increases so do their interest rates, which is an incentive to continue saving. Money Market Accounts are not the same as Money Market Funds or Mutual Funds, which are higher-risk, non-insured investments.



Low-risk savings products are safe investments that are FDIC insured.