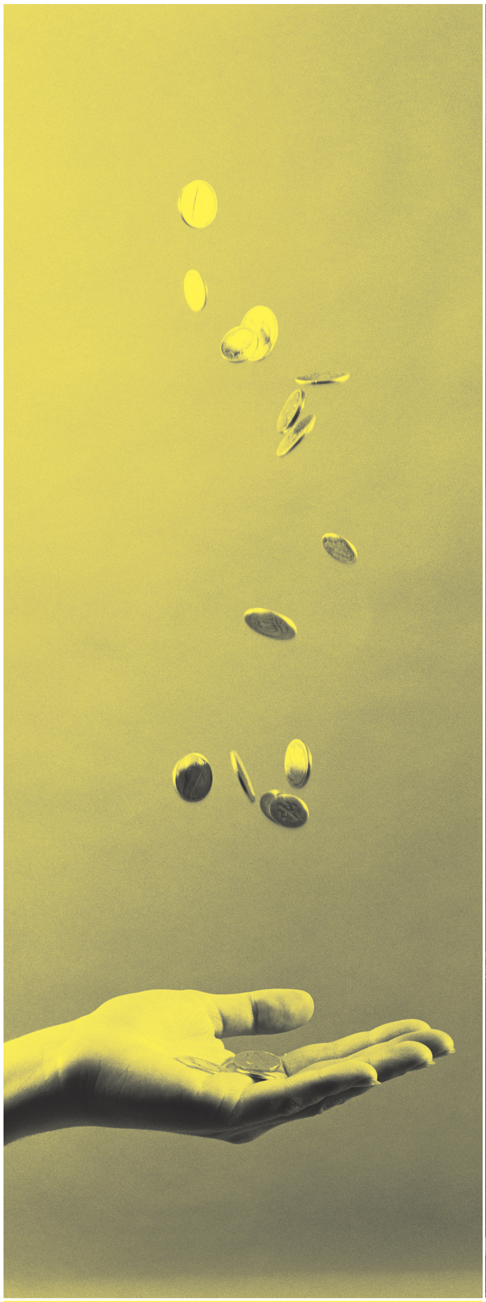

FEBRUARY 2007

Market Segmentation in IDA Programs: *Practice and Research*

NATIONAL ECONOMIC DEVELOPMENT AND LAW CENTER

BACKGROUND

NATIONAL ECONOMIC DEVELOPMENT & LAW CENTER

The National Economic Development and Law Center (NEDLC), established in 1969, is a national research, consulting and legal organization dedicated to building economic health in vulnerable communities. It develops and promotes innovative solutions that help people and communities become, and remain, economically secure. It works in collaboration with community organizations, private foundations, corporations and government agencies to (1) Support programs that lead to good jobs (2) Strengthen early care and education systems and (3) Develop programs that enable people and communities to build financial and educational assets.

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Market Segmentation in IDA Programs: Practice and Research

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EXECUTIVE SUMMARY

INTRODUCTION

Individual Development Accounts (IDAs) are matched savings accounts designed to help low-income and low-wealth people save regularly, and invest in assets such as a home, a small business, or post-secondary education. Individual Development Accounts (IDAs) are matched savings accounts, similar to 401(k) accounts, which are designed to help low-income and low-wealth people save regularly, build assets and escape the cycle of poverty. Typically, most IDA participants' savings and match funds are restricted to first-time home purchase, small business development, and post-secondary education. Administered by non-profit organizations or public entities, the IDA is accompanied by financial education, "goal"-specific education, case management and financial counseling.

To date, roughly 500 IDA programs throughout the nation have offered an estimated 30,000-50,000 accounts, funded both by private and public demonstration projects. The hope is that the number of accounts will grow to millions, so that all Americans will have the opportunity to accumulate assets and benefit from America's tax and asset-development policy.

In 2004, the Mott Foundation embarked on a field learning process to uncover promising practices among cost-efficient, "large-site" IDA programs—or those, for the purposes of this paper, with over 500 accounts. Supported by the Mott Foundation, the National Economic Development and Law Center (NEDLC) convened five large-site IDA providers from across the country for a series of semiannual meetings between 2004 and 2006.[1] The purpose of these IDA Learning Cluster convenings was to share and document the strategies, innovations, promising practices and challenges of operating larger IDA programs, so that new and smaller programs could learn from these pioneers.

The catalyst for creating an IDA Learning Cluster in 2004 was the anticipation of federal or state asset policy which would enable exponential expansion of the number of IDA accounts. One possibility at the time was the proposed federal Savings for Working Families Act (SWFA). SWFA would provide funding through the tax code to support the development of nearly one million Individual Development Accounts nationally, or potentially, 20,000 accounts per state. However, many leaders in philanthropy, policy development and practice believed that the IDA service delivery structure, as currently construed, was too costly to support this rapid level of growth. The majority of IDA programs had less than 100 accounts per program. Individual providers needed to increase their capacity to serve more people; the field as a whole needed to lower programmatic costs and gain economies of scale.

The five IDA initiatives convened in this Learning Cluster represent some of the top pioneers in the field:

[1] It is important to note that these sites are among roughly a dozen IDA programs around the country which have grown to 500 plus active accounts. Other sites could have contributed to this Learning Cluster but it was decided to keep the cohort small to foster trust, build relationships, and facilitate open dialogue.

their programs have each reached a level of cost-efficient IDA activity that is particularly noteworthy.[2] Like a handful of others around the country, these practitioners have reached an advanced stage of development and benefit from some economies of scale. These initiatives include:

- Community Action Project of Tulsa County (CAPTC); Tulsa, Oklahoma
- EARN; San Francisco, California
- Saving for the American Dream (United Way of Greater Los Angeles); Los Angeles, California
- Michigan IDA Partnership (MIDAP); Livonia, Michigan
- The Mid South IDA Initiative; Jackson, Mississippi

This paper is one of four born out of in-depth conversations with this Learning Cluster. *Moving to Scale: Offering IDAs through Large-Site Models* is a case study that describes and analyzes lessons learned and promising practices of the Learning Cluster initiatives. Looking beyond the current IDA model, *Developing a Standard Savings Product for IDA Growth* explores a strategy for making the IDA *idea* universal: the creation of a standard financial product that promotes asset-building *and* includes poor people. And, written for a broader audience, *Large-Scale IDA Programs: Pioneering the Next Level of Expansion* is a shorter, stand-alone document that summarizes all three papers.[3]

The purpose of this paper on market segmentation is to 1) equip the IDA field with lessons from these and other practitioners who have applied market segmentation techniques to their programs; and 2) cull lessons from researchers who have studied factors which impact people's ability to save. Combined, these insights shed light on ways to improve IDA practice through market segmentation. The target audiences for this paper are non-profit IDA providers interested in serving more people, as well as funders and other stakeholders interested in furthering the growth of the IDA field.

DEFINITION: WHAT IS MARKET SEGMENTATION?

In a one-size-fits-all model, IDA programs offer the same basic bundle of services to *all* of their clients, regardless of differential participant needs or backgrounds.[4] In contrast, **a market segmentation approach promotes a "configurable" IDA program: a set of mix-and-match**

BENEFITS OF MARKET SEGMENTATION

- Clients are served more efficiently
- Services are targeted and thereby per unit costs are reduced
- Customer preferences for both *type* and *level* of service are better satisfied
- By distributing "high-touch" and "low-touch" participants among staff, no one case manager is overwhelmed
- Attrition rates may decrease because case managers can be proactive with participants who would otherwise drop-out from the program without focused staff attention

[2] It is important to note that these sites are among roughly a dozen IDA programs around the country which have grown to 500 plus accounts. Other sites could have contributed to this Learning Cluster but it was decided to keep the cohort small to foster trust, build relationships, and facilitate open dialogue.
[3] These other papers can be downloaded from the NEDLC website at www.nedlc.org.
[4] In part, this uniformity of service is a function of federal funding of IDA programs, which *require* that all program participants receive financial education and asset-specific training as a pre-condition for receiving federal match dollars. Nonetheless, some IDA providers have been able to apply market segmentation within the current limitations.

modules used to build the appropriate program at the client or provider level. In a segmented market scenario, IDA providers offer varying bundles of services to different segments of clients, based on the particular needs/demands of the client group.

Market segmentation usually involves a two-part process in which program providers:

1. Divide IDA participants into groups, or segments, based on common characteristics which are thought to impact a person's propensity to save and purchase an asset; and
2. Customize IDA product/services to meet the respective groups' needs: specifically the *type* and *level* of services required.

For the purposes of this paper, the *IDA "market" is defined as those eligible for federal IDA funds.* Working people whose incomes do not exceed more than 200% of the federal poverty line and whose net assets do not exceed $10,000, excluding one car and an owner-occupied house. (For a family of four, 200% of the 2006 federal poverty line equals $40,000 in annual household earnings and $19,600 for a single adult.)

PURPOSE: *WHY* SEGMENT THE MARKET?

Market segmentation promises significant potential benefits to the IDA field. For one, "high-touch," one-size-fits-all, full-service programs are costly.[5] By customizing the IDA product and services to meet the needs of subgroups of participants, rather than requiring uniform services for *all* participants, programs can save money and more strategically target limited staff and financial resources. For example, EARN has found that case management is the most costly IDA expense, and market segmentation has enabled its IDA program to grow, while keeping operating costs flat.

Second, targeted services through market segmentation usually lead to more satisfied IDA customers. Universal products and services may overwhelm people with programmatic components that they do not actually need and dilute the impact of products and services for those who do need them. Third, market segmentation can lead to improved service delivery by encouraging program managers to focus limited staff resources on those people who will actually benefit from individualized attention as well as balance the distribution of "high-" and "low-touch" clients among staff, so that no one staff member is overwhelmed.[6]

HOW TO SEGMENT THE MARKET

LESSONS FROM PRACTITIONERS

Organizations

Dividing the potential IDA market into groupings has been developed both intentionally by IDA program leaders and more organically by the field at large. On the intentional side, pioneering practitioners have

[5] The first comprehensive cost-benefit analysis calculated that a full-service, community-based IDA program costs around $2,000 per account for operations (C.f. Schreiner, M. (2004) *Program costs for Individual Development Accounts: Final figures from CAPTC in Tulsa.* St. Louis: Center for Social Development, Washington University.) However, with improvement in practice over time and economies of scale, it is likely that operational costs have declined since then.

[6] Ben Mangan, EARN's Concept Paper, Productizing Asset Building Products and Services, draft

developed case management tools to segment the market. Programmatic tools range from intake forms with "indicator" questions—specifically designed to determine participants' likelihood of success based on such factors as their level of personal stability, financial status, motivation and attitude—to more intuitive assessments of a participant's likelihood for success through case managers' observations over several months. Some program managers use these techniques to identify applicants who are not yet ready for an asset-building opportunity; others use them to focus limited staff resources on irregular savers. Large-site practitioners have found that irregular savers—sometimes called "tipping point" savers—are most likely to benefit from individual staff attention.

Practitioners of market segmentation commonly use indicator questions and staff's insights to divide IDA applicants or participants into three categories: regular savers, irregular savers, and those who struggle to save. Program managers then direct staff resources to the irregular savers— who are most likely to benefit from individual attention.

MIDAP, for example, uses answers from indicator questions to try to discourage people from entering an IDA program if they are not yet ready, enabling it to save limited resources for those who are ready. Their indicators include: evidence of motivation, personal stability, financial status, and attitude. Using these indicators, a prototypical "successful" saver, for example, is someone who demonstrates evidence of strong motivation, a high degree of personal stability, financial success, and a positive attitude.

Rather than a *pre-screening* selection process, some IDA practitioners rely on a participant *self-selection* process. EARN, for example, established a sequence of required enrollment steps, so that only participants who truly want an IDA actually enroll. Others tend to opt-out by poor attendance at the required orientation and financial management classes. Presented at the orientation with the rules, regulations, common pitfalls—as well as staff support and encouragement—EARN has found that people who are less financially stable tend to decide on their own not to proceed.

The Assets for All Alliance[7] in San Jose, CA only enrolls participants who it assesses are most likely to succeed and then groups those enrolled participants by asset goal, with different IDA "tracks" for home buyers, entrepreneurs, and students. Each track has customized educational curricula, support services, and programmatic features (e.g. match rates, match amounts, and savings period) to better accommodate the needs of that track. The Alliance has also experimented with other forms of segmentation based on common characteristics/struggles/skills. For example, it has a "single mothers" group to help provide peer support and services for specific needs of that segment as well as a "technologically savvy" group, whose members have on-line IDAs, make deposits and withdrawals electronically, and are generally lower-touch.

EXAMPLES OF INDICATORS FOR MARKET SEGMENTATION		
▪ Personal stability ▪ Motivation ▪ Credit history	▪ Attitude ▪ Attendance at program appointments	▪ Use of financial institutions ▪ Knowledge of financial institutions ▪ Regularity in prior savings

[7] With over 1700 IDAs in Northern California since 1999, Assets for All Alliance is one of the largest and oldest IDA collaboratives in the country.

EARN, in contrast, uses a self-selection process: it has a sequence of required enrollment steps, so that only participants who truly want an IDA tend to complete the process. Once enrolled, EARN divides its IDA participants into segments of the working poor population, such as first-time workers, immigrant workers and more established workers. Each segment has corresponding case management needs, customized by EARN's partner organizations. These different market segmentation techniques have helped IDA programs provide higher quality and more cost-efficient services.

CONSIDERATIONS IN APPLYING MARKET SEGMENTATION TECHNIQUES

- Develop indicator tools which extract information needed to segment *enrolled* IDA clients into three groupings. Participants likely to save:

  1) Regularly, 2) Irregularly, or 3) Rarely/not at all
- Alternatively, develop indicator tools which extract information needed to identify *applicants* not yet ready for an asset-building program
- Refer applicants not yet ready for asset building to programs which help them increase their income, reduce their debt, and address other savings/asset readiness issues
- Consider using predictive indicators to segment the IDA market. Some examples include evidence of participants':

  1) motivation, 2) personal stability, 3) attitude, 4) previous savings regularity 5) financial knowledge; 6) use of financial institutions, 7) attendance at program appointments, and 8)credit history
- Allow a few months of trial and error for staff to accurately segment clients and customize services accordingly
- Limit costly case management services to those clients who are most likely to benefit from strategic staff intervention: the irregular or "tipping point" savers
- Develop self-assessment tools to help homeownership and micro-enterprise savers set realistic savings goals
- Consider creating asset-specific (e.g. homebuyers) or population-specific (e.g. single mothers) IDA cohorts, with customized support and educational requirements catered to the needs of the different cohorts
- Consider developing a hybrid collaborative approach, whereby a lead agency provides a simple IDA product while community partners provide full wrap-around services to specialized market segments

Field

At the field level, market segmentation has developed somewhat organically. Organizations already providing supportive services for different market segments (e.g. youth, welfare recipients, refugees, homebuyers, entrepreneurs, students, etc.) add IDAs as another tool to their menu of strategies to assist their target population and/or asset-focus. People within that segment then join IDA programs through these organizations, which are already structured to serve them in other capacities. In doing so, organizations can offer IDAs in a cost-effective manner because they already have case managers on staff with specific knowledge of that group and/or asset. Once participants enter the IDA program through these organizational channels, program managers then further divide their target population into those youth, welfare recipients, refugees, homebuyers, entrepreneurs, students, etc. who are likely to save regularly, irregularly or rarely/not at all.

In addition to non-profit organizations (which are the primary providers of IDAs, today) the market has been segmented—and could further segment in the future—by these other potential distribution channels:

- Employers/unions
- Public agencies
- Educational institutions
- Financial institutions
- Private sector players, e.g. insurance companies, mortgage brokers, investment firms

LESSONS FROM RESEARCHERS

While practitioners have experimented with ways to segment the IDA market, researchers at the Center for Social Development (CSD) at Washington University in St. Louis have investigated what factors make a "good" saver. Using data from the American Dream Demonstration (ADD), they performed statistical studies to determine which *individual characteristics* (e.g. gender, age, income, race/ethnicity, etc.) and which *institutional factors* (e.g. match rate, match cap, direct deposit, financial education hours, etc.) tend to have an impact on *whether* and how *much* people save.[8] In analyzing ADD outcomes, CSD defines being a "sav*er*" as a participant who has at least $100 of net savings. CSD defines "sav*ings"* as the average monthly net deposit of a participant. Knowing which factors affect savings can help practitioners as they develop intake and case management tools to enroll IDA applicants and implement varying degrees of case management services (depending on the market segment).

> Knowing which factors affect savings can help practitioners as they develop intake and case management tools to enroll IDA applicants and implement varying degrees of case management services—depending on the market segment.

Individual Characteristics

Applying the implications of research lessons on the relationship between individual characteristics and savings outcomes, practitioners could consider the following market segments:

- Younger populations with educational aspirations and financially supportive parent(s) may be a particularly successful market segment
- Working students may be a particularly successful market segment

[8] See the bibliography on page 29 for a complete listing of the Center for Social Development reports reviewed for this paper.

- Former or current welfare recipients are as likely as other groups to take advantage of an IDA program
- People with high consumer debt tend to save less, so IDA program managers may want to help clients work on consumer debt reduction before enrolling them into an IDA program

The chart on the following page aggregates CSD's findings from several studies on the relationship between individual characteristics and savings outcomes among different market segments. Practitioners can use these points to help identify likely successful IDA participants. Practitioners can use also these findings to flag participants who may need more case management services.

IMPACT OF PARTICIPANT CHARACTERISTICS ON SAVINGS OUTCOMES		
CHARACTERISTIC	IMPACT ON SAVINGS AMOUNT (DEFINED BY: AVERAGE MONTHLY NET DEPOSITS)	IMPACT ON BEING A SAVER (DEFINED BY: HAVING AT LEAST $100 OF NET SAVINGS)
Female	No Relationship	+
Age 14-20	–	–
Age 21-39	+	+
Age 40 & Older	–	+
Education	+	+
*Income	No Relationship	No Relationship
Employment Status	No Relationship	
Working Students	+	+
Public Assistance Recipiency	No Relationship	No Relationship
Marital Status	No Relationship	No Relationship
Additional Adult in Household	+	No Relationship
Additional Child in Household	No Relationship	No Relationship
Homeowners	+	+
Car Owners	+	+
Micro-enterprise *Savers*	+	
Bank Account Owners (v. people w/no bank account or savings accounts only)		+
'Investment' Debt (e.g. home mortgage)	+	
Credit Card Debt	–	
Health Insurance Owners	No relationship	No Relationship

Source: Data was complied by NEDLC based on aggregated findings from the Center for Social Development's research reports on the American Dream Demonstration. See the bibliography for a complete listing of the reports.
*ADD participants earned no more than 200% of the federal poverty line, so the chart shows the impact of income among a group of *already low-income* participants.
"+" denotes a positive relationship. "–" denotes a negative relationship.
A blank box means no results were reported.

Institutional Factors

Researchers also investigated which *institutional factors* (e.g. match rate, match cap, direct deposit, financial education hours, etc.) tend to have an impact on *whether* and how *much* ADD participants saved. Findings from the research presented below can inform program designers, funders, and policymakers to structure IDA programs in ways that make it easier for low-income people to start and continue saving.

- **Match rates**: higher match rates up increased the likelihood of being a *saver* and reduced the risk of dropping out of the IDA program, but did not impact the total amount of average monthly net deposits
- **Savings goals**: higher savings goals increased the likelihood of being a saver and resulted in higher average monthly net deposits
- **Withdrawal restrictions**: program participants reportedly found withdrawal restrictions helpful in resisting spending and increasing savings
- **Financial education**: up to 10-12 hours of financial education had a positive impact on average net monthly savings deposits, but more than 12 hours did not seem to have any further impact
- **Use of Automated Transfer:** having some wages automatically transferred to a savings account was strongly associated with an increased likelihood of being a saver and a decreased likelihood of dropping out of the program

ORGANIZATION OF THE PAPER

The paper is organized as follows:

- **Section I** defines market segmentation and its applicability to the IDA field.
- **Section II** explains why market segmentation is an important tool for IDA practitioners.
- **Section III** describes some lessons from the field's early attempts at market segmentation. Drawing from practitioners' experiences, it discusses methods of dividing the IDA market (e.g. by client characteristics, asset goals, IDA provider, etc.) and allocating appropriate resources to the respective segments.
- **Section IV** describes lessons from researchers about market segmentation, discussing some of the key findings on institutional and individual factors which influence savings. It also highlights how these findings can help practitioners successfully segment the market and improve program designs.
- **Section V** raises concerns and questions about using market segmentation to help IDAs go to scale.
- **Section VI** recommends policy changes necessary for further market segmentation.
- **Section VII** describes future research needs.

INTRODUCTION

From the Homestead Act and the G.I. bill to tax deductions for home owners, asset building has long been a part of America's economic policy to help middle class families. Using asset development as a strategy for alleviating poverty, however, is a relatively new concept. Widely recognized as the person responsible for this paradigm shift, Michael Sherraden wrote a groundbreaking 1991 book entitled *Assets and the Poor* in which he proposed Individual Development Accounts (IDAs) as a tool to alleviate income- and asset-poverty in the US.

Supported by the Charles Stewart Mott Foundation, over the past two years the National Economic Development and Law Center (NEDLC) has convened five large-site, non-profit IDA providers, which are interested in significantly expanding asset building opportunities among low-income and low-wealth individuals and families in the United States. These practitioners are:

- Community Action Project of Tulsa County (CAPTC); Tulsa, Oklahoma
- EARN; San Francisco, California
- Saving for the American Dream (United Way of Greater Los Angeles); Los Angeles California
- Michigan IDA Partnership (MIDAP); Livonia, Michigan
- Mid South IDA Initiative; Jackson, Mississippi

This paper was born out of in-depth conversations with leaders from these organizations, who—along with some other large-site IDA providers—have experimented with ways to segment the IDA market. The target audiences for this paper are current and future non-profit IDA providers interested in serving more people, as well as funders and other stakeholders interested in supporting this work.

Over the past 15 years, the field of Individual Development Accounts has grown from a small number of demonstration programs with a few hundred accounts to roughly 500 established programs with over 30,000 accounts. As Congress considers savings and asset building policy initiatives, the potential exists for IDAs to expand even further to serve hundred of thousands, or even millions of families.

Implementing market segmentation techniques alone will *not* enable current and future IDA providers to serve *millions* of people. The funding and institutional platforms for IDAs would need significant changes for that to happen. However, **large-scale IDA providers have found that market segmentation provides significant program benefits, such as increased program effectiveness, improved service delivery, and cost savings.**

This paper discusses the promises, practices, and potential pitfalls of segmenting the IDA market. It proceeds as follows:

1. **Section One** defines market segmentation and its applicability to the IDA field.

2. **Section Two** explains why market segmentation is an important tool for IDA practitioners.

3. **Section Three** describes some lessons from the field's early attempts at market segmentation. Drawing from practitioners' experiences, it discusses methods of dividing the IDA market (e.g. by client characteristics, asset goals, IDA provider, etc.) and allocating appropriate resources to the respective segments.

4. **Section Four** describes lessons from researchers about market segmentation, addressing some of the key findings on institutional and individual factors which influence savings. Knowing which factors contribute to savings outcomes can help practitioners successfully segment the market and design program services accordingly.

5. **Section Five** raises concerns and questions about using market segmentation to help IDAs go to scale.

6. **Section Six** recommends policy changes necessary for further market segmentation, and

7. **Section Seven** describes future research needs.

Implementing market segmentation techniques alone will *not* enable current and future IDA providers to serve *millions* of people. The funding and institutional platforms for IDAs would need significant changes for that to happen. However, **large-scale IDA providers have found that market segmentation provides significant program benefits, such as increased program effectiveness, improved service delivery, and cost savings.**

It is important to note at the onset that the IDA field is nascent in its development. Adapting market segmentation techniques to its practice is still very much in the experimental phase. A comprehensive evaluation of market segmentation, as opposed to a paper, would include:

1. Profiles of different IDA market segments;
2. How IDA applicants are segmented / categorized into sub-markets;
3. Which services each segment receives (or should receive);
4. Cost per service for the different segments; and the
5. Outcomes/benefits of the services.

To date, some field leaders have developed market segment profiles and tools to segment IDA applicants and direct case management resources accordingly. These practices are described in the pages to come. However, without further inquiry, it is unclear whether any large-scale providers are performing cost-benefit analyses of their work in a more systematic way (e.g. steps three to five above). It is clear that anecdotally practitioners have found market segmentation to be a useful and effective management and service delivery tool.

SECTION I

DEFINITIONS: WHAT IS MARKET SEGMENTATION?

MARKET SEGMENTATION

In the for-profit arena, market segmentation refers to a categorization of an overall market of customers into different groupings, based on common demographic, socioeconomic, and psychographic characteristics. The categorization is done to assess and meet different demands of the market segments.

The Gap Inc. provides a widely recognized example of market segmentation techniques in the for-profit sector. Over the years, the Gap has developed distinct sub-brands of clothing (e.g. Old Navy, Banana Republic, GapKids, babyGap, and most recently Forth & Towne) for different market segments based on variables such as income, age, and gender. In a press release for its latest apparel retail concept, Forth & Towne, Senior Vice President of Design described the target market segment:

> "Our customer is a woman who knows who she is and her clothes reflect her sense of self. The Forth & Towne customer does not dress formula. She is confident mixing color, texture and pattern."[9]

The Gap identified four common characteristics of the market segment: (1) women over 35, who (2) exhibit large spending power, have a (3) favorable income profile, and are (4) underserved in the specialty market. To meet the needs of this segment, the Gap developed "unique brands tailored to a range of lifestyles:" casual, business and dress-up needs.[10]

Applying this common private sector concept to the IDA field, **market segmentation refers to a two-part process in which program providers: (1) divide IDA participants into groups, or segments,** based on common characteristics which—according to practice and research findings—are thought to impact a person's propensity to save; and **(2) customize IDA product/services to meet the respective groups' needs** (e.g. the specific *type* and *level* of services).

IDA "PRODUCT" VERSUS IDA "PROGRAM"

The IDA product is the matched savings account, similar to an IRA or 401(k) financial product. The IDA program, on the other hand, refers to the IDA product, *plus* the following service components: financial education, asset-specific training, case management, credit counseling, and asset acquisition assistance. In a one-size-fits-all model, most IDA programs offer more or less this same basic bundle of services to *all* of their clients, regardless of differential participant needs or backgrounds.[11] In contrast, **a market segmentation approach promotes a "configurable" IDA program: a set of mix-and-match modules used to build the**

[9] Austyn Zung, Forth & Towne Press Kit, www.gapinc.com
[10] Ibid
[11] In part, this uniformity of service is a function of federal funding of IDA programs, which *require* that all program participants receive financial education and asset-specific training as a pre-condition for receiving federal match dollars. Nonetheless, some IDA providers have been able to apply market segmentation within the current limitations.

appropriate program at the client or provider level. In a segmented market scenario, IDA providers offer varying bundles of services to different segments of clients, based on the particular needs/demands of the client group.

More broadly-construed, IDAs are part of an array of saving and asset accumulation strategies, which help move people from transactors to saver to borrowers and eventually to owners/stakeholders in their communities. Each stage of this Credit Model Path, developed by Alternatives Federal Credit Union, has corresponding service and product offerings (e.g. checking and savings accounts, IRAs, 529 savings plans, financial education and credit counseling, small business and home loan products, home equity and home renovation products, etc)..[12]

If IDAs were to become available to millions of Americans, many leaders in the field argue that the driving force behind IDAs would have to move from community-based non-profit organizations to financial institutions. Financial institutions, many suggest, would need to develop a scaled-down simple, low-fee, universal IDA product for the majority of account holders, while non-profit organizations would provide a range of wrap-around programmatic supportive services on an as needed basis to a smaller number of people unprepared to take advantage of a stand-alone bank product.[13]

IDA MARKET

The field does not have a common definition of the "IDA market," and there are a few ways to think about the IDA market. It may be, for example, anyone currently eligible for federally-funded IDA programs today. To be eligible for the only large federal source of IDA funds, the Assets for Independence Act (AFIA,) participants must be employed with total households earnings no more than 200% of the federal poverty line and net worth no greater than $10,000, excluding the value of an owner-occupied home or a car. Thus, anyone who falls within that federally-defined category may be considered the "IDA market." For an individual IDA program manager, the IDA market may comprise of only those people within their service area who federally qualify for the IDA program. Alternatively, the IDA market could be thought of as the 13 million working poor families in the U.S. Or it may be anyone who would open an IDA, if given the opportunity: in effect, the total demand for the IDA "product." For the purposes of this paper, the IDA market is defined as those eligible for federal IDA funds: working poor people whose incomes do not exceed more than 200% of the federal poverty line and whose net assets do not exceed $10,000, excluding one car and an owner-occupied house. However, when the paper discusses IDAs going to "scale" in the future, the IDA market definition expands to include all income and asset poor Americans.

IDA PROVIDERS

The terms IDA providers, IDA practitioners, field leaders and program leaders are used interchangeable to describe executive staff of large-site IDA programs and/or collaboratives.

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[12] Bill Myers, *Credit Path*, www.alternatives.org.creditpath.html.
[13] A more detailed discussion of an IDA program versus product is subject of a separate NEDLC paper.

"GOING TO SCALE"

In the context of this paper, the term "going to scale" refers to future funding and institutional capacity to supply several thousand or millions of Americans with IDAs. Market segmentation can enable current and future IDA program providers to serve more people with IDAs. However, a significant infusion of public and/or private dollars as well as providers of IDAs would be needed to move from thousands to millions of IDA account holders.

SECTION II

PURPOSE: WHY SEGMENT THE IDA MARKET?

Market segmentation promises significant potential benefits to the IDA field. For one, "high-touch," one-size-fits-all, full-service programs are costly. According to the only rigorous cost-benefit study conducted, a full-service, community-based IDA program costs $1,959 per participant, or $3.06 per participant dollar saved, excluding match dollars.[14] In general, the operational cost estimates of IDA programs range from about $1,000 to $2,000 per participant. While the costs of running an IDA program are likely to decline as the field advances, there is a common view among its leaders that per account costs must decrease substantially in order to go to scale and serve many more working and asset poor households.[15] By customizing IDA product and services to meet the needs of subgroups of participants rather than requiring uniform services for all participants, **IDA programs can save money and more intentionally target staff resources.** In the current, more uniform model, IDA practitioners lose money if they provide too many services to someone who does not need the services offered, or waste money if a participant drops from the program because he/she does not get enough services.

Targeted services through market segmentation can also lead to more satisfied IDA customers. Universal products and services may overwhelm people with programmatic components that they do not actually need and dilute the impact of the products and services for those who do need them (by, for example, having larger class sizes to accommodate *all* participants).[16] Some argue that is it also disempowering to force people to receive unnecessary services.[17]

Market segmentation can lead to improved service delivery by IDA staff. Dividing the market according to client characteristics and programmatic needs enables IDA managers to balance the distribution of "high-touch" and "low-touch" clients among staff, so that staff members are not overwhelmed with a caseload of all more labor-intensive clients. Similarly, it encourages individual staff members to be proactive in providing support for only those people who actually benefit from individualized attention and take a more hands-off approach for others.[18]

Lastly, by disentangling the costs of the program versus the product, **market segmentation builds value propositions** which can motivate banks, employers, and insurers to enter the IDA market.[19] As is, the high costs of a full-service IDA program and uncertain financial returns can hamper private sector involvement. On the other hand, financial institutions may be more motivated to develop an IDA product for just low-touch segments of the IDA market.

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[14] Mark Schreiner, Center for Social Development, 2004.
[15] Aspen Institute, "Individual Development Accounts: How to Move from a Program for Thousands to a Product for Millions," November, 2003, p.2.
[16] EARN's Concept Paper, Productizing Asset Building Products and Services, draft
[17] EARN's Concept Paper, Productizing Asset Building Products and Services, draft
[18] Steven Dow, Executive Director, Community Action Project of Tulsa County, Interview, November 11, 2005
[19] EARN's Concept Paper, Productizing Asset Building Products and Services, Draft

SECTION III
HOW TO SEGMENT THE MARKET: PRACTITIONER PERSPECTIVE

While the rationale for market segmentation is relatively clear, understanding how to subdivide the market and appropriately align products and services to the subsets is notably less clear. A few pioneering IDA providers have begun to develop intentional mechanisms to segment their IDA participants and applicants, while the field as a whole has more organically evolved toward greater market differentiation and specialization. IDA providers have tended to divide IDA applicants and/or participants into groupings which require different *levels* of services (e.g. "high-touch" versus "low-touch"). To some extent the IDA field, in contrast, has tended to self-segment according to organizations which provide different *types* of services (e.g. home buyers' education, small business training, etc).

Section A below provides examples of the ways that some IDA program leaders have experimented with market segmentation. Programmatic market segmentation tools range from intake forms with "indicator" questions—specifically designed to determine, for example, a participant's level of personal stability, financial status, motivation and attitude—to more informal and intuitive assessments of a participant's likelihood for success based on case managers' observations. Some program managers use these techniques to identify applicants who are not yet ready for an asset-building opportunity; others use them to focus limited staff resources on irregular (or "tipping point") savers, who are most likely to drop-out of the program without individual staff attention. All of the program managers, however, have made adaptations and improvements along the way, as they developed their own promising practices for streamlining and institutionalizing these innovative processes.

Section B describes how the field as a whole has begun to self-segment and specialize by "distribution channels," or the mechanism by which program participants enter the field.

A. ORGANIZATIONS: SEGMENT THE MARKET BY CLIENT CHARACTERISTICS OR ASSET GOAL

Segment by "Type of Saver"

The **Community Action Project of Tulsa County** (CAPTC) in Oklahoma was probably the first IDA practitioner to take a market segmentation approach. CAPTC was a part of the first national demonstration project of IDAs, the American Dream Demonstration (ADD), and in 1998 it was selected as the experimental design site for an evaluation of ADD and charged with recruiting and managing about 500 IDA participants and 500 control group participants—the largest IDA endeavor at its time.

To maximize limited resources and effectively serve 500 IDA participants, CAPTC implemented a market segmentation system. CAPTC developed an intake process which asked questions needed to divide the IDA enrolling client pool into so-called "red," "yellow," and "green" savers. Green savers saved regularly, with or without staff support; yellow, or tipping point, savers saved irregularly and unpredictably. Red savers, in contrast, had difficulty saving at all and needed to work on increasing their income and improving their credit before moving toward asset acquisition. Regardless of staff attention and resources, the red group was not likely to succeed as savers at point of intake.

After segmenting the market, CAPTC allocated very little IDA staff time on the red savers, no staff time on the green savers, and it concentrated staff time and resources on the yellow/tipping point savers, where the difference between saving or not saving was often times determined by the presence of staff support. For the yellow savers, CAPTC staff would proactively remind participants to save at the beginning of each month. CAPTC also tried to balance client caseloads among staff so that one staff person did not have all of the red savers and another all of the green savers.

The **Mid South IDA Initiative** was launched in 2002 in Louisiana, Arkansas and Mississippi, and over time its lead organization in Arkansas, the Southern Good Faith Fund, also spear-headed the development of categories for an informal segmentation process. These categories are based on client characteristics that correspond in some ways to CAPTC's red, yellow, and green groupings. Today, the Southern Good Faith Fund tries to segment their clients into the following categories:

1. **Faithful Savers/Clear Goal Setters**[20]
   - 90% are working poor
   - Tend not to be single parents
   - Have most aspects of their life together
   - Save regularly, even if only $20 a month
   - Typically take from six months to 1-1½ years to meet goal
   - Need almost no staff support

2. **Off and On Saver/Fuzzy Goal Setters**
   - Are committed, but struggle to save
   - Are working poor, but haven't necessarily been working long
   - Often are working AND going to school
   - Tend to be single mothers
   - Some save pretty regularly after first six months; others go back and forth between saving and not saving
   - Do save after they get over hurdles, like setting a budget, and gain confidence that they can do it
   - Need counseling to figure out which asset goal is doable for them and a plan of action to address things like credit issues
   - Take 1 ½ to 2 ½ years to meet goal
   - Need moderate counseling/contact, usually three times over the duration of the program

[20] Foundation for the Mid South, PowerPoint presentation, IDA Convening, January, 2005

3. **Real Strugglers/Out of Touch Dreamers**
   - Same as 2nd group, but tend to work off and on
   - Economic juggling is even more difficult because income is not constant
   - Have unrealistic goals
   - Love the classes, want to be part of the group
   - Like regular contact with staff, but don't follow through on what is learned in class or in talking with staff

Initially, staff performs some level of categorization and service needs assessment, based on staff's impressions from clients' one-on-one enrollment and goal-setting sessions. However, it usually takes a few months for staff to more accurately segment their clients and customize services accordingly. Like CAPTC with its yellow savers, the **Southern Good Faith Fund staff focuses the majority of its staff resources and time on the Off and On Savers/Fuzzy Goal Setters because this group is most responsive to staff attention.** Program staff help this middle segment develop realistic goals and a plan for success. Since poor credit history is often an obstacle, program staff work with existing credit counseling organizations, where available. In their rural areas which lack credit counseling agencies, they created two new credit counseling positions at partner satellite offices. In addition, Southern Good Faith Fund staff are now certified to provide homebuyer's counseling and training for homeownership savers.[21]

For the Real Strugglers/Out of Touch Dreamers, the staff created new self-assessment and action tools to help home and business savers identify goals, supports, barriers and steps needed to accomplish their goals. (A copy of each of these program tools is attached in Appendices B and C). Southern Good Faith Fund also now requires small business savers to take a long-term business training class through their Business Development Center.[22]

The **Michigan IDA Partnership** (MIDAP), which launched its statewide IDA collaborative in 2000 and now has 1300 IDA active participants, developed "indicator" questions that staff used informally to assess a client's propensity to save, and based on their anecdotal experience of successful savers. **MIDAP used answers from indicator questions to prevent people from entering a program if they were not yet ready and saved resources for those who were ready.** Their indicators included: evidence of motivation, personal stability, financial status, and attitude. MIDAP developed a prototype of a "successful" saver using these indicators: e.g. someone who demonstrated evidence of strong motivation, a high degree of personal stability, financial success, and a positive attitude. Below are the types of characteristics that MIDAP looked for when assessing a *likely successful participant.*

1. **Evidence of Motivation[23]**
   - Knows about credit and working on repair
   - Actively paying off debt/payment plan
   - Already saving some money

[21] Email from Angela Duran, President of Southern Good Faith Fund, President, 2/3/06
[22] Ibid
[23] Email from Eric Muschler

- Brings complete program application to the first meeting
- Flexibility/willingness to meet program requirements
- Lack of barriers to saving identified
- Completed other related training program

2. **Personal Stability**
   - Positive family relationships
   - Stable housing situation (measured by length at current home)
   - Stable employment situation (measured by length at current job)
   - Generally good health
   - Shows up to appointments
   - Volunteers or has an active hobby

3. **Financial Status**
   - Credit Score is repairable within 3 years
   - Willingness to discuss and work on credit issues
   - Makes rent/utility payments on time
   - Uses a bank account/has a history using of financial institutions
   - Direct deposit is possible
   - No default on government loan or bankruptcy
   - Has multiple incomes to support household needs
   - If they have a car, it is insured
   - Health insurance is in place

4. **Attitude**
   - Has thought about increasing income
   - Can discuss short- and long-term goals
   - Is interested in setting goals and planning
   - Is open to suggestions
   - Has a positive connection to organization
   - Sees value in services program offers
   - Is not looking for a hand-out

Segment by Asset Goals[24]

With 1,540 accounts since 1999, the **Assets for All Alliance** ("the Alliance") in the San Jose/San Francisco Bay Area is one of the largest and oldest IDA collaborative initiatives in the U.S.. Like other large-scale practitioners, the Alliance has experimented with methods to segment its IDA market, based initially on funding sources and later on asset goals. At first, the Alliance targeted their outreach efforts to recruit according to the eligibility requirements of different funding sources (e.g. refugees, welfare recipients, AFIA-eligible clients,[25] etc.). With a large, diverse, and multilingual IDA clientele, participants were segmented by important practical considerations, such as common language, cultural, and community connections (to foster tighter peer groups and thus higher success rates).

Within each of these target groups, the Alliance divided applicants into three groupings according to an assessment of the likelihood of client success, using indicators such as:

- Credit score
- Tardiness or absence in intake appointments
- Pattern of bill-paying
- Level of personal stability
- Prior financial knowledge and
- Use of financial institutions.

Once they divided the applications into these groups, the Alliance assigned levels of case management according to likelihood of success. Credit history is now a particularly important indicator, since the Alliance has found that poor credit history and significant outstanding debt signal that clients are not yet ready for an asset-building program.

After a few years of enrolling the "reds" (borrowing CAPTC's terminology) and observing their performance, the Alliance learned that no matter how much "high touch" case management they receive, this group would eventually drop out of the program. Thus, **the Alliance currently *only* enrolls the green and yellow savers, giving priority enrollment to the green applicants who they are confident will succeed.** It refers red clients to more appropriate, intensive services, such as employment, credit counseling, and/or a pre-IDA financial education program.

The Alliance has experimented with other forms of segmentation based on common characteristics/struggles/skills. For example, it has a "single mothers" group to help provide peer support and services for specific needs of that segment as well as a "technologically savvy" group, whose members have on-line IDAs, make deposits and withdrawals electronically, and are generally lower-touch.

[24] Information in this section is based on discussions with two key members of the Assets for All Alliance: Zuri Ruiz, Chief Operating Officer at Lenders for Community Development, and Vanessa Cooper, formerly Program Director at Catholic Charities of San Jose, the largest community partner in the collaborative.
[25] As mentioned in Section I, AFIA stands for the federal Assets for Independent Act, the primary source of IDA funding. To be eligible for an IDA under AFIA, participants must be employed with total households earnings no more than 200% of the federal poverty line and net worth no greater than $10,000, excluding the value of an owner-occupied home or a car.

Today, however, the hallmark of the Alliance's market segmentation approach is to group clients by asset goal, or type of service needed. The Alliance offers "single-track" IDAs with customized support and educational requirements accordingly to the different asset goals. Segmenting by asset goals furthers a stronger cohesiveness in the group through shared interests and inquiries, and advances a more customized educational curriculum and case management strategy. The Alliance also learned to target its outreach efforts at places where would-be participants already receive asset-related services (e.g. educational institutions, homebuyer assistance programs, small business trainers, etc.) **The Alliance adapted the key parameters of the saving program (match rate, match amount and saving period) to better accommodate the needs of different IDA tracks.**

The following table outlines a menu of possible IDA tracks that the Alliance offers. Each track links the respective asset goals to an appropriate savings period, match rate, and match amount and also reflects program funding streams.

Outreach Target	Savings Goal	Match Rate	Maximum Match	Minimum Savings Period	Maximum Savings Period
Community Colleges	Post secondary education	2:1	$3,000	12 months	24 months
Colleges/Universities	Post secondary education	2:1	$4,000	12 months	24 months
Technical training institutions	Education	4:1	$2,000	6 months	12 months
High Schools	Post secondary education	4:1	$4,000	12 months	36 months
Business training organizations & the self-employed	Small Business	2:1	$4,000	12 months	24 months

(In addition, the Alliance now offers a single-track homeownership IDA.)

Finally, the Alliance now requires all of their participants to use direct deposit or an electronic fund transfer system[26] as a way to reduce missed deposits and is very strict about dropping people from the program when they miss a few deposits. Therefore, an effective "initial screening/segmentation" strategy is instrumental to success.

Segment by "Types of Poverty"

A vocal and pioneering proponent of the market segmentation approach, **EARN** launched its IDA initiative in San Francisco in 2001 with the explicit intention of using market segmentation to model a "scaleable" IDA and now manages 1,000 IDAs. **Costing out all of the components of an IDA program, EARN found that case management is the most expensive piece.** In order to model what it takes to go to scale, EARN found early on that it needed to understand the different segments and their corresponding levels and types of case management needs. It is important to note, however, that EARN never pre-screened participants based

[26] The Alliance requires the use of either direct deposit or ACH Network, an electronic funds transfer system which provides for interbank clearing of electronic payments for participating depository financial institutions.

on an upfront assessment. Rather, it has enabled people to self-select – in and out of the IDA program – through trainings and orientations.

Based on studying other IDA programs and through their own observation with community partners, EARN over time defined three markets, which correspond to three different types of working poor populations with their own case management needs:

1. **Established Working Poor**[27]
    - American born working poor who may have received some forms of public assistance but have worked steadily most of their adult lives
    - Generally less connected to social service network and public benefits
    - Parents worked, but could not break the cycle of poverty because they did not have assets
    - No college education
    - Tend to consume free services which could improve their financial standing
    - Low levels of case management needs

2. **First Time Workers**
    - American born and immigrant poor
    - Working steadily for the first time as a result of welfare reform
    - Have less stability in their lives than the Established Working Poor

3. **Immigrant Working Poor**
    - Immigrants
    - Work steadily, remain poor
    - May have received some form of public assistance
    - Varying levels of stability in their lives

Over time, EARN learned that it needed to more deeply segment the Immigrant Working Poor by: language, country of origin, and the length of time in the U.S.. It also discovered that First-Time Workers had actually moved in and out of the workforce fulltime while on and off welfare, as opposed to entering the workforce full-time for the first time after welfare reform, as originally assumed.

EARN's next step in its segmentation process is to better understand the correlation between types of working poor populations and each segment's respective product/service demands. EARN is working with a consultant to develop regression models that indicate predictive variables in savings outcomes and asset accumulation. Variables in their model include: economic and demographic factors; relative levels of household economic stability; relative capacity to navigate programmatic elements; and connections to affinity or supportive networks. The goal is to understand how different clients in different circumstances need, prefer, and consume different asset building products and services, in keeping with the "mix-and-match modules" of a more configurable IDA program (discussed in Section I).

[27] This section is drawn from interviews with EARN's Executive Director, Ben Mangan and EARN's Concept Paper, Productizing Asset Building Products and Services, Draft

An early analysis of a 150 participant sample of EARN's existing client pool in San Francisco revealed the following:

- Having a car in San Francisco is negatively associated with savings' outcomes
- Women with children are positively associated with savings' outcomes
- Having an email account was the largest predictor of positive savings outcomes (but once other factors are considered in the analysis, this may not have a large impact)
- Having a savings account was the second largest predictor of positive savings outcomes[28]

Using their market segmentation approach, **EARN developed a hybrid program design model in which EARN directly provides IDAs for the less labor-intensive Established Working Poor segment, while offering back office support services for community partners who specialize in providing much more labor-intensive case management services to the First-Time Workers and Immigrant Working Poor segments.** In some cases, these community partners not only focus on a particular population but also on a particular asset.

EARN directly provides IDAs for about 40% of their IDA customers, while their partners provide the remaining 60%. **Segmenting the market and implementing a hybrid approach have enabled EARN to increase the number of IDAs it offers, while keeping its operating costs flat.** Over time, it learned that it was most cost-efficient and programmatically effective to choose community partners who not only served a particular segment of the working poor but were also already engaged in asset-building work (e.g. first-time homebuyer organizations, post-secondary educational institutions, financial education providers, etc.). These community partners serve as proxies for EARN's market segmentation categories.

Similarly, the **United Way of Greater of Los Angeles' (UWGLA) Saving for the American Dream IDA program** uses a "matrixed" market segmentation approach: community partner provide wrap-around services for different market segments, while UWGLA provides back-end office support services and funding for all of its partners. This approach has enabled UWGLA to provide IDAs to a more diverse group of individuals. UWGLA chooses partners based on their field of asset expertise and the population they serve. This matrix model tends to result in high participant retention and asset purchase rates because the populations share a common language and community connections; thereby fostering mutual support. These efforts are further bolstered by the partners' expertise in a specific asset.[29]

UWGLA's has found that clients served by partner agencies which cater services to a more uniform pool of clients (for example, refugees, people with similar ethnic/racial backgrounds, or people from the same neighborhood) have generally had better success in the program. Further, some of these non-profit partners specialize in homeownership or small business development. Therefore, loan counselors, business development specialists, or asset trainers are the ones to provide case management services to IDA clients. This strategy may not always benefit the IDA segments which need more traditional case management

[28] Telephone conversation with Ben Mangan, January 9, 2006

[29] This section is based on an email from Edmund Khashadourian, Community Investment Officer, United Way of Greater Los Angeles, 5/31/06

assistance earlier on in the program in order to get to the point where they are even ready for asset-specific training.

While "green" savers do benefit enormously from the asset-specific expertise as they complete their savings and prepare for asset purchase, "yellow" and "red" savers need a higher-touch, general case management component that includes referrals to various other programs and services in the community not necessarily related to the saving process.

In order to address this issue, UWGLA is currently exploring the development of a hybrid network where *all* participants initially enroll with partners that provide *general* case management services. After an initial trial period of saving of up to six months, case managers would identify "green" savers and refer them to specialized partners for further assistance with asset training and purchase. "Yellow" and "red" savers would receive case management services for a longer period of time or until they have demonstrated a more stable pattern of savings and are ready for referrals to the specialized asset providers. In this hybrid network, case management partners focus on outreach and enrollment, whereas asset partners focus on asset-training and asset purchase,

After the end of the trial period, UWGLA partners are considering using frequency of savings deposits as an indicator of continued future savings and asset purchase. UWGLA hypothesizes that, all else being equal, regular savers would have a higher probability of reaching their savings goal—regardless of how much or in what way they make deposits (e.g. direct deposit or actual bank visits). UWGLA tested this hypothesis in a statistical study with data from 781 IDAs; the analysis predicted the probability of success, measured by a participant reaching the savings limit. **The results from the analysis suggest that regularity in saving habits does significantly increase participants' chances of success.**

The model also created and measured a "savings ratio," or the number of bank visits over the total number of months in the program. "Green" savers are the ones who have demonstrated the highest so-called savings ratio in the first six months, and they would then be the ones to progress into the asset-specific services and training.[30]

B. THE IDA FIELD: SEGMENT THE MARKET BY TYPE OF IDA PROVIDER

As discussed, at the organizational level, some pioneering IDA program collaboratives have deliberately segmented their IDA market by client characteristics and types of working poor subpopulations in order to maximize limited resources and better serve the clients. Meanwhile, at the field level, market segmentation has developed somewhat organically. Organizations/institutions already providing supportive services for different market segments (e.g. youth, welfare recipients, refugees, homebuyers, entrepreneurs, students, etc.) have added IDAs as another tool to their menu of strategies to assist their target population and/or asset-focus. People within that market segment then join IDA programs through these organizations (or "distribution channels,") which are already structured to serve them in other capacities. In doing so, organizations can offer IDAs in a cost effective manner because they already have case managers on staff with specific knowledge of that group and/or asset. Once participants enter the IDA program through these organizational channels, program

[30] UWGLA found that usually a savings ratio (number of bank visits to total number of months in the program) of 0.8 or higher had a minimum 80% probability of success.

managers then further divide their target population into those youth, welfare recipients, refugees, homebuyers, entrepreneurs, students, etc. who are likely to save regularly, irregularly or rarely/not at all. Organizations set-up to provide a certain *type* of service for a target population can then cater the appropriate *level* of service to the needs of different segments within that target population.

Organizational or distribution channels today include community-based organizations (both asset-specific and population-specific non-profits,) state and local governments, faith-based organizations, educational institutions, and employers. Similar to EARN's model, today's IDA distribution channels serve as proxies for different market segments. If IDAs were to go to scale in the future, IDA distribution channels in the future may include financial institutions, unions, association groups, and others. .

Segment by Community-Based Organization

Population-Centered Organizations

Community-based organizations often have a population-based mission, whereby their target population/mission is to serve, for example, youth, refugees, the disabled, or a specific affinity group. The IDA program is used as an additional tool to further the mission of empowering a particular population for some community-based organizations. For example, the mission of the World Institute on Disabilities (WID) is to promote the civil rights and the full societal inclusion of people with disabilities; WID offers IDAs to help promote savings among the large percentage of people with disabilities who are living in poverty. Similarly, the New York Association for New Americans provides IDAs as one of many services aimed at helping newly arrived refugees successfully resettle in the United States. Field practitioners have developed financial education curricula to meet the specific knowledge base/needs of these population-based segments (e.g. financial education for youth, pictorial financial education for pre-literate populations, and language and cultural-specific curricula, etc.).

As the field organically segments by target population, program administrators could further subdivide the target group into "green," "yellow," and "red," youth savers, refugee savers, Native American savers, etc. based on their likelihood of success in the IDA program and respective case management needs.

Asset-Centered Organizations

Other community-based organizations have asset-based missions, whereby their core goal is to help people start and grow their own businesses, increase access to education, or buy their own homes. For example, the core goal of LIFETIME', a non-profit in Oakland California, is to help low-income parents enroll in, continue and successfully complete higher education and training; it offers IDAs to help parents pay for post-secondary education. The Women's Initiative for Self-Employment in San Francisco is an example of an asset-driven organization which has added IDAs as another tool in helping women start and grow their own businesses. *Many IDA lead organizations have found that their collaborations are more successful if they partner with organizations focused specifically on asset-building.* Asset-focused organizations may also further segment homeowner or small business IDA program participants into green, yellow, and red savers, based on predicted levels of service needs and likelihood of asset acquisition.

Providing a birds-eye view of field segmentation, CFED's[31] 2003 Survey found that 23% of all organizations with IDAs self-describe as affordable housing agencies, 14% micro-enterprise organizations, and 4% educational institutions, focusing on a single IDA asset (rather than all three.) Thus, the IDA field as a whole has begun to self-segment somewhat organically by the target population and/or asset-based missions of various IDA distribution channels.

Segment by Financial Institution

Another distribution channel for market segmentation is financial institutions. A few financial institutions have developed an IDA product. Citibank, for example, has created a standardized account that some practitioners have adopted for IDAs. This product has a master account and sub-accounts for each IDA participant. Fleet Bank also created a standardized account in response to multiple partnerships with non-profits. Most financial institutions, however, are unlikely to enter the market or greatly expand current operations until further incentives are developed (e.g. a tax credit for donating match funds and delivering IDAs, as proposed by the Savings for Working Families Act or a significant increase in the number of IDAs demanded.) According to a study by the Aspen Institute, IDA's "perceived lack of profitability [among financial institutions] is due to high costs, low balances, poor cross-selling opportunities, and the availability of other programs that achieve asset-building goals in what appear to be more direct, cost-efficient ways."[32]

Today, nonprofit organizations are the primary drivers and distributors of IDA products and programs. Non-profit agencies approach financial institutions to partner in offering IDAs, but participating banks have incorporated the IDAs into their community reinvestment operations, as opposed to their business/product development side.[33] If IDAs were to go to scale and serve millions of Americans, many leaders in the field argue that the driving force and primary distributor would have to shift to financial institutions. Given the right incentives, financial institutions could develop a simple, standardized, low-cost IDA product for the millions of "green" savers, while community-based organizations could provide varying levels of programmatic services to a smaller group of yellow and red savers (perhaps through a contract with financial institutions).

Segment by Employers or Unions

In expanding the delivery of IDAs in the future, employers could be another distribution channel. Some IDA field leaders have already begun to approach employers to offer IDAs as another employee benefit, like a 401(k) retirement plan. In 2002, the United Way of America (UWA) launched a two year national demonstration to design and test employer engagement in employer-based IDA programs. "The goal of the demonstration is to contribute to the design of a delivery system," according to Emily DeMaria from the UWA, "that will make asset development strategies accessible to millions of lower-income families across the country."[34]

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[31] CFED is a national non-profit organization which helps to expand economic opportunity. CFED was instrumental in launching the first IDA demonstration program and continues to support IDA field building operations.
[32] Individual Development Accounts: A Report to the Field, Connecting Policy to Practice," The Aspen Institute Economic Opportunities Program, C. Mahon, K. Moy, and M. Koide, April, 2005, p. 7.
[33] Ibid, p. 13
[34] United Way of America, "United Way of America & the U.S. Department of Health and Human Services, Workplace IDA Demonstration," PowerPoint presentation from the IDA Learning Conference, September 22, 2004.

Local United Ways engaged in discussion about IDA with more than 16 employers or unions. They found that common motivations for potential participation included: wanting to provide the best services and supports for their employees; wanting to be a civic leader, and wanting to offer a benefit which would help attract and/or retain employees. Some employers offered to contribute match and/or administrative funds to an IDA program, while others committed to doing outreach in newsletters and memos as well as allowed employees to attend on-site orientations and/or financial education classes. On the other hand, poor economic conditions, organizational changes and prioritization of health benefits served as potential barriers for employment involvement.[35]

As part of this project, UWA surveyed fifty employers and/or unions to assess their likelihood of offering IDAs and other asset-building products to their employees. Of those surveyed, if a company were to offer IDAs to its employees as part of a package of asset-building tools:

- 70% would make IDAs available to employees by referring them to a community-based program
- 8% would offer IDAs as a choice within a menu of existing benefits administered through the company
- 8% would offer IDAs as a choice within a menu of existing benefits administered through a community-based program, and
- 14% were uncertain about how an IDA would be administered.[36]

Similar to financial institutions, the project concluded that "without significant large-scale initiative—either from the private sector or the federal government—work-place IDAs are unlikely to be the panacea for bringing IDAs to scale."[37] At the same time, if the IDA field did get an infusion of private or public dollars, employers may be willing to act as an additional distribution channel.

Currently, some employers already offer IDAs in partnership with non-profit organizations and/or financial institutions. Employers cannot legally offer benefits only to their low-wage workers, so they have worked with other entities to offer IDAs in a few instances. Examples of employer-based IDAs include:

- Marriott Corporation partnering with Shorebank in Illinois
- Five manufacturers partnering with CD Tech to offer a total of 350 accounts in California, and
- Mission Hospital partnering with the Affordable Housing Coalition in North Carolina.

[35] United Way of America, PowerPoint presentation
[36] Ibid
[37] Ibid

Segment by Other Distribution Channels

Other present distribution channels include non-profit foundations, educational institutions, faith-based organizations, associational groups, and state and local governments. Future for-profit distribution channels could include insurance companies, mortgage brokerage companies, and more employers or unions.

In summary, over the past ten years, some innovative practitioners have begun to segment "their" IDA market by types of saver, asset goal, or types of poverty, and target resources accordingly. Similarly, the field as a whole has begun to segment the entire IDA market by distribution channels which often serve as proxies for these client segments.

How do these lessons learned relate to results of research on characteristics which influence savings outcomes? In other words, what does the asset-building literature say about predictive factors in savings outcomes, which, in turn, could provide tools for more sophisticated market segmentation among practitioners? The next section will address the contributions from researchers in the field.

TIPS FOR IDA PRACTITIONERS
APPLYING MARKET SEGMENTATION TECHNIQUES

- Develop tools which extract information needed to either:
  - Segment enrolled IDA clients into three groupings: participants like to save 1) regularly, 2) irregularly, or 3) rarely/not at all; and/or
  - Identify applicants not yet ready for an asset-building program
- Refer applicants not yet ready for asset building to programs which help them increase their income, reduce their debt, and address other savings/asset readiness issues
- Consider using predictive indicators such as evidence of participants': 1) motivation, 2) personal stability, 3) financial status, 4) attitude, 5) previous savings regularity and 6)credit history
- Keep in mind that it may require a few months for staff to accurately segment clients and customize services accordingly
- Limit costly case management services to those clients who are most likely to benefit from strategic staff intervention: the irregular savers
- Develop self-assessment tools to help homeownership and small business savers set realistic savings goals
- Consider offering "single-track" IDAs with customized support and educational requirements catered to the different asset goals; adapt programmatic design features (e.g. match rate, match amount, savings period, etc.) to better accommodate the needs of savers in each asset track
- Consider developing a hybrid collaborative approach, whereby a lead agency provides a simple IDA product while community partners provide full wrap-around services to specialized market segments

SECTION IV
HOW TO SEGMENT THE MARKET: RESEARCHER FINDINGS

While practitioners have experimented with ways to segment the IDA market, researchers mostly at the Center for Social Development at Washington University in St. Louis have investigated what kinds of factors make a "good" saver. CSD researchers performed statistical studies to determine which *individual characteristics* (e.g. gender, age, income, race/ethnicity, etc.) and which *institutional factors* (e.g. match rate, match cap, direct deposit, financial education hours, etc.) tend to have an impact on *whether* and how *much* low-income people save, all else being equal. Knowing which factors influence savings can help practitioners as they develop intake and case management tools to enroll IDA applicants; it can also help program providers implement varying degrees of case management services—depending on the needs of a particular market segment.

To conduct its analysis, CSD used data from the American Dream Demonstration (ADD). The ADD project was an IDA demonstration project comprised of 13 community sites across the United States, serving 2,378 IDA participants between 1997 and 2001. Funded by 11 private foundations, CFED designed and led the implementation of ADD, while CSD designed and conducted the research. Most ADD participants were employed and earned no more than 200% of the federal poverty line. While ADD provides probably the most comprehensive data analysis of savings outcomes among low-income people to date, it is important to note that the ADD program participants differ from the general U.S. low-income population in that they are better educated, more likely to be employed, and more likely to have a bank account.[38]

A. INDIVIDUAL CHARACTERISTICS

Identifying individual factors that are associated with high or low savings performance can help practitioners identify different market segments and possibly weed out applicants who are not yet ready for an asset building program. It can also help practitioners flag participants who may need more intensive staff attention.

About a dozen CSD studies of the ADD demonstration analyze the relationship between various individual characteristics and whether as well as how much a participant saves. In its analysis, CSD identifies two measures of savings outcomes: being a "saver," and "savings." **CSD defines being a "sav*er*" as an IDA participant having at least $100 of net savings. CSD defines "sav*ings*" as the average monthly net deposit of a participant**. Net deposits are gross deposits minus total unmatched withdrawals for a particular month.

[38] Schreiner, Clancy, and Sherraden, Final Report, Savings in the American Dream Demonstration, 2002, p. 14. See Sherraden et al., 2000 for a discussion of how ADD participants differ from the U.S. low-income population.

Individual variables studied include:

- Gender
- Age
- Race/Ethnicity
- Income
- Employment Status (including students)
- Welfare recipiency
- Educational attainment
- Household composition
- Asset ownership
- Liabilities
- Insurance coverage

Based on regression analyses of participant characteristics from ADD data, Schreiner and Sherraden developed a simple "high saver/low-saver" scorecard. This is an intake tool designed to allow IDA programs to place new enrollees into different "tracks," depending on their responses to ten simple questions. The questions include indicators such as gender, age, marital status, educational attainment, bank/unbanked, homeowner and financial investments. Refer to Appendix A for a copy of the questionnaire and further explanation of this tool.

Gender

In the final report of the American Dream Demonstration and in a subsequent forthcoming book, CSD concluded that women, controlling for other factors, were much more likely to be savers than men.[39] This finding is consistent with women's participation in 401(k) plans as well as with research on savings patterns among the poor in developing countries. Nearly all of the CSD reports, however, show no relationship between gender and the amount of average monthly net deposits.[40]

Age

In the final report of the American Dream Demonstration project, CSD found that ADD participants younger than 40 years old had higher average net monthly savings than those over 40 years old, all other factors being equal. There was no association in this report between age and likelihood of being a saver.

In contrast, with a smaller age categories, Schreiner and Sherraden found in a later study that age impacted both the likelihood of being a saver and savings outcomes:

> [T]he likelihood of being a "saver" decreased from age 14 to 20 by 7.3 percentage points per year, a large effect. After age 20, the likelihood of being a "saver" increased by about 0.5 percentage points per year, another large, statistically significant effect…For example, compared with a 20-year-old, the likelihood of being a "saver" for a 14-year-old was 44 percentage points higher. The likelihood was 7.5 percentage points higher for a 35-year-old than for a 20-year-old.[41]

[39] Schreiner and Sherraden, Can the Poor Save?: Saving And Asset Building in Individual Development Accounts, forthcoming 2006 book
[40] Schreiner and Sherraden, 2002; Ssewamala and Sherraden, Savings for Micro-Enterprise in Individual Development Accounts: Lessons from the American Dream Demonstration, 2004; Mark Schreiner, Match Rates, Individual Development Accounts, and Savings by the Poor, 2004
[41] Schreiner and Sherraden, forthcoming 2006 book

A similar pattern holds true for monthly net savings. Net monthly IDA savings declined from ages 14 to 20 by $1.60 until age of 20, when each additional year yields an additional 8 cents.[42] Youth aged 18 or younger achieved the highest savings outcomes for any age group in ADD and young adults in their twenties achieved the lowest. Schreiner and Sherraden explain that most of the youth participants were saving for post-secondary education, a particularly salient goal for them and the youth also had their basic expenses paid for by their parents, so they could deposit more into their IDA.

This suggests that the **youth market segment with educational aspirations and financially supportive parent(s) may be particularly successful and appropriate, perhaps, for a "single-track" IDA.** On the other hand, people in their twenties may be more focused on car purchases or other durable goods and have less disposable income if they are in college. More generally, the salience of different savings goals tends to vary by age.[43]

Race/Ethnicity

Current research has not consistently found anything inherent about race/ethnicity per se that impacts savings. Race/ethnicity may be associated with *other* qualities such as social and cultural norms that, in turn, impact savings. In a perfect model which controlled for *every* variable, it is unlikely that race, itself, would have any correlation with saving or not saving. Models, however, are neither 100% comprehensive, nor can they easily account for the effects of institutional racism over time.[44]

Several of the ADD studies did find a correlation between race/ethnicity and savings. Compared to White savers, Asian-Americans tended to have the highest levels of monthly net savings, followed by Hispanics; African-Americans and Native-Americans tended to have lower levels.[45]

In a more recent analysis of ADD data, Schreiner and Sherraden found that African-American and White participants were equally likely to be savers. Compared with African-Americans and Whites, Asians, Hispanics, and "others" had a higher probability of being savers, while Native Americans were the least likely to be savers.

Education

Graduation from a two-year college is associated with higher average monthly net deposits in three major ADD studies and the effect is large.[46] Another study reported that four-year college graduates were much more likely to be savers, compared to those who did not complete high school, and they were likely to save larger amounts.[47] Still, other studies show that people who attend some college are more likely to be savers but not necessarily save more.[48]

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[42] Ibid
[43] Ibid
[44] Schreiner, Sherraden, Clancy, Johnson, Curley, Grinstein-Weiss, et al, Savings and Asset Accumulation in Individual Development Accounts, 2001
[45] Schreiner, Clancy, and Sherraden, 2002; Schreiner and Sherraden, 2001; Grinstein-Weiss, Wagner, and Ssewamala, Saving and Asset Accumulation Among Low-Income Families with Children in IDAs, 2005; Zhan and Schreiner, Saving for Post-Secondary Education, 2004; Schreiner and Sherraden, forthcoming 2006;
[46] Grinstein-Weiss, Wagner & Ssewamala, 2005; Zhan and Schreiner, 2004 ; Mark Schreiner, Match Rates, IDAs, and Saving by the Poor, 2004
[47] Schreiner and Sherraden, forthcoming 2006
[48] Zhan and Schreiner, 2004; Mark Schreiner 2004

Income, Employment Status, & Welfare Recipiency

According to the ADD final report, median income of IDA participants was 106% of the federal poverty line, and average income was 116%. Contrary to what economic theory predicts, almost all of the ADD studies report a weak, if any, association between income and savings— among this already very low-income group. Surprisingly, the presence of recurrent *or* intermittent income did *not* seem to impact either the likelihood of being a saver or monthly savings outcomes. Similarly, among this already low-income population, those with lower relative income did not drop-out at higher rates than those with higher income.[49] Thus, **income may not necessarily be a useful indicator for market segmentation among an already low-income population.**

While employment status (part-time, full-time, self-employment, unemployed) tends not to impact average monthly deposits, working *students* are much more likely to be savers and have higher monthly deposits, across three studies.[50] These findings suggest that **working students may be a particularly effective market segment.** In addition, while most IDA programs currently target the working poor, these findings suggest that the non-working segment may also be able to succeed in an IDA program.[51]

Across several studies, there is no association between currently or formerly receiving welfare and either monthly savings outcomes or likelihood of being a saver.[52] This suggests that the **former or current welfare recipients are as likely as other groups to take advantage of an IDA program.**

Household Composition

According to several CSD ADD studies, marital status does not seem to impact savings outcomes or likelihood of being a saver, although one study did show that married participants were more likely to be savers than never-married participants, all else being equal.[53]

On the other hand, a few reports indicate that the presence of an additional adult in the household, not surprisingly, increases monthly net deposits but does not seem to affect likelihood of being a saver.[54] The ADD final report finds that the presence of an additional child decreases savings outcomes, although other reports show no relationship.

[49] Schreiner and Sherraden, Drop-Out from Individual Development Accounts: Prediction and Prevention, 2002
[50] Schreiner and Sherraden, 2002; Schreiner and Sherraden, 2001; Grinstein-Weiss, Wagner, and Ssewamala, 2005
[51] Schreiner and Sherraden, forthcoming 2006 book
[52] Schreiner and Sherraden, 2002; Ssewamala and Sherraden, 2004; Schreiner, 2004; Zhan and Schreiner, 2004
[53] Schreiner and Sherraden, 2002; Ssewamala and Sherraden, 2004; Schreiner, 2004; Zhan and Schreiner, 2004; and Schreiner and Sherraden, forthcoming 2006 book
[54] Schreiner and Sherraden, 2002; Schreiner and Sherraden, 2001; Zhan and Schreiner, 2004

Asset Ownership, Liabilities, & Insurance

Across the board, home owners are much more likely to be savers and have significantly higher average net monthly savings than non-homeowners.[55] A few studies report that car owners were more likely to be savers and exhibit higher monthly savings, although the effect is not as strong as it is for homeowners.[56] One study that looked specifically at small business savers found that they tend to save more than non-small business savers.[57]

In keeping with two other ADD studies, Schreiner and Sherraden found that participants who had checking (but not savings) accounts were more likely to be savers than the unbanked participants. In contrast, they found that participants with saving passbooks accounts were *less* likely to be savers than unbanked participants. Schreiner and Sherraden posit that the "passbook-only" category may be a proxy for weak financial sophistication in that passbooks require less financial management skills than a checkbook.

Compared to those without any debt, a few studies report that participants with some debt exhibit lower average net monthly savings and one study shows that these participants are less likely to be savers.[58] In a more refined analysis, Schreiner and Sherraden (forthcoming) found that "'investment' [e.g. home mortgage] debt was linked with better IDA savings, [while] 'consumption' [e.g. consumer] debt impeded savings but did not preclude it." This finding suggests that **IDA program managers may want to help clients work on consumer debt reduction before enrolling them into an IDA program**.

Lastly, three studies found no significant correlation between health insurance coverage and savings outcomes, while one study found that those with health insurance are more likely to be savers than the uninsured.[59]

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[55] Schreiner and Sherraden, 2002; Ssewamala and Sherraden, 2004; Grinstein-Weiss, Wagner, & Ssewamal, 2004; Grinstein-Weiss, Wagner, and Ssewamala, 2005; and Schreiner and Sherraden, forthcoming 2006 book

[56] Schreiner and Sherraden, 2001; Grinstein-Weiss, Wagner, & Ssewamala, 2005

[57] Ssewamala and Sherraden, 2004; Schreiner, 2004

[58] Schreiner and Sherraden, 2002; Schreiner and Sherraden, 2001

[59] Schreiner and Sherraden, 2002; Schreiner and Sherraden; Schreiner et al 2001; Schreiner, 2004; Schreiner and Sherraden, forthcoming 2006 book

IMPACT OF PARTICIPANT CHARACTERISTICS ON SAVINGS OUTCOMES

Characteristic	Impact on Savings Amount (defined by: average monthly net deposits)	Impact on Being a Saver (defined by: having at least $100 of net savings)
Female	No Relationship	+
Age 14-20	–	–
Age 21-39	+	+
Age 40 & Older	–	+
Education	+	+
*Income	No Relationship	No Relationship
Employment Status	No Relationship	
Working Students	+	+
Public Assistance Recipiency	No Relationship	No Relationship
Marital Status	No Relationship	No Relationship
Additional Adult in Household	+	No Relationship
Additional Child in Household	No Relationship	No Relationship
Homeowners	+	+
Car Owners	+	+
Small Business *Savers*	+	
Bank Account Owners (v. people w/no bank account or savings accounts only)		+
'Investment' Debt (e.g. home mortgage)	+	
Credit Card Debt	–	
Health Insurance Owners	No relationship	No Relationship

Source: Data was complied by NEDLC based on aggregated findings from the Center for Social Development's research reports on the American Dream Demonstration

* Most ADD participants earned no more than 200% of the federal poverty line, so the chart shows the impact of income among a group of *already low-income* participants.

A blank box means no results were reported. "+" denotes a positive relationship. "–" denotes a negative relationship.
A blank box means no results were reported.

B. INSTITUTIONAL FACTORS

"Institutional factors greatly influence an individual's ability to save," according to Michael Sherraden, widely known as the father of IDAs, "People participate in retirement pension systems because it is easy and attractive to do so. This is not a matter of making superior choices. Instead, a priori choices are made by social policy, and **individuals walk into the pattern that has been established** [author's emphasis.]"[60]

In other words, higher income people tend to save and build assets not necessarily because they have more money or education, but, at least in part, because public policy has made it easy for them to do so. In the case of the ADD demonstration, the pattern of available choices that IDA participants "walked into" was created by the IDA program designers and their funders. In developing the program, they wanted to make savings easier for lower-income populations.

The institutional factors translate into the following program design variables:

- Match rate
- Match cap/savings target
- Delivery of financial education
- Restricted access to withdrawal savings in an IDA account
- Number of months to make matchable deposits
- Match cap structure
- Use of direct deposit/ use of automated transfer into an IDA account[61]

Match Rate

CSD studies demonstrate that higher match rates increase the likelihood of being a saver and reduce the risk of dropping out of the IDA program.[62] Most CSD IDA studies indicate that higher match rates do not seem to have a statistically significant effect on the amount of savings, measured by average monthly net deposits (AMND).[63] This finding is consistent with much of the research on IRAs: increases in IRA match rates once past around 0.25:1 are not associated with higher participant contributions.[64] A notable acceptance to this finding comes from a recent study by H&R Block, which randomly offered different match rates on IRA contributions at 60 offices in mostly low- and middle-income neighborhoods. Dulfo et. al. reported that the take-up rate and the level of IRA contributions were higher for people who were offered a 50% match rate, compared to those offered a 20% mate rate or no match at all.[65]

Schreiner and Sherraden posit that higher match rates may not impact monthly savings because program providers and program participants may instead be impacted by match caps. For example, IDA providers who did not expect their very low-income clients to save very much assigned a low match cap ($360,) and a high

[60] Sherraden, 1991, p. 127.
[61] Schreiner and Sherraden, forthcoming 2006 book
[62] Schreiner and Sherraden, 2002; Schreiner et al, 2001; Schreiner and Sherraden, Drop-Out from Individual Development Accounts,, 2002.
[63] Schreiner and Sherraden, 2002; Schreiner et al, 2001; Schreiner, 2004; Sherraden, Schreiner, and Beverly, Income, Institutions, and Savings Performance in Individual Development Accounts, 2002
[64] Bassat, Fleming, and Rodriques, 1998; Kusko, Poterba, and Wilcox, 1994; Bernheim and Scholz, 1993.
[65] Dulfo, Gale, Liebman, Orszag, and Saez, Savings Incentives for Low- and Middle-Income Families: Evidence from a Field Experiment with H&R Block, 2005.

match rate (6:1), so that participants could accumulate up to $2,520.[66] In general, the ADD program designers tended to couple higher match rates with lower match caps.[67] Similarly, participants may try to save only up the match cap; therefore, a higher match rate would discourage higher savings deposits.[68] From a public resource perspective, the implication is that a lower match rate is sufficient to incentivize behavioral change; limited funds can thus be used to provide a lower match rate to more people.

Match Caps / Monthly Savings Goals

Several studies show that higher savings goals increase the likelihood of being a saver and result in higher average monthly net deposits.[69] Schreiner and Sherraden found, for example, that a $1 increase in the monthly match cap was associated with a $0.57 increase in average monthly net deposits. This was a large effect, considering average monthly net savings in ADD was $28.08.[70] If participants set their savings goals so that by the program's end they receive the maximum match amount (or match cap,) then an increase in the match cap is associated with an increase in monthly savings. Expectations, in other words, seem to positively impact savings results.[71]

Withdrawal Restrictions

In qualitative interviews, the overwhelming majority (about 90%) of program participants surveyed in ADD reported that they liked withdrawal restrictions on the IDA account, which prevented them from dipping into their IDA savings.[72] No quantitative studies thus far have evaluated the impact of withdrawal restrictions, holding other variables constant.

Financial Education

Most of the CSD studies indicate that up to about 10-12 hours of financial education has a positive impact on average net monthly savings deposits, but more than 12 hours does not seem to have any further impact on savings.[73] Schreiner and Sherraden find that each additional hour within a 1 to 6 hour range results in a $1.20 increase in AMND, so as a participant moved from 1 to 6 hours of education, all else being equal, he/she is predicted to increase AMND by $6.00. The 7 to 12 hour range is associated with a .56 increase in AMND.[74] Similarly, Schreiner and Sherraden found in a later study that each hour of class attendance (up to 10) was associated with an additional $1.16 of monthly net IDA savings, but beyond 10 hours, more education was not associated with savings outcomes. Thus, **programs can save money by only offering or requiring up to only 10 hours of education**.[75]

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[66] Schreiner and Sherraden, 2001
[67] Schreiner and Sherraden, forthcoming 2006
[68] Schreiner and Sherraden, forthcoming 2006
[69] Schreiner and Sherrdan, 2002; Schreiner and Sherraden, 2001; Grinstein-Weiss, Wagner, and Ssewamala, 2005; Zhan and Schreiner, 2004; Schreiner and Sherraden, forthcoming 2006
[70] Schreiner and Sherraden, forthcoming 2006 book
[71] Sherraden, Schreiner, and Beverly, 2002
[72] Moore et al, Saving, IDA Programs, and Effects of IDAs: A Survey of Participants , 2001
[73] Financial education curricula longer than 12 hours may have *other* positive impacts, such as less likely to be a victim of predatory lending or consumer fraud; however, these studies find that more than 12 hours of financial education does not lead to greater *savings*.
[74] Sherraden, Schreiner, and Beverly, 2002
[75] Schreiner and Sherraden, forthcoming 2006

CSD performed a survey across the different ADD sites, and 85% of the ADD participants at the time reported that they found the financial education classes helped them save. However, 20% reported that the classes were remedial or boring.[76] **A segmented market approach allows for practitioners to parcel out clients based on prior knowledge of financial institutions and thus customize class level and content accordingly.**

Direct Deposit & Automated Payroll Deduction

In ADD, deposits could be made by transferring money from one bank account into an IDA or by employers directly depositing payroll checks into the IDA on a regular basis, if requested. One would assume that creating easier facilitation mechanisms for depositing into IDAs would increase the likelihood of being a saver and/or monthly savings outcomes. Direct deposit and automated payroll deduction may also serve as a proxy for higher levels of financial sophistication which tend to influence savings outcomes.

In ADD, the use of automated transfer was strongly associated with an increased probability of being a saver and a decreased probability of dropping out of the program.[77] Use of automated transfer was not associated, however, with average monthly net deposits.[78] In financial education classes, programs could use this information to encourage participants to take advantage of automatic transfer, ask their employers about direct deposit, and/or require automated transfer for fast-track programs (like the Assets for All Alliance did).[79]

[76] Moore et al., 2001
[77] Schreiner and Sherraden, forthcoming 2006; Schreiner and Sherraden, Drop-Out from Individual Development Accounts: Prediction and Prevention, 2002.
[78] Schreiner and Sherraden, forthcoming 2006
[79] Ibid

THE IMPACT OF POLICY & PROGRAM DESIGN FACTORS ON SAVINGS OUTCOMES

- **Match rates**: higher match rates up to a point increased the likelihood of being a saver (defined by having at least $100 in net savings) and reduced the risk of dropping out of the IDA program, but did not impact the total amount of average monthly net deposits
- **Savings goals**: higher savings goals increased the likelihood of being a saver and resulted in higher average monthly net deposits
- **Withdrawal restrictions**: program participants reportedly found withdrawal restrictions helpful in resisting spending and increasing savings
- **Financial education**: up to 10-12 hours of financial education had a positive impact on average net monthly savings deposits, but more than 12 hours did not seem to have any further impact
- **Use of Automated Transfer:** the use of automated transfer was strongly associated with an increased likelihood of being a saver and a decreased likelihood of dropping out of the program

Source: Information was complied by NEDLC based on aggregated findings from the Center for Social Development's research reports on the American Dream Demonstration

TIPS FOR IDA PRACTITIONERS APPLYING RESEARCH LESSONS

- Youth market segment with educational aspirations and financially supportive parent(s) may be a particularly successful and appropriate market segment
- Working students may be a particularly successful and appropriate market segment
- Income may not necessarily be a useful indicator for market segmentation among an already low-income population
- Former or current welfare recipients are as likely as other groups to take advantage of an IDA program
- IDA program managers may want to help clients work on consumer debt reduction before enrolling them into an IDA program
- Programs can save money by only offering or requiring up to only 10 hours of education
- A segmented market approach allows for practitioners to parcel out clients based on prior knowledge of financial institutions and thus customize class level and content accordingly
- Use of automated transfer was strongly associated with an increased probability of being a saver and a decreased probability of dropping out of the program

SECTION V
CONCERNS & QUESTIONS ABOUT MARKET SEGMENTATION

Thus far, this paper has defined market segmentation, provided examples and lessons of how market segmentation has been applied by some programs and the field at large, and then culled the findings from research on institutional and individual characteristics that impact savings outcomes. These findings led to a tool that practitioners can use to segment people at intake based on whether and how much people are likely to save.

It is important to remember at this point that neither practitioners nor researchers (to our knowledge) have evaluated in detail which particular services are required for each market segment, the cost of the service per segment, or the benefit of the service per segment. Rather, the field thus far has focused on understanding which factors influence whether someone becomes a saver and successfully meets savings goals—the first important step in market segmentation.

While some field leaders champion market segmentation as a way to potentially improve program effectiveness and reduce costs, the technique is not without its skeptics. This section discusses questions and concerns about applying market segmentation to help the IDA field serve more people, followed by a discussion of some policy changes needed to implement market segmentation. The paper concludes with recommendations for further research.

"CREAMING"

There is concern among some leaders in the field that market segmentation in the context of going to scale could lead to IDA providers developing tools to weed out the harder to serve yellow and red populations, in favor of the less labor intensive and more cost-efficient green population, also known as creaming. Some argue that this practice is encouraged by pressure in the field to succeed in a policy environment without sustained IDA funding. In other words, the lack of permanent funding stream for IDAs puts pressure on practitioners to justify to Congress, every few years, the program's success—measured by the *number* of *successful* IDA savers. Thus, the argument continues, market segmentation is embraced by the field because it helps weed out harder to serve clients, increases the number of successful savers, and therefore justifies continued funding for the program.

Other critics contend that if financial institutions become the main distributor of IDAs, there is little incentive or aptitude for them to serve more labor-intensive populations. Unless specific and sufficient funds are allocated for community-based organizations, the fear is that yellow and red savers (and their community-based IDA providers) will be cut out of the IDA field altogether.

If market segmentation results in creaming the green savers, an IDA product/program may simply result in rewarding saving and asset accumulation that would have occurred *even without the incentive*. Scarce public resources, this argument continues, should not be used to reward behavior that would have occurred without that public money.

TOO MUCH FOCUS ON THE NUMBERS

Other critics of the market segmentation approach point to an exaggerated value placed on the *number of participants* served, rather than the *depth of service.* High-touch programs may benefit fewer people but often have a deeper impact, which can be harder to measure. One practitioner gave the example of a preliterate indigenous Guatemalan asylee with a disabled son who, as a result of intensive case management, was able to: open a savings and checking account, understand a bank statement, build her credit, save $8,000, purchase a car, and after 7 failed attempts, pass the written driver's license exam. The car enabled her to obtain a second job and transport her disabled son. While the amount of time spent on this one high-touch woman may have translated into serving 5 low-touch participants, the life-changing depth of impact for this one woman is equally valuable, according to some field leaders.

More generally, there seems to be an underlying, implicit assumption in the field that society is simply not willing to pay what it costs to go to scale serving red/high-touch populations.

GREEN SAVERS HELP COMMUNITY-BASED ORGANIZATIONS SUBSIDIZE THE COSTS OF RED SAVERS

It would be problematic if market segmentation results in financial institutions taking all of the green savers. Under the current policy and funding structure, serving yellow and red savers alone is not financially feasible for community-based providers Public administrative funds are limited to a small percentage of overall funds (either 15% or 25%). To support even one full-time program director with only federal administrative funds community-based organizations must serve large numbers of people. However, it would be impossible to serve large numbers of *only* red and yellow savers. Therefore, organizations need green savers to increase their numbers and obtain sufficient funding to then serve the yellow and red savers.

It is also hard to justify to funders hiring one person to serve, for example, fifteen yellow and red savers; thus, the green savers enable community-based organizations to increase their overall numbers without substantially increasing their costs.

MARKET SEGMENTATION DOES NOT DEPEND ON SCALE

Even without more funding, market segmentation could be applied more universally to increase efficiencies within *existing* smaller, community-based IDA providers—and therefore enable them to serve more people. Market segmentation improves practice, regardless of scale.

WRONGLY TRACKED PARTICIPANTS

Market segmentation is more of an art than a science. A program operator may apply a series of well-tested indicator questions but nevertheless incorrectly track a client, resulting in either too much or too little staff resources. A corrective feedback mechanism is needed to ensure that clients are properly tracked and adequately served.

SECTION VI
POLICY IDEAS

The current IDA policy prescriptions limit the potential of market segmentation approaches. The following policy changes would need to go into effect to allow widespread use of market segmentation:

SCENARIO I: IF AFIA REMAINS THE MAIN SOURCE OF IDA FUNDS (SMALLER SCALE SCENARIO)

1. Allow Tailoring of Services While Maintaining Minimum Standards

AFIA now requires that *all* IDA programs provide the same level of financial education and asset-specific education for *all* recipients of federal IDA match funds, making it difficult to implement market segmentation strategies. Thus, it is important that future public and private sources of IDA funds allow for greater flexibility in designing IDA products and services to meet the needs of different market segments, while still setting some minimum standards.

2. National Financial Education Certification

Similarly, some leaders in the field have suggested the creation of a national or state certification process for financial education. If IDA clients could certify their financial education proficiency through a standardized exam, then they should be able to test-out of the financial education requirement. There could also be different levels of proficiency to reflect a spectrum of financial sophistication.

3. Expand Income-Eligibility of IDA Program

As mentioned earlier, under the current funding structure, some larger-scale IDA programs are able to subsidize the high costs of the labor-intensive clients through the low costs of the less labor-intensive clients. Expanding the income-eligibility may enable more green savers to enter IDA programs and thereby further a more balanced client caseload.

In addition, the 200% of federal poverty line income eligibility requirement does not take into account significant regional differences in the cost of living. IDA programs in high-cost areas sometimes struggle to enroll people who are working but making no more than 200% of poverty line income, the eligibility requirement. Those who do meet the income eligibility requirement in high cost areas may require greater services.

SCENARIO II: IF TAX INCENTIVE-BASED LEGISLATION PASSES (A LARGE-SCALE SCENARIO)

If IDAs are to go to scale, new (probably federal) funds would be required. Saving for Working Families Act came close to passage but ultimately did not make it through the legislative process. The details regarding the design and implementation of a larger-scale tax incentive-based source of IDA funds have not been ironed out. Below are just a few suggestions among the myriad of questions to be answered.

1. **Require Both Non-Profit and Financial Institutions to Serve a Minimum Percentage of Harder-to-Serve Populations**

   If financial institutions become the main distributors of IDAs through a tax incentive-based system, legislation should require that a certain percentage of accounts are reserved for yellow and red savers (similar, for example, requiring that publicly-subsidized housing projects set-aside a percentage of units for low- and moderate-income residents in order for developers to receive tax credits). Such a requirement would give financial institutions an incentive to partner with non-profit organizations to serve the higher-touch savers and address "creaming" concerns.

   This requirement should also be made for non-profit IDA providers. Otherwise, if non-profit organizations serve only the red and yellow savers, there could be a temptation in tight budgetary environments to first cut the non-profit programs: the financial institutions would be serving more people and appear to be more "cost-efficient."

2. **Create a Product/Program Hybrid System**

   In contrast, others argue that the most promising scenario to take IDAs to scale while still meeting the needs of different market segments would be to create a hybrid IDA product/program system, whereby financial institutions serve only the green savers with an account product, and non-profit organizations serve the red and yellow savers with wrap-around supportive services as needed. Michael Sherraden states: "a 'mixed system' of relatively simple federal IDA policy and more intensive community-based IDA programs, funded from multiple sources with many partnerships, seems a likely policy outcome."[80] The hybrid system would be analogous to homebuyer polices, which consist of universal federal incentives, supplemented by community-based credit counseling, classes, and local downpayment assistance programs.

Under either scenario, more funding is needed to research key issues related to market segmentation and going to scale—the topic of the concluding section.

[80] Michael Sherraden, On Costs and the Future of Individual Development Accounts, 2000

SECTION VII
Questions for Further Research

The application of market segmentation to the IDA field is in an experimentation phase and could benefit significantly from further research. In particular, further research of market segmentation practices should address the following set of questions and issues:

EVALUATION OF MARKET SEGMENTATION

1. What bundle of products and services is most effective for which populations? What are the costs and benefits of providing these products and services to different market segments? Funding is needed to pilot, evaluate, and provide technical assistance for new or existing providers interested in market segmentation.

2. How much, on aggregate, does it cost to serve the different market segments?

3. What are activity-based cost estimates for each programmatic component and, related, which program features are most beneficial for:

   - Recruitment
   - Savings performance
   - Asset acquisition and preservation
   - Long-term benefits
   - Short-term benefits

4. Can market segmentation be used to increase providers' success rate by reducing client attrition rate?

DISTRIBUTION OF SEGMENTS

5. What is the ideal distribution of green, yellow, or red savers to admit into a program? Over the life of program, do people tend to move between categories?
6. What is the total number of green, yellow, and red savers in a given area?

GOING TO SCALE QUESTIONS

7. What are the advantages and disadvantages of financial (or other for-profit) institutions serving the "green" populations and community-based organizations focusing on the "red" and "yellow" segments?
8. Are there *other* determinants of savings outcomes not uncovered by the practitioners and researchers? Do local factors, for example, such as the cost of living or the unemployment rate, impact savings outcomes? (EARN found that for San Francisco IDA participants having a car was negatively associated with savings outcomes, while the literature review indicates that, nationally, having a car was positively associated with savings outcomes).

Conclusion

Born out of the Mott Learning Cluster discussions between 2004 and 2006, this paper described promising practices and research related to expanding IDA programs and practice through market segmentation. Contributing to a growing body of literature in the IDA field, the paper captured some of the thinking and learning that transpired during the Mott Learning Cluster.

To review, *Market Segmentation* is one of four papers born out of in-depth conversations with the Learning Cluster whose purpose was to document lessons learned and field challenges in large-site IDA models. *Moving to Scale: Offering IDAs through Large-Site Models* is a case study that depicts promising practices of five large-site IDA initiatives. Looking beyond the current IDA model, *Developing a Standard Savings Product for IDA Growth* explores a strategy for making the IDA *idea* universal: the creation of a standard financial product that promotes asset-building and includes poor people. And, written for a broader audience, *Large-Scale IDA Programs: Pioneering the Next Level of Expansion* is a shorter, stand-alone document that summarizes all three papers.[81]

The Mott Learning Cluster was comprised of the following organizations:

1. **Community Action Project of Tulsa County** (CAPTC); Tulsa, Oklahoma
2. **EARN;** San Francisco Bay Area, California
3. **Saving for the American Dream**, United Way of Greater Los Angeles; Los Angeles, California
4. **Michigan IDA Partnership** (MIDAP); Michigan
5. **The Mid South IDA Initiative**; Mississippi, Louisiana, Arkansas and & Southeast Texas

The catalyst for creating this Learning Cluster was the anticipation of the passage of Savings for Working Families Act (SWFA) which, if passed, would enable the field to grow from thousands of account-holders to roughly one million. While (as of the writing of this report) SWFA has not become law, it has once again been introduced in the U.S. House—this time with 50 bi-partisan co-sponsors. Meanwhile, other savings and asset-development strategies have surfaced—such as universal children's savings account, universal life-time savings accounts, and the ability to split tax refunds into separate accounts (which will begin in the 2006 tax season), among others.

It is important to remember that implementing market segmentation techniques, alone, will *not* enable current and future IDA providers to serve *millions* of people. The funding and institutional platforms for IDAs still need further development for that to happen. However, large-scale IDA providers have found that market segmentation provides significant program benefits.

Leading practitioners continue to experiment with different ways to segment the market. EARN, for example, found that its initial understanding of the First-Timing Workers segment was oversimplified and later adopted a more nuanced definition which includes public assistance recipients who have moved in and out of the workforce. Similarly, while the Assets for All Alliance originally segmented participants by important practical

[81] These other papers can be downloaded from the NEDLC website at www.nedlc.org.

considerations, such as common language, cultural and community connections, it later amended its market segmentation approach to group clients by asset goal.

Systematic evaluation of market segmentation in the future would help quantify the specific programmatic costs and benefits of market segmentation techniques. A comprehensive evaluation of market segmentation could include:

1. Detailed demographic profiles of different market segments
2. Detailed descriptions of segmentation processes
3. Identification of which services different segments receive (or should receive)
4. Calculation of the cost per service for different segments, and
5. Calculation of the outcomes/benefits of each service

This paper is intended to begin the discussion and documentation of market segmentation as a leading tool to improve IDA practice. It adds to the rich discussion around programs and policies needed to expand asset building opportunities among low-income and low-wealth Americans. Looking to the future, there is a desire among many leaders in the field to incorporate more external stakeholders – employers, the business side of financial institutions, other investors – into the conversation of savings and asset-building in United States. Ultimately, the hope is that public policy affords *all* Americans the opportunity to save and acquire assets for themselves, their families, their communities, and future generations.

APPENDIX A

Schreiner and Sherraden designed the intake scorecard (provided below) to help IDA practitioners identify different levels of assistance needs, based on client characteristics found to predict success in an IDA program. Program managers can use this tool to develop three assistance tracks: "intensive," "regular," and "low".

Schreiner and Sherraden assign weighted positive or negative values to each intake answer, resulting in a range from 0 (least likely to be a saver) to 100 (most likely to be a saver.) If applied, the intake coordinator would total the weighted values and, based on the score, assign participants to different assistance tracks. A participant with a score of, for example, 48 does not have a 48% chance of being a saver; rather that participant is simply more likely to be a saver than someone with a score below 48 and less likely to be a saver than a participant with a score higher than 48.[82]

Figure 1: Simple Scorecard for Assigning New Enrollees to an Assistance Track Based on the Likelihood of Being a "Saver" [83]

Question	Points "No	"Yes"
1. Are you female?	0	+4
2. Are you married?	0	+9
3. How old are you?		
a. 18 or younger	0	+12
b. 19 to 22	0	0
c. 23 to 35	0	+6
d. 36 or older	0	+13
4. Do you have a 2-year or 4-year college degree?	0	+9
5. Do you have a checking account or a passbook savings account in a financial institution?		
a. Both checking and savings	0	+40
b. Only checking	0	+37
c. Only savings	0	+26
d. Neither checking nor saving	0	+20
6. Does your passbook savings account have $500 or more in it?	0	+8
7. Do you own your home?	0	+11
8. Do you have financial investments other than a checking or savings account?	0	+6
9. Do you have any credit-card debt or overdue household or medical bills?	0	–5
10. Do you plan to use your IDA to buy a house?	0	–15

[82] Schreiner and Sherraden, forthcoming, 2006
[83] Ibid

(Note: This tool was provided by the Southern Good Faith Fund)

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HOPE
Homeownership Self-Assessment Tool

How much do you estimate the home you need might cost?
____$30,000 - $40,000
____$40,000 - $50,000
____$50,000 - $60,000
____$60,000 - $70,000
____$70,000 - $80,000
____$80,000 - $100,000

What are your family needs?

Amount of square footage___________
Number of bedrooms needed_________
Number of bathrooms needed_________

When do you expect to buy your home?

____6 months
____6 – 12 months
____1 year
____2 years
____3 years

Have you received Homebuyer training or counseling? Please indicate dates and from which organization or counselor in which you received it. ____

____

Are you currently working with a Broker or Realtor? _______________

Are you pre-approved for a Mortgage Loan? ______________________
Mortgage Company____
Amount Approved for____

Employment Status
current employer ____
length of employment ____

Income Information
current monthly gross salary ___________________________
total monthly income __________________________________
current yearly gross salary _____________________________
total yearly gross income ______________________________

Are you aware of your current Credit Standing (credit scores and current debt)?
____

Current Credit Score: ______________________

Credit Score Needs to Be: __________________

Action Plan to Raise Score:
1.____
2.____
3.____
4.____

Timeline for Completion: (check one)
3 months ______________
6 months ______________
1 year _________________
2+ years _______________

	Assets	Amount	Liabilities	Amount	Amount Monthly Payment
Do you own a vehicle?	Value of Vehicle		Loan Amount of Vehicle		
What are the make, model, and year?					
Do you own a home?	Market Value of Home		Mortgage Amount on Home or Rent/Lease		
Do you own a business?	Value of Business		Loan Amount(s) for Business		
Do you own residential property or land?	Value of Property		Loan Amount for Property		
Do you own stocks, bonds, 401k or other investments?	Value of Investments				
Do you have a checking account?	Amount in Account				
Do you have a savings account?	Amount in Account				
Do you owe money to friends/family?			Amount Owed		
Do you have past due household bills?			Amount Owed		
Do you owe money on credit cards?			Amount Owed		
Do you owe money on student loans?			Amount Owed		
Do you owe money on medical bills?			Amount Owed		
Do you have any other bills not listed?			Amount Owed		
	Total Assets		**Total Liabilities & Payments**		
			Net Assets		
			Debt to Income Ratio		

Household Income:	**Annual Income**	**Monthly Income**
Self		
Household member		
Household member		
Total Household Income		

Home Mortgage Qualifying Worksheet

Monthly Gross Income		$____________
Borrower's gross annual income		+____________
Co-borrower's gross annual income		$____________
Total gross annual salary		
Divide total gross income by 12		-____________
Total monthly gross income		$____________
Allowable Monthly Housing Costs (A)		
Total monthly gross income		$____________
Multiply by 28%		x .28
Allowable monthly housing costs	(A)	**$____________**
Mortgage Amount		
Home purchase price		$____________
Down payment		-____________
Mortgage loan amount		$____________
Monthly Taxes and Insurance		
Home purchase price		$____________
Multiply by .0025 (local prices vary)		x .0025
Estimated monthly taxes and insurance		$____________
Monthly Housing Cost (B)		
Monthly payment on 30-year loan (use interest chart)		$____________
Estimated monthly taxes and insurance		+____________
Condo or homeowner's fee (if applicable)		+____________
Total monthly housing costs	(B)	**$____________**
Allowable monthly debt		
Total monthly gross income		$____________
Multiply by 36%		x .36
Allowable total monthly debt	(C)	**$____________**
Other Monthly Payments		
Car payments		$____________
Credit card(s) payments		+____________
Student loan		+____________
Other		+____________
Total other monthly debt payments		**$____________**
Total Monthly Debt (D)		
Total monthly housing costs		$____________
Total other monthly debts costs		+____________
Total monthly costs	(D)	**$____________**

Are you currently in bankruptcy or have you been within the last two years? (indicate dates)

____

Action Plan to Rebuild Credit:
1. ____
2. ____
3. ____
4. ____

How much money do you think you will need for Down payment and Closing Cost?
____

What resources do you have to cover the Down payment and Closing Cost?
____
____
____

If you do not have sufficient resources to cover the Down payment and Closing, what is your plan for securing it?

____
____
____

Are there any other community organizations assisting you in achieving your homeownership goals? Who?

Do you feel comfortable as to what steps to take in order to begin the process of homeownership? If not, what would you like to know more about?
____
____
____

Plan for Achieving Goals
Check if completed, otherwise list dates for when you will address

Attend Asset Builder's Training
____Economic Skills Classes_________________________________
____Money Smart On-line Curriculum________________________
____Homebuyer Training____________________________________

Savings
____To be completed within 33 months
____To be completed in 33 months
____To be completed in 6 months

Credit Repair
____Sessions with CCCS________________________________
____Consolidate Debt____________________________________
____Pay Off Certain Debt_________________________________
____Other____

Home Purchase Specific
____Secure services of a real estate agent or broker agency________
____Loan pre-approval_____________________________________
____Identify a home to purchase______________________________

APPENDIX C

(Note: This tool was provided by the Southern Good Faith Fund)

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Micro-Enterprise Self-Assessment Tool

Client

First name: ___________________________ MI: _____ Last name: _______________________________

Is this business a start-up: ☐ Yes ☐ No

Action Plan

Client needs the following to achieve goal

☐ Feasibility study
☐ Market research
☐ Review credit report
☐ Obtain licenses
☐ Apply for loan
☐ Business plan
☐ Financial Projections
☐ Repair credit
☐ Business training
☐ Enroll in IDA
☐ Other: ______________________________

Assessment of Current Situation

Current credit situation: ____________________________ Family support: ☐ Yes ☐ No

Why start/expand business? ____

____

____

____

____

Knowledge needed to start/expand business: ____

____

____

____

Current and required experience: ____
____
____
____

Time to be spent in the business: ____
____
____

Financial resources being brought to the business: ____
____
____
____

Income source while working on starting/expanding business: ___________________________________
____
____
____

Current debt level: $___________________

Preparation made to start business?

- ☐ Feasibility study
- ☐ Market research
- ☐ Financial Projections
- ☐ Business training
- ☐ Enroll in IDA
- ☐ Other: _____________________________

Plan of Action

Plan to attend Southern Good Faith Fund training/workshop:

- ☐ FasTrac Date: __ __ /__ __ /__ __ __ __
- ☐ Home-based Business Date: __ __ /__ __ /__ __ __ __
- ☐ Business Side of Child Care Date: __ __ /__ __ /__ __ __ __
- ☐ Various Workshop Date: __ __ /__ __ /__ __ __ __
- ☐ IDA Economic Classes Date: __ __ /__ __ /__ __ __ __
- ☐ Other: _______________ Date: __ __ /__ __ /__ __ __ __

Credit repair:

- ☐ Session with CCCS Date: __ __ /__ __ /__ __ __ __
- ☐ Consolidate debt Date: __ __ /__ __ /__ __ __ __
- ☐ Pay off certain debts Date: __ __ /__ __ /__ __ __ __
- ☐ Other: _______________ Date: __ __ /__ __ /__ __ __ __

Technical assistance requested:

- ☐ Marketing Date: __ __ /__ __ /__ __ __ __
- ☐ Market research Date: __ __ /__ __ /__ __ __ __
- ☐ Streamline financials Date: __ __ /__ __ /__ __ __ __
- ☐ Pricing Date: __ __ /__ __ /__ __ __ __
- ☐ Other: _______________ Date: __ __ /__ __ /__ __ __ __

Capital Source

Amount of loan required: $___________ Proposed loan application date: __ __ /__ __ /__ __ __ __

- ☐ Complete plan/feasibility study Date: __ __ /__ __ /__ __ __ __
- ☐ Proposed completion date Date: __ __ /__ __ /__ __ __ __

Amount of personal funds: $___________ Date: __ __ /__ __ /__ __ __ __

Amount of child care grant: $__________ Application date: __ __ /__ __ /__ __ __ __

Amount other sources financing: $________ Date: __ __ /__ __ /__ __ __ __

IDA saving amount: $____________ IDA enrollment date: __ __ /__ __ /__ __ __ __

IDA match amount: $____________ IDA purchase date: __ __ /__ __ /__ __ __ __

Follow-up Plan

Counselor's name:

- ☐ Angela Austin Date: __ __ /__ __ /__ __ __ __
- ☐ Pat Scott Date: __ __ /__ __ /__ __ __ __
- ☐ Miriam Karanja Date: __ __ /__ __ /__ __ __ __
- ☐ Vita Fielder Date: __ __ /__ __ /__ __ __ __
- ☐ Other: _________________ Date: __ __ /__ __ /__ __ __ __

Signatures

Client: ____ Date: __ __ /__ __ /__ __ __ __

Staff: __________