

Question: What effect does participation in an Individual Development Account (IDA) have on SSA Disability benefits?

An Individualized Development Account, or IDA, is a special account that allows members of low income groups (including persons with disabilities) to save for specific goals such as home ownership, employment, small business ownership, or post secondary education while also receiving matching funds and financial counseling. In using an IDA, a participant identifies a specific asset that he or she would like to acquire and works with the IDA program to develop a savings plan that will make it feasible to reach the goal and ultimately purchase the asset.

According to their plan, the individual then begins to deposit a certain amount of earned income on a regular basis - typically monthly - into an IDA account. What makes the IDA savings account special is that participants receive matching funds. The match rate is the amount that the IDA program contributes for each dollar that a participant saves. The matching money is usually a combination of government and private-sector funds. The rate varies greatly across IDA programs and can range anywhere from \$1 of match for every \$1 of earnings saved to \$8 of match for every \$1 dollar saved. For example, if a program has a \$4 match rate for every \$1 dollar saved, each time a participant deposits \$25 in their IDA account, an additional \$100 in matching funds would be allocated for their savings.

One of the main goals of IDA programs is to teach individuals and families the skills needed to manage income and resources responsibly. IDA programs address this need by providing basic financial management training and very often, an array of other supportive services. The training and supportive services typically provided include financial education on household budgeting, owning and managing a bank account or a credit card; credit counseling; guidance in accessing refundable tax credits, including the Earned Income Tax Credit and the Child Tax Credit; the basics of saving and investing, and specialized training in owning and maintaining particular assets for the long term.

IDA programs are currently most widely available through state administered TANF (Temporary Aid to Needy Families) programs or the federal AFIA (Assets for Independence Act) program. However, IDA programs do not have to be part of these federal initiatives and there are many IDA programs supported by state funds, other local governmental sources, private funds, or combinations thereof. Participation in a federal IDA program is treated differently and more favorably by other federal means-tested programs than is participation in a state or privately funded IDA.

Impact of TANF or AFI IDA Participation on Social Security Disability Benefits (SSDI, CDB, DWB)

While a beneficiary might meet the eligibility requirements to participate in an IDA, does it make sense for them to do so given the potential impacts on their Social Security disability benefits? Accumulating resources and building wealth have never been a problem for Title II beneficiaries. Eligibility for Title II disability insurance benefits is not based on economic need and there has never been any restriction on savings, investment or asset accumulation. As a result, participating in an IDA will not adversely affect an individual's application or eligibility for Title II Disability benefits.

In addition to this, once a person has established eligibility for a Title II benefit, their earnings contributions to an IDA, matching funds, or interest earned will not have any impact on the cash benefit amount. Individuals receiving a Title II benefit are not penalized in any way for having cash savings, IDAs, pension funds, retirement accounts, real property, or other investments to rely upon in addition to their Social Security disability payment and Medicare coverage. Given this, IDAs are a perfect asset building vehicle for these beneficiaries.

A word of caution: if a Title II beneficiary also receives Medicaid, it will be necessary to research the state regulations regarding money deposited into an IDA.

Impact of TANF or AFI IDA Participation on SSI Benefits

While IDAs are a great choice for Title II beneficiaries, what about SSI beneficiaries? SSI is a means tested program. Would participation in an IDA adversely impact SSA resource determinations? This is definitely not the case! While asset accumulation is severely limited in the SSI program, the "good news" is that funds set aside in a federally funded IDA program, meaning the programs authorized by AFI and TANF, do NOT count toward the SSI resources limit, matching deposits do not count as income, and the account owner's deposits can actually cause the SSI benefit amount to go up. Since January 1, 2001, when SSA expanded its exemptions for funds held in TANF and AFI IDAs, there is NO negative impact on an individual's SSI benefit for participating in a federally funded IDA. For more information, see the following POMS citations: [SI 00830.665 Individual Development Accounts \(IDAs\)--TANF Funded](#) and [SI 00830.670 Individual Development Accounts \(IDAs\) -- Demonstration Project](#)

AFI IDAs are also treated favorably in the income test for SSI eligibility. Earnings that an individual contributes to an AFI or TANF Demonstration Project IDA are deducted from wages in determining countable income. The dollar amount of earnings contributed to the IDA each month is subtracted from their gross monthly wages or net earnings from self-employment, generally reducing their countable earnings by half the amount that they deposit. By reducing the amount of their countable earnings and overall total countable income, the individual may be assisted to establish eligibility for SSI when they otherwise may have had income in excess of the allowable levels.

The IDA income deduction for beneficiaries is also applied to the parent's IDA contributions in the deeming process. What this means is that if a parent establishes his or her own IDA, the earnings that they contribute to their IDA is deducted from their gross income in the deeming process. Because the parent is considered to have less

countable income, it results in a smaller amount of income being deemed to the child. This may result in the child being able to establish eligibility for SSI.

In addition, an individual's contributions that are deposited in an AFI or TANF Demonstration Project IDA are excluded from resources in determining both initial and ongoing eligibility for SSI. This disregard also applies to contributions that a parent of an SSI beneficiary makes to his or her own IDA in the deeming process. In addition to this, any matching funds that are deposited in an AFI or TANF Demonstration Project IDA are excluded from resources, and any interest earned on the individual's own contributions and on the matching funds is also excluded.

Not only will an individual's contribution of earnings to an IDA be deducted during the income test for eligibility, but once eligible, the deduction is also applied in the formula for determining SSI payment amount. This means that participating in a federally funded IDA program can actually allow a beneficiary to keep MORE of their SSI cash payment. The SSI program rules allow for deducting AFI and TANF IDA contributions directly from the countable earnings. In the SSI formula, the amount of earnings that the individual contributes to the IDA is subtracted from gross monthly earnings or net earnings from self-employment (NESE) first, before the other standard earned income exclusions are applied. For all SSI beneficiaries, excluding AFI and TANF IDA contributions directly from countable earnings results in an individual recovering half of their contribution through their SSI cash benefit. This increase in monthly SSI payment makes it more feasible for beneficiaries to save in their IDA while continuing to meet monthly living expenses!

CWICs are in an optimal position to assist beneficiaries to take advantage of IDAs by offering education about the impact of IDAs on Social Security disability benefits and other publicly-funded benefits, and the interaction between IDAs and Social Security work incentives, such as the PASS plan. CWICs are also able to help with ongoing benefits advisement and coordination with other members of the beneficiary's support network. By developing partnerships with IDA grantees, WIPA projects can promote asset building, financial literacy and, ultimately, greater financial independence for Social Security Disability beneficiaries and their families.