

Savings Plan Agreements

Before a new IDA is opened, the participant and the AFI Project must commit to a set of rules and responsibilities outlined in a Savings Plan Agreement. The following are some elements to include in Savings Plan Agreements between AFI Project organizations and their participants. These are just suggestions. Grantees should tailor agreements to their needs, within the requirements of the AFI statute.

- A savings goal, including a proposed schedule of savings deposits by the participant from earned income, which must be for a period of more than six months.
- The proposed qualified expense (first home, education, microbusiness) for which the IDA is maintained.
- The length of time to achieve the participant's savings and asset acquisition goals.
- The rate at which participant savings will be matched (from \$1 to \$8 of the Federal and nonfederal match for each dollar in earnings the participant deposits). (Note that the Federal grant funds portion of the match may not exceed \$2,000 per individual and \$4,000 per household during the five-year project period.)
- The schedule of match deposits and interest allocation to be followed by the AFI Project.
- Financial education plan, in which the AFI Project agrees to provide training and the participant agrees to attend.
- Any additional training or education related to the qualified expense that the AFI Project agrees to provide (or may require) and that the participant agrees to take.
- Process for notification of participant in the event that the participant exceeds or fails to meet projected savings goals. The process will include schedules and contingency plans.
- Any agreement as to investments of assets maintained in the Project Reserve Account.
- An explanation of withdrawal procedures and limitations, including the consequences of unauthorized withdrawals.
- An explanation of the conditions under which the project may ask a participant to withdraw personal savings and leave the program, such as failure to attend or complete trainings or a pattern of missed deposits. Include the AFI Project's responsibility for working with the participant to avoid the need to withdraw.
- Provision for disposition of the funds in the IDA in the event of the participant's death.

For more ideas on designing an AFI Project, see *AFI Project Builder: Guide for Planning an Assets for Independence Project*, at <http://www.acf.hhs.gov/assetbuilding>.

- *Provision for amendment of the agreement* with the concurrence of both AFI Project and participant.

Where match rates and maximum savings amount differ for the different asset goals, it may be clearer for AFI Project to use separate documents rather than including alternatives in a single form.

Following is an example of a Savings Plan Agreement that incorporates many of the suggested elements.

Sample Savings Plan Agreement

1. My savings goal for the Individual Development Account is _____ per year over the course of two years. I understand that a maximum of \$1,000 will be matched by **THE AFI PROJECT** annually, at a rate of 2:1 (**THE AFI PROJECT** will contribute two dollars for every dollar of earned income that I save toward one of the designated assets).
2. My monthly savings goal will be _____. I understand that I am required to make monthly deposits from earned income, with a minimum monthly deposit of \$____, to **NAME OF BANK** in the form of _____, and that I may miss a maximum of three monthly deposits over the course of one year. I will be notified and warned of termination after three missed deposits. If I must miss one deposit, I will contact the program coordinator immediately to discuss the reason and to plan to be consistent in the future. *[Note: Some programs lack the staff to do this level of personal follow-up with clients—the time to visit and counsel—so take this into consideration.]*
3. My asset goal is the following: _____.
4. I understand that I have up to ____ months to achieve my savings goal and up to ____ months after that to make my purchase.
5. In order to be a part of this project and to receive the savings match, I must attend the nine-session personal money management course. If I miss a class, I will call the program coordinator immediately to discuss the situation, and will make arrangements to make up the missed session. In addition, I agree to complete all session summary activities as required. Upon completion of the nine-session class, I have the option to participate in further training on starting a business, buying my first home, or going back to school through either **THE AFI PROJECT** or a community partner.
6. I will not withdraw money from this IDA savings account under any circumstances without consulting the program coordinator. Unauthorized withdrawals may force me to be dropped from the AFI Project and to forfeit my rights to any match monies accrued. If at any time I am not able to meet my monthly savings goal, **I will call the project coordinator and discuss the situation immediately.**
7. I will review my savings and asset goals and my performance in meeting or exceeding these goals regularly. If a revision is in order, I will make an appointment to revise this Agreement with the Program Coordinator.
8. In the event of my death, I understand that if I designate another eligible individual as the beneficiary, that person will receive both my savings and earned match, provided he

or she satisfies all project requirements. If I designate someone who is not eligible for an account, the beneficiary will receive only my savings, and my earned match will be used to match other account holders. Accordingly, I designate the following beneficiary: _____.

9. Withdrawing money: With this special matched savings account, I can withdraw money only after I have made monthly deposits for at least six months for one of the three purposes listed below:
- a. Starting or expanding a small business, with an approved business plan—equipment, inventory, and marketing material can be purchased.
 - b. Purchasing my first home—upfront costs (e.g., earnest money, appraisal, and home inspection costs).
 - c. Going to school—tuition, books, entrance fees, registration costs, and lab fees can be paid with savings match. The purchase of necessary equipment or supplies, including a computer, is also allowable.

10. All checks will be made payable to a third-party as allowed by AFI requirements.

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11. Withdrawals after any first draw can be made only *quarterly*, with the exception of first-time home purchase.
12. In special circumstances, I will be able to withdraw money (without matched dollars) for emergency purposes. I am allowed 12 months to replace that money to continue to be a part of the project. I must meet with the project coordinator and fill out and sign the emergency withdrawal agreement.
13. In order to withdraw *any* money, I must obtain a signature from the AFI Project coordinator before going to the bank. This requirement ensures that I have thought carefully about my purchase and that I am using it for one of the three assets listed above. *All* account withdrawals require dual signatures—one from the AFI Project coordinator and one from me.

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I agree to the terms and conditions as stated above.

Participant

Date

NAME OF AFI PROJECT Coordinator

Date