

Opportunity Passport™

Chapter 6 helps you understand and utilize the Opportunity Passport™.

This chapter introduces you to the Opportunity Passport™. In order to get the most out of the Opportunity Passport™, you need to have knowledge and skills related to saving and financial planning, which you learned earlier. At the end of this training, you will be able to lay out the steps for using your savings goals and financial plan to use your Opportunity Passport™.




The Opportunity Passport™

Asset - something of value that will yield long-term benefits to you.

Welcome to the Opportunity Passport™! Participating in the Opportunity Passport™ is an important step in starting a process of saving that should ultimately allow you to purchase an asset that you've dreamed about! An **asset** is something of value that is likely to yield long-term benefits to you later in life. This asset can offer financial and personal benefits to you and your community.

The Opportunity Passport™ has three important parts:

1. **A debit account**—which you can use to pay for short-term expenses.
2. **An Individual Development Account (IDA)**—a savings account to help you save for longer-term goals. Your IDA is a matched savings account—that means that the money you put into your IDA account will be matched dollar for dollar when you purchase an asset! You put in a dollar—you get a dollar in match! 
3. **Door openers**—opportunities for you in your community, such as job training, housing assistance, help with financial aid applications for college or education courses, and discounted health services.

Taken together, these parts provide a powerful tool to build assets for your future.



Financial Planning Review: A Roadmap toward Independence

When you set out on a trip, you likely take a look at a map and figure out what route to take. There may be several different roads that lead to your destination. You make a decision on which way to go based on several factors, including how fast you want to get there and what you want to see along the way.

Financial planning - identifying your goals, developing a plan to achieve them, and putting it into practice.

Just like you figure out a route to take when going on a trip, you need to map out a path to reach your financial goals as well. **Financial planning** is the process of identifying your goals, developing a plan to achieve them, and putting that plan into practice.

To create your financial plan, you will need to complete the following steps:

1. Set your savings goals
2. Develop a savings plan
3. Create a budget—your spending plan
4. Monitor your plan along the way.



Asset - something of value that will yield long-term benefits to you.

The Opportunity Passport™ is a tool to help you build **assets**. An asset is something of value that is likely to yield long-term benefits to you later in life. Assets may include education, a house or apartment, or a car. By saving now you can purchase an asset that will benefit you for years to come. For example, going through a training course can help you qualify for a higher paying job than you could otherwise get if you did not have those skills.

To participate in the Opportunity Passport™, you need to set a savings goal for your IDA. Examples of savings goals for your IDA include:

- Housing down payment or security deposit
- Medical, dental and health care costs
- Insurance (homeowners, renters, auto, and health)
- Education and training course
- Car purchases
- Microenterprise (a small business)
- Investments

Remember, goals need to be specific to be attainable. Instead of setting a goal of "training courses"-set a specific goal for a two-year training course in computer software. Goals should also relate to the dreams and values you listed earlier. Use Worksheet 3 to think about your specific IDA goals. Don't worry if you are not 100 percent sure of your IDA goal. You'll have time to think about your goal before the next session. Because saving takes time, focus your financial plan on achieving only one IDA goal at a time.



How the Money in Your IDA Grows

The money in your debit account is available to you at anytime and is easily accessible. However, this money does not earn interest—at any point in time, the amount in your debit account will equal the amount you have deposited minus the amount you have taken out.

The money in your IDA, on the other hand, will grow as time goes on. This is true for three reasons: contributions, interest and matching.



- **Contributions**– First, your IDA will grow because each month you will deposit, or put new money, into it. These regular deposits are called your IDA contributions. You'll make these contributions according to the plan you develop with Opportunity Passport™ staff.
- **Interest**– All of the money that you put into your IDA will be invested and will earn an interest rate of about 2 percent per year. Importantly, this money will earn compound interest, which means your money will grow even faster!
- **Matching**– In addition to interest, which all of the money in your IDA will earn, the money that you withdraw to purchase your IDA goal will receive a 1-to-1 "match", up to \$1000 each year. That means that for every dollar you save for your IDA asset, you'll get an extra dollar through the Opportunity Passport™. This includes not just money that you deposited, but any interest that you earned on that money too!

Therefore, remember that while all of the money in your IDA will grow (because it all will earn interest), the money that you save for your IDA asset will grow much faster, because it will receive both interest and the match.



IDA Matching Game

Elena and Joe both deposit \$500 in their IDA. In the first year, they earn 2% interest on this money. At the end of the year, Joe withdraws his money to buy a stereo system, which is not a savings goal eligible for the match. Elena withdraws the money to pay for tuition, which is eligible for the match.

	ELENA			JOE		
	PRINCIPAL	INTEREST	ENDING BALANCE	PRINCIPAL	INTEREST	ENDING BALANCE
		\$500	\$10	\$510	\$500	\$10
WITHDRAW FOR IDA GOAL	\$510			\$0		
WITHDRAW FOR NON-IDA GOAL	\$0			\$510		
MATCHING						
TOTAL MONEY						



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1. Why did Elena and Joe each earn \$10 in interest?

2. How much matching money did Elena receive?

3. How much matching money did Joe receive?



4. How much money does Elena now have for tuition? How much does Joe have for his stereo?



Making Your IDA Work for You

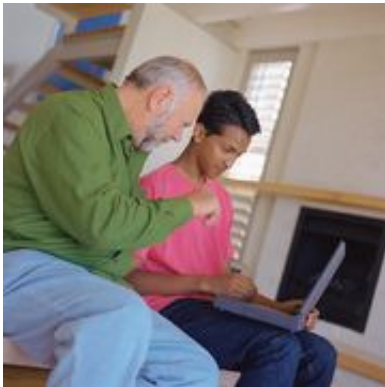
To create a savings plan for your IDA, you'll need to follow the following three steps.

1. Set your IDA goal;
2. Determine how much money you need to achieve your IDA goal; and
3. Figure out how far in the future you want to achieve your goal and how much you need to save each month.

These three steps are described in more detail below.

Step 1. Set Your IDA Goal

In Chapter 1, you began thinking about your savings goal and listed some assets that interested you. After completing your homework—thinking about your goals in more detail and talking to adults or mentors in your life—it's time to choose your IDA asset goal. Again, goals that are eligible for the match include:



- Housing down payment or security deposit
- Medical, dental and health care costs
- Insurance (homeowners, renters, auto, and health)
- Education and training course
- Car purchases
- Microenterprise (a small business)
- Investments

Because achieving these goals take time, only work toward one asset goal at a time. List your IDA asset goal in Worksheet 1.

Worksheet 1: My IDA goal



Step 2. How Much Do You Need to Save to Achieve Your IDA Goal?

The next step in using your IDA is figuring out how much money you will need to save to achieve your goal. This depends on three things:

1. The **cost of the asset**;
2. The **cost of other things** that you will need when you purchase the asset; and
3. **Which of these costs will be eligible for the match.**

When figuring out how much money you need to achieve your goal, don't forget the **extra costs** that you'll have when you purchase your asset.

For example, suppose you want to buy a \$1500 used car. You know that you will get a match on every dollar that you take out of your IDA to purchase this car, so you need to have \$750 (\$1500 divided by two) in your IDA at the time you withdraw it to make the purchase. Does that mean that all you need to save is \$750? No. In addition to the price of the car, you'll need to save for things like your driver's license, car insurance, and car license or registration. It is important to figure out all of the additional costs, including both costs that are eligible for the match and those that are not, that you will incur when you purchase your IDA asset. ¹



The following table helps you to think about some of the related costs associated with your asset goal. You need to consider these and others costs in order to determine the total cost of your asset.

IDA Assets and Sample Associated Costs

¹ In addition the upfront costs of purchasing your IDA asset, you will also need money each month to maintain your asset. For example, if you purchase a car you will need money for gas, oil changes, and perhaps parking. For an apartment, you will need money for utilities such as heat and gas. Monthly educational expenses may include the cost of transportation to your classes. Therefore, in addition to saving for your asset, make sure that you'll be able to cover monthly expenses you will incur once you have the asset. We'll talk about these ongoing expenses in Chapter 3.



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Asset	Sample Associated Costs to Consider	Eligible for Match?
Apartment, Townhouse, House	<ul style="list-style-type: none"> Housing down payment or security deposit 	Yes
	<ul style="list-style-type: none"> Renter's Insurance/Homeowner's Insurance 	Yes (One time only)
	<ul style="list-style-type: none"> Moving expenses 	No
	<ul style="list-style-type: none"> Deposit for utilities (water, gas, electric) and phone 	No
Medical, Dental, and Health Expenses	<ul style="list-style-type: none"> Health insurance premiums 	Yes
	<ul style="list-style-type: none"> Co-pay (doctor's visits and pharmacy co-pay) 	Yes
Education and Training Course	<ul style="list-style-type: none"> Tuition or registration fee 	Yes
	<ul style="list-style-type: none"> Books and supplies (notebooks, pens, pencils, book bag) 	No
	<ul style="list-style-type: none"> Computer 	Yes
	<ul style="list-style-type: none"> Transportation expenses 	No
Car	<ul style="list-style-type: none"> Driver's license 	No
	<ul style="list-style-type: none"> Car insurance 	Yes (One time only)
	<ul style="list-style-type: none"> Car License/Registration 	Yes (One time license renewal only)
	<ul style="list-style-type: none"> Car inspection 	No
	<ul style="list-style-type: none"> Maintenance 	No
	<ul style="list-style-type: none"> Local taxes (where applicable) 	No
Microenterprise	IDA funds may be used to support initial start-up costs identified in a business plan. These costs might include, business insurance, licenses and permits, equipment and supplies (e.g., phone, computer hardware and software), and rent.	
Investments	Administrative fees	No



IDA FREQUENTLY ASKED QUESTIONS

Housing

Will moving expenses be eligible for the match? What about security deposits for utilities expenses such as electric, gas, telephone and cable. No, only the down payment for the purchase of a house or the rent deposit will be covered. Rent deposit is defined as deposit and 1st month or first and last month rent.

Health Expenses

Can matched funds be used for paying down past medical expenses? Yes, current and past medical expenses will be covered as an asset purchase.

How far back can a previous medical or hospital expense incurred by the participant be paid for with match funds? There is no time limitation imposed for paying off previous medical or hospital expenses.

Insurance

What about homeowners, renter's insurance, and auto insurance? Homeowners insurance will be covered when the participant is ready to purchase a home. The cost of renter's insurance will also be covered at the time of the rental agreement. In addition, automobile insurance as well as vehicle license renewal expenses will be covered during the purchase of an automobile. These insurance expenses will be covered only once during the time of purchase, no subsequent periodic insurance payments (monthly, quarterly or yearly) will be paid using matched funds.

Education and Training

Will employment-related expenses - such as job search expenses, resume writing, traveling to job interviews, paying for job interview skills development - be included? No, none of these expenses are considered assets.

Is Driver's Education included for a matching withdrawal? No.

Car

What if the purchase of the car requires additional funds for repairs, or new parts, tires or replacement parts? Will a maintenance contract be built into asset purchase for new vehicles? What about leasing a car? No, only the purchase of the vehicle is considered an asset. Maintenance contract will not be included in the purchase of a vehicle, other than the standard maintenance contract that comes with the purchase. In addition, vehicle leases are not covered.

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Suppose Elena decides to use her IDA to save for renting an apartment. She estimates that it will cost about \$400 per month to rent a one-bedroom apartment. Below, she calculates how much she needs to have in her IDA to cover the rental deposit and other upfront expenses associated with it.

Elena's Worksheet

IDA GOAL: APARTMENT			
	HOW MUCH DOES IT COST?	WILL I RECEIVE MATCHING FUNDS?	HOW MUCH SAVINGS WILL I NEED TO HAVE IN MY IDA WHEN I WITHDRAW THE MONEY?
RENT DEPOSIT (EQUAL TO FIRST AND LAST MONTHS' RENT)	$\$400 + \$400 = \$800$	YES	$\$800/2 = \400
OTHER UPFRONT COSTS			
RENTER'S INSURANCE	\$200	YES	$\$200/2 = \100
MOVING	\$50	NO	\$50
DEPOSIT FOR UTILITIES AND PHONE	\$50	NO	\$50
TOTAL UPFRONT COST OF ACHIEVING IDA GOAL=	\$1100	TOTAL SAVINGS NEEDED IN IDA	\$600



Now, use Worksheet 2 to figure the costs of achieving your IDA goal. You can refer to the table on page 13 and the IDA Frequently Asked Questions to find out which of the costs of achieving your IDA goal are eligible for matching funds.

Worksheet 2: Cost of my IDA goal

MY IDA GOAL:			
	HOW MUCH DOES IT COST?	WILL I RECEIVE MATCHING FUNDS?	HOW MUCH SAVINGS WILL I NEED TO HAVE IN MY IDA WHEN I WITHDRAW THE MONEY?
ASSET EXPENSE			
OTHER UPFRONT COSTS			
TOTAL UPFRONT COST OF ACHIEVING IDA GOAL=		TOTAL SAVINGS NEEDED IN IDA	



Step 3. What's Your Timeline for Achieving Your IDA Goal?

Now that you know how much you need in your IDA account, the next step is deciding **when** you want to purchase your IDA asset. How long you are willing to wait will determine how much you have to save each month. As a general rule, each month you should save the amount of money that you will need to achieve your IDA goal divided by the number of months in which you are going to save.

$$\text{Savings Needed Each Month} = \frac{\text{Total Amount Needed in IDA}}{\text{\# of Months}}$$

Renting an Apartment: How much does Elena need to save each month?

Elena decides she wants to have her apartment in one year. Below, she calculates how much she will have to save in her IDA each month to achieve her goal.

Elena's Needed Monthly Savings: \$600 needed in 12 Months

(A) Total Savings Needed In IDA To Achieve Goal	\$ 6 0 0
(B) Total Number Of Months To Achieve Goal	12
(C) Amount To Save In IDA Each Month (A Divided by B)	$\$600/12 = \50

Therefore, Elena needs to save \$50 each month in order to rent her apartment in one year. However, if Elena decides to give herself two years to achieve her goal, how much money will she need to save each month?



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Elena's Needed Monthly Savings: \$600 needed in 24 months

(A) Total Savings Needed In IDA To Achieve Goal	\$ 6 0 0
(B) Total Number Of Months To Achieve Goal	
(C) Amount To Save In IDA Each Month (A Divided by B)	

Now, decide when you want to achieve your IDA goal. Use Worksheet 3 and your calculations from Worksheet 2 to estimate how much you need to save in your IDA each month.

|



Worksheet 3: How much do I need to save each month?

Your Needed Monthly Savings

(A) Total Savings Needed In IDA To Achieve Goal (from Worksheet 2)	
(B) Total Number Of Months To Achieve Goal	
(C) Amount To Save In IDA Each Month (A Divided By B)	

As you can see, how quickly you will be able to meet your IDA goal is dependent on many things. First, it depends on the cost of purchasing your IDA asset and its related upfront expenses. Second, it depends on how much money you plan to save each month and how dedicated you are to saving that amount. If it's very important to you to get more education, rent an apartment, or buy a car, then you will try very hard to save the necessary money each month. The next chapter will help you create a budget so that you can figure out how to save for your goal.



Creating Your Budget

Creating a budget to achieve your IDA goal takes five steps.

1. First, you need to **understand your current money** habits by tracking how much you currently earn and how much you currently spend each month.
2. **Compare how much you currently save each month with the monthly savings goal** that you determined in Chapter 2.
3. If you currently are not saving enough to meet your IDA goal, you need to **make adjustments to your income and spending** habits.
4. Because maintaining your IDA asset will cost you money, you need to **figure out how you will budget your money once you have achieved your goal**.
5. Finally, if you find that you cannot save enough to purchase or maintain your IDA goal, you **may need to adjust that goal** and go through these steps again.



Budget for Achieving IDA Goal

BUDGET FOR ACHIEVING MY IDA GOAL	
	Amount
MONTHLY INCOME	
Take-home pay	
Other income	
TOTAL MONTHLY INCOME	
MONTHLY EXPENDITURES	
Essentials	
Rent	
Utilities (water, electricity, gas, phone)	
Groceries	
Personal Care (e.g. deodorant, shampoo, etc)	
Essential Clothing	
Transportation	
School Supplies	
Health Insurance Premium	
Finance Charges/Fees (Check Cashers)	
Unexpected essential expenses (e.g., car repairs)	
Other (e.g. child support, child care, etc)	
Total Essential Expenditures	
Non-Essentials	
Entertainment (movies, cable TV, etc)	
Eating out	
Other	
Total Non-Essential Expenditures	
TOTAL MONTHLY EXPENDITURES (TOTAL ESSENTIAL + TOTAL NON-ESSENTIAL EXPENSES)	
CURRENT MONTHLY SAVINGS (TOTAL INCOME - TOTAL EXPENDITURES)	



Budget for Maintaining My IDA Goal

BUDGET FOR MAINTAINING MY Savings Goal	
	Amount
MONTHLY INCOME	
Take-home pay	
Other income	
TOTAL MONTHLY INCOME	
MONTHLY EXPENDITURES	
Essentials	
Rent	
Utilities (water, electricity, gas, phone)	
Groceries	
Non-food groceries (e.g. deodorant, shampoo, etc)	
Essential clothing	
Transportation	
School Supplies	
Health Insurance Premium	
Finance Charges/Fees (Check Cashers)	
Unexpected essential expenses (e.g., car repairs)	
Other (e.g. child support, child care, etc)	
Total Essential Expenditures	
Non-Essentials	
Entertainment (movies, cable TV, etc)	
Eating out	
Other	
Total Non-Essential Expenditures	
TOTAL MONTHLY EXPENDITURES	
(TOTAL ESSENTIAL + TOTAL NON-ESSENTIAL EXPENSES)	
CURRENT MONTHLY SAVINGS	
(TOTAL INCOME - TOTAL EXPENDITURES)	



Savings Tips

Now that you've figured out how to save enough money each month to purchase and maintain your savings goal, here are some tips for keeping to your plan:

- **Paying Yourself First**- One great way to start saving is "Paying Yourself First". Each time you get a paycheck, immediately put a set amount or percentage of it into your savings, before you spend any of it. For example, decide to save 5% of your paycheck. If you get a paycheck of \$300, immediately deposit \$15 into your savings. Sometimes you can arrange to do this through your employer, who may be able to automatically deduct some portion of your paycheck and place it into the account of your choosing.
- **Performing your job well**- Work hard and be responsible at your job so that your employer will consider you for a raise and/or will provide a strong recommendation for you when you apply for future jobs.
- **Enhancing your skills**- Take classes or go through training that will give you the skills you need to be promoted at your current employer or find a higher-paying job elsewhere.
- **Saving "windfalls"** - In addition to paychecks and other sources of regular income that you may receive, you may, on occasion, receive a lump sum payment, such as a bonus or a tax refund. For example, you may be eligible for tax credits, such as the Earned Income Tax Credit (EITC), when filing your tax returns each year. The EITC is a tax break for people who work, but do not earn high incomes. Those who qualify could pay less federal tax or no tax, or even get a tax refund when they file their taxes in April.² If you receive a lump sum payment such as these, consider putting some or all of it into your Savings.

² If you need help filing your taxes, the IRS offers help through the Volunteer Income Tax Assistance Program (VITA). To find a VITA program near you, visit the IRS website at www.irs.gov.



In this chapter, you learned how to analyze your current money habits, determine how much you need to save to meet your goal, and identify ways to save that money. Now that you have your financial plan in place, the next step is to learn the skills to manage your money and keep your plan on track!

Is a Savings Account an IDA?

A savings account is an account that allows you to put money aside to meet a short- and long-term goal or an emergency. Your IDA account is a savings account. The money in your savings account will always earn interest. Most banks don't require that you have a lot of money available in order to open a savings account. However, you'll need to know if the bank has other requirements related to the use of the savings account, such as a minimum balance or if there are fees for the account.



Having a savings account helps get you in the habit of saving. It's a good idea to put aside some of the money you earn to address unexpected expenses and emergencies. As a rule of thumb, you'll want to eventually save enough money so that if you lose your job, you can support yourself for a few months with the money in your savings account.

Your IDA is a powerful savings account because your money will not only earn interest but the money you put in your IDA will also be matched dollar for dollar. For example, if you save money towards a specific goal (to buy a car, pay your tuition, purchase a home, or pay your health insurance costs), for every dollar you save in your IDA, you'll receive a dollar in match. As a result, the more you save in your IDA, the more money you'll have available to meet your goal and the more you can save for other needs.



Understanding Your Account Statement

Every month you'll receive an account statement from your bank for both your IDA and your checking account if you choose to open one. The statement will list all of the transactions in your account during that month or reporting period. The account statement gives you another way to track the status of your account. You should review your account statement immediately upon receiving it. When reviewing the statement, compare the listed transactions against those listed in your check register. If you've forgotten to include a transaction in your check register, use this opportunity to correct your register so that the balance reflected in the register and your account statement are the same. If there are transactions that you believe are incorrect, contact your bank to address the problem.

You'll also receive a statement from the Opportunity Passport™ that has specific information about your IDA account. The statement will list all of your deposits, interest earned, the total savings in your account, and any dollar amount that has been matched for the purchase of approved assets. You should review this statement as soon as you receive it and contact your bank or your Maine Youth Opportunities Initiative coordinator if you have any questions.

Another way in which you can track your banking transactions and verify the amount of money in your account, is by using the bank's toll-free (800) 24-hour hotline—you'll receive this information from your bank when you open your account and the number also will be listed on the back of your debit and ATM card. Most banks offer this service free of charge and you can call the number any day of the week, including weekends, and anytime of the day. When you call the hotline, you can access information on the balance in your account as well as information about the most recent deposits, withdrawals, and checks cashed.

| If you're planning to use your debit card or write a check to make a purchase, you should first check the balance on your account. If you

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do this by calling the toll-free number, you need to remember that the balance on your account may not include any recent purchases or checks that haven't been cashed. Therefore, you should always write down all of your transactions in your debit/check register and use this information to figure out your account balance. This simple step will prevent you from overdrawing your account.

Protecting your financial information and learning to effectively manage your debit and IDA accounts are important steps to manage your finances and keeping your financial plan on track.

| Congratulations and Good Luck on the road to "Building Assets for Your Future"!

