



Generating Wealth: Baby Bonds

What is the problem? The fabled American Dream asserts that individual hard work, grit, and perseverance will lead to economic success. This narrative ignores the unequal footing—be it through slavery, redlining, or other policies—afforded people of color to accumulate wealth. In reality, wealth begets wealth. Today, the median income for White households is \$71,000 compared to \$17,600 for Black households ([Consumer Finances, 2018](#)).

Proposal: Provide a government-funded trust fund for every child born in the United States. The trust funds would be available to the child upon reaching adulthood and could be pro-rated so that the neediest receive the largest endowment.

History: From historic land grants to modern-day mortgage interest tax deductions, the United States has a long history of bolstering asset creation for the wealthy. The federal government allocates \$729 billion of its budget in tax subsidies to promote wealth building with a majority of the benefit going to millionaires. ([Prosperity Now, 2018](#)).

We welcome your thoughts on:

- What amount is needed to make a considerable difference for people of color?
- Should the use of money be restricted to things traditionally considered assets? (homeownership, education, entrepreneurship, retirement)
- Should the endowment be designed so that the full amount is set aside up-front or endowed in smaller amounts annually?
- How do we prepare users for backend taxes?
- How do we make sure this is structured as an entitlement, not relegated to a discretionary budget?

Resources:

- Prosperity Now and the Kirwan Institute overview baby bonds in [A Birthright to Capital](#).
- Senator Cory Booker's [American Opportunity Account Act](#) endows each newborn child with a \$1,000 account eligible for additional annual deposits.
- Naomi Zewde's [analysis](#) of a baby bond program showed a projected reduction from its current level of 16 to 1 down to 1.4 to 1.16 in the wealth divide.