



The American Opportunity Accounts Act – “Baby Bonds”

Over the past four decades, wealth and income inequality has skyrocketed. Nearly half of all wealth growth since 1986 has gone to the top 0.1 percent of households. While the top 1 percent controls 42 percent of the nation’s wealth, the wealth held by the bottom 90 percent of Americans is rapidly shrinking.¹

In the Massachusetts 7th Congressional District— one of the most diverse and unequal districts in the nation— black households have a median net worth of just \$8 while white households have a net worth of \$247,500.

The American Opportunity Accounts Act

The American Opportunity Accounts Act or “Baby Bonds” is a race-conscious, universal bond program aimed at closing the racial wealth gap. The legislation would create baby trusts or a seed savings account for every American child upon birth. Children from families in the lowest-income brackets would receive up to \$47,000 upon their 18th birthday. The funds could be put toward wealth building activities such as college tuition, buying a home, or starting a new business.

Specifically, the American Opportunity Accounts Act would:

1. Provide every American child with an account seeded with \$1,000 upon birth.
2. Require the federal government to deposit up to \$2,000 annually into the account using a sliding scale based on family income (children whose families earn less in income would get more money deposited into their accounts). Accounts would accrue a 3% annual return, in a low risk account, managed by the Department of the Treasury.
3. Prohibit access to the account until the account holder reaches age 18, at which point the funds could be used for clearly defined asset building expenses such as paying for college tuition, purchasing a home, or saving for retirement.

People-Centered Impact

Baby Bonds will benefit all children in families in the lowest-income bracket. However, because families in poverty are disproportionately black and Hispanic, the program will have a positive disparate impact that will benefit black and brown young adults.² Under the bill, on average:

- A black child would accrue \$29,038 by age 18;
- A Hispanic/Latino child would accrue \$27,337 by age 18; and
- A white child would accrue \$15,790 by age 18.

¹ Saez, E & Zucman, G. (2014). *Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data*. NBER Working Paper No. 20625.

² Kaiser Family Foundation. (2017). *Poverty Rate by Race/Ethnicity*. Available from: <https://www.kff.org/other/state-indicator/poverty-rate-by-raceethnicity/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>