



The American Opportunity Accounts Act (“Baby Bonds”)

Congresswoman Ayanna Pressley (MA-07) and Senator Cory Booker (D-NJ)

BACKGROUND

Over the past four decades, wealth and income inequality have skyrocketed. Nearly half of all wealth growth in America 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 workers and families is rapidly shrinking.¹

Across the nation, the median white family is 8 times wealthier than the median Black family.² Many of these disparities have grown fastest among families with children. In fact, Black families with children have a penny in wealth for every dollar that white families with children have.³ In the Massachusetts 7th Congressional District—one of the most diverse yet 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 COVID-19 pandemic has only further exposed and exacerbated these inequities, with millions of Americans draining their retirement and savings accounts to survive. In the same way that these violent inequities were created by government policy, policymakers must be intentional in advancing policies to dismantle them.

THE AMERICAN OPPORTUNITY ACCOUNTS ACT

Rep. Pressley and Senator Booker’s American Opportunity Accounts Act, or Baby bonds, is a race-conscious, universal bond and critical wealth building tool to help close the racial wealth gap and provide greater opportunity for all. Specifically, the legislation:

- Provides every child, as a birthright, an “American Opportunity Account” seeded with \$1,000 that every year, depending on family income, would receive up to an additional \$2000, while the account continues to accrue interest over time.
- Allows account holders to access funds beginning at age 18 for any eligible wealth building activities, including homeownership, paying for higher and continuing education, investing in a small business, and saving for retirement.

BABY BONDS BY THE NUMBERS

Baby Bonds will benefit all children in families in the lowest-income bracket. However, due to generations of systemic racism, predatory policies like redlining, and employment discrimination, families in poverty are disproportionately Black and Latinx. Therefore, the program will have a positive disparate impact that will benefit Black and brown young adults.⁴

Under the bill, on average:

- A Black child would accrue \$29,800 by age 18;
- A Latinx child would accrue \$22,300 by age 18; and
- A white child would accrue \$11,690 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 Brookings Institution. (2020). *Examining the Black-white Wealth Gap*. <https://www.brookings.edu/blog/up-front/2020/02/27/examining-the-black-white-wealth-gap/>

³ Percheski, C & Gibson-Davis, C. (2020) A Penny on the Dollar: Racial Inequalities in Wealth among Households with Children. <https://journals.sagepub.com/doi/full/10.1177/2378023120916616>

⁴ 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%22collid%22:%22Location%22,%22sort%22:%22asc%22%7D>

ENDORSEMENTS

Black Millennial Convention, Center for Law and Social Policy, Children's Defense Fund, Color of Change, Environmental Working Group, Faith for Black Lives, First Focus Campaign for Children, LIFT, NAACP, National Alliance of Community Economic Development Associations, National Association for Latino Community Asset Builders, National Coalition for Asian Pacific American Community Development, National Women's Law Center, National Urban League, PolicyLink, Prosperity Now, RESULTS, The Asset Building Policy Network (as a collective)