

CHILDREN’S SAVINGS ACCOUNTS AND BABY BONDS SHARE A SIMILAR ORIGIN STORY

EXECUTIVE SUMMARY

My contention is that the asset field has splintered into different camps, the Baby Bonds camp, and the CSA camp. Nevertheless, this [paper](#) discusses the *common origin story* between Small-Dollar Children’s Savings Accounts (CSAs), Large-Dollar CSAs, and Baby Bonds. And asks, “*Is it time to unite behind a set of shared principles, take control over the public narrative regarding wealth inequality, and pass meaningful lasting asset building legislation for the poor?*”

ASSESSING THE POSSIBILITY FOR UNIFICATION OF THE ASSET FIELD

In **Table 3** of paper, I outline my perceptions about the potential barriers the field faces for achieving unity, compromises that might have to be made, and my level of concern over the ability of the field to make needed compromises.

SUBSTANTIAL GOVERNMENT INVESTMENT (see pp. 13 & 14)

Small-dollar CSA proponents have expressed the idea that if a policy only provided the “plumbing”, they would support such a bill. What seems to be underlying this position is the perception that infrastructure is more important than a substantial asset deposit(s). It also might just be an allegiance to the small-dollar field that has emerged with a sense that large-dollar accounts would threaten their existence. However, this paper provides examples of how large-dollar accounts do not have to mean the end of small-dollar accounts. Instead, together they can form a system for asset building among the poor.

POLICY PLATFORM (see pp. 12 & 13)

According to Michael Sherraden, currently over 95% of all CSAs in the country are built on the transformed 529 platform, modeled on SEED OK policy and evidence. However, there are well known limitations to using state 529s as a policy platform. An obvious limitation is their restricted use for education. A more complicated politically charged limitation is the perception by some that state 529s only serve the wealthy. *Achieving a Better Life Experience (ABLE) Act* might shed light on **a** way that a unifying policy structure can be built while leveraging existing state 529s. The ABLE Act demonstrates that Section 529 of the Internal Revenue Service Code can be amended to create a totally new asset building infrastructure.

OPPORTUNITY TO SAVE (See pp. 10 & 11)

The Baby Bonds camp has pushed back against making deposits because the requirement to save feels like blaming the poor. However, movement on this issue seems possible if a substantial government deposit(s) is included and this deposit(s) is not dependent on families saving. In the end, low-income families value being able to save. Therefore, not allowing for a saving option may ignore the wants of low-income families.

MULTIPURPOSE (See Table 4)

Children’s lives play out differently and while postsecondary education may be important for one child, it might not be for another. But all children need assets for different life transitions. A multipurpose account structure allows children to build wealth to meet these different transitions in life whether it is going to

college, entering the work force, buying a home, or retiring. Similarly, a multipurpose structure also supports accounts being lifelong as opposed to only for when children transition into postsecondary education, for example.

OVERCOMING SELF INTEREST (See pp. 13 & 14)

Perhaps, the most difficult barrier to overcome is the sense by academics, policy makers, programs, financial institutions, and others that any type of movement toward unity jeopardizes them maintaining a stake in the policy. A potential way to overcome this is by developing an agreed upon policy with a jointly established name. This protects everyone's stake.

WHAT A UNITED POLICY MIGHT INCLUDE (See Table 4)

Table 4 in the paper outlines what a united policy might include (principles, rationale, and goals). A summary of the principles is listed below:

- **Naming**
 - Collectively Agreed Upon
- **Eligibility**
 - Everyone is Eligible
- **Enrollment**
 - Automatic enrollment (with opt-out option)
 - At Birth
- **Delivery System**
 - Centralized Savings Plan
 - Collectively Agreed on Platform
- **Deposits**
 - Substantial Government Deposit
 - Automatic Progressive Initial Deposit
 - Automatic Targeted and Ongoing Deposits
- **Account Usage**
 - Third Party Deposits
 - Personal Deposits (Saving)
- **Account Usage**
 - Multipurpose (Restricted Uses)
- **Duration of Account**
 - Lifelong
- **Leveraging Government Deposits**
 - At Birth
 - Simplified Investment Options
 - Investment Growth
 - Financial Education
- **Combine with Income Based Policy**
 - Include Child Tax Credit or Guaranteed Income

CONCLUSION

To take the next step, it might be time for the asset field as a whole to move from policy exploration at the federal level to uniting behind a set of key principles captured in a single policy proposal and form what could become a winning coalition. The call to action seems simple: (1) embrace our common origin story, and (2) follow the ABLE example. If the field can do these things, it might just be able to enact significant asset building policy for the poor in our lifetimes that is built on a policy platform designed to sustain it for generations to come.

FULL PAPER CAN BE FOUND AT:

Elliott, W. (2022, October). *Children's Savings Accounts and Baby Bonds share a similar origin story*. University of Michigan, Center on Assets, Education, and Inclusion.

<https://aedi.ssw.umich.edu/sites/default/files/publications/shared-origin-story.pdf?v=1.1>