

## Baby Bonds Will Drive Prosperity for Massachusetts Children

*By Adam Jones, Senior Policy Analyst*

### Key Takeaways

- Economic inequality in Massachusetts is among the highest in the nation. This inequality is particularly stark between racial groups.
- Baby bonds are an asset-building policy tool that allows children born into families with fewer resources the opportunity to build and grow wealth.
- Baby bonds initiatives are being implemented across the United States and these programs offer useful insights for future implementation in Massachusetts.
- Multiple bills filed in the Massachusetts state legislature would create baby bonds programs aimed at reducing our racial wealth gap and improving economic opportunity for children and adults alike.
- An individual baby bond could yield between \$10,897 and \$25,427 after 18 years, depending on initial investment.
- A baby bonds program covering infants in foster care and infants whose family receives Transitional Aid to Families with Dependent Children (TAFDC) could cost between \$35 million and \$81 million annually, depending on initial investment.

### What are baby bonds?

Baby bonds, or baby accounts, are an investment funded by the government on behalf of a child soon after birth. Baby bond investments grow over time and when the child reaches adulthood, they can access this investment and use the funds on allowable purchases predetermined by the government. These purchases are typically restricted to activities that support building wealth. Examples include:

- A downpayment towards a home or primary residence
- Tuition at a higher education institution, including vocational training
- Start-up costs for a business

Baby bonds ensure “a birthright to capital” that is seldom afforded to children from low-income families.

### How are baby bonds different from savings programs or other wealth building tools?

Baby bonds are distinct from savings and other investment accounts in key ways. According to Darrick Hamilton, the scholar who first proposed baby bonds, they should have the following characteristics<sup>1</sup>:

- Baby bonds are **publicly funded** - the initial financial investment (or principal) comes from a government (municipal, state, or federal). This is core to baby bonds’s equity principle as it eliminates the need for individual families, parents or caregivers to provide seed amounts or

make regular deposits to participate in the bonds program. Seed government funding also helps to avoid disproportionately high participation by more well-resourced families who are least in need of baby bonds. Targeting baby bonds programs toward children with the fewest resources helps to ensure that the financial impact and wealth building objective is more significant.

- The initial investment or “seed” amount is **sufficient for meaningful wealth generation** - a baby bonds account must provide meaningful financial gain for the recipient at the time of withdrawal.
- Enrollment into a baby bonds program is **automatic** - reducing the administrative burden on families increases the likelihood of participation, particularly from caregivers with limited information about these kinds of programs.

### Why do we need baby bonds in Massachusetts?

Baby bonds are unique in that their design targets the growth of wealth rather than income. Income is a very important factor in determining financial security, but wealth is often the crucial determinant of long-term, intergenerational security. **Income** refers to the regular flow of money that a household receives, such as wages, investment returns, or government benefits. People with minimal resources must often use their entire income to pay bills, and may not be able to amass savings. **Wealth**, on the contrary, is the total value of assets minus debts. A calculation of total wealth might include property and other real estate, retirement accounts, business ownership, and stocks, for example. Wealth is, generally, less volatile than income and therefore a better indicator of long-term financial stability. Wealth provides security when income is not flowing, and allows for investments in assets that grow more wealth. Wealth begets wealth.

Policy measures that focus on increasing income are often crucial for a family’s day-to-day stability and survival, but may not meaningfully impact long-term, intergenerational economic mobility. Many tools that could potentially increase long-term financial security, like higher education and home ownership, come at a cost that is difficult to access without wealth. And investments like higher education, for example, often come at such a cost that someone may spend most of their adult years paying off student debt before their initial investment becomes wealth (if it ever does).

Data regarding wealth in Massachusetts is sparse, but other available economic data paints a troubling picture for the Commonwealth. About 11 percent of Massachusetts children live in poverty and these rates are disproportionately high for Latinx (23 percent) and Black (21 percent) children<sup>2</sup>.

Because a home is often a significant portion of a family’s wealth, rates of homeownership can also shed light on potential wealth inequality in Massachusetts<sup>3</sup>. In the 2020 Census, white adults made up 73 percent of the adult population in the Commonwealth, but represented over 83 percent of homeowners. Conversely, Latinx and Black adults made up 11 percent and seven percent of Massachusetts, respectively, but represented just five percent and three percent of homeowners<sup>4,5</sup>. Rates of homeownership within racial groups also demonstrate wealth disparities. As of 2023, 69 percent of white Massachusetts residents owned a home, while just 37 percent of Black residents and 32 percent of Latinx residents owned homes. In 2024 Massachusetts ranked [second](#) in household adjusted income and [first](#) in median household income. Ironically, while we are one of the highest income states in the nation, we rank [third worst](#) in income inequality. In Massachusetts, the rich are very rich, and the working class can barely afford to live and work here.

Both nationally and locally, wealth gaps along racial lines are stark. A 2022 national survey found that white households earned about 1.7 times as much income as Black households, but held nearly nine times the wealth<sup>6</sup>. A [widely publicized 2015 study](#) on wealth among families in the Greater Boston area found that the average white family held close to \$250,000 in wealth, while the average Black family held just \$8.

### Are ‘Trump Accounts’ an example of a baby bonds program?

The federal budget reconciliation bill signed into law in July 2025 (One Big Beautiful Bill Act - OBBBA) created Money Accounts for Growth and Advancement (MAGA) or “Trump Accounts”, which are government-seeded savings accounts for children born between 2025 and 2028<sup>7</sup>. Children must be United States citizens to access these accounts. Trump Accounts prioritize children by citizenship status but not by family income. The federal government will contribute \$1,000 to eligible children, and families are able to contribute up to \$5,000 annually, until a child reaches age 18. Accounts are managed by financial institutions and placed in mutual funds. Enrollment is automatic and these accounts are exempt from most federal taxes.

Trump Accounts do not meet the definition of baby bonds and are likely to widen the racial wealth gap. Although Trump Accounts feature a government contribution, that contribution does not prioritize children with the greatest financial needs. Children from higher income and wealthier families will receive the same initial contribution as children from low-income families. Wealth inequality may be compounded, as wealthier families have a greater ability to contribute additional money into their child’s account. Trump Accounts are an example of a policy based on equality (everyone getting the same benefits regardless of need) and equity (people getting different benefits based on different needs).

Further, these accounts may not produce sufficient returns for meaningful wealth generation, especially for children from the least-resourced families. If a family does not make subsequent contributions to these accounts beyond the initial \$1,000 seed, the child will have, on average, \$8,000 after 20 years<sup>8</sup>. Considering the rising costs of housing and higher education, this amount may not sufficiently impact the child’s ability to access these potential wealth-generating opportunities.

### Connecticut’s Baby Bonds Program

#### ***How does it work?***

In 2023, Connecticut became the first state to launch a [baby bonds program](#). Administered through the Office of the Treasurer, the Connecticut program invests \$3,200 into an account for any child born on or after July 1, 2023 whose birth was covered by the state’s Medicaid program. As of July 2025, about 33,000 children have been enrolled in this program<sup>9</sup>. Families do not need to apply or enroll their child, as enrollment is automatic. Children can withdraw the funds for allowable expenses starting at age 18 and through age 30. Allowable expenses include buying a home, starting a business, paying for higher

education or job training, or saving for retirement. Children need to be a Connecticut resident at the time of making a claim. Beneficiaries are restricted to buying homes in Connecticut and investing in Connecticut businesses, but may use their accounts to pay for education within or outside of the state.

### ***How is it funded?***

The Connecticut program is funded by \$381 million in state reserves that was originally intended to support state employee pension repayment<sup>10</sup>. According to the state treasurer, Connecticut's Baby Bonds Trust is already funded to be able to enroll approximately 15,000-16,000 infants a year for 12 years<sup>11</sup>. The state will need to identify an additional revenue source to sustain the program beyond that date.

## Notable Baby Bonds Pilots

### **Partnerships for Community Action (New Mexico)**

Baby bonds are available to young children of New Mexico residents who have participated in programs offered by [Partnerships for Community Action](#), a local grassroots advocacy organization. Children from birth to five are eligible if their parents have completed any of the organization's [family and community support programs](#).

### **Vermont Baby Bonds Pilot**

In 2024, the Vermont legislature created a [baby bonds pilot program](#). Children born after July 1, 2024 whose birth was covered by the state's Medicaid program are eligible for a \$3,200 initial seed deposit<sup>12</sup>. The amount that accrues in the trust can be withdrawn starting at age 18 and through age 30. The program has yet to enroll any children with its start contingent upon donations to the Trust or the identification of a dedicated revenue source<sup>13</sup>.

### **Freedom Futures (Atlanta, Georgia)**

In Fall 2025, the Georgia Resilience & Opportunity Fund will launch their [Freedom Futures](#) pilot initiative. This pilot provides bonds that accrue over four years to teens and young adults, but participants will be able to make withdrawals after year two. The program architects expect to enroll [50 participants](#) in this first cohort. Participants are expected to have up to \$40,000 after four years and will be able to use these funds to purchase a first home, start a business, pay for higher education, or invest in their future retirement. Participants will also receive \$500 per month in guaranteed income throughout the four years that the program runs. The Freedom Futures pilot is funded by philanthropic contributions. Although this is not a true baby bonds program (funds are not seeded by government), Freedom Futures will likely offer helpful insight into how to create and manage future baby bonds programs.

### **Brilliant Futures (Maryland)**

The [Brilliant Futures](#) program seeds up to \$1,000 a year for multiple kindergarten cohorts at two Maryland elementary schools. The children will receive annual deposits into these accounts through the

12th grade, at which time they will be able to make withdrawals from the account. Eligible expenditures will include education and vocational training, buying a home, starting a business, or investing in a business. Brilliant Futures is funded by philanthropic contributions.

### **On Our Block (St. Louis, Missouri)**

[On Our Block](#) seeded \$5,000 to 300 7th graders enrolled in select St. Louis area public schools during the 2024-25 school year. Along with enrollment in certain school districts, students were also eligible based on their income, which could not exceed 80 percent of area median income (AMI). The seed amount will be invested in a pooled account by a wealth management firm for five years. Participants can withdraw from their accounts from the time they are 18 until they reach 22. The funds can be spent on higher education, vocational training, entrepreneurship, homeownership, or retirement savings.

### **Massachusetts Baby Bonds Bills**

In 2022 Treasurer Deborah Goldberg convened a [Baby Bonds Task Force](#). This diverse, cross-sector group put together a comprehensive [report](#) that features recommendations on eligibility and funding, building capacity, community engagement, accessing funds, trust management, and oversight and operations. From these recommendations and findings, the Treasurer partnered with legislative champions in filing baby bonds legislation. The legislative bills would establish a baby bonds trust fund for babies whose family received cash assistance under TAFDC (Massachusetts's Transitional Aid to Families with Dependent Children) or who are in foster care during the first twelve months of their life<sup>14</sup>. Beneficiaries would be able to withdraw from their fund starting at age 18 through age 35. Eligible expenses would include post-secondary education within Massachusetts, investment in a Massachusetts business, purchase of a home in Massachusetts, or any investments in financial assets or personal capital that provide long-term gains to wages or wealth. The bill does not establish an initial seed amount for funds, nor does it establish tiers for different contribution amounts within the eligible population.

During the 2023-2024 legislative session the bills were reported favorably out of committee and referred to the House Committee on Ways and Means and Senate Committee on Ways and Means. Neither bill was brought to the House or Senate for a vote, and they ultimately were not passed into law.

At the beginning of the 2025-2026 legislative session, Treasurer Goldberg, along with State Representative Andres X. Vargas and State Senator Paul Feeney, re-filed the Baby Bonds legislation<sup>15 16</sup>. *An Act establishing a Massachusetts Baby Bonds program* (H.48/H.3429/S.2146) mirrors the prior session's bills.

The creation of a baby bonds program is included in *An Act significantly alleviating poverty* (HD.4622/SD.2872), also referred to as the ASAP Act, which was filed by State Representative Marjorie Decker and State Senator Sal DiDomenico. This omnibus bill includes dozens of recommendations from the work of [the Special Commission on Poverty](#) in the Commonwealth that was convened by the

legislature. Other anti-poverty measures in the ASAP Act include a guaranteed income pilot, expanded tax credits, and increased protections for workers.

**How much would Massachusetts children receive from baby bonds under the currently drafted legislation?**

Baby bonds have the potential to produce significant returns for their recipients. The following table shows median returns after 18 years of investment and 35 years of investment, corresponding with the earliest and latest points in time when beneficiaries can make withdrawals under the Massachusetts proposals. The amounts shown after 35 years assume that no withdrawals are made prior to the 35<sup>th</sup> year. Amounts shown are in real dollars<sup>17</sup>.

Return on Baby Bonds Range from Modest to Substantial, Depending on Initial Investment		
Initial seed amount	Median return after 18 years	Median return after 35 years
\$3,200	\$10,897	\$34,245
\$5,000	\$16,968	\$53,308
\$7,500	\$25,427	\$80,254

**How much should Massachusetts invest in baby bonds?**

The proposals in the Massachusetts legislature do not specify a mechanism to provide seed revenue for a baby bonds program. We estimate the cost of a Massachusetts baby bonds program based on current enrollment of eligible children\* (according to pending legislation).

The following table shows the investments necessary to create a baby bonds program for these children at low (\$3,200), moderate (\$5,000), and high (\$7,500) seed amounts.

Baby Bonds Program Cost Varies Significantly Based on Seed Amount and Time Scale			
Seed amount	Total cost of seed amount per year (one cohort)	Total cost of seed amount for five cohorts	Total cost of seed amount for 10 cohorts
\$3,200	\$34,643,200	\$173,216,000	\$346,432,000
\$5,000	\$54,130,000	\$270,650,000	\$541,300,000
\$7,500	\$81,195,000	\$405,975,000	\$811,950,000

*\*Number of eligible children in foster care = 385<sup>18</sup>. Number of eligible children receiving TAFDC = 10,441<sup>19</sup>.*

## Recommendations for Massachusetts

Based on our understanding of the successes, as well as the barriers faced by other baby bonds programs, we recommend the following for the creation and implementation of a Massachusetts baby bonds program:

- A dedicated, identified funding source will be critical for the success of a Massachusetts baby bonds program. As we are learning from the implementation process in Washington D.C., a new program that is subject to appropriation is vulnerable to postponement or repeal if the state's revenue situation changes<sup>20</sup>. While private investment may hasten the launch of a pilot program, a state program should rely on state revenue for its function. There is no shortage of [options to raise new revenue](#) to support a baby bonds program that does not worsen economic inequality.
- Similar to what is being done in Vermont and being attempted in states like [Rhode Island](#) and [Washington](#), Massachusetts legislators should consider a smaller baby bonds pilot program that enrolls a subset of eligible children, while they work to identify revenue to support all eligible children. A pilot would accomplish the goal of supporting some children and families sooner, and could provide helpful feedback in terms of program administration. This feedback can be integrated into the administration of the full baby bonds program.
- Massachusetts can also follow the lead of New Haven, Connecticut, where a "[Wealth Accelerator](#)" program will demonstrate the potential impact of baby bonds in real time. Baby bonds programs have an inherent limitation when it comes to analyzing outcomes because the impact cannot be fully understood for at least 18 years after the program begins. The Wealth Accelerator program addresses this limitation by giving a small cohort of young adults the amount of money that we might expect baby bonds account holders to receive after their accounts have matured over at least 18 years. Simulating the potential impacts of baby bonds could build public awareness and support for a long-term investment.
- As the ASAP Act demonstrates, while baby bonds programs are critical to addressing wealth gaps, they are unlikely to close them on their own. We need baby bonds coupled with affordable housing and child care, high-quality education throughout a person's life, and other targeted income supports, for all Massachusetts children to thrive.

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## Endnotes

- <sup>1</sup> A Brighter Future with Baby Bonds. <https://racepowerpolicy.org/a-brighter-future-with-baby-bonds/>
- <sup>2</sup> According to 2024 Census data available at Annie E. Casey Foundation, KidsCount database available at <https://datacenter.aecf.org/data/tables/44-children-in-poverty-by-race-and-ethnicity?loc=23&loct=2#detailed/2/23/false/1096/187,11,9,12,1,185,13/324,323>
- <sup>3</sup> A baby bonds program can help to narrow racial disparities in homeownership, which is a key source of wealth in the United States. However, the use of real estate as a wealth building tool should be balanced with reducing the degree to which owning a home determines one's financial security. In recent years, homeowners have generated significant wealth due to the effects of the Commonwealth's housing shortage on home prices and rents. These forces have benefited current homeowners while making our housing market less affordable overall. While reducing the racial homeownership gap would mitigate the effects of these forces for racial equity, policymakers should still pursue other interventions that make our housing market more fair and equitable.
- <sup>4</sup> According to 2024 Census data available at Annie E. Casey Foundation, KidsCount database available at <https://datacenter.aecf.org/data/tables/6539-adult-population-by-race-and-ethnicity?loc=23&loct=2#detailed/2/23/false/574/2800,66,67,8367,69,70,71,12/13517,13518>
- <sup>5</sup> According to 2020 Census data available at <https://www.census.gov/library/visualizations/interactive/homeownership-by-race-and-ethnicity-of-householder.html>
- <sup>6</sup> According to analysis by Boston Indicators and the Institute for Economic and Racial Equity at Brandeis University on the 2022 Survey on Consumer Finances available at <https://www.bostonindicators.org/reports/report-detail-pages/wealth-equity-chartbook#:~:text=While%20income%20gaps%20remain%20roughly,the%20wealth%20divide%20has%20grown.>
- <sup>7</sup> United States Congress. H.R.1- One Big Beautiful Bill Act. Part IX- Trump Accounts. <https://www.congress.gov/bill/119th-congress/house-bill/1/text>
- <sup>8</sup> According to analysis by the Milken Institute available at <https://milkeninstitute.org/content-hub/research-and-reports/reports/economic-impact-invest-america-accounts.> This value reflects one million monte carlo simulations. Authors assume an annual return of 8.24% and a standard deviation of 16.42%, both in real dollars. These values are based on the authors's analysis of S&P 500 return averages from 2004-2023.
- <sup>9</sup> Connecticut State Treasurer's Office. <https://portal.ct.gov/ott/newsroom/news/news-releases/ct-baby-bonds-turns-two-over-33000-children-now-eligible#:~:text=HARTFORD%2C%20CT%20%E2%80%94%20The%20Executive%20Committee,residents%2C%E2%80%9D%20said%20Treasurer%20Russell.>
- <sup>10</sup> Connecticut House of Representatives. <https://www.house Dems.ct.gov/node/25447>
- <sup>11</sup> Connecticut State Treasurer's Office. <https://portal.ct.gov/ott/debt-management/ct-baby-bonds#:~:text=An%20estimated%2015%2C000%20%E2%80%93%2016%2C000%20children,pursue%20academic%20and%20economic%20opportunities.>
- <sup>12</sup> According to Vermont's enabling legislation found here: <https://legislature.vermont.gov/Documents/2024/Docs/ACTS/ACT184/ACT184%20As%20Enacted.pdf>
- <sup>13</sup> Vermont Baby Bonds Advisory Committee. Meeting Minutes, September 24, 2025. <https://www.vermonttreasurer.gov/sites/treasurer/files/Baby%20Bonds/Baby%20Bonds%20September%2024%20Meeting%20Minutes/Baby%20Bonds%20Advisory%20Committee%3B%20September%2024%20Meeting%20Minutes.pdf>
- <sup>14</sup> Massachusetts Baby Bonds Legislation from 2023-2024 Legislative Session. <https://malegislature.gov/Bills/193/SD711>
- <sup>15</sup> Massachusetts House of Representatives Baby Bonds bill. <https://malegislature.gov/Bills/194/HD2031>
- <sup>16</sup> Massachusetts Senate Baby Bonds bill. <https://malegislature.gov/Bills/194/SD2111>

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<sup>17</sup> These values reflect median returns from 100,000 monte carlo simulations at each principal investment amount. We assume an annual return of 8.24% and a standard deviation of 16.42%, both in real dollars. These values are based on Milken Institute analysis of S&P 500 return averages from 2004-2023.

<sup>18</sup> United States Administration for Children and Families. Count as of September 30, 2024. Data found here: <https://acf.gov/cb/research-data-technology/statistics-research/afcars> in AFCARS dashboard under Massachusetts Foster Care demographics.

<sup>19</sup> TAFDC enrollment data requested from the Department of Transitional Assistance in August 2025.

<sup>20</sup> Despite passing a baby bonds program in 2021, Washington D.C. has not enrolled any children in its program and implementation is paused indefinitely, as it was not included in the district's Fiscal Year 2026 budget. See more here: <https://www.dcfpi.org/all/whats-in-the-fiscal-year-2026-dc-budget/>