March 2025

THE ECONOMIC IMPACT OF INVEST AMERICA ACCOUNTS

Michael Piwowar, PhD, and Robert Shapiro, PhD

CONTENTS

1	**Executive Summary**
2	**Introduction**
6	**A Review of Early Wealth Building Proposals**
9	**Invest America Accounts**
9	The Potential Returns on Invest America Accounts
12	The Potential Benefits of the Invest America Programs
22	**Conclusions**
23	**Appendix A: Legislative Source Materials with Links**
23	Federal
33	State
34	Local
35	**Appendix B: Further Source Material**
36	**Endnotes**
45	**About the Authors**

ABOUT THE MILKEN INSTITUTE

The Milken Institute is a nonprofit, nonpartisan think tank focused on accelerating measurable progress on the path to a meaningful life. With a focus on financial, physical, mental, and environmental health, we bring together the best ideas and innovative resourcing to develop blueprints for tackling some of our most critical global issues through the lens of what's pressing now and what's coming next.

ACKNOWLEDGMENT

The authors thank Kevin Hassett, PhD, for helpful comments and suggestions. Portions of this paper grew out of presentations he gave in 2024, including at the Milken Institute Global Conference.

©2025 Milken Institute

This work is made available under the terms of the Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International, available at http://creativecommons.org/licenses/by-nc-nd/4.0/.

EXECUTIVE SUMMARY

In this paper, we examine the idea of the "Invest America Account," an account that holds an initial government grant of $1,000 for every newborn American, invested in a broad-based equity index fund of US companies. We will compare this approach to "early wealth building" proposals of the past, simulate the likely impact of the accounts on the wealth of their holders, and review the academic literature to explore the likely impact of Invest America accounts on wealth creation for participating children.

Key Findings

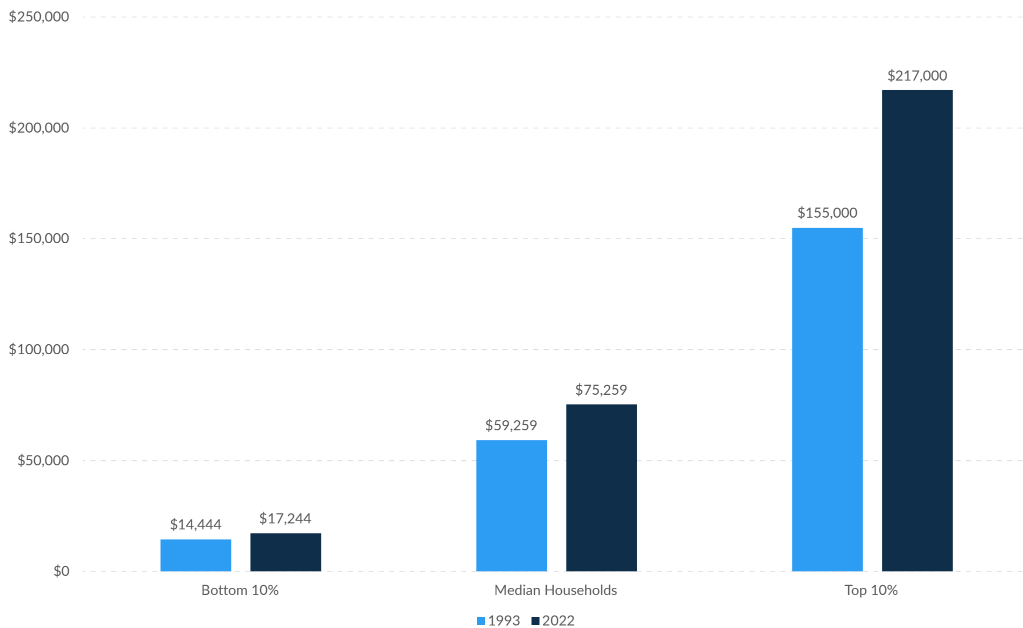
1. Monte Carlo simulations suggest that the $1,000 accounts would grow in value, on average, to $8,000 after 20 years, $69,000 after 40 years, and $574,000 after 60 years.
2. If the policy also permitted a tax-deductible match by employers of the children's parents, such initial matches would double an account's value after 20, 40, and 60 years.
3. Based on studies of previous efforts to provide funded savings accounts for newborns or young children, the program should increase test scores, educational attainment, and earnings of those participating. One study suggests that minority participants from low- and moderate-income families could be three times more likely to attend college and 2.5 times more likely to graduate.
4. In addition to college expenses, the program could provide start-up capital for young entrepreneurs or down payments for first-time homebuyers.
5. The program could also increase financial literacy of participants and their parents, which in turn would likely increase savings rates and wealth creation.
6. Since all newborns would receive the grants, the program would reduce wealth inequality.

INTRODUCTION

It is widely acknowledged that the US market-based economy produces enormous returns on investments over time. For example, according to Robert Shiller's return data, $1 invested in the S&P 500 in 1960 grew to $95 as of July 2024.[1] The scale of wealth creation is truly remarkable, especially in recent years: The nominal collective household net worth of Americans rose from about $21 trillion in 1990 to $151 trillion in the first quarter of 2024.[2] For perspective, nominal GDP in the first quarter of 1990 was $5.8 trillion, so the net worth of Americans is now 26 times the total national income 34 years ago.[3]

Sadly, it is also widely acknowledged that the gains from free enterprise in the United States have been distributed very unequally, and inequalities in both incomes and wealth have increased markedly. The Census Bureau reports that in 2022 dollars, the real median household income of the top 10 percent increased from $155,000 in 1993 to $217,000 in 2022, a gain of $61,800 or 40 percent (see Figure 1).[4]

Figure 1: Median Household Income Over 30 Years

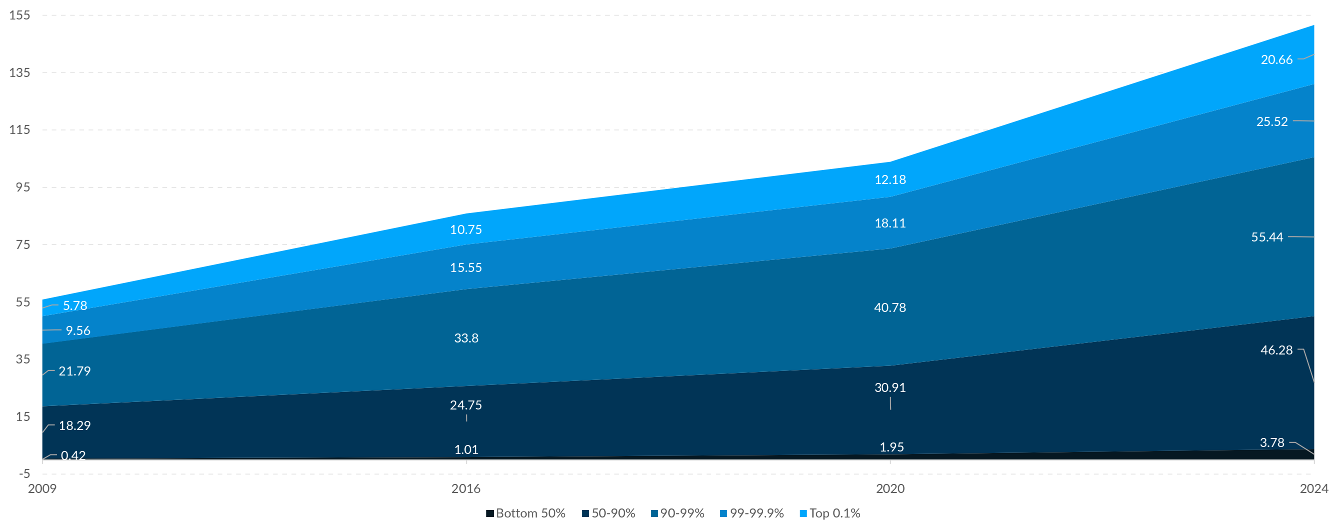


Source: Milken Institute analysis (2025) of US Census Bureau data

However, the real median income of the median household increased less than 27 percent, from $59,529 to $75,259, for a gain of $15,630. And over the same years, households in the bottom 10 percent saw their median income grow by less than 18 percent, from $14,500 to $17,100, or a gain of $2,600.

Wealth inequality has increased even more sharply (see Figure 2). The Congressional Budget Office reports that the real wealth of the top 10 percent of households grew 270 percent over the 30 years from 1989 to 2019, or more than four times the 65 percent wealth gains by the bottom 50 percent of households and twice the gains of 137 percent by households in the 51st to 90th percentiles.[5]

Figure 2: Wealth by Wealth Percentile Group



Source: Milken Institute analysis (2025) of US Census Bureau data

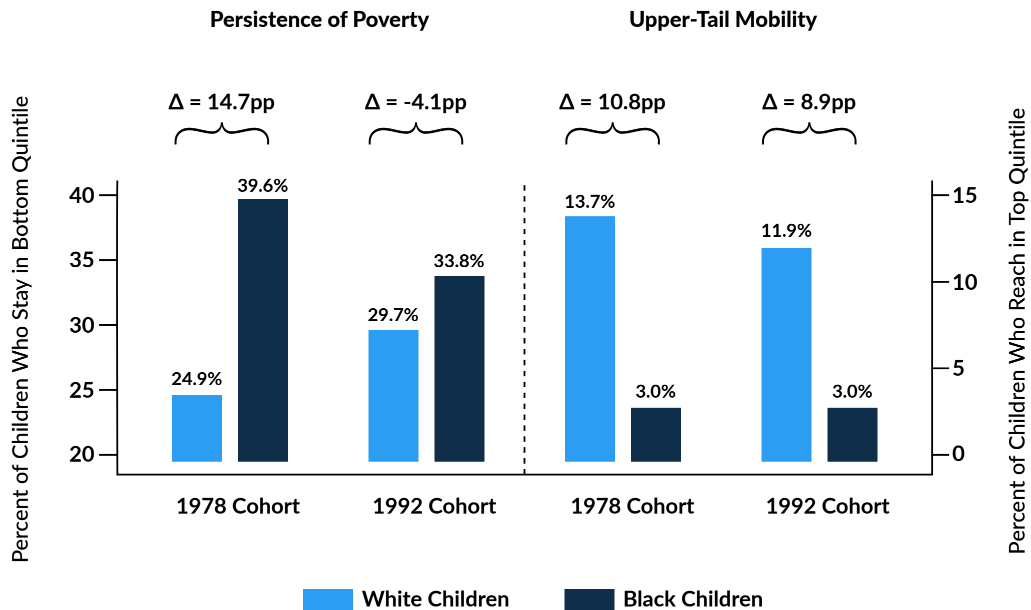
As a result, the share of all wealth held by the top 10 percent rose from 64 percent in 1989 to 72 percent in 2019, while the share held by households in the 51st to the 90th percentiles fell from 36 percent to 26 percent, and the share held by the bottom half of households dropped from 4 percent to 2 percent.

Disparities in ownership of corporate equities (stocks) are greater still. The Federal Reserve Board reports that in the first quarter of 2024, the top 10 percent of households by wealth owned $37.2 trillion in stock and mutual fund shares, or nearly 87 percent of all shares held outside retirement plans and accounts.[6] In contrast, households in the 51st to 90th percentiles by wealth held $5.1 trillion, or 12 percent of those shares, and all US households in the bottom 50 percent directly owned only $440 billion, or 1 percent of all such stocks and mutual fund shares. Further, in the first quarter of 2024, the top 20 percent of households by income owned $37 trillion, or nearly 87 percent of all stocks and mutual fund shares held outside retirement plans and accounts, including $16.3 trillion, or 38 percent, held directly by the top 1 percent of households by income.[7]

In contrast, again, the bottom 60 percent of US households by income directly held $2.8 trillion, or less than 7 percent of all stocks and mutual fund shares. The Federal Reserve also reports that 79 percent of American households did not directly own any stocks or mutual fund shares in 2022.[8]

One major contributor to the striking wealth inequality is the large variations in wealth based on race. Derenoncourt et al. (2022), for example, studied the racial wealth gap in America from 1860 through 2020. They found that the wealth held by Whites has consistently been about six times that of Blacks. While this racial wealth disparity gradually narrowed following the Civil War, the gap began increasing again in the 1980s, negating much of the progress from previous decades (see Figure 3).[9]

Figure 3: Race Gaps in Intergenerational Persistence of Poverty vs. Upper-Tail Mobility



Source: Milken Institute analysis (2025) of Derenoncourt et al. (2022)

Although the raw returns from our market economy have been dramatically positive, the distribution of the returns has been so uneven that it should come as no surprise that belief in the merits of free enterprise is far less widespread and has declined sharply in recent years. A recent Pew Research survey found that the share of the public expressing support for capitalism dropped 8 percentage points from 2019 to 2022, to 57 percent from 65 percent.[10] The demographic variation is also striking and appears to be correlated with economic opportunity. Only 48 percent of women and 40 percent of African Americans surveyed had favorable views of capitalism. Among those 18 to 29 years old, socialism was viewed more favorably than capitalism, by a margin of 44 to 40 percent, representing a 33 percentage-point decline in support for capitalism compared to earlier generations.

A recent survey conducted for *Axios* provides additional insight into Americans' changing views of capitalism. When asked, "Do you think the evidence for capitalism, as an economic system, is now better, worse, or about the same, when compared with 50 years ago," 41 percent of respondents said that the evidence today for capitalism is worse and highlighted "unfairness in the economic system that favors the wealthy" as the major economic problem facing the country.[11] Support for capitalism was weakest among the young, with 54 percent of Gen Z respondents reporting a negative view of capitalism. Across the generations, there was agreement that the government should adopt policies that "reduce the gap between wealthy and less well-off Americans."

Across the two major political parties, there also is widespread general agreement that the resources produced by our society are not distributed equitably. Voters supporting President Biden and former President Trump may not have agreed on much, but on this they broadly

agreed. According to a Pew Institute survey in September 2024, 84 percent of voters who supported Biden said that the economic system unfairly favors powerful interests, whereas only 14 percent said the system is fair to most Americans. Among those who supported Trump, 62 percent said the economic system unfairly favors powerful interests, while only 37 percent saw the system as generally fair.[12] Of course, the two groups may well differ in their views of fairness and who comprises the "powerful interests."

It seems likely that the declining support for US capitalism and deep skepticism about the distributive justice of its outcomes are related to the income and wealth inequalities documented above. Indeed, economists and policymakers have responded to these developments with a range of proposals to expand access to wealth-building vehicles for those at the bottom and middle of the wealth and income distributions, and we will examine those proposals in detail below. In both public discourse and the academic literature, the most common approach for promoting greater wealth equality has been to address the problem at its source by providing all newborn Americans with a grant of some size. Recently, a variation on the early wealth building, called "Invest America Accounts," has also received substantial attention.[13]

The Invest America program would provide every American newborn with a $1,000 grant invested in a broad-based index of US companies. The federal government would fund the initial grant, based on the program's long-term potential to help address economic inequality by providing every child with investments that are virtually certain to grow substantially over time. The grants would be both universal and automatic to ensure that the benefits reached every child, especially those who could most benefit.

In this paper, we begin with a brief review of the literature and legislative history of early wealth building proposals and then compare that approach to the Invest America proposal. Next, we document the Monte Carlo simulations that we performed to gain insight into the likely wealth accumulation by those participating in the Invest America program. Then, we draw on those results and the academic literature to assess the likely impact on the participants' well-being over their lifetimes.

A REVIEW OF EARLY WEALTH BUILDING PROPOSALS

The term "early wealth building" first appeared in the 1930s to refer to the savings bonds introduced by President Franklin D. Roosevelt. The federal government continued to issue those savings bonds into the 1950s.[14] More recently, the term early wealth building came to refer to an innovative policy proposed by Hamilton and Darity (2010) to reduce wealth inequality. Building on the UK "Child Trust Fund" policy and the US Individual Endowment Accounts and Children's Development Accounts (CDA), Hamilton and Darity proposed establishing government-funded CDAs in the US to help address severe wealth inequalities based on inheritances over generations.

The authors stated, "[c]areful economic studies actually demonstrate that inheritances, bequests and intrafamily transfers account for more of the racial wealth gap than any other demographic and socioeconomic indicators, including education, income and household structure."[15] The early wealth buildings proposed by Hamilton and Darity would help address that inequality through universal participation, under which all babies would receive a funded account at birth with a progressive distribution of those grants so babies from low-income families would receive larger grants.

The Hamilton and Darity paper has generated a large volume of literature, mainly examining certain design issues for early wealth buildings and simulating their potential effects. Brown, Sawo, and Niu (2023) provide a thorough review of the recent literature.[16] In the 12 years after the original publication by Hamilton and Darity, investigators explored many aspects of the proposal. After reviewing significant research conducted by Zewde (2020),[17] Mitchell and Szapiro (2020),[18] and Weller, Maxwell, and Solomon (2021),[19] the authors concluded that, "Overall, all three simulations find that early wealth buildings would reduce Black-wthite racial wealth inequalities."

The policies simulated in the various papers differed in detail, so the results also varied considerably. Zewde (2020) used data from the University of Michigan Panel Study of Income Dynamics (PSID) to simulate how current wealth inequality would be different if the early wealth building proposed had taken effect in the past. The policy simulated contributions ranging from $200 for those at the top to $50,000 for those at the bottom. Assuming a low, 2 percent interest rate (consistent with the monies invested in government bonds), Zewde concluded that the wealth-ratio between Blacks and Whites would have declined from 15.8 to 1 to 1.4 to 1.[20]

Mitchell and Szapiro (2020) simulated a different policy in which the government made annual contributions of $2,000 for those with incomes below the poverty line, with the contributions declining gradually for those with higher incomes. They found that the wealth gap between Blacks and Whites would drop to 3.4 to 1. It is challenging to fully assess the different results since the studies' assumptions differ, and the $50,000 grant for children from low-income families is undoubtedly the largest factor explaining the variation.

Based on the various studies' results, early wealth building proposals have received considerable legislative attention at both the state and federal levels, and 16 bills providing children progressive access to savings accounts have been introduced. While we focus here on action at the federal level, state-level action includes legislation enacted by Washington, DC, Connecticut, and California. Legislative proposals have also been advanced in 10 additional states—Iowa, Louisiana, Maryland, Massachusetts, Nevada, New Jersey, New Mexico, Vermont, Wisconsin, and Washington. A review of certain common design elements in current state programs and previous proposals may help guide the design of a national approach for Invest America.

The earliest example is the "KidSave Accounts Act" (S 2184) introduced in Congress in 1998 by a bipartisan group of senators that included Bob Kerrey, Rick Santorum, Daniel Patrick Moynihan, Chuck Grassley, and Jerry Weller. The plan provided universal accounts for children born on or after January 1, 1999, with partial eligibility for those born between January 1, 1997, and January 1, 1999. Under the design, eligible newborns would receive a $1,000 initial deposit and $500 additional annual deposits on each of the first five birthdays for children born on or after January 1, 1997. The bill did not specify restrictions on accessing the funds before age 18, define the permitted uses of the funds, address additional family deposits, or stipulate residency requirements for claiming the funds. The proposal also directed the secretary of the Treasury to transfer the funds in each KidSave Account to a KidSave Investment Fund in the Treasury, structured similarly to the Thrift Savings Plan under the Federal Employees Retirement System.

The KidSave Accounts Act was reintroduced in 2000 with several modifications. All American children would be eligible, an initial $2,000 deposit would be funded by a loan from the Social Security Trust Fund, and the initial grant would be indexed annually for inflation after 2005. The funds were designated for retirement, and account holders could not access them before retirement age, unless the account holder died before that age, in which case the beneficiary would access it. The revised proposal also permitted parents to make additional contributions of up to $500 annually until the child reached age 19, and grandparents could contribute by rolling over funds tax-free from 401(k) or similar retirement plans.

In 2005, another proposal called the ASPIRE program (America Saving for Personal Investment, Retirement and Education Act) was introduced in Congress. It also provided for universal eligibility at birth, a $500 initial government deposit, and supplemental contributions of up to $500 for children from lower-income families. The bill also allowed after-tax private contributions by family members up to $2,000 annually, matched by the government for up to $500 per year based on family income. In this case, account holders could access the funds for higher education between ages 18 and 25; after age 25, account holders could access the funds in their accounts under Roth individual retirement account (IRA) regulations.

In 2009, Senator Jeff Sessions introduced the PLUS Accounts (Portable, Lifelong, Universal Savings Accounts) Act, providing an initial $1,000 contribution for every American child and additional provisions covering working US citizens under age 65. The bill also required that working adults pay a 1 percent withholding tax on labor income and allowed voluntary contributions of up to 10 percent of payroll. In this case, account holders could not access their funds before age 65 except through a loan program for preretirement uses.

In 2014, the USAccount Act (Investing in America's Future Act) was introduced, providing universal coverage for children born in the US. It provided an initial $500 deposit for every child, permitted additional family contributions of up to $2,000 annually with government matches of up to $500, and proposed expanding the child tax credit to up to $500 annually. The proposal also permitted additional family contributions with government matches. Finally, account holders could access the funds at age 18 to help pay for college, buy a first home, start a small business, or roll over the funds into a 401(k), IRA, or traditional private savings account.

In 2018, the American Opportunity Accounts Act bill was introduced with universal coverage for all children, an initial deposit of $1,000, and additional annual deposits of up to $2,000 depending on family income. Additional contributions by family members were not permitted. Account holders could access the funds at age 18 to use the accumulated resources for college education, homeownership, or other assets yielding long-term wages or wealth; after age 59.5 years, the holder could use the funds for any purpose.

These federal proposals have some common features. The plans all include initial deposits funded by the government, averaging $1,000. Most also permit additional contributions by family members or employers, and all include restrictions on withdrawal. Seven proposals include central investment management, and nine would establish brokerage-like accounts. Two proposals stipulated that the funds be held in traditional savings accounts, while others allow account holders to choose their personal asset allocations as they would with a traditional IRA.

Strikingly, many initial proposals failed to produce actual legislation, perhaps because conservatives in Congress viewed the accounts as a new entitlement. We believe that conservatives will be more likely to support the Invest America approach because the funds would be invested in US corporate equities, and the growing assets of each young account holder over time could help make them feel more favorably about America's market economy.

INVEST AMERICA ACCOUNTS

The Invest America program begins with $1,000 contribution for each newborn American automatically invested in a broad-based equity index fund of US companies. As with most previous proposals, the program would limit access to the funds: The funds accumulating in the accounts could not be withdrawn before age 18, and the funds could be used only for higher education or training, starting a business, or buying a home. Policymakers might decide to make the gains from the funds taxable upon withdrawal. Family members and friends, employers, and philanthropic and other nonprofit organizations could make additional, personal contributions to the accounts. The personal contributions would not be tax-deductible and again, the gains might be taxable upon withdrawal.

Allowing a tax deduction for personal contributions would open the plan to forms of tax sheltering and make the program much less progressive since high-income families could receive a significant tax benefit based on their marginal tax rate. However, the impact of the Invest America program could be heightened by allowing employers to deduct the amount of additional contributions to the accounts of their employees' children. These contributions would be subject to the same nondiscrimination rules as 401(k) plans—employers contributing on a tax-preferred basis would have to provide such contributions to all eligible children of their employees—addressing the potential regressivity associated with tax-deductible individual contributions. Congress would have to establish the appropriate tax rules for the program, mindful that parallel construction to employer 401(k) contributions would require taxation of the entire amount of employer contribution plus gain.

The program will encourage sound management and use of the accounts by providing children and their parents access to online financial education and coaching. The accounts will be administered by private financial institutions that guarantee minimal or zero fees, and the Treasury Department will oversee the program. Accordingly, it is possible to simulate the possible impact of these accounts on the financial well-being of participants by using historical US equity market returns.

The Potential Returns on Invest America Accounts

We now estimate the value of an Invest America portfolio as it might evolve over the course of a lifetime. The modeling incorporates the fluctuation of market outcomes from year to year, and we present a range of outcomes based on historical stock market performance. The goal of the simulations is to understand what resources an Invest America program might make available to the adults today's babies grow up to become and the new families they form.

Snapshots after 20, 40, and 60 years indicate the resources that may be available when paying for college, starting a new business, buying a home, and starting to think about retirement. Of course, money withdrawn at age 20 will be much less than funds held until age 60. These snapshots assume compounding returns of the full funds for the period.

The simulations assume an initial Invest America contribution of $1,000 invested in the S&P 500 Index. Applying Monte Carlo methods,[21] we simulate 1 million random draws of market returns from a model calibrated to 20 prior years of S&P 500 performance.[22] During this

period, returns were marginally lower than over the last 60 years as a whole. We assume dividends are reinvested.

It is useful to know how many dollars will be available at each time point and what the purchasing power might be today. For the former, the simulations' returns are drawn from the S&P 500's *nominal* returns, not adjusting for inflation. For the latter, the simulations are drawn from S&P 500 *real* returns, from which the annual effects of inflation have been excluded. Table 1 presents an overview of S&P 500 returns, with the mean averages and standard deviations for both nominal and real returns.

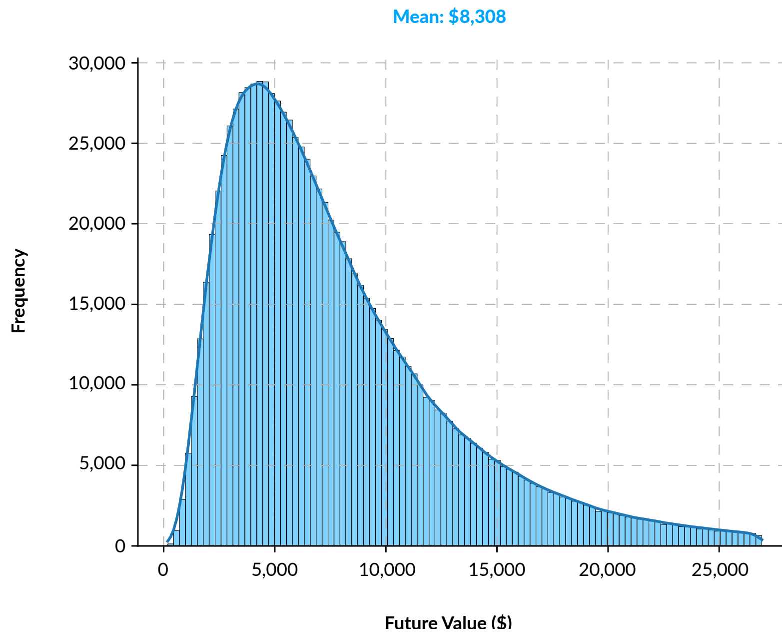
Table 1: Summary of S&P 500 Returns 1964-2023, 2004-2023

Returns: S&P 500	1964–2023	2004–2023
Mean, nominal	11.57%	11.17%
Mean, real	7.47%	8.24%
Standard Deviation, nominal	16.63%	16.64%
Standard Deviation, real	16.54%	16.42%

Source: Milken Institute (2025)

Figures 4, 5, and 6 (below) present a range of outcomes for an Invest America portfolio after investment of an initial $1,000 contribution for 20, 40, and 60 years. Figure 4 shows the distribution of outcomes from a Monte Carlo simulation of 1 million draws after 20 years, as "college funding." The average value after 20 years is about $8,300.

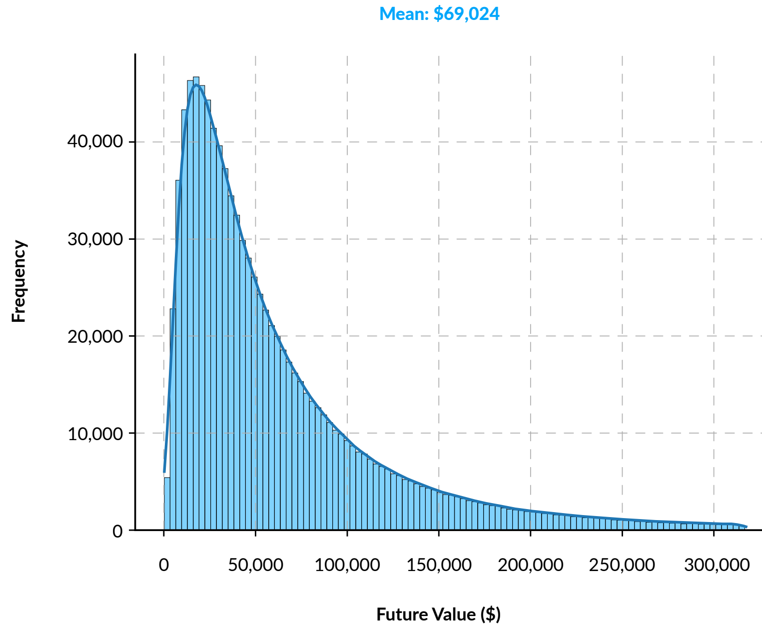
Figure 4: Portfolio Future Value after 20 years



Source: Milken Institute (2025)

If the funds were left undisturbed and compounded in value for 40 years, perhaps as a "home purchase" scenario (Figure 5), the average portfolio would grow to more than $69,020.

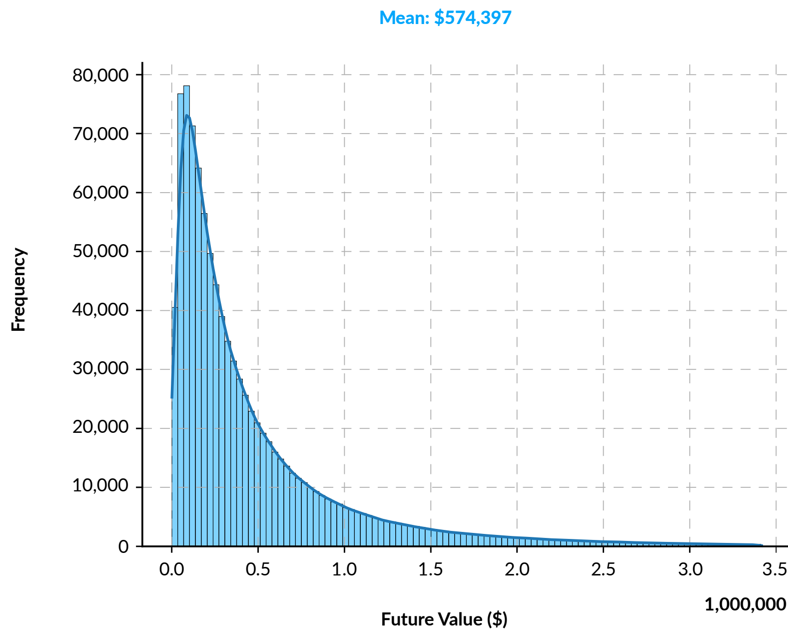
Figure 5: Portfolio Future Values after 40 Years



Source: Milken Institute (2025)

Figure 6 is a graphic representation of a Monte Carlo simulation with 1 million draws based on a $1,000 initial deposit and S&P 500 total returns over the previous 20 years. If the initial $1,000 deposit were left to compound for 60 years, under a retirement scenario, its value would grow on average to more than $574,400.

Figure 6: Portfolio Future Value after 60 Years



Source: Milken Institute (2025)

To summarize likely outcomes over 20, 40, and 60 years, the average portfolio value would increase from $1,000 to $8,000 over 20 years, to $69,000 over 40 years, and to $574,000 over 60 years. These results also would be substantially higher if an account received additional, ongoing contributions or matches. For example, if an employer simply matched the initial $1,000 contribution, the accounts would be worth $16,000 after 20 years, $138,000 after 40 years, and $1.14 million after 60 years. For perspective, the Congressional Budget Office reports that the average wealth of Americans in the 26th to 50th percentiles was $75,000 in 2019. If the Invest America program had been introduced 40 years ago, every person born at that time would have nearly doubled that wealth—and achieved three times that wealth if the initial contribution had been matched.[23]

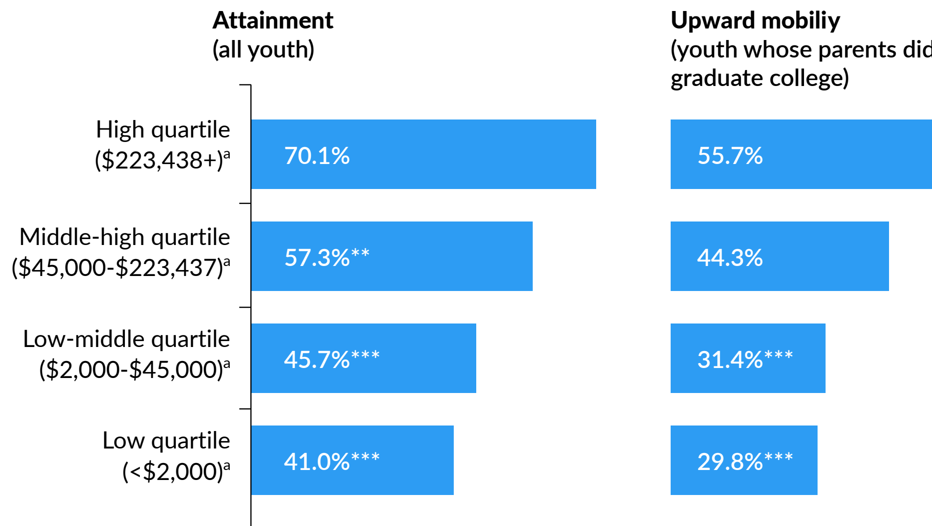
The simulations further show a probability that the account would be worth less than the original contribution is virtually zero, and any concern that the program could expose individuals to excessive risk is inconsistent with the historical returns of the S&P 500 and other broad indexes. The distribution of the outcomes shows the further substantial probability of gains substantially greater than the average or mean for the simulations.

The Potential Benefits of the Invest America Program

In this section, we examine the economics literature on universal savings programs to assess the likely impact of wealth creation under the Invest America proposal based on our simulations. First, a broad and deep literature review suggests that the funds that would accumulate in Invest America accounts could help millions of young adults better afford higher education, especially offspring of low-, moderate-, and middle-income families. Extensive evidence shows that Americans with bachelor's degrees earn much more than high school graduates,[24] and those with associate's degrees earn substantially more as well. Some 62 percent of high school graduates attend a two-year or four-year institution of higher learning. However, based largely on financial constraints, only 28 percent of those high school graduates ultimately receive their bachelor's or associate's degrees.

Further studies have also examined community programs that have provided young children with grants and savings accounts for higher education. The effects were modest but significant: Compared to children who did not receive the grants and accounts, school attendance and academic performance records of the participating children improved, their families saved more for college education, and college attendance and graduation rates increased for minority children. There is also clear evidence that wealth can have a large impact on educational attainment. For example, Braga et al. (2017) used data from the Panel Study of Income Dynamics to control for other factors and identify the impact of parental wealth on the relative odds of a child earning a four-year college degree.[25] The authors found that only 24 percent of children in the lowest quartile earned a college degree, whereas 37.3 percent of those in the middle-high quartile did so.

Figure 7: Wealth Is Strongly Associated with at Least Two Years of College Attainment



*Notes: [a] Dollar values are reported for reference using the 2013 family wealth distribution. **/*** College attainment in a given wealth quartile differs from the high quartile at the 0.05/0.01 level. No differences are significant at only the 0.10 (*) level.*

Source: Milken Institute (2025)

Studies have also found that home equity is the major asset of most American households, and the funds from the Invest America accounts could also be used for down payments by first-time homebuyers. Federal Reserve data show that 34 percent of US householders do not own their homes, including 58 percent of those in the bottom 20 percent by income, 51 percent in the next income quintile, and 31 percent in the middle-income quintile.[26] Studies have found that the single greatest barrier to homeownership by younger people is their lack of assets for the down payment.

Homeownership rates for younger households also are much lower for minorities, and studies have shown that the ability of parents to help with down payments explains much of the gap between White and Black households.[27] Moreover, areas where privately owned homes predominate also provide greater access to employment and high-quality schooling.[28] As a result, using Invest America accounts for down payments could also help enhance upward mobility by improving the employment prospects of young families and the educational prospects of their children.

Entrepreneurialism is one of the basic tenets of America's culture, history, and economic success, and the funds accumulated in Invest America accounts could also be used to help start a business. Results of studies have shown that access to start-up and early capital is the single largest barrier for younger people hoping to establish their own business.[29] They also have documented that lack of access to the capital required to hire employees and purchase equipment is the principal reason that many young businesses fail.[30]

Although entrepreneurial ambitions are widespread across income levels, race, and ethnicity, securing the resources to carry them out is especially challenging for Black and Hispanic entrepreneurs and those from low-, moderate-, and middle-income households.[31] The result, based on Federal Reserve data, is that Americans in the top 10 percent by income are four times more likely than those with middle incomes—and six times more likely than those with moderate incomes—to have equity in a private business.[32] For budding entrepreneurs from every background, the Invest America accounts could provide some of the initial capital or collateral for bank loans needed to start a business and help keep it afloat in its early years.

There is evidence in other areas suggesting that Invest America accounts could have additional benefits. For example, children with their own financial accounts are more likely to envision a better future for themselves.[33] Studies of community programs that opened and initially funded saving accounts for children also found that those participating were more likely than comparable children to save and invest as young adults.[34]

Since studies and surveys have found that most young adults lack the skills and knowledge to handle financial assets over time,[35] the Invest America program would provide access to online financial education for children and their parents. According to studies of young people who were provided personal savings accounts, such education should have positive effects. Young people with those accounts not only improved their financial knowledge on their own, but they were also more likely to save more, follow a budget, and track their spending. Online access to financial education for children with Invest America accounts and their parents should increase those effects.

The economic benefits of a college education are well documented. The National Center for Education Statistics reports that among Americans ages 25 to 34 and working full-time in 2022, high school graduates' median earnings of $41,800 were $7,700 (or 16 percent) less than those with an associate's degree ($49,500), $24,800 (or 37 percent) less than those with a bachelor's degree ($66,600), and $38,400 (or 48 percent) less than those with a graduate or professional degree ($80,200).[36] Similarly, 2023 unemployment rates averaged 7 percent for high school graduates compared to 3 percent for those with a college degree or higher.[37]

Yet, while only about 5 percent of young people fail to graduate high school, 38 percent of those who graduate never enroll in college; among those who enroll, 63 percent attend two-year institutions, and 37 percent attend four-year institutions.[38] Further, 36 percent of the young people enrolled in four-year institutions failed to graduate within six years, and 66 percent enrolled in two-year institutions left without a diploma or degree.[39]

As a result, less than 15 percent of high school graduates ultimately earn bachelor's degrees, and just over 13 percent earn associate degrees.[40] Researchers also have found that 38 percent of those who leave without graduating cite financial pressures and constraints.[41]

Accordingly, federal, state, local, and private programs have been established to promote broad access to higher education, including government-sponsored Children's Savings Account (CSA) programs that create savings accounts for low- and moderate-income families focused on building assets for their children's college education. A large number of analyses of CSA programs provide grounds to expect that Invest America investment grants also could help

increase the likelihood that young people will attend and graduate college by helping them accumulate savings for college, raising parents' educational expectations for their children, and improving children's academic attitudes and school performance.

Thirty-eight states and the District of Columbia operate CSA community programs or state pilot projects[42] that covered 4.9 million children in 2022.[43] Like the Invest America proposal, many of the programs and projects have universal and automatic enrollment to ensure that all children can benefit. Many of the programs also provide financial education for the children and their parents, and a majority permit additional deposits in the savings accounts by family, friends, and employers, and philanthropic or charitable organizations sometimes are matched.[44] The CSA account holder cannot withdraw funds except for college or other approved purposes,[45] and 96 percent of the programs are overseen by a nonprofit or community organization (65 percent) or government agency (31 percent).[46]

Unlike these CSA programs, Invest America would be a national program and provide all newborns with investment accounts held in a broad-based equity index of US companies, rather than savings accounts. It also has the singular goal of giving every child a personal financial stake in the economy and their future place in it, especially those in nonaffluent families. As the assets grow over time, it's to be hoped that children from every background would gain a concrete basis in their daily lives to imagine and plan to attend college or, if they chose, use the assets to start a business or buy a home.[47] In line with most CSA programs, Invest America's provision for universal eligibility and automatic enrollment could help reduce long-term poverty by giving families with low or modest incomes the funds and incentives to invest in their children's potential.

Many CSA programs have been part of the SEED initiative (Saving for Education, Entrepreneurship, and Downpayment) that began in 2003 and currently funds demonstration programs in 11 states. Analysts have extensively evaluated the SEED for Oklahoma Kids program (SEED OK), established in 2007, because it used random selection across family income, educational attainment, and race and ethnicity as its proxy for universal eligibility, and enrolled 1,300 newborns and tracked 1,300 additional newborns as a control group.[48]

SEED OK recipients received an initial $1,000 grant, an additional $100 grant for opening a separate personal savings account tied to their SEED savings account, matching funds based on family income for contributions to the personal account, and access to financial education for SEED OK parents and children. However, participants did not directly control the accounts, which technically are owned by the Oklahoma state government and managed through the state's 529 college savings program. When a participant enrolls in a postsecondary institution, the government transfers the SEED OK savings directly to the institution.[49]

The evaluations of SEED OK and other CSA programs with random selection and controls provide evidence of a range of positive effects. As the SEED OK children aged in the program, parents' educational expectations for them increased, and the children expressed greater interest in college, all compared to children and their parents in the control group.[50] One multiple regression analysis found that the SEED OK children with more positive educational expectations also demonstrated increased efforts with school tasks and improved academic records.[51]

In addition, SEED OK parents were more likely to say that they thought about their children's future education and took concrete steps to prepare for it.[52] Families participating in the program also were 30 times more likely than control group families to open 529 accounts, and the average savings in those accounts after nine years ($3,112) were 3.3 times the 529 savings by those in the control group who opened such accounts ($939).[53] After 14 years, 19 percent of the SEED OK families had 529 accounts averaging $4,373, compared to 4 percent of control group families with balances averaging $1,286.[54]

These findings are particularly important given most families' difficulties with college costs: Sallie Mae reports that while 44 percent of families with children start saving for college when a child is aged six or younger, 32 percent don't begin until a child is seven to 12 years old, 16 percent wait until their children are teenagers, and 8 percent never save for college.[55]

Other studies of SEED OK also found evidence that the participating children improved their elementary and secondary school performance. At age nine, students with active SEED OK accounts were 40 percent less likely to miss school 10 or more times a year and 53 percent more likely to read at their grade level, compared to the control group students.[56] At age 14, SEED OK students from low- and moderate-income families also maintained better attendance records and scored higher on math tests than children in the control group.[57]

In addition, the University of Michigan longitudinal PSID provides evidence of a link between savings accounts for children and their educational attainment, especially those from nonaffluent families. One analysis found that Black children from low- and moderate-income families with savings accounts were six times more likely to attend college and four times more likely to graduate than Black children from comparable families without saving accounts.[58] More generally, researchers found that children in families with incomes of less than $50,000 and savings accounts designated for their education were three times more likely to enroll in college and 2.5 times more likely to graduate than children from families with comparable incomes but without savings targeted to education.[59]

For most Americans, buying a home is the most common and secure way to accumulate wealth. The Federal Reserve reports that in 2022, 66 percent of US households had equity in their homes, with an average value of $323,000.[60] The wealth benefits of homeownership also are widespread across incomes. While the households in the lower- and middle-income ranges include millions of retirees without mortgages, they also include millions of younger working households. With that caveat, the data show that 42 percent of households in the lowest 20 percent by income had home equity, with an average value of $145,000, as did 49 percent of those in the second-income quintile, with home equity averaging $200,000, and 69 percent of those in the middle-income quintile, with home equity averaging 250,000.[61]

The Invest America accounts can be used to lower a critical barrier that prevents or delays many younger working people from buying their first homes: securing the downpayment. Purchasing a house requires a mortgage that, in turn, requires liquid assets for a down payment as well as a steady and adequate income. These conditions constrain many younger people, and studies have found that the lack of sufficient assets for a down payment is the single largest constraint on their ability to become first-time homeowners.[62]

The economic logic behind the down payment requirement rests on the view by most lenders that people who invest their money through a down payment become more motivated to maintain the mortgage[63]—although the housing crash of 2008–2011 showed that some people are willing to write off their down payments when the value of their home falls below the outstanding mortgage balance. Under most conditions, the down payment requirement limits the pool of those eligible for mortgages, and a study of people ages 20 to 33 found that difficulties securing down payments reduced their likelihood of becoming homeowners by 20 percentage points.[64]

Since the assets for down payments are generally associated with income, homeownership rates and home equity both increase markedly with income. Federal Reserve data show that while 66 percent of US households were homeowners in 2022, with median home equity of $323,000, 90 percent of those in the top 20 percent of incomes had home equity with a median value of $640,000.[65] By contrast, only 41 percent of those in the bottom 20 percent held home equity, with a median value of $145,000, along with 49 percent of those in the second quintile, with median home equity of $200,000. Since the lower-income quintiles include millions of retirees in mortgage-free homes, the share of younger people in those groups with home equity is considerably smaller.

Among Americans younger than 35 years, there also are large disparities in homeownership based on race and ethnicity: 46 percent of White households headed by people age 35 or younger owned homes in 2019, compared to 17 percent of Black households and 28 percent of Hispanic households.[66] Analysts also have found that the homeownership gap between White and Black households reflects the ability and willingness of parents to assist with down payments, as well as income differences.[67]

The asset barrier to initial homeownership can have other significant effects. Researchers at the Department of Housing and Urban Development found that living in areas where higher-skilled workers and privately-owned houses predominate affects many other opportunities, including the quality of public schools and the availability of jobs.[68] In turn, access to assets for a down payment on a first home can also affect the jobs and public education available to people earning comparable incomes, and thereby influence long-term economic mobility.

There is also evidence that government programs could make a significant difference in initial homeownership. For example, the Community Advantage Mortgage Program pilot program underwrote 30-year fixed-rate mortgages for borrowers who, based on assets and income, would otherwise have qualified only for a subprime mortgage or been unable to buy a first house.[69] The project led to significant increases in people's home equity and substantially lower rates of mortgage delinquencies and defaults, when compared to holders of subprime mortgages.

Similarly, we conclude that the assets and financial behavior associated with Invest America investment grants and accounts could be expected to lead to higher rates of first-time homeownership, especially among young people from families with few assets, who otherwise would struggle to secure the necessary downpayment.

When young people with Invest America accounts become adults, they can also use their accumulated financial assets to help address the challenges many will face if they want to start their own businesses.

Federal Reserve data show that hopeful entrepreneurs in households with modest, moderate, or middle incomes face much greater obstacles than their higher-income peers in creating new business ventures. In 2022, 15 percent of US households had equity in a private business, with a median value of $90,000.[70] As with home equity, higher-income people dominate those holdings: 41 percent of households in the top 10 percent held business equity, with a median value of $590,000, compared to less than 7 percent of those in the bottom 20 percent, with median business assets of $10,000, 8 percent of those in the second income quintile, with median business equity of $21,600, and less than 10 percent of people in the middle-income quintile, with median assets of $50,000.

People at all income levels have entrepreneurial drive and ambitions. Nevertheless, those in the top 10 percent are four times more likely to own their own business and have business equity nearly 12 times greater than those in the middle of the income distribution. Those at the top are also six times more likely to be entrepreneurs and hold business equity 59 times greater than those in the bottom 20 percent of households. Similarly, 16 percent of White households in 2022 owned equity in a private business with a median value of $105,000, compared to 11 percent of Black households, with median private business assets of $41,700, and less than 10 percent of Hispanic households, with median business assets of $40,000.[71]

Budding entrepreneurs across family incomes, race, and ethnicity could use the financial assets built up in their Invest America accounts during childhood to open and grow a new business and so move up economically.[72] Those assets can be critical because studies have found that a principal reason most young businesses fail is their founders' limited access to initial and early start-up capital, whether personally or through banks.[73]

The Small Business Administration reported that 45 percent of owners of young businesses were denied loans because they lacked sufficient collateral, and 79 percent of young ventures that fail begin with insufficient capital to maintain their operations.[74] The majority of new ventures fail as a result. The Bureau of Labor Statistics reports that in the year ending March 2016, entrepreneurs established 732,900 small businesses employing more than 3.1 million people, or an average of 4.3 employees. By March 2018, 31 percent of those businesses failed, and by March 2023, the failure rate reached 57 percent.[75] Notably, those that secured sufficient capital often thrived: By March 2023, the 317,800 of the original ventures from 2016 that were still in business employed 9.5 workers on average.[76]

Entrepreneurs' access to bank loans and lines of credit also is subject to significant disparities based on race and ethnicity. The 2022 Small Business Credit Survey conducted by the regional banks of the Federal Reserve System asked small business owners to describe their financial difficulties, and 50 percent of Black and 37 percent of Hispanic entrepreneurs cited access to credit, compared to 27 percent of White entrepreneurs.[77] Among those who did not apply for loans or lines of credit, 50 percent of White business owners said they already had sufficient financing, versus 13 percent of Black and 26 percent of Hispanic small business owners.

Even as revenues and employment increased or declined at virtually the same rates in Black-, Hispanic-, and White-owned small businesses, the Federal Reserve small credit survey further found that 73 percent of Black owners and 65 percent of Hispanic owners deemed their companies' financial condition fair or poor compared to 51 percent of White owners.[78] Similarly, the Census Bureau reported that 32 percent of Black and 28 percent of Hispanic small business owners were "very concerned" about the financial health of their ventures in 2022, compared to 17 percent of White owners.[79] Accordingly, nearly 38 percent of private companies owned by Black entrepreneurs and 26 percent of those owned by Hispanic entrepreneurs reported needing financing, versus 16 percent of those owned by White entrepreneurs.[80]

To some extent, the differences reflect demographics. Access to capital is most critical in a business' early years, and a larger share of minority-owned ventures were created recently: In 2022, 48 percent of Black-owned small companies and 38 percent of those owned by Hispanics had been in business for less than three years, versus 19 percent of White-owned small businesses.[81] Equally important, 56 percent of Black and 43 percent of Hispanic entrepreneurs reported serious difficulties accessing outside financing, compared to 26 percent of the White founders. Perhaps most disturbing, 31 percent of the Black founders and 24 percent of the Hispanic founders said they had been actively discouraged from even applying for loans or lines of credit, versus 5 percent of White founders—and among those who did apply, 41 percent of Black and 39 percent of Hispanic entrepreneurs were denied, compared to 18 percent of White entrepreneurs.

No program can guarantee the survival or success of new businesses. Even so, providing every child with a funded investment account that will grow substantially over several decades could help millions of budding entrepreneurs build or secure their initial and early capital and thereby help surmount the biggest hurdle they face today. Given the serious financing challenges that low-, moderate-, and middle-income entrepreneurs, especially those of color, must confront, personal access to financial assets, which Invest America accounts would provide, could be critical to democratizing and enhancing new business creation.

Evidence also suggests that children with savings and, presumably, investment accounts are more likely to save and invest as young adults. Part of this effect is simple self-interest. If every newborn receives an Invest America account, its growth as the child reaches young adulthood becomes a lesson in the potential gains from continuing to save and invest on their own. In addition, however, studies have shown that the process of saving in childhood can create a continuing habit, apart from the wealth created through the account.

Psychologists and other social scientists who have studied why and how children put aside money in savings have identified patterns for continuing to save that Invest America accounts could reinforce. At very young ages, children who save do so to spend their savings, typically for a special purpose such as buying a toy or treat. Consequently, they often fear that putting their money in a bank is the same as losing it.[82] By age six, however, most children learn from their parents, teachers, and popular culture that saving is a "good thing," and many will save for the more general purpose of satisfying some as yet unspecified future need or desire. By age nine to 12, many children have acquired a habit of saving—and learned that they may sometimes obtain money to save by pleading or negotiating with their parents. Most

"tweenagers" also recognize that keeping their money in an account can stop them from losing it.

By age 15 or so, when most adolescents have come to see working, rather than parents, as the principal source of discretionary funds, parents continue to influence their children's behavior and habits for managing money. Moreover, those who learned to save as children become much more likely to save as adolescents.[83] By that age, many children also appreciate that savings accounts grow over time, and studies also show that successful saving by adolescents fosters more saving by young adults.[84] Researchers have further found that children with low- and moderate-income parents who saved to purchase an asset such as an automobile are more likely to see a better future based partly on saving.[85]

Other findings on the positive effects of children having saving accounts in their own names, independent of parents' opening accounts on their behalf, could also support the Invest America approach.[86] Not only are the accounts associated with higher scores in math and reading as well as a greater likelihood of attending college,[87] but children with accounts in their own names also are more likely as young adults—five to seven years later—to accumulate savings and diversify their holdings.[88] Further, owning a savings account in childhood is not only associated with saving more as a young adult[89] but also with owning bonds, certificates of deposit, and other financial investments.[90] Notably, while a household's net worth affects how much young adults save, it does not affect whether, as young adults, they have their own savings accounts.[91]

The federal government has long used tax preferences to encourage Americans to save and invest, especially the deductions for retirement saving and mortgage interest. Those preferences cost the Treasury $300 billion in 2019. Yet their impact is small for most households. The bottom 60 percent of households by income received 13 percent of the benefits for retirement savings and 4 percent of the asset-building benefits for mortgage interest.[92] Invest America accounts would be equally available to all newborns and thereby encourage saving and investing by young people from low-, moderate-, and middle-income families as well those from higher-income households.

For many families, Invest America grants for newborns could be their first experience with financial matters. Based on studies that have found that financial education can help people better understand and manage their assets, the Invest America program would benefit from providing online access to the basic elements of financial literacy.

A recent study from the Milken Institute defined financial literacy as knowledge of basic financial concepts, simple numeracy skills, basic competence in managing one's own personal finances on a day-to-day basis, and positive attitudes toward saving, debt, and investment.[93] To promote such knowledge, skills, and attitudes, 25 states currently require all high school students to complete a financial literacy course, and 10 more states require that high schools at least offer such courses.[94] Researchers have reported that students who have had such instruction in these matters relied less as young adults on nonstudent debt and repaid their debts at higher rates than those who did not; those results held up across family incomes, gender, and race.[95]

Even so, 50 percent to 60 percent of young adults lack the skills and working knowledge of how to handle assets over time, including 65 percent of those with incomes of less than $25,000.[96] A recent study by the Financial Industry Regulatory Authority suggested substantial potential costs: People with low levels of financial knowledge and skills were 62 percent more likely to spend more than they earned and 51 percent more likely to have no provision for retirement savings.[97] Similarly, a recent study from the Milken Institute documented the results of a survey showing that people with a very low level of financial fluency are six times more likely to have difficulty making ends meet, three times more likely to be debt constrained, three times more likely to be unable to cope with a $2,000 financial shock, and four times more likely to spend more than 10 hours a week on issues related to personal finances.[98]

There is also substantial evidence that financial literacy programs here and around the world have positive effects. A 2020 meta-analysis based on 78 peer-reviewed randomized studies from 33 countries, covering a total sample of 160,000 people, found that the programs improved people's financial knowledge to a degree comparable to adult education programs in reading and mathematics.[99] Moreover, participating in financial literacy programs has also been associated with positive effects across incomes on people's saving, borrowing, and budgeting behavior.[100]

The benefits can also flow in the opposite direction. Analysts report that programs that introduce economically disadvantaged young people to investment and savings accounts increased their financial literacy and improved their financial behavior. For example, the My Path Savings program enrolled 275 youth from low-income families, opened savings accounts for them, and matched the personal savings that often followed.[101] Those enrolled in the program demonstrated significant improvement in financial knowledge and saved an average of $507, results largely independent of the people's race, gender, and whether the household received public assistance. The share that followed a personal budget also increased from 29 percent to 53 percent, and the share that tracked their own spending rose from 42 percent to 66 percent.

As one expert observed, "it is increasingly being advocated that financial education be offered in conjunction with a mainstream financial product, such as a savings account, to improve financial outcomes."[102] To increase the impact of the universal Invest America grants, the program could also provide universal access to online financial education.

CONCLUSIONS

We have discussed the design and implementation of the Invest America Account, a policy that would create a $1,000 investment account for every newborn American. We find that the power of compounding leads these accounts to generate significant wealth over time, which significantly reduces wealth inequality and adds to economic mobility. In our work in progress, we are exploring the budgetary impact of these proposals. Such impact will depend on a number of design matters, including the deductibility of contributions and taxability of withdrawals, which policymakers would have to consider when legislating this proposal.

APPENDIX A. LEGISLATIVE SOURCE MATERIALS WITH LINKS

Federal

Note: Descriptions are curated from legislative information provided by Congress.gov, with links to the actual bill text provided for each entry.

1998

KIDSAVE ACCOUNTS ACT

S.2184, **105th Congress, Introduced 06/17/1998**

Lead Sponsor: Senator Bob Kerrey (D-NE)

Cosponsors: Senator Daniel Patrick Moynihan (D-NY)
Senator John Breaux (D-LA)
Senator Joe Lieberman (D-CT)

Requires the secretary of the Treasury to transfer to each account holder's KidSave Account: (1) $1,000, on the date such individual's KidSave Account is established, in the case of any individual born on or after January 1, 1999; plus (2) in the case of any individual born on or after January 1, 1997, $500 on each of the individual's first five birthdays occurring on or after January 1, 2002. Establishes in the Treasury the KidSave Investment Fund in the same manner as the Thrift Savings Plan under the Federal Employees Retirement System.

History of Reintroduction with Largely the Same Provisions		
Year	***Bill***	***Major Additions to Sponsorship***
2000	S.3200	Senator Rick Santorum (R-PA) added as original cosponsor
2005	H.R. 1041	New House Version Carried by Rep. Jerry Weller (R-IL) and Rep. Sherrod Brown (D-OH)
2007	H.R. 242	

1999

SAVINGS FOR WORKING FAMILIES ACT

S.895, **106th Congress, Introduced 04/28/1999**

Lead Sponsors: Senator Joe Lieberman (D-CT)
Senator Rick Santorum (R-PA)

Cosponsors: Senator Dick Durbin (D-IL)
Senator Spencer Abraham (R-MI)
Senator Charles Robb (D-VA)
Senator Bob Kerrey (D-NE)
Senator Rob Grams (R-MN)
Senator Dianne Feinstein (D-CA)
Senator Mary Landrieu (D-LA)

This act aimed to create and expand Individual Development Accounts, which are savings accounts for low-income individuals, including children, to help them save for education, homeownership, or starting a business. The proposal included federal matching funds to encourage savings and investment in these accounts.

History of Reintroduction with Largely the Same Provisions		
Year	***Bill***	***Major Additions to Sponsorship***
2000	S. 2023	Senator Evan Bayh (D-IN), Senator Tim Johnson (D-SD), and Senator Edward Kennedy (D-MA) added as original cosponsors
2000	H.R. 4106	House companion introduced by Rep. Joseph Pitts (R-PA), Rep. Charles Stenholm (D-TX), and 35 additional cosponsors
2001	H.R. 2160	Reintroduced version with 52 cosponsors, including Rep. J.C. Watts (R-OK), Rep. Kevin Brady (R-TX), Rep. Fred Upton (R-MI), Rep. Tammy Baldwin (D-WI), Rep. Jim DeMint (R-SC), and Rep. Tom Udall (D-NM)
2003	S.476	CARE Act of 2003, Lead Sponsor: Senator Chuck Grassley (R-IA), passed the Senate 04/09/2003 (95-5 Vote)
2005	S. 922	Added Senator Thad Cochran (R-MS) as cosponsor
2006	H.R. 4751	Reintroduced version with 67 cosponsors, including Rep. Tom Cole (R-OK), Rep. John Lewis (D-GA), Rep. Shelley Moore Capito (R-WV), and Rep. Harold Ford, Jr. (D-TN)
2007	H.R. 892	
2007	H.R. 1514	Reintroduced version by Rep. Stephanie Tubbs Jones (D-OH) and Rep. Joseph Pitts (R-PA) with 94 cosponsors, including Rep. Mike Pence (R-IN) and Rep. Bobby Scott (D-VA)

2007	S. 871	Reintroduced version with 26 Senate cosponsors, including Senator Susan Collins (R-ME), Senator Mel Martinez (R-FL), Senator Bob Casey (D-PA), Senator Amy Klobuchar (D-MN), and Senator Jon Tester (D-MT)
2009	H.R. 1234	Reintroduced by Rep. Joseph Pitts (R-PA)
2009	H.R. 2277	Reintroduced by Rep. Earl Pomeroy (D-ND) and Rep. Joseph Pitts (R-PA) and 17 additional cosponsors
2009	S. 985	Reintroduced by Senator Blanche Lincoln (D-AR), Senator Jim Brunning (R-KY), and eight additional cosponsors
2013	H.R. 2964	Reintroduced by Rep. Joseph Pitts (R-PA)

UNIVERSAL SAVINGS ACCOUNTS

Proposed by President Bill Clinton, State of the Union 1999

President Clinton proposed that Americans be given the chance to open, voluntarily, Universal Savings Accounts (USAs). He proposed that workers receive a refundable tax credit if their incomes were up to $80,000 a year, which would be deposited directly into their USAs accounts and, as they saved, that the government help them save further, matching their contributions on a sliding scale depending on income, giving extra help to those least able to save. Further, he proposed that aid be given to people with incomes between $80,000 and $100,000 a year, but on a reduced basis. Even people with incomes over $100,000 a year, if they had no other personal retirement savings or pensions, were eligible for help under this proposal.

2000

RETIREMENT SAVINGS ACCOUNTS

Proposed by President Bill Clinton, State of the Union 2000

President Clinton's proposal built on the successful model of Individual Development Accounts, extending generous matches to all low- and moderate-income families to encourage them to develop savings and assets. A person who participated in this savings program for 40 years could accumulate over $266,000, enough to produce $24,000 a year of income in retirement. When fully phased in after 2004, a single filer could contribute up to $1,000 into a retirement savings account (RSA). For married couples, both spouses could make a $1,000 contribution for a total of $2,000. These could be held in employer-sponsored retirement plans or placed in private financial institutions.

To encourage working families to start saving for retirement, the president's plan would have provided a two-to-one match for the first $100 contributed by each person. For a couple, they could contribute $200 to their RSAs and the government would match with another $400, bringing the total account to $600. For the next $1,800 contributed by a couple to an RSA, the government would provide a one-to-one match.

2004

AMERICA SAVING FOR PERSONAL INVESTMENT, RETIREMENT AND EDUCATION (ASPIRE) ACT

S.2751, **108th Congress, Introduced 07/22/2004**

Lead Sponsors: Senator Rick Santorum (R-PA)
Senator Jon Corzine (D-NJ)

At birth, children would receive a $500 government deposit in a lifetime savings account. Depending on family income, some children would receive a supplemental contribution of up to $500. After-tax private contributions would be permitted up to $2,000 a year and would be matched by the government up to $500 a year, depending on income level. Withdrawals would not be permitted until age 18. Between ages 18 and 25, account balances could be used only for higher education. After age 25, balances could be used for homeownership or retirement in accordance with Roth IRA regulations.

History of Reintroduction with Largely the Same Provisions		
Year	*Bill*	*Major Additions to Sponsorship*
2004	H.R. 4939	House companion legislation sponsored by Rep. Harold Ford, Jr. (D-TN), Rep. Thomas Petri (R-WI), Rep. Patrick Kennedy (D-RI), and Rep. Phil English (R-PA)
2005	H.R. 1767	Added Rep. Grace Napolitano (D-CA), Rep. Bill Shuster (R-PA), and Rep. Todd Platts (R-PA) as cosponsors
2005	S. 868	Added Senator Charles Schumer (D-NY) and Senator Jim DeMint (R-SC) as cosponsors
2007	H.R. 3740	Reintroduced by Rep. Patrick Kennedy (D-RI), adding Rep. Rahm Emanuel (D-IL) and Rep. Zoe Lofgren (D-CA) as cosponsors
2008	S. 3557	Reintroduced by Senator Charles Schumer (D-NY)
2010	H.R. 4682	Added Rep. Jim Cooper (D-TN), Rep. Niki Tsongas (D-MA), Rep. Barbara Lee (D-CA), and Rep. Michael Capuano (D-MA) as cosponsors
2010	S. 3577	Added Senator Chris Dodd (D-CT) as a cosponsor

2005

LIFETIME SAVINGS ACCOUNT

Proposed by: President George W. Bush, White House Budget FY2005

A new lifetime savings account that would allow an individual to earn a tax-free return on deposit amounts and withdraw the funds as needed without paying further taxes and without facing a withdrawal penalty. This proposal would provide dollar-for-dollar matching contributions of up to $500 targeted to lower-income individuals. Matching contributions would be supported by a 100 percent credit to sponsoring financial institutions.

LIFETIME SAVINGS ACCOUNT ACT OF 2005

S. 545, **109th Congress, Introduced 03/08/2005**

H.R. 1163, **109th Congress, Introduced 03/08/2005**

Lead Sponsors: Senator Craig Thomas (R-WY)
Senator Jon Kyl (R-AZ)
Rep. Sam Johnson (R-TX)

Cosponsors: Rep. Phil English (R-PA)
Rep. John Shaddegg (R-AZ)

The Lifetime Savings Account Act of 2005 allowed after-tax contributions of up to $5,000 a year and excluded distributions from gross income.

2006

SAVINGS COMPETITIVENESS ACT OF 2006

S. 2431, **109th Congress, Introduced 03/16/2006**

Lead Sponsor: Senator Max Baucus (D-MT)

Through a Young Savers Account, parents would be allowed to direct contributions to Roth IRAs for their children, not just for themselves. Parents would be allowed to make deposits using their current IRA contribution limits.

THE 401KIDS FAMILY SAVINGS ACT OF 2006

H.R. 5314, **109th Congress, Introduced 05/09/2006**

Lead Sponsors: Rep. Clay Shaw (R-FL)

Cosponsors: Rep. Mark Kirk (R-IL)
Rep. Tom Cole (R-OK)
Rep. Pete Sessions (R-TX)
Rep. Ron Paul (R-TX)
Rep. Bobby Jindal (R-LA)
Rep. Marsha Blackburn (R-TN)

36 Total Cosponsors

Amends the Internal Revenue Code to: (1) allow tax-free distributions from a Coverdell education savings account for first-time homebuyer expenses, (2) permit rollovers from Coverdell education savings accounts to Roth individual retirement accounts (Roth IRAs), and (3) rename Coverdell education savings accounts as 401Kids Savings Accounts.

History of Reintroduction with Largely the Same Provisions		
Year	***Bill***	***Major Additions to Sponsorship***
2007	H.R. 87	Reintroduced by Rep. Judy Biggert (R-IL), adding Rep. Shelley Moore Capito (R-WV) and 31 additional cosponsors
2009	H.R. 30	
2011	H.R. 37	
2013	S. 1515	Reintroduced by Senator Mark Kirk (R-IL)

PLUS ACCOUNTS

Proposed by Senator Jeff Sessions (R-AL)

Portable, Lifelong, Universal Savings (PLUS) Accounts would have automatically created an account for each child. The account would have been seeded with a one-time $1,000 contribution. Beginning January 1, 2009, individual PLUS accounts would be established for all working US citizens under age 65 with a mandatory 1 percent of each worker's paycheck withheld pretax and automatically deposited into their account (workers could voluntarily contribute up to 10 percent). Employers would also be required to contribute at least 1 percent (and up to 10 percent) of earnings. No withdrawals from PLUS accounts could be made until the account holder reached age 65, although there would be a loan program for preretirement uses.

2014

INVESTING IN AMERICA'S FUTURE ACT

H.R. 5576, **113th Congress, Introduced 09/18/2014**

Lead Sponsor: Rep. Joe Crowley (D-NY)

Cosponsor: Rep. Keith Ellison (D-MN)

In March 2014, Representative Joseph Crowley (D-NY) announced a proposal for CSAs under which every child born in the United States would receive a USAccount with a seed deposit of $500. Families could deposit up to $2,000 into the account annually, and the government would match deposits dollar for dollar up to $500 per year. The proposal also calls for expanding the child tax credit up to a maximum of $500 annually. USAccounts would be established through the Social Security Administration, although families could move them to an approved financial services institution. Children could access the funds at age 18 and use them to pay for college, buy a home, or start a small business. The funds could also be rolled over into a 401(k), IRA, or traditional private savings account.

History of Reintroduction with Largely the Same Provisions

Year	*Bill*	*Major Additions to Sponsorship*
2015	H.R. 4045	
2018	H.R. 5118	

2015

UNIVERSAL SAVINGS ACCOUNT ACT

S.2320, **114th Congress, Introduced 11/19/2015**

Lead Sponsor: Senator Jeff Flake (R-AZ)

The legislation would have allowed anyone 18 or older to open a USA and contribute up to $5,500 a year, after tax, and to withdraw for any purpose, without taxes or penalties.

History of Reintroduction with Largely the Same Provisions		
Year	*Bill*	*Major Additions to Sponsorship*
2015	H.R. 4094	House companion introduced by Rep. Dave Brat (R-VA) and cosponsored by Rep. Paul Gosar (R-AZ), Rep. Trent Franks (R-AZ), Rep. Morgan Griffith (R-VA), and three additional cosponsors.
2017	H.R. 937	
2017	S. 323	

2018

AMERICAN OPPORTUNITY ACCOUNTS ACT

S.3766, **115th Congress, Introduced 12/18/2018**

Lead Sponsor: Senator Cory Booker (D-NJ)

This act proposes creating "early wealth buildings," federally funded savings accounts for every child born in the US, with the amount of funding based on family income. The funds could be invested in government securities, and the accounts would mature when the child reaches adulthood, providing a financial foundation for education, homeownership, or entrepreneurship.

History of Reintroduction with Largely the Same Provisions		
Year	*Bill*	*Major Additions to Sponsorship*
2019	H.R. 3922	House companion introduced by Rep. Ayanna Pressley (D-MA) and 20 additional cosponsors
2019	S. 2231	Added Senator Tammy Baldwin (D-WI) as a cosponsor
2021	H.R. 835	House companion reintroduced with 25 additional cosponsors
2021	S. 222	Added Senator Charles Schumer (D-NY), Senator Dick Durbin (D-IL), Senator Amy Klobuchar (D-MN), Senator Kirsten Gillibrand (D-NY), Senator Chris Coons (D-DE), Senator Bernie Sanders (I-VT), and nine additional cosponsors
2021	H.R. 1041	House companion reintroduced with 33 additional cosponsors
2023	S. 441	Reintroduced with 16 cosponsors

FAMILY SAVINGS ACT

H.R. 6757, **115th Congress, Passed the House 09/27/2018 (240-177 Vote)**

("Tax Reform 2.0")

Lead Sponsor: Rep. Mike Kelly (R-PA)

Cosponsors: Rep. Kevin Brady (R-TX)
Rep. Sam Johnson (R-TX)
Rep. Devin Nunes (R-CA)
Rep. Vern Buchanan (R-FL)
Rep. Adrian Smith (R-NE)
Rep. Kristi Noem (R-SD)
Rep. Pete Sessions (R-TX)
Rep. Marsha Blackburn (R-TN)

29 total cosponsors

The proposed Family Savings Account (FSA) allows taxpayers ages 18 and older to contribute up to $2,500 a year of after-tax income. Like private Roth-style retirement savings accounts, after-tax deposits into an FSA can be invested to generate earnings over time. Unlike existing special-purpose savings accounts—401(k)s, IRAs, 529 plans—FSA holders are not bound by limits on when savings can be withdrawn or purposes for which the funds must be used. All withdrawals from an FSA are excluded from taxable income and are thus tax-free.

2020

YOUNG AMERICAN SAVERS ACT

S.3764, **116th Congress, Introduced 05/19/2020**

Lead Sponsor: Senator Bob Casey (D-PA)

Cosponsors: Senator Ron Wyden (D-OR)
Senator Charles Schumer (D-NY)

This initiative aimed to establish investment accounts for children, the Federal Child Savings Account Program, with government contributions and incentives for families to save and invest for their children's future educational and developmental needs. The program allows the parent or guardian of a child who is under the age of 18 and a US resident to make contributions to an account for the child's educational expenses. An account may also fund a Roth IRA and an ABLE (i.e., Achieving a Better Life Experience) account for disabled individuals. Distributions from such accounts may begin on the earlier of the date such child attains the age of 26, receives an associate's or bachelor's degree, or enlists in active duty military service.

History of Reintroduction with Largely the Same Provisions		
Year	*Bill*	*Major Additions to Sponsorship*
2021	S. 2206	

2024

401KIDS SAVINGS ACCOUNT ACT OF 2024

S.3716, **118th Congress, Introduced 01/31/2024**

Lead Sponsor: Senator Bob Casey (D-PA)

Cosponsors: Senator Charles Schumer (D-NY)
Senator Ron Wyden (D-OR)
Senator Tina Smith (D-MN)
Senator John Fetterman (D-PA)
Senator Richard Blumenthal (D-CT)
Senator Debbie Stabenow (D-MI)
Senator Michael Bennet (D-CO)

401Kids accounts would be built on state 529 college savings platforms and managed by state treasurers. Once the accounts are established for all newborns and children under age 18, families, nonprofits, employers, foundations, and others could contribute to a 401Kids Account, which, starting at age 18, could be used for post-secondary education and training, a small business, a first home, or retirement security. While all families could contribute up to $2,500 per year to the accounts, only lower- and moderate-income families would receive direct federal support.

State

CHILD DEVELOPMENT ACCOUNTS

First proposed by Sherraden in 1991, Child Development Accounts (CDAs) are designed to enable children to begin accumulating assets at birth, assets that can be tapped in later life for investments in developmental priorities such as higher education. The accounts would be part of a centralized policy that covered every child, provided a substantial initial deposit, and accepted ongoing contributions from multiple sources, delivering extra benefits for children born into disadvantage. The term "Child Development Account" refers to the main purpose of the policy: developing all children to reach their potential for a rewarding life and to contribute to the economy and society.

In 2007, Sherraden and colleagues launched the SEED for Oklahoma Kids (SEED OK) experiment as a test of universal statewide CDA policy. The researchers identified a sample of newborns in Oklahoma and randomly divided them into two groups, treatment and control, exposing the treatment group to the CDA policy and a bundle of incentives. The accounts are held in a transformed 529 college savings plan designed to include 100 percent of children. An effective and sustainable CDA policy structure is being demonstrated in SEED OK.

OTHER PROGRAMS AT THE STATE LEVEL

- CHET Baby Scholars Program (CT)
- Harold Alfond College Challenge (ME)
- College Kick Start Program (NV)
- CollegeBoundbaby (RI)
- SEED OK (OK)
- CalKIDS (CA)
- Bright Start Baby Scholars Program (IL)
- Kansas Learning Quest Education Savings Program (KS)

Local

SAN FRANCISCO'S KINDERGARTEN TO COLLEGE (K2C) PROGRAM

Automatically opens a savings account for every kindergartner enrolled in public school, starting with a $50 deposit from the city.

ST. LOUIS COLLEGE KIDS PROGRAM

Offers $50 in seed money to public school kindergartners in St. Louis for college savings, with opportunities for additional incentives and matches.

OAKLAND PROMISE: BRILLIANT BABY PROGRAM

Provides $500 in college savings accounts to children from low-income families in Oakland, with financial coaching for parents.

NEW YORK CITY'S SAVE FOR COLLEGE PROGRAM

Opens a 529 college savings account with a $100 initial deposit for every kindergartner enrolled in public schools, with opportunities for families to earn more through incentives.

BOSTON SAVES PROGRAM

Starts every kindergartner with a $50 seed deposit into a savings account for future college or career training expenses.

MILWAUKEE'S FUND MY FUTURE PROGRAM

Provides a $25 initial deposit into savings accounts for kindergarteners in Milwaukee Public Schools, with additional incentives for savings milestones.

WABASH COUNTY (INDIANA) PROMISE INITIATIVE

Supports children in Wabash County by opening 529 college savings accounts and offering seed money and match opportunities.

INGHAM COUNTY'S (MICHIGAN) CHILDREN'S SAVINGS ACCOUNT PROGRAM

Provides a $50 initial deposit into a savings account for every kindergartner in the county.

APPENDIX B: FURTHER SOURCE MATERIAL

Census Bureau. "America's Families and Living Arrangements: 2022." Table C-2. (2022). https://www.census.gov/data/tables/2022/demo/families/cps-2022.html.

"College Enrollment and Work Activity of High School Students." Department of Labor. (2021). https://www.bls.gov/news.release/archives/hsgec_04262022.htm.

"The Distribution of Major Tax Expenditures." (2021). https://www.cbo.gov/publication/57413.

Elliott, William, Melinda Lewis, Megan O'Brien, Christina LiCalsi, Leah Brown, Natalie Tucker, and Nicholas Sorensen (2017). "Contribution Activity and Asset Accumulation in a Universal Children's Saving Account Program." Center on Assets, Education, and Inclusion. University of Michigan. https://aedi.ssw.umich.edu/sites/default/files/publications/Contribution-Activity-and-Asset-Accumulation.pdf.

"Employment and Unemployment Rates by Educational Attainment." (2024-A). Figure 3. https://nces.ed.gov/programs/coe/indicator/cbc.

Lerman, Robert and Signe-Mary McKernan (2008). "The Effects of Holding Assets on Social and Economic Outcomes of Families: A Review of Theory and Evidence." A Report in the Series Poor Finances: Assets and Low-Income Households. Urban Institute. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2205819.

"The Multiplying Movement: The State of the Children's Savings Field 2022." Prosperity Now. https://prosperitynow.org/resources/multiplying-movement.

"Projected Population by Age Group and Sex." 2023 National Population Projections, Tables: Main Series" Table 2. (2023). https://www.census.gov/data/tables/2023/demo/popproj/2023-summary-tables.html.

Sherraden, Michael, Mark Schreiner, and Sondra Beverly. "Income, Institutions, and Saving Performance in Individual Development Accounts." *Economic Development Quarterly*, Vol. 17. No. 1. (2003). https://doi.org/10.1177/0891242402239200.

Thiemann, Erin (2023). "The Multiplying Movement: The State of the Children's Savings Field 2022." Prosperity Now. https://prosperitynow.org/resources/multiplying-movement.

ENDNOTES

1. Robert Shiller, "Online Data—Home Prices and Stock Market Data," Yale University Department of Economics, accessed September 12, 2024, http://www.econ.yale.edu/~shiller/data.htm.

2. "Balance Sheet of Households and Nonprofit Organizations, Level," Federal Reserve Bank of St. Louis, accessed September 12, 2024, https://fred.stlouisfed.org/series/BOGZ1FL192090005Q.

3. "Gross Domestic Product," Federal Reserve Bank of St. Louis, accessed September 26, 2024, https://fred.stlouisfed.org/series/GDP.

4. Gloria Guzman and Melissa Kollar, Income in the United States: 2023 (US Census Bureau, September 2024), https://www2.census.gov/library/publications/2024/demo/p60-282.pdf.

5. Trends in the Distribution of Family Wealth, 1989 to 2019 (Congressional Budget Office, September 1, 2022), https://www.cbo.gov/publication/58533.

6. "Compare Wealth Components across Groups," Federal Reserve, September 20, 2024, https://www.federalreserve.gov/releases/z1/dataviz/dfa/compare/chart/.

7. Ibid.

8. Ibid.

9. Ellora Derenoncourt, Chi Hyun, Moritz Kuhn, and Moritz Schularick, Wealth of Two Nations: The US Racial Wealth Gap, 1860-2020 (National Bureau of Economic Research, June 2022), https://doi.org/10.3386/w30101.

10. "Positive Views of Both 'Socialism' and 'Capitalism' Have Slipped Since 2019," Pew Research Center, September 16, 2022, https://www.pewresearch.org/politics/2022/09/19/modest-declines-in-positive-views-of-socialism-and-capitalism-in-u-s/pp_2022-09-19_socialism-capitalism_00-01-png/.

11. Laura Wronski, "Axios|SurveyMonkey Poll: Capitalism and Socialism," SurveyMonkey, December 18, 2023, https://www.surveymonkey.com/curiosity/axios-capitalism-update/.

12. Ted Van Green, "Biden, Trump Supporters Both Say the US Economic System Unfairly Favors Powerful Interests," Pew Research Center, June 24, 2024, https://www.pewresearch.org/short-reads/2024/06/24/biden-trump-supporters-both-say-the-us-economic-system-unfairly-favors-powerful-interests/.

13. “Bold Proposals for Protecting the Free-Enterprise System while Closing the Wealth Gap,” Milken Institute, May 8, 2024, https://milkeninstitute.org/content-hub/event-panels/bold-proposals-protecting-free-enterprise-system-while-closing-wealth-gap; Cheryl Winokur Munk, “The New Plan to Create a Stock Market Portfolio for Every Child in America That’s Caught Microsoft, Uber, Dell and Zillow’s Attention,” CNBC, November 26, 2023, https://www.cnbc.com/2023/11/26/microsoft-uber-dell-and-a-new-plan-to-start-every-kid-stock-picking.html.

14. “Brief History of the Savings Bonds Program,” TreasuryDirect, accessed September 26, 2024, https://www.treasurydirect.gov/research-center/history-of-savings-bond/.

15. Darrick Hamilton and William Darity Jr., “Race, Wealth, and Intergenerational Poverty,” The American Prospect, August 14, 2009, https://prospect.org/special-report/race-wealth-intergenerational-poverty/.

16. Madeline Brown, Marokey Sawo, and Ofronama Biu, What Do We Know About Baby Bonds? (The Urban Institute, August 28, 2023), https://www.urban.org/research/publication/what-do-we-know-about-baby-bonds.

17. Naomi Zewde, “Universal Baby Bonds Reduce Black-White Wealth Inequality, Progressively Raise Net Worth of All Young Adults,” The Review of Black Political Economy 47 (1): 3–19 (2019), https://doi.org/10.1177/0034644619885321.

18. Lia Mitchell, Aron Szapiro, Andrea Bailiff-Gush, et al., Baby Bonds (Morningstar, September 2020), https://www.morningstar.com/content/dam/marketing/shared/pdfs/Research/wp_Policy_Baby_Bonds_final.pdf?utm.

19. C.E. Weller, C. Maxwell, and D. Solomon, “Simulating How Large Policy Proposals Affect the Black-White Wealth Gap,” *Journal of Economics, Race, and Policy* 4 (2021): 196–213, https://doi.org/10.1007/s41996-020-00077-8.

20. Madeline Brown, Marokey Sawo, and Ofronama Biu, What Do We Know About Baby Bonds?

21. “Monte Carlo Simulation of Long-Term Returns in the US Stock Market,” The Alchemy of Sciences, accessed September 12, 2024, https://blogstart.spin-orbit.com/monte-carlo/.

22. Aswath Damodaran, “Historical Returns on Stocks, Bonds, and Bills: 1928–2023,” Stern School of Business, accessed September 12, 2024, https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html.

23. Trends and the Distribution of Family Wealth, 1989 to 2019 (Congressional Budget Office, September 2022), https://www.cbo.gov/system/files/2022-09/57598-family-wealth.pdf.

24. “Annual Earnings by Educational Attainment,” Figure 4, National Center for Education Statistics, last updated May 2024, https://nces.ed.gov/programs/coe/indicator/cba/annual-earnings.

25. Breno Braga, Signe-Mary McKernan, Caroline Ratcliffe, and Sandy Baum, Wealth Inequality Is a Barrier to Education and Social Mobility (Urban Institute, April 2017), https://www.urban.org/sites/default/files/publication/89976/wealth_and_education_2.pdf.

26. Changes in US Family Finances from 2019 to 2022 (Federal Reserve Board, October 2023), https://www.federalreserve.gov/publications/october-2023-changes-in-us-family-finances-from-2019-to-2022.htm.

27. "Racial Differences in Economic Security & Housing," US Department of the Treasury, November 4, 2022, https://home.treasury.gov/news/featured-stories/racial-differences-in-economic-security-housing.

28. Arthur Acolin and Susan Wachter, "Opportunity and Housing Access," Cityscape: A Journal of Policy Development and Research 19, no. 1 (2017): 1-24, https://www.jstor.org/stable/10.2307/26328303.

29. Syed Bokhari, "An Empirical Examination of the Impact of Initial Capital, Prior Experience, and R&D on SMEs' Survival and Economic Performance: Moderating Role of Innovation Culture," Journal of Small Business Strategy 32, no. 4 (December 8, 2022): 22-45, https://doi.org/10.53703/001c.36937.

30. Brett Theodos and Dennis Su, Small Business Ownership and Finance (Urban Institute, March 15, 2023), https://www.urban.org/sites/default/files/2023-03/Small%20Business%20Ownership%20and%20Finance.pdf.

31. "Greater Wealth, Greater Uncertainty: Changes in Racial Inequality in the Survey of Consumer Finances," Federal Reserve Board, October 23, 2023, https://www.federalreserve.gov/econres/notes/feds-notes/greater-wealth-greater-uncertainty-changes-in-racial-inequality-in-the-survey-of-consumer-finances-accessible-20231018.htm#fig5.

32. Ibid.

33. Michael Grinstein-Weiss, Trina Shanks, and Sondra Beverly, "Family Assets and Child Outcomes: Evidence and Directions," The Future of Children 24, no. 1 (2014): 131-153, https://www.jstor.org/stable/23723387.

34. Jinhee Kim and Swarn Chatterjee, "Childhood Financial Socialization and Young Adults' Financial Management," The Journal of Financial Counseling and Planning 24, no. 1 (January 2013): 43-59, https://www.researchgate.net/publication/285642064_Childhood_Financial_Socialization_and_Young_Adults'_Financial_Management#fullTextFileContent.

35. Carly Urban, "Does State-Mandated Financial Education Reduce High School Graduation Rates?" Institute of Labor Economics, Discussion Paper No. 15402, June 2022, https://docs.iza.org/dp15402.pdf.

36. “Annual Earnings by Educational Attainment,” National Center for Education Statistics, May 2024, https://nces.ed.gov/programs/coe/indicator/cba/annual-earnings.

37. Ibid.

38. “Employment and Unemployment Rates by Educational Attainments,” National Center for Education Statistics, May 2024, https://nces.ed.gov/programs/coe/indicator/cbc.

39. “Table 326.10,” Digest of Education Statistics, National Center for Education Statistics, accessed September 26, 2024, https://nces.ed.gov/programs/digest/d21/tables/dt21_326.10.asp.

40. BA degree: 0.62*0.37=0.23, 0.23*0.64=0.147; AA degree: 0.62*0.63=0.39, 0.39*0.34=0.133.

41. Imed Bouchrika, “College Dropout Rates: 2024 Statistics by Race, Gender & Income,” June 6, 2024, https://research.com/universities-colleges/college-dropout-rates#:~:text=51.04%25%20of%20students%20drop%20out,graduation%20(ThinkImpact%2C%202021).

42. Madeline Brown, Marokey Sawo, and Ofronama Biu, What Do We Know About Baby Bonds?

43. Ibid.

44. Ibid; Sondra Beverly, Youngmi Kim, Michael Sherraden, et al., Socioeconomic Status and Early Savings Outcomes: Evidence from a Statewide Child Development Account Experiment (Center for Social Development, Washington University, Working Paper No. 12-30, 2012), https://openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1737&context=csd_research.

45. Davide Azzolini, Signe-Mary McKernan, and Kassandra Martinchek, Households with Low Incomes Can Save: Evidence and Lessons from Matched Savings Programs in the US and Italy (Urban Institute, December 2020), https://www.urban.org/sites/default/files/publication/103290/households-with-low-incomes-can-save-evidence-and-lessons-from-matched-savings-programs-in-the-us-and-italy_0.pdf.

46. Children’s Savings Account Programs Can Help Families Build Savings and Envision College, GAO-21-109 (Government Accountability Office, December 2020), https://www.gao.gov/assets/gao-21-10.pdf.

47. William Elliott, Unleashing the Power of Children’s Savings Accounts (CSA): Doorway to Multiple Streams of Assets (Center on Assets, Education, and Inclusion, University of Michigan, 2023), https://aedi.ssw.umich.edu/sites/default/files/documents/Reports/csa-doorway/csa-doorway-full-report.pdf?v=1.2.

48. Sondra Beverly, Margaret Clancy, and Michael Sherraden, Universal Accounts at Birth: Results from SEED for Oklahoma Kids (Center for Social Development, Washington University, March 2016), https://openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1325&context=csd_research.

49. Ibid.

50. William Elliott, Nicholas Sorenson, Haotian Zheng, and Megan O'Brien, "Early Award Scholarship Program Results in Improved Attendance and Math Test Scores for Students from Lower-Income Households," Economies 11, no. 3 (March 6, 2023): 82, https://www.mdpi.com/2227-7099/11/3/82; Youngmi Kim, Michael Sherraden, Jin Huang, and Margaret Clancy, "Child Development Accounts and Parental Educational Expectations for Young Children: Early Evidence from a Statewide Social Experiment," Social Service Review 89, no. 1 (March 2015): 1-30. https://www.jstor.org/stable/10.1086/680014; Haotian Zheng, William Elliott, and Megan O'Brien, "Using Children's Savings Accounts and Early Awards to Build College Savings among Welfare Recipients: The Case of Promise Scholars," Journal of Poverty 26, no. 4 (April 6, 2021): 379-403, https://www.tandfonline.com/doi/abs/10.1080/10875549.2021.1910105.

51. Sarah Beal and Lisa Crockett, "Adolescents' Occupational and Educational Aspirations and Expectations: Links to High School Activities and Adult Educational Attainment," Developmental Psychology 46, no. 1 (January 2010): 258-265, https://pubmed.ncbi.nlm.nih.gov/20053022/.

52. Children's Savings Account Programs Can Help Families Build Savings and Envision College (GAO).

53. Kim et al., "Child Development Accounts and Parental Educational Expectations."

54. Margaret Clancy, Sondra Beverly, Mark Schreiner, Jin Huang, and Michael Sherraden, "Financial Facts: SEED OK Child Development Accounts at Age 14," Center for Social Development Research, Washington University, June 6, 2022, https://openscholarship.wustl.edu/csd_research/937/.

55. How America Pays for College (Sallie Mae, 2020), https://www.salliemae.com/content/dam/slm/writtencontent/Research/HowAmericaPaysforCollege2020.pdf.

56. Elliott, Sorenson , Zheng, and O'Brien, "Early Award Scholarship Program," 82.

57. Elliott et al., "Early Award Scholarship Program Results"; Jin Huang, Michael Sherraden, Margaret Sherraden, and Lissa Johnson, "Effective Finance to Increase Financial Well-Being for Low-Income Families: Empirical Examination and Policy Implications," The Journal of Consumer Affairs 56, no. 4 (August 16, 2022): 1458-1483, https://onlinelibrary.wiley.com/doi/epdf/10.1111/joca.12484.

58. Terri Friedline, William Elliott, and Ilsung Nam, “Small-Dollar Children’s Savings Accounts and Children’s College Outcomes by Race,” Children and Youth Services Review 35, no. 3 (March 2013): 496-509, https://www.sciencedirect.com/science/article/abs/pii/S0190740912004410.

59. Elliott, Song, and Nam, “Small Dollar Children’s Savings Account.”

60. “Distributional Financial Accounts,” Board of Governors of the Federal Reserve System, accessed October 16, 2024, https://www.federalreserve.gov/releases/z1/dataviz/dfa/compare/chart/.

61. Ibid.

62. Aaron Hedlund, Down Payments and the Homeownership Dream: Not Such a Barrier After All? (Center for Growth and Opportunity, Utah State University, April 2019), https://aaronhedlund.github.io/research/downpayments_CGO.pdf.

63. Marvin Smith, “Down Payment Assistance Plays a Critical Role in Affordable Homeownership,” Federal Reserve Bank of Philadelphia, 2016, https://www.philadelphiafed.org/community-development/spotlight-on-research-down-payment-assistance-plays-critical-role-in-affordable-homeownership.

64. Donald Haurin, Patric Hendershott, and Susan Wachter, “Borrowing Constraints and the Tenure Choice of Young Households,” National Bureau of Economic Research, Working Paper No. 5630, 1996, https://www.nber.org/papers/w5630.

65. “Distributional Financial Accounts,” Board of Governors of the Federal Reserve System.

66. “Racial Differences in Economic Security & Housing,” US Department of the Treasury.

67. Allison Freeman and Jeffrey Harden, “Affordable Homeownership: The Incidence and Effect of Down Payment Assistance,” Housing Policy Debate 25, no. 2 (2015): 308-319, https://ideas.repec.org/a/taf/houspd/v25y2015i2p308-319.html.

68. Acolin and Wachter, “Opportunity and Housing Access.”

69. Grinstein-Weiss, Shanks, and Beverly, “Family Assets and Child Outcomes.”

70. “Survey of Consumer Finances,” Board of Governors of the Federal Reserve System.

71. Ibid; “Greater Wealth, Greater Uncertainty,” Board of Governors of the Federal Reserve System.

72. Ibid.

73. Bokhari, “Impact of Initial Capital, Prior Experience, and R&D on SMEs’ Survival.”

74. Theodos and Su, "Small Business Ownership and Finance." Access to credit is also strongly correlated with a young company's ability to hire early employees vital to its survival.

75. "Survival of Private Sector Establishments by Opening Year," Bureau of Labor Statistics, accessed October 16, 2024, https://www.bls.gov/bdm/us_age_naics_00_table7.txt.

76. Ibid.

77. 2023 Report on Employer Firm: Findings from the 2022 Small Business Credit Survey (Fed Small Business, March 8, 2023), https://www.fedsmallbusiness.org/reports/survey/2023/2023-report-on-employer-firms.

78. Ibid.

79. "2023 Annual Business Survey: First Look," US Census Bureau, 2023, https://www.census.gov/data/tables/2023/econ/abs/2023-abs-first-look.html.

80. Ibid.

81. Ibid.

82. Paul Webley, "The Development of Saving," in The Interdisciplinary Science of Consumption, edited by Stephanie Preston, Morton Kringelbach, and Brian Knutson (Cambridge, MA: MIT Press, 2014), 261-277, https://www.jstor.org/stable/pdf/j.ctt9qf95t.17.

83. Annette Otto and Paul Webley, "Saving, Selling, Earning, and Negotiating: How Adolescents Acquire Monetary Lump Sums and Who Considers Saving," The Journal of Consumer Affairs 50, no. 2 (2016): 306-332, https://www.jstor.org/stable/44154742.

84. Ibid.

85. Grinstein-Weiss, Shanks, and Beverly, "Family Assets and Child Outcomes."

86. Terri Friedline, "The Independent Effects of Savings Accounts in Children's Names on Their Savings Outcomes in Young Adulthood," Journal of Financial Counseling and Planning 25, no. 1 (2014): 69-89, https://www.afcpe.org/wp-content/uploads/2018/10/04088_pg69-89.pdf.

87. Camille Charles, Vincent Roscigno, and Kimberley Torres, "Racial Inequality and College Attendance: The Mediating Role of Parental Investments," Social Science Research 36, no. 1 (2007): 329-352, https://www.sciencedirect.com/science/article/abs/pii/S0049089X06000093?via%3Dihub; William Elliot, Mesmin Destin, and Terri Friedline, "Taking Stock of 10 Years of Research on the Relationship between Assets and Children's Educational Outcomes: Implications for Theory, Policy, and Intervention," Children and Youth Services Review 33, no. 11 (2011): 2104-2114, Center for Social Development Research, Working Paper 11-08, https://openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1387&context=csd_research.

88. Terri Friedline and William Elliott, "Connections with Banking Institutions and Diverse Asset Portfolios in Young Adulthood: Children as Potential Future Investors," Children and Youth Services Review 35, no. 6 (June 2013): 922-931, https://www.sciencedirect.com/science/article/abs/pii/S0190740913000996; Terri Friedline and Hyun-A Song, Accumulating Assets, Debts in Young Adulthood: Children as Potential Future Investors (University of Kansas, April 2013), https://aedi.ssw.umich.edu/sites/default/files/publications/publication-csa-assetaccum.pdf.

89. Beverly et al., "Socioeconomic Status and Early Savings Outcomes"; Friedline, "The Independent Effects of Savings Accounts"; and Kim and Chatterjee, "Childhood Financial Socialization and Young Adults' Financial Management."

90. Jinhee Kim and Swarn Chatterjee, "Childhood Financial Socialization and Young Adults' Financial Management," The Journal of Financial Counseling and Planning 24, no. 1 (January 2013): 44-56, https://www.researchgate.net/publication/285642064_Childhood_Financial_Socialization_and_Young_Adults'_Financial_Management#fullTextFileContent.

91. Friedline, "The Independent Effects of Savings Accounts."

92. "The Distribution of Major Tax Expenditures in 2019," Congressional Budget Office, October 27, 2021, https://www.cbo.gov/publication/57413.

93. Oscar Contreras and Joseph Bendix, Financial Literacy in the United States (Milken Institute, August 2021), https://milkeninstitute.org/content-hub/research-and-reports/reports/financial-literacy-united-states.

94. "Which States Require Financial Literacy for High School Students?" Ramsey Solutions, accessed September 12, 2024, https://www.ramseysolutions.com/financial-literacy/states-require-financial-literacy-in-high-school#:~:text=But%20not%20all%20of%20those,course%20in%20order%20to%20graduate.

95. Brown et al., "Financial Education and the Debt Behavior of the Young." The requirement did not reduce high school graduation rates.

96. Urban, "Does State-Mandated Financial Education Reduce High School Graduation Rates?"

97. Judy Lin and Christopher Bumcrot, Financial Capability in the United States (FINRA Investor Education Foundation, July 2022), https://finrafoundation.org/sites/finrafoundation/files/NFCS-Report-Fifth-Edition-July-2022.pdf.

98. Cheryl L. Evans and Mairead Treanor, *Shifting the Retirement Paradigm: Moving toward Lifetime Financial Security* (Milken Institute, August 28, 2023), https://milkeninstitute.org/content-hub/research-and-reports/reports/shifting-retirement-paradigm-moving-toward-lifetime-financial-security.

99. Tim Kaiser, Annamaria Lusardi, Lukas Menkhoff, and Carly Urban, Financial Education Affects Financial Knowledge and Downstream Behaviors (Institute of Labor Economics, April 1, 2020), https://www.jstor.org/stable/resrep59945.

100. An earlier and less selective meta-analysis had found substantially smaller effects; Margaret Miller, Julia Reichelstein, Christian Salas, and Bilal Zia, "Can You Help Someone Become Financially Capable? A Meta-Analysis of the Literature," The World Bank Research Observer 30, No. 2 (August 2015), https://www.jstor.org/stable/24582380. Also see: Jere Behrman, Olivia Mitchell, Cindy Soo, and David Bravo, "How Financial Literacy Affects Household Wealth," American Economic Review 102, No. 3 (May 2012), https://www.aeaweb.org/articles?id=10.1257/aer.102.3.300.

101. Vernon Loke, Laura Choi, and Margaret Libby, "Increasing Youth Financial Capability: An Evaluation of the My Path Savings Initiative," The Journal of Consumer Affairs 49, No. 1 (2015), https://www.jstor.org/stable/43861589.

102. Ibid.

ABOUT THE AUTHORS

Michael Piwowar, PhD, is the executive vice president of Finance at the Milken Institute.

Robert Shapiro, PhD, is the chairman of Sonecon, LLC, senior policy fellow of the Georgetown Harari School of Business, and senior adviser at the Milken Institute.

MILKEN
INSTITUTE