Principles for Federal Early Life Wealth-Building Policy

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These evidence-based principles are the result of deliberations among policy experts who have years of experience studying, designing, and testing various forms of early life wealth-building policy. As always, opinions may differ. **The aim is to emphasize a wide foundation of shared vision and principles as federal policy development moves forward**.

- **Start at the beginning**
  - **Enroll babies at birth.** Families are contacted around birth and made aware of the program.
  - **Enroll all children up to age 18** at the time the legislation goes into effect, insofar as possible.

- **Ensure inclusion and reduce wealth inequities**
  - **Set up automatic enrollment.** Babies are automatically enrolled by local, state, or federal government.
  - **Create universal participation with financial progressivity.** Including all children builds national footing and policy stability. The focus of the program is low- and moderate-income families, with the largest benefit—both in direct expenditures and tax expenditures—going to families with the least means.
  - **Measurably reduce racial wealth inequities** as well as other wealth inequities.

- **Make real investments**
  - **Large, initial federal deposit for the benefit of participating children** creates a financial anchor for the policy, with growth over time. There is a logical connection between the size of the initial deposit and the ultimate target size of the fund, with considerations for reasonable investment growth.
  - **Consider the opportunity for ongoing deposits from other sources,** while maintaining emphasis on the federal deposit.
  - **Investments grow over time in the context of fiduciary responsibility** based on a prudent balance of risk and reward.
    - Consider financial guidance, including a default investment option.
    - Consider some form of protection against loss of family contributions, if family contributions are allowed.
  - **Provide opportunities for participants to access financial planning and additional supports specific to allowable uses of funds** to prepare individuals for the future.

- **Structure, scale, and transparency**
  - **Create a centralized savings plan structure** to enable coherence, scale, low fees, investment growth, sustainability, and a database for policy evidence.
  - **Allow flexibility and detail in accounting and reporting.** The policy may choose to partition different deposit flows to account and report on each flow separately (e.g., public flows or reparation flows).

- **Ease of access and use**
  - **Allow use of funds by participants starting at age 18** to invest in wealth building (e.g., education and training, entrepreneurship, homeownership, retirement security).
  - **Minimize limitations on accessing funds starting at age 18.** This includes portability and protection of federal account assets across geographical boundaries and other changes in personal or economic circumstances.
  - **Exclude from calculations means-tested public benefits** and taxation while funds are held by the government and at the time of distribution.

- **Support vertical connections**
  - **Facilitate state and community engagement.** Encourage and support ongoing community partnerships and streamline integration with state and local programs where possible. A federal program should support local community partnerships and engagement.
    - Consider federal funding grants to incentivize states to actively engage with the local community.
    - Consider federal funding grants to incentivize localities to actively engage with the community.

CONTRIBUTORS

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