

The Potential Impact of Baby Bonds on Wealth Equity in Baltimore

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[We leveraged microsimulation to build the evidence base for national and local baby bonds proposals.](#) We used Urban’s simulation model, the Dynamic Simulation of Income Model (DYNASIM), to estimate the potential long-term impact of baby bonds nationally and in four US cities: Atlanta, Baltimore, Boston, and Oakland. This factsheet summarizes our projected impact for the city of Baltimore. Read about our methodology and national results in our report (Cosic et al. 2024).

[We spoke with 18 to 24-year-olds in Baltimore](#) to elevate the voices of potential baby bonds recipients in the policy discussion. Learn more about the perspectives of young adults and community leaders in the city of Baltimore on wealth disparities and the potential for baby bonds to have an impact (Torres Rodríguez et al. 2024).

Compare how the [other three cities in our study would benefit from federal baby bonds](#).¹

Despite Baltimore’s vibrant cultural and economic legacy, particularly as a hub of Black economic enterprise, a pattern of racial segregation and differential access wealth have maintained persistent racial disparities.² This summary explores the impact a baby bonds proposal could have in creating new wealth opportunities for young adults in Baltimore.

THE POLICY MOMENTUM OF BABY BONDS FEDERALLY AND LOCALLY

Baby bonds were first imagined by two economists, Darrick Hamilton and William Darity Jr. in 2010 (Hamilton and Darity 2010). The concept was simple: the federal government would set up trusts at a child’s birth and offer them access to those funds at 18 for select wealth-building activities, including attending college, buying a home, and starting or growing a small business.

- **Federal level.** In 2019, Senator Cory Booker and Representative Ayanna Pressley introduced the American Opportunity Accounts Act (AOAA), which would create a federal baby bonds program. The program would be progressively funded, and children from the lowest income families would receive an estimated \$50,000 at 18 under the bill.
- **Local level.** In 2022, following momentum from California, Connecticut, and DC, then-gubernatorial candidate Wes Moore proposed creating baby bonds for every child in Maryland.³ In June 2024, Montgomery County introduced a bill to create the Child Investment Fund, which would create a baby bond account for every child in the county, seeded with \$1,800.⁴

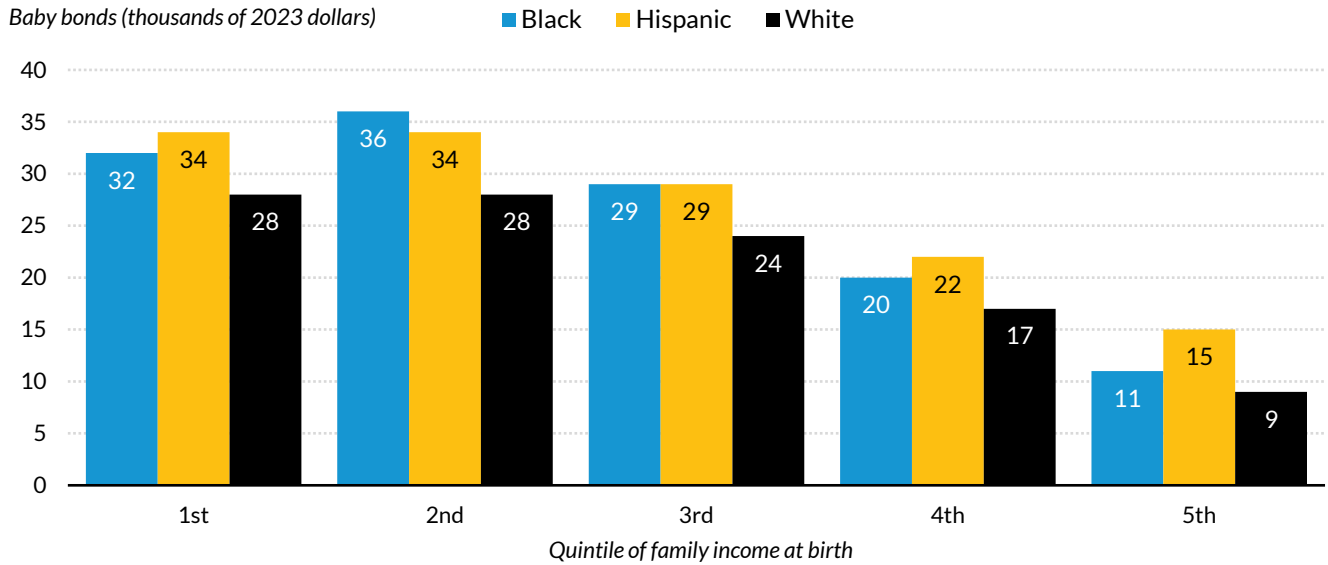
PREDICTED SIZE OF BABY BOND BY RACE AND INCOME

If the AOAA passed, we project that baby bond account balances for 18-year-old Black and Hispanic people in Baltimore from the bottom 40 percent of the income distribution could average between \$32,000 to \$36,000 at 18.

Overall, we project that the recipients from low-income families would get the most in baby bonds by age 18 in Baltimore, and that across the income distribution, Black and Hispanic people in Baltimore would get more in baby bonds on average than white people.

FIGURE 1

Average Baby Bond at Age 18 by Income Quintile, People Born in 2024–28



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Source: DYNASIM4, runid 1006.

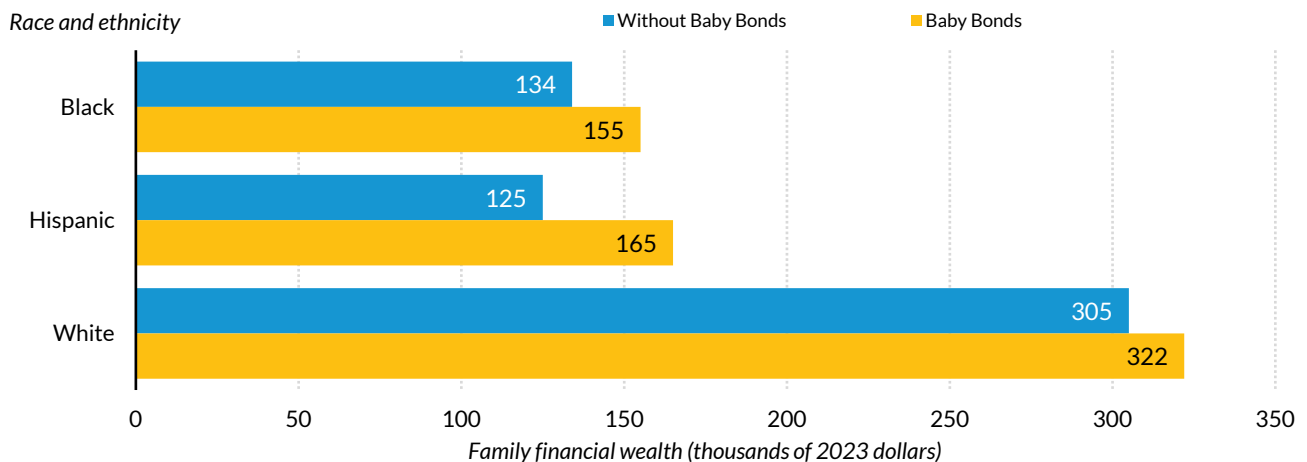
Note: Simulation assumes that baby bonds earn 3 percent interest each year.

IMPACT ON FAMILY FINANCIAL WEALTH

Baby bonds would increase financial wealth for families with children in Baltimore, especially for Hispanic families. Our simulations show that, 18 years after introducing baby bonds, the program would increase the median financial wealth for Hispanic families from \$125,000 to \$165,000 and from \$134,000 to \$155,000 for their Black counterparts. The median financial wealth of white families would increase modestly due to baby bonds but it would remain significantly greater than wealth of Black and Hispanic families.

FIGURE 2

Median Family Financial Wealth by Race/Ethnicity, Restricted to Families with Dependent 18-Year-Olds, 2042–46



URBAN INSTITUTE

Source: DYNASIM4, runid 1006.

Note: Family financial wealth includes liquid wealth and retirement savings for families of 18-year-olds who lived with their parents.

IMPACT ON STUDENT LOANS

As baby bonds would increase the financial resources of young people, they would reduce the number of young people who have to take on student debt to go to college. Although some students would still have to take on debt, we project that with baby bonds, the amount of debt they would incur would decrease. We project that baby bonds would reduce reliance on student loans in Baltimore the most for Hispanic people. The share of Hispanic women and men with a student loan, which without baby bonds was 58 and 70 percent, respectively, would fall 23 percentage points. The reduction in the share of people with student loan debt for other groups ranged between 11 and 13 percentage points. The reduction in the average amount of student loan debt caused by baby bonds ranged between \$5,000 for white men and \$11,000 for Black men.

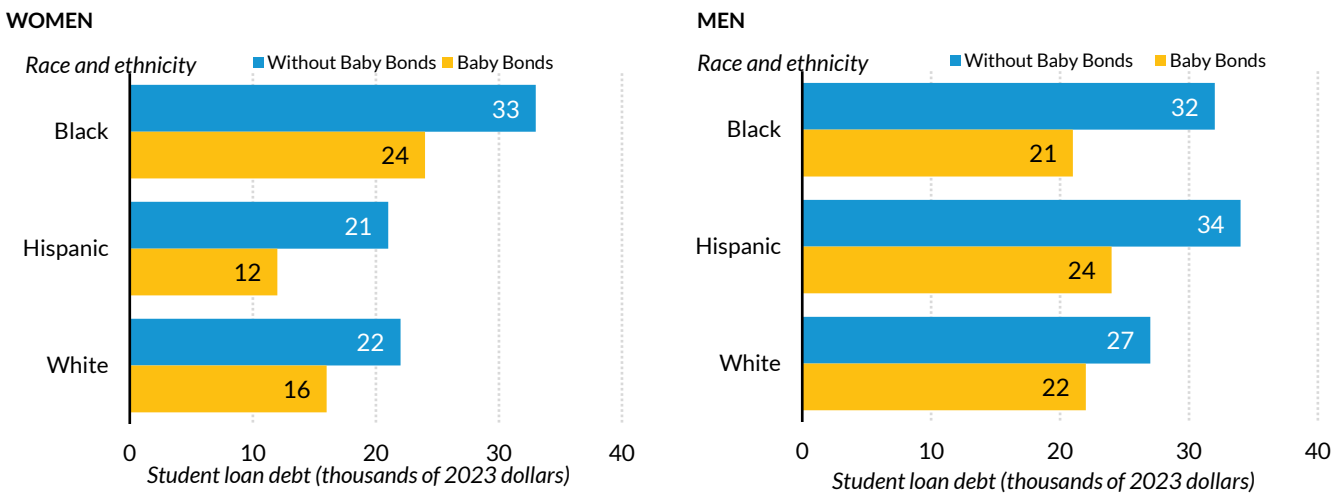
TABLE 1
Projected Percentage of College Students Who Took Out a Student Loan by Race/Ethnicity and Sex

	Women		Men	
	Without baby bonds (%)	With baby bonds (%)	Without baby bonds (%)	With baby bonds (%)
Black	61	50	63	50
Hispanic	58	35	70	47
White	57	46	68	56

Source: DYNASIM4, runid 1006.

Notes: People are considered to have taken a student loan if they have a positive loan balance when they graduate from or drop out of college.

FIGURE 3
Average Student Loan Debt among People Who Attended College, by Race/Ethnicity and Sex



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Source: DYNASIM4, runid 1006.

Notes: The estimates show student loan debt at exit from college that was accumulated before age 45.

IMPACT ON HOMEOWNERSHIP AND RETIREMENT

Some people in Baltimore would use their baby bond to purchase a home. Overall, our simulations project that baby bonds would not change homeownership rates, but for those that would buy a home the program increased home equity. We found that the median home equity for Black women at age 45 increased the most, by about \$31,000. Although baby bonds were not projected to have much of an impact on the home equity of white homeowners, their

home equity was still significantly higher than the home equity of Black homeowners, highlighting the longstanding racial disparities in home values and equity in the city of Baltimore. People can also devote part of their baby bond to retirement savings. We find that for those in the bottom fifth of the income distribution, the average retirement savings of women would increase by \$27,000 with baby bonds, and the average retirement savings of men would increase by \$33,000 in Baltimore. We measured retirement savings at age 65.

IMPLICATIONS

Baby bonds have the potential to reduce racial wealth disparities in Baltimore, but not close them. Our simulations project that baby bonds would have a large impact on the share of students taking on debt, and on the amount of debt incurred. We also find that baby bonds would increase home equity, especially among Black women homeowners. Analyzing retirement, we find that baby bonds would increase retirement savings for those at the bottom of the income distribution. In our brief, we discuss the history of racial wealth and opportunity in Baltimore and detail qualitative findings from our interviews with local leaders and focus groups with 18 to 24-year-olds in the city of Baltimore to understand the disparities we see and the potential of baby bonds (Torres Rodríguez et al. 2024).

NOTES

- ¹ “Barriers to Wealth Building and Perspectives on Baby Bonds in Atlanta, Baltimore, Boston, and Oakland,” Urban Institute, December 3, 2024, <https://www.urban.org/barriers-wealth-building-and-perspectives-baby-bonds-atlanta-baltimore-boston-and-oakland>.
- ² Brett Theodos, Eric Hagen, and Brady Meixell, “The Black Butterfly: Racial Segregation and Investment Patterns in Baltimore,” Urban Institute, February 5, 2019, <https://apps.urban.org/features/baltimore-investment-flows/>
- ³ Erin Cox, “Md. Governor Candidate’s Pitch to Fight Poverty: Trust Funds For babies.” *The Washington Post*, October 19, 2022, <https://www.washingtonpost.com/dc-md-va/2022/10/19/wes-moore-maryland-baby-bonds/>.
- ⁴ “Public Hearing on Bill 5-24, Finance – Child Investment Fund,” Montgomery County Council, June 18, 2024, <https://montgomerycountymd.granicus.com/MetaViewer.php>.

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