

# The Potential Impact of Baby Bonds on Wealth Equity in Oakland

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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 Oakland. Read about our methodology and national results in our report (Cosic et al. 2024).

[We spoke with 18 to 24-year-olds in Oakland](#) 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 Oakland on wealth disparities and the potential for baby bonds to have an impact (Zinn et al. 2024).

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

Interlaced into the history of Oakland is racism, discrimination, and resistance to those notions, including the creation of the Black Panther Party in 1966.<sup>2</sup> In recent years, the Black population in Oakland has declined significantly with the rapid growth of Silicon Valley, which has led to increased gentrification, unaffordable housing, and therefore, racial wealth disparities. This summary explores the potential of baby bonds to reduce racial wealth disparities in Oakland.

## 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, California passed Hope, Opportunity, Perseverance, and Empowerment (HOPE) accounts in their annual budget, a modified baby bonds program for children that lost parents or caregivers during the COVID-19 pandemic and children in the state’s foster care system long term. Oakland also has the Brilliant Baby program, a universal child savings account, and the state of California offers state-seeded college savings accounts through their CalKids program (Brown et al. 2024).

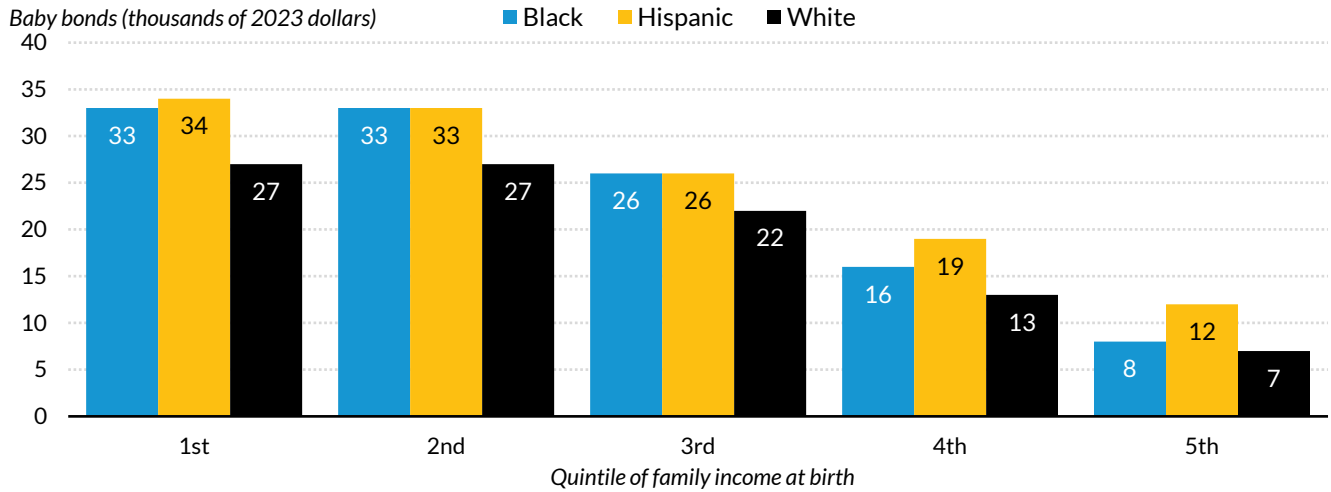
## PREDICTED SIZE OF BABY BOND BY RACE AND INCOME

If the AOAA passed, we project that baby bond account balances for 18-year-old Black and Hispanic people in Oakland from the bottom 40 percent of the income distribution could average between \$33,000 to \$34,000.

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

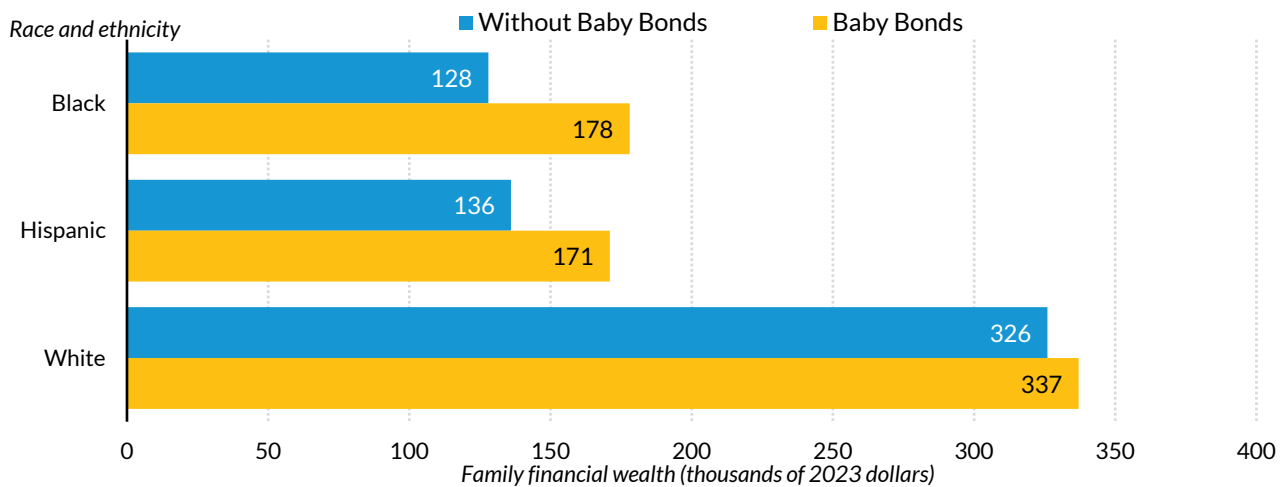
Note: Simulation assumes that baby bonds earn 3 percent interest each year.

IMPACT ON FAMILY FINANCIAL WEALTH

Baby bonds would increase financial wealth for families with children in Oakland, especially for Black families. Our simulations show that 18 years after introducing baby bonds, the program would increase the median financial wealth for Black families with an 18-year-old from \$128,000 to \$178,000 and from \$136,000 to \$171,000 for their Hispanic 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



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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 Oakland the most for Hispanic people, somewhat less for Black and white men, and the least for Black and white women. The share of Hispanic men with a student loan would fall 21 percentage points (from 69 percent without baby bonds) and this share for Hispanic women would fall 22 percentage points (from 58 percent without baby bonds), a decrease equal to the national average. The share of Black and white men with student loan debt would fall by 15 and 12 percentage points, respectively. The share of Black and white women with student loan debt would fall by 2 and 6 percentage points, respectively. The reduction in the average amount of student loan debt caused by baby bonds ranged between \$5,000 for white women and \$12,000 for Hispanic men.

TABLE 1

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

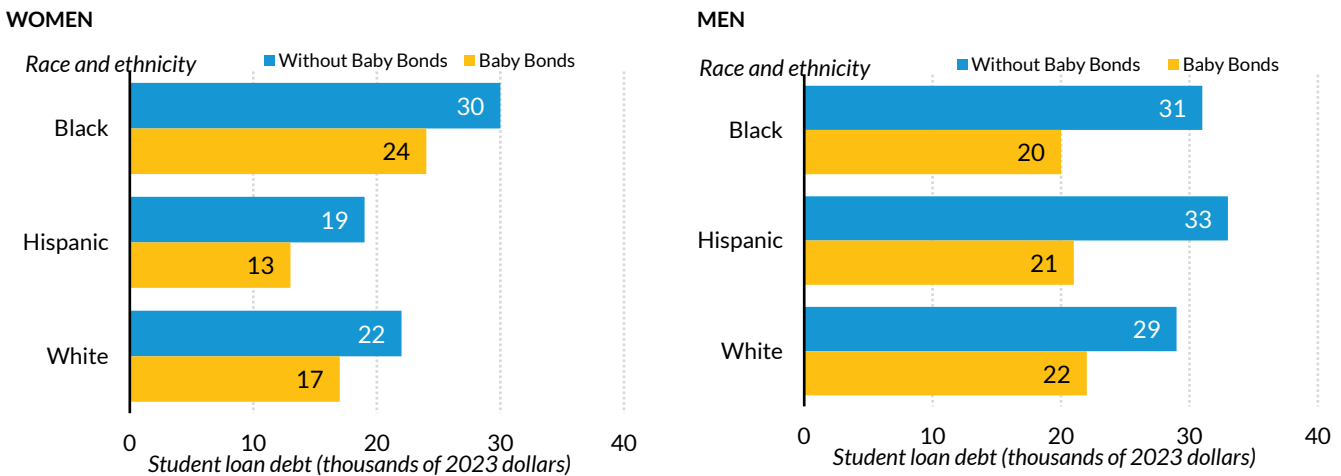
	Women		Men	
	Without baby bonds (%)	With baby bonds (%)	Without baby bonds (%)	With baby bonds (%)
Black	53	51	65	50
Hispanic	58	36	69	48
White	56	50	67	55

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



URBAN INSTITUTE

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 Oakland 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 \$20,000. Baby bonds were not projected to have much of an impact on the home equity of white homeowners. 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 \$31,000 with baby bonds, and the average retirement savings of men would increase by \$38,000 in Oakland. We measured retirement savings at age 65.

## IMPLICATIONS

Baby bonds have the potential to reduce racial wealth disparities in Oakland, 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 homeowners of color. 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 Oakland and detail qualitative findings from our interviews with local leaders and focus groups with 18 to 24-year-olds in the city of Oakland to understand the disparities we see and the potential of baby bonds (Zinn 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 “The Black Panther Party: Challenging Police and Promoting Social Change,” National Museum of African American History and Culture, accessed October 18, 2024, <https://nmaahc.si.edu/explore/stories/black-panther-party-challenging-police-and-promoting-social-change>.

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