



Washington Future Fund, or baby bonds, is an important tool to reduce racial wealth inequities

Lawmakers should pass this policy to give babies from families with very little income a start to building wealth

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Beyond meeting immediate basic needs, everyone should have the opportunity to build toward their future. While income helps cover everyday household expenses, wealth represents savings and allows families to invest in assets, take risks, and support the next generation. Right now, a baby's financial future is largely determined by the amount of wealth they are born into. And because of our nation's history of stripping wealth from Black and brown people, Black, Latinx, and Indigenous children are more likely to be born into families with little or no wealth. This session, the Washington state legislature will hear [House Bill 1094](#) and [Senate Bill 5125](#), which would create a "baby bonds" program called the Washington Future Fund. This policy could help break the cycle of poverty, reduce the racial wealth gap, and support rural communities by giving 40,000 children each year from households with very little income a start to building wealth.

Baby bonds can help families build wealth

The potential impact of establishing a baby bonds program like the Washington Future Fun is enormous. For one, baby bonds could help disrupt the cycle of poverty. One of the most common ways to have wealth is to receive a large asset like a gift or inheritance. The Federal Reserve estimates that these intergenerational wealth transfers account for over **50% of total wealth**. Families with little to no wealth are unlikely to give a gift or inheritance to their children, but with the Washington Future Fund, these children will still receive a foundation they can build on.



Baby bonds could also help begin to reduce the racial wealth gap. Communities of color have made invaluable contributions to our country. However, for centuries, lawmakers have passed racist policies such as slavery, land theft from Indigenous people, redlining, incarceration, and more that have stripped wealth from households of color, particularly Black and Indigenous households. Despite all this, **Black families give the greatest proportion of their wealth to charities** compared to other racial and ethnic groups.

State wealth inequities study shows racial and geographic wealth disparities

During the 2022 legislative session, State Treasurer Mike Pellicciotti introduced legislation sponsored by Representative Stonier and Senator Trudeau to establish the Washington Future Fund. Although that bill didn't pass, the legislature funded a study on wealth inequities in Washington and established the Washington Future Fund Advisory Committee.

The study showed that there are significant racial and geographic disparities when it comes to wealth in our state. In 2019, the **median net worth** of White households in Washington was \$286,204, but only \$13,665 for Black households – a **whopping 20-fold difference** – and \$29,631 for Latino households – a nearly a 10-fold difference. And households of color in Washington are 1.5 times as likely as White households to have zero or negative net.¹

When comparing rural and urban counties in Washington, urban households have a median net worth of \$263,133, while rural households have a median net worth of \$182,985 – nearly \$80,000 less.¹

...We know that the easiest way to grow wealth is to have wealth to start with. Households of color and rural households without the cushion of wealth are more likely to face financial instability and be unable to pass wealth down to future generations the way that White and urban households can.



Baby bonds legislation would benefit half of babies born in Washington

... Treasurer Pellicciotti revised the Washington Future Fund to increase the impact of the program and has reintroduced the bill in the 2023 legislative session. Currently, the Washington Future Fund would invest \$4,000 for every baby that is enrolled in Apple Health before their first birthday. That's almost 40,000

babies a year, or nearly half of all births in the state. And in Grays Harbor, Okanogan, Ferry, Grant, Adams, and Yakima counties, over 70% of babies are covered by Apple Health and would benefit from the Washington Future Fund.

The \$4,000 initial investment is projected to grow to \$17,000 over 25 years... Before using the funds, participants would need to receive some education or support that is tied to the wealth-building asset (e.g., first-time homebuyer's counseling, postsecondary education advisors). Participants could withdraw the funds between the ages of 18-35 to pay for postsecondary education, purchase a home, or start a business. A future committee would explore additional eligible uses of the baby bonds funds and decide on the conditions to withdraw the funds when the individual reaches adulthood.

(1) Phoebe Flaherty, Marissa Hashizume, Shira Markoff, Doug Ryan, Marc Allen, Rebecca Drachman, Ted Schenider, "Washington Future Fund Wealth Inequities Study", October 2022.