

# WA's baby bonds proposal would provide better financial opportunity than 530A "Trump" Accounts



The Washington Future Fund (WFF) is a baby bonds policy proposal that the State Treasurer, lawmakers, and community organizations have been advocating for since 2021. This proposal is designed to reduce the racial wealth gap and end intergenerational poverty through publicly funded trust accounts for babies in families with fewer financial resources. These funds can be used in adulthood for seed capital in wealth-building activities like homeownership, higher education, and entrepreneurship.

The federal administration recently launched 530A accounts (also known as Trump Accounts), stemming from the same idea of public investments in babies but with major policy design flaws that will worsen the wealth gap, particularly the racial wealth gap. The table below compares the WFF and 530A accounts along with their impacts.

**Advocates, policymakers, and philanthropists who want to create equitable wealth-building opportunities in our state should focus on making the Washington Future Fund a reality.**

## Comparison between Washington Future Fund and 530A accounts

	WASHINGTON FUTURE FUND	530A ACCOUNTS
PURPOSE	<p>Publicly funded trust accounts for postsecondary education, homeownership, and entrepreneurship.</p> <ul style="list-style-type: none"> <li>▶ Advances economic justice by providing seed capital to populations historically excluded from policies that help families build wealth.</li> </ul>	<p>Individual retirement accounts for children. Accounts become a traditional IRA at age 18, subject to IRA withdrawal rules.</p> <ul style="list-style-type: none"> <li>▶ Emphasizes individual responsibility in saving for retirement without considering barriers to wealth-building.</li> </ul>
ELIGIBILITY	<p>Babies who received Apple Health (Medicaid) before their first birthday.</p> <ul style="list-style-type: none"> <li>▶ Targeted: For babies in families with fewer financial resources. Ensures public funds reach children who are furthest from financial opportunity, which can reduce the wealth gap</li> </ul>	<p>Any child under age 18 with a Social Security Number (SSN).</p> <ul style="list-style-type: none"> <li>▶ Untargeted: Children receive the same investment regardless of their family's financial status. Does not provide a greater investment for children in families that do not have disposable income to save for their children's future.</li> </ul>

	WASHINGTON FUTURE FUND	530A ACCOUNTS
<b>INITIAL PUBLIC DEPOSIT</b>	<p>\$4,000.</p> <hr/> <ul style="list-style-type: none"> <li>▶ Substantial investment: At a 6% return, the initial \$4,000 seed is projected to grow to over \$11,000 by age 18.</li> </ul>	<p>\$1,000 - only for children born between 2025-2028.</p> <hr/> <ul style="list-style-type: none"> <li>▶ Insufficient: At a 6% return, the initial \$1,000 seed will grow to just \$2,850 by age 18 if no other contributions are made. This is hardly enough capital for people to pursue wealth-building activities.</li> </ul>
<b>ADDITIONAL CONTRIBUTIONS?</b>	<p>No.</p> <hr/> <ul style="list-style-type: none"> <li>▶ Wealth inequities exist because of generations of policy choices that have stolen wealth and blocked wealth-building opportunities from people of color, especially Black and Indigenous people. The WFF focuses on public policy rather than individual savings behavior to reduce wealth inequities.</li> </ul>	<p>Yes. Families and employers can contribute up to \$5,000 a year.</p> <hr/> <ul style="list-style-type: none"> <li>▶ Increases wealth inequities: Wealthier families with more disposable income can contribute more to their children's accounts while households without wealth cannot do the same. At a 6% return, a child that receives \$5,000 contributions every year will see their account grow to over \$157,000 in 18 years, while children that don't receive any additional contributions will have just \$2,850.</li> </ul>
<b>WHO MANAGES THE FUNDS?</b>	<p>State Investment Board.</p> <hr/> <ul style="list-style-type: none"> <li>▶ Accessible: Removes the need for individuals and families to navigate financial systems.</li> <li>▶ Lesser risk: Public management is safer because it spreads the risk and minimizes expenses and fees.</li> </ul>	<p>Individual.</p> <hr/> <ul style="list-style-type: none"> <li>▶ Inaccessible: Creates barriers for families without the know-how of investing and managing the funds.</li> <li>▶ Higher risk: Privately managed accounts can face more volatility. Unknown/hidden fees can erode funds.</li> </ul>
<b>AUTOMATIC ENROLLMENT?</b>	<p>Yes.</p> <hr/> <ul style="list-style-type: none"> <li>▶ Accessible: Automatic enrollment removes barriers to access and results in much higher participation rates, maximizing the support of the program.</li> </ul>	<p>No. Families must file a tax form with the IRS to elect to open an account or set up an account online.</p> <hr/> <ul style="list-style-type: none"> <li>▶ Inaccessible: Lower income families are less likely to participate in opt-in programs. This will benefit wealthier families that can better navigate the complex tax filing process.</li> </ul>