

Baby Bonds in Montgomery County, MD

Evaluating Impact, Cost, and Feasibility

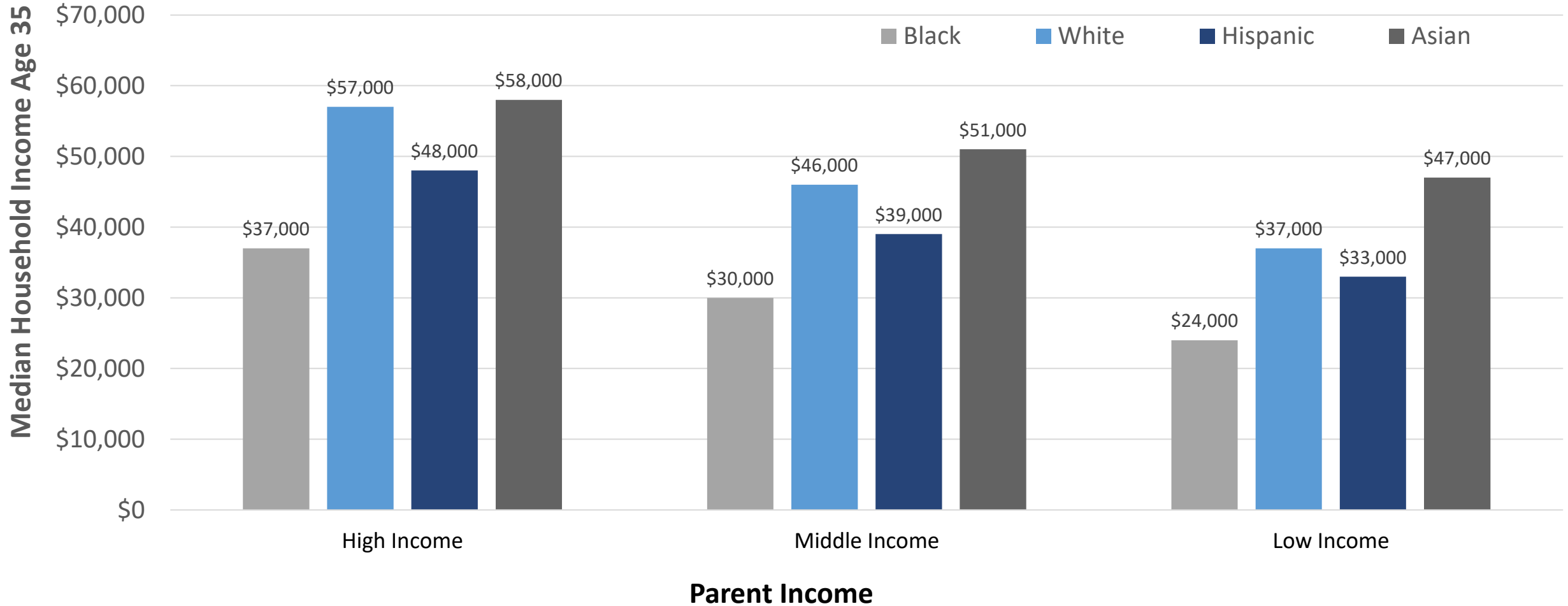
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Closing the Income Gap Does Not Close Wealth Gap

Montgomery County's Children's Outcomes in Adulthood Age 35



Source: *The Opportunity Atlas and Federal Income Tax Records, 2014-15*

Note: High, middle, and low incomes represent the 75th, 50th, and 25th percentiles respectively

How Baby Bonds Work:

INVEST

The government makes a substantial deposit into an account for each eligible child.



GROW

Funds are invested by the government on children's behalf in order to grow appreciably.



GENERATE WEALTH

Recipients use funds at adulthood to acquire assets that generate wealth and security.

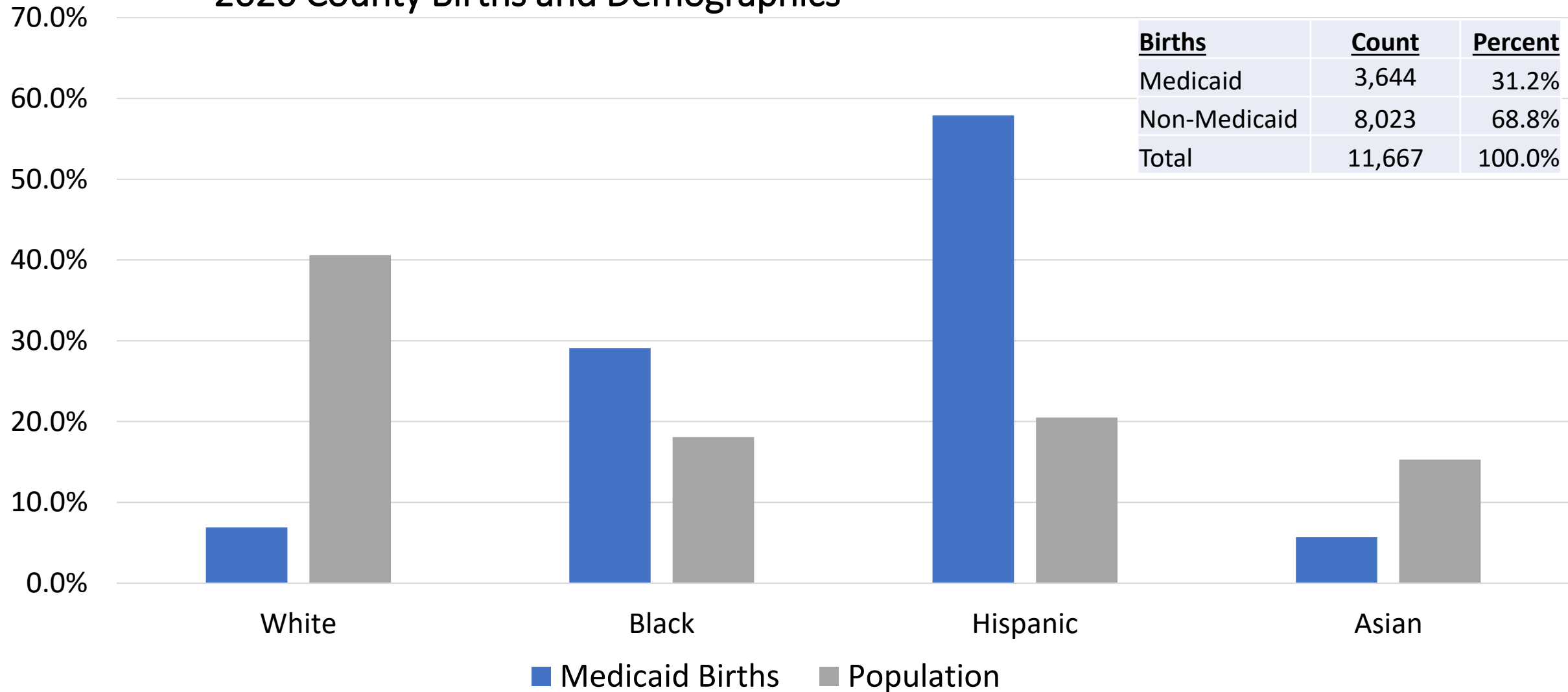


Baby Bonds in Connecticut and DC

Jurisdiction	Initial deposit	Annual gov't contribution	Eligibility	Est. total endowment by adulthood	Specified uses of funds
Connecticut	\$3,200	None; generates interest from investment	Medicaid-eligible households	\$10,000 - \$12,000	<ol style="list-style-type: none"> 1. Education 2. Home purchase 3. Business investment 4. Other assets yielding long-term gains to wages or wealth
DC	\$500	Up to \$1,000 annual deposits plus earnings, yearly deposits vary by income	Medicaid-eligible households with income below 300 percent of Federal Poverty Line	\$15,000– \$25,000	<ol style="list-style-type: none"> 1. Education 2. Home or commercial property purchase 3. Business investment 4. Retirement investment

Who would benefit from Baby Bonds in the County?

2020 County Births and Demographics



Source: Vital Statistics Administration, Maryland Department of Health, 2020; U.S. Census Bureau Population Estimates Program, 2021

Projecting Baby Bonds in Montgomery County

	CT Baby Bonds	Tier 1	Tier 2
Initial Deposit per Child	\$3,200	\$4,250	\$6,500
18-year value	\$12,639	\$16,786	\$25,673
25-year value	\$21,563	\$28,638	\$43,799
30-year value	\$31,580	\$41,942	\$64,147
Annual funding per 1,000 children	\$3,200,000	\$4,250,000	\$6,500,000
Annual Cost for Montgomery County	\$11,660,800	\$15,487,000	\$23,686,000

Note: Futures value calculation assumes a 7.93% rate of return (5-year average from the Maryland State Retirement and Pension System). Cost for Montgomery County calculated using 2020 Medicaid birth statistics.

Putting Baby Bonds to Use

Education:

Baby Bonds 18-year Future Value -> \$12,000 to \$25,000

	Annual Tuition and Fees for a Resident	Projected Degree Cost
UMD - College Park	\$11,505	\$46,020
Morgan State University	\$8,118	\$32,472
Montgomery College (15 credit hrs.)	\$5,394	\$10,788

Buying a Home:

- Baby Bonds 25-to-30-year future values ranged from \$20,000 to \$64,000
- Potential to cover the down-payment, closing fees, and other upfront costs.

Business Investment

- Use Baby Bonds to invest in or start a business

Source: University of Maryland, Morgan State University, Montgomery College



Recommendation

Seize this opportunity to address the wealth gap and provide life-changing capital to young adults from Montgomery County

1. Become the first county in the U.S. to pass and enact Baby Bonds legislation

AND/OR

2. Becoming leading advocates for Baby Bonds implementation at the state level

- Addresses the Racial Wealth Gap
- Investment in Montgomery County

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