Colorado Baby Bonds Program
EVIDENCE AND POLICY RECOMMENDATIONS

Growing wealth inequality in Colorado makes it harder for many families to achieve long-term financial security. Baby Bonds have emerged as a policy strategy to reduce the wealth gap by investing in children at birth and supporting wealth-building in adulthood.

? What are Baby Bonds?

Baby Bonds are publicly funded accounts established for eligible children at birth. Each account receives an initial government contribution that is invested until adulthood, when young adult recipients may access their funds for approved wealth-building uses, such as higher education or training, homeownership, entrepreneurship, or retirement savings.

$ Wealth Matters for Families

While income helps families cover day-to-day needs, wealth provides a foundation for financial stability, long-term prosperity, and choice. Wealth can grow over time and help families achieve important goals, such as completing college, buying a home, starting a business, or passing wealth on to future generations.

Why Should Colorado Adopt a Baby Bonds Program?

Wealth remains unevenly distributed across Colorado. Not all Colorado families have the same opportunity to build wealth. Nearly 1 in 6 Colorado households has zero or negative wealth. In 2023–2024, the typical White household had 11 times more wealth than the typical Black household and more than twice as much wealth as the typical Hispanic household.

In 2023, about 1 in 9 Colorado children lived in poverty, with the highest rates in rural counties. Baby Bonds could inject new wealth into Colorado through homeownership and entrepreneurship, reducing student debt and out-migration, strengthening workforce retention, and expanding the tax base.

What Does the Latest Research Say?

Research[a] indicates a Colorado Baby Bonds program is feasible and acceptable. Both universal (all children) and targeted (Medicaid-covered children) Baby Bonds programs would substantially reduce wealth gaps, with broader eligibility and larger initial contributions producing the greatest reductions.

Interviews found broad support among parents/caregivers, young adults, community nonprofit leaders, and policymakers. A current Colorado pilot is providing 125 eligible students with $20,000 seeded investment accounts. Results will inform the design of a future Baby Bonds program.

Research Key Takeaways

WITHOUT ACTION, WEALTH GAPS WILL GROW OVER TIME.

By age 35, White young adults in Colorado would have approximately three times the median wealth of Black young adults and twice the median wealth of Hispanic young adults.

SUSTAINABLE PUBLIC FUNDING SOURCE

A sustainable funding model for a Colorado Baby Bonds program could combine one-time capital investments, dedicated revenue sources, and public-private contributions to birth cohorts while reducing reliance on annual appropriations.

BABY BONDS PROGRAMS REDUCE WEALTH GAPS

Implementing Baby Bonds in Colorado would reduce wealth gaps. Baby Bonds would decrease the White–Black wealth gap ratio from 3.0 to 2.3 and decrease the White–Hispanic wealth gap ratio from 2.0 to 1.7, compared to doing nothing. Broader eligibility and larger initial contributions could further reduce these wealth gaps.

BABY BONDS MUST BE DESIGNED WITH SUSTAINBILITY IN MIND

Recommended key program design features include automatic enrollment, a substantial initial contribution, financial education with an emphasis on financial coaching, culturally-responsive family outreach and engagement, and prioritizing government over family contributions.

Policy Recommendations

A universal Baby Bonds program would achieve the greatest reductions in racial and geographic wealth inequalities by retirement age. Under this approach, every child born in Colorado would receive a publicly funded account at birth. If a universal program is cost-prohibitive, a targeted program with broader eligibility offers the strongest alternative, achieving similar reductions by age 35. By early adulthood, youth recipients could use their Baby Bonds to build wealth through higher education, home purchase, small business, or retirement savings.

Program Admininstration Considerations

IImplementing a public Baby Bonds program in Colorado may require two policy actions: one to establish the account structure and another to fund the program.

Key implementation decisions include eligibility verification and data sharing, investment strategy, fund disbursement and eligible uses, family outreach and engagement, financial education especially coaching, periodic account statements, program evaluation, and community advisory oversight. The administering agency must also determine in-state purchase requirements and accommodations for young adult recipients unable to access funds due to disability, incarceration, or military service. These decisions should balance equity, sustainability, administrative feasibility, and program costs.

Recommended Design Features for a Colorado Baby Bonds Program

Program feature	Recommendation
Automatic enrollment	Automatic enrollment removes participation barriers for families and reduces administrative burden for the operating state agency.
Flexible allowable use	Funds may be used to acquire appreciating assets that build wealth over time, including postsecondary education or training, homeownership, entrepreneurship, and retirement savings.
Substantial initial government	The initial government contribution should be large enough to meaningfully increase wealth for children from the lowest-wealth households.
Government-funded over family-funded contributions	Baby Bonds should prioritize government-funded over family-funded contributions. Families could instead contribute to separate, family-owned investment or savings accounts, with the administering state agency providing financial education and coaching to support families in achieving their wealth-building goals.
Protections from public benefits loss or taxation	Baby Bonds should not affect families' eligibility for public benefits or be taxed as income when young adult recipients access the funds.
Sustainable public funding source	A sustainable funding model could combine one-time capital investments, dedicated revenue sources, and public-private contributions to birth cohorts while reducing reliance on annual appropriations.
Individual recipients	Funds should be paid directly to the young adult recipient, not to the parent/caregiver.
Financial education with an emphasis on financial coaching	The administering state agency should provide accessible, culturally-responsive financial education, with financial coaching as a core component, for young adult recipients and their families. Participation in financial education activities should not be required to claim funds.
Pooled account structure	Program funds should be administered by a state agency and pooled into a single fund managed by a designated investment manager.
Program evaluation	Ongoing evaluations are important for strengthening the effectiveness, efficiency, and equity of Baby Bonds.
Family outreach and engagement	Consistent family outreach and engagement through trusted community partners could help young adult recipients claim their funds and make informed decisions.
Community Advisory Board	Establishing a Community Advisory Board with representation from impacted communities could help ensure that Baby Bonds meet families' priorities.
Eligibility criteria	A universal program covering all babies would achieve the greatest reductions in racial and geographic wealth inequalities by retirement age. If a universal program is cost-prohibitive, a targeted program with broader eligibility offers the strongest alternative, achieving similar reductions in wealth inequalities by age 35.