How Baby Bonds Could Help Colorado Children and Families

Every child deserves the opportunity to build a secure financial future. Baby Bonds are designed to invest in children at birth and support 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.

How Could Baby Bonds Help Families?

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 can help eligible children build wealth over time by supporting higher education, homeownership, entrepreneurship, and retirement savings.

What Does the Latest Research Say?

Research[a] finds that a Colorado Baby Bonds program could substantially reduce wealth gaps in the state, with broader eligibility producing the greatest impact. Families, community-based organizations, and policymakers express broad support for Baby Bonds.

Research participants emphasize that a successful program should be easy to access, protect families from unintended harms, and provide financial education, with an emphasis on financial coaching. 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

1 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.

2 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.

3 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.

4 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.

What Would Make a Baby Bonds Program Successful in Colorado?

A Baby Bonds program could give every eligible child a stronger financial foundation for adulthood. Recent research finds that programs reaching more children would have the greater impact on reducing the wealth gap.

As young adults, recipients could use their Baby Bonds for funding higher education or job training, homeownership, entrepreneurship, or retirement savings. Families also emphasize clear information, easy access, and financial coaching. Baby Bonds could have an even greater impact when combined with other early-life economic programs, such as child development accounts or cash transfers.

How Baby Bonds Could Help Colorado Children and Families

Investing in children today can help build a stronger, more equitable, and more prosperous Colorado for generations to come. Baby Bonds are designed to give young people a stronger financial foundation so they can pursue education, buy a home, start a business, or save for retirement, regardless of the wealth they were born into.

[a] This factsheet was prepared by the Colorado Fiscal Institute (CFI) and Soul 2 Soul Sisters (S2SS). CFI and S2SS selected the Systems for Equity and Economic Dignity (SEED CO) research team at the Colorado School of Public Health to evaluate the feasibility of a public Baby Bonds program in Colorado. The mixed methods study included: (1) an economic microsimulation model, (2) interviews with parents, young adults, community leaders, and policymakers, and (3) a comparative policy analysis. The study was conducted between August 2025 and June 2026 and approved by the Colorado Multiple Institutional Review Board (#25-1640).

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.