A

n American Stakeholder Account

to £40,000 (about $70,000) at maturity

economic success, to reduce their reli-

cess of children growing up in such

gardless of their backgrounds—a shot at

prospects for achieving economic suc-

opened. The idea is to give all kids—re-

assets for any sort of investment. The

most 2 million such accounts have been

This means that there are no available

on the child’s 18th birthday. So far, al-

apart from possible equity in a house.

households are pretty dim. Therefore,

households with zero or negative assets,

contributions, the account could grow

kids and half of all other kids grow up in

With compound interest and ongoing

At present, about a quarter of all white

tribute up to £1,200 tax-free every year.

egg for retirement.

Parents, relatives, and others can con-

start a small business, and build a nest

deposits when a child reaches age seven.

ment. Imagine the enormous effect such

1

the accounts are serving as “magnets” for

forts to educate our kids about ﬁ nancial

Moreover,

families.

poor

among

even

a program would have on our failed ef-

gram is spurring signiﬁ cant savings—

lifelong learning, purchase a ﬁ rst home,

But it is already apparent that the pro-

education, their ﬁ rst home, their retire-

can deliver all this remains to be seen.

their name on it—earmarked for their

Whether Britain’s Child Trust Fund

kids to have an investment account with

culture in the U.K.

imagine what it would mean for such

ance on the state, and to foster a savings

and entrepreneurs—and if fewer people

Starting

tributions up to $500 a year. Over time,

Is this pie in the sky? Actually, no.

dollar matching funds for voluntary con-

their livelihood and well-being.

be eligible until maturity for dollar-for-

their communities, and their parents for

a $6,000 deposit in an ASA at birth and

depended on the state, local charities,

Every child would automatically receive

last

American economy for the long haul.

ple became owners, savers, taxpayers,

mote ﬁ nancial literacy, and fortify the

huge rewards if virtually all young peo-

and ownership culture in America, pro-

economists to tell us that we would reap

at birth, would build a savings

our economy: it doesn’t take an army of

(ASA), established for every child

basics. And just imagine the effects on

trust

government will make similar “top up”

out life to pursue higher education and

dren receiving twice that amount. The

tap to meet their asset needs through-

$460), with the poorest third of chil-

pecially low-income Americans—could

(about

£250

of

fund”

“child

a

savings accounts that all Americans—es-

born after September 1, 2002, receives

ASAs would evolve into a broad system of

baby

British

each

year,

*Ray Boshara*

Every Baby a Trust Fund Baby

**but they do not**

afford to buy a home—the

ings” and “withdrawal,” with butterﬂ y stickers.

how their children will ever

the children decorated two cans, labeled “sav-

Brianna began to put her allowance into a can.

average age of a ﬁ rst-time

Americans. Like us, British

**accept inequality**

ably similar to those facing

Ark., who opened an account in May and made

**of outcomes,**

parents worry deeply about

daughter, Brianna, 5, to a SEED class where

a $20 deposit in June and July. She took her

ily ﬁ nances:

sister. “If you buy me this purse,” Brianna said,

counts is embodied in a 2005 front-page story in

“when I turn 18, you know I will have money

*The Washington Post,* which tells of ﬁ ve-year-old

in the bank, and if I go to college, I’ll have even

Austin Sambrano, whose own savings account is

1

more money, and I’ll pay you back.”

teaching him and his family about saving and fam-

ac-

As these stories vividly show, the one-two punch of

a owning a savings account, combined with ﬁ nancial

Three weeks shy of his ﬁ rst day of kindergar-

education, changes savings habits and the attitudes

ten, Austin Sambrano is the only person in

and aspirations of both children and their parents.

his family who has a savings account. Living

with his parents and older brother in a trailer

Why American Stakeholder Accounts?

our

spotted a pretty purse and turned to her older

park near Pontiac, Michigan, he is part of an

proposed

stakeholder

courage to settle it. The GI Bill, passed in 1944, has

On the $400 a week he brings home from his

quarter of adults can trace their family legacy of

new job driving a truck, “we are barely making

asset ownership to the Homestead Act, signed into

the bills as it is,” she said. Austin’s account, she

law by Abraham Lincoln, which awarded land in

said, makes him feel special. “He’s excited. He

the American West to those pioneers with the

knows this is for college.”

Provident Fund. In the United States, at least a

The *Post* also tells the story of young Brianna

*Post* also tells the story of young Brianna

*Post*

generated returns of up to seven dollars for every

Jones. She and her parents have a new attitude

dollar invested. And there is the nearly $400 billion

2

putting aside money for the future. Austin

The broader case for American Stakeholder Ac-

experiment called the SEED Initiative that

counts is compelling.

is opening investment accounts for children,

First, stakeholding, as a public policy, has a long

in an effort to ensure them a college educa-

and successful history in the United States and

tion—and teach their families the habit of

around the world. In postwar Japan, land was redis-

of

tributed to millions of farmers, laying the founda-

Sambrano’s mother, Christine Albertson, had

tion for broad-based economic success. Singapore

a humbler reason for signing up her son for a

has achieved one of the highest rates of savings and

SEED account. Neither she nor her partner of

home ownership in the world through its Central

12 years, Steven Sambrano, has any savings.

34—and how they can help

went shopping for a present for another daugh-

**accept inequality**

home buyer in the U.K. is

One day, Jones took Brianna along when she

The

potential

**of opportunity.**

their kids pay for college.

ter, Brittney, who had just had surgery. Brianna

savings account:

Every Baby a Trust Fund Baby

contributions. The head of Children’s Mutual, one of

about saving and spending because of Brianna’s

the main providers of the accounts in the U.K., tells

of a Child Trust Fund voucher that came back with

Some parents say that they are learning new

30 baptism checks attached to it. British prime min-

habits—and that their children are learning

ister Tony Blair launched

important lessons. “This program here gives

challenges that are remark-

mess with it,” said Almedia Jones, of Lexa,

**Americans**

the trust fund to address

me a chance to save. I know it’s there. I can’t

Bottom 90%

16.9%

90%

SHARE OF TOTAL INCOME AND WEALTH BY QUINTILE

DISTRIBUTION OF HOUSEHOLD INCOME, 2004

Ten Big Ideas for a New America

80%

50%

Income Wealth

Top 1%

25.6%

57.5%

Next 9%

60%

70%

Third, assets don’t just change people’s pock-

the most recent Survey of Consumer Finances

future, household stability, staying employed, ed-

University scholar Edward N. Wolff’s analysis of

lies—is associated with an orientation toward the

sets, they don’t get ahead. According to New York

that owning assets—even among very poor fami-

income, they don’t get by; when families lack as-

behave. Evidence from around the world shows

bottom half of the population. When families lack

etbooks, they change the way people think and

to a severe absence of asset ownership among the

ucational attainment for adults and children, lo-

while discouraging asset ownership—contributes

individuals to save and accumulate wealth.

ty policies that focus on income and consumption

to actively create opportunities for lower-income

Second, that failure—combined with antipover-

should reward creativity and hard work—but rather

to reach the bottom half of the population.

lenge is not to reduce the wealth at the top—we

and retirement—subsidies that fail, unfortunately,

net worth of $10,000 or less. However, the chal-

ership, college, business ownership, investments,

3

tomatically receive $6,000 in an ASA once a Social

29.6 percent had net worth of less than $10,000.

Act, every child born in 2008 and beyond would au-

holds actually had zero or negative net worth, while

Under the proposed American Stakeholder Account

gave up that much. Seventeen percent of all house-

3.7 percentage points, while the bottom four-ﬁ fths

Could Work

2004, the top ﬁ fth increased its share of wealth by

How American Stakeholder Accounts

Thus, nearly half of all households in America had

*owed*

*owed* 0.5 percent of all wealth. Between 1962 and

it *owed* 0.5 percent of all wealth. Between 1962 and

future generations.

the bottom ﬁ fth actually had negative net wealth—

likely to stay married, and to see less poverty in

while the middle ﬁ fth held a mere 3.8 percent, and

among adults. Those with assets are also more

households in 2004 held 84.7 percent of all wealth,

cal civic involvement, and health and satisfaction

(conducted by the Federal Reserve), the top ﬁ fth of

0%

10%

19.1%

42.2%

20%

30%

DISTRIBUTION OF NET FINANCIAL ASSETS, 2004

40%

Top

a year in popular federal tax breaks for homeown-

Economic Policy Institute, 2006.

Economic Policy Institute, 2006.

Source: *The State of Working America, 2006/2007,*

*The State of Working America, 2006/2007*

*The State of Working America, 2006/2007*,

Source: *The State of Working America, 2006/2007*,

–10%

Second

Fourth

Bottom

Third

38.7%

contributions—

**if virtually all young**

tary

ing—as well as to help endow the next generation of

well. After-tax volun-

to signal that ASAs were not something for noth-

**people became owners,**

bers, churches, corpo-

ing back the $6,000 at-birth deposit at age 30, al-

kids—the account holder would have to begin pay-

from

family

mem-

**know the U.S. would**

tional service, “merit”

any other purpose, the account holder would keep

as community or na-

matching funds); if the assets were withdrawn for

**reap huge rewards**

should

be

offered

as

penalties) but lose all the government funds. And

and “service” deposits

all voluntary contributions (minus some taxes and

dress the growing problem of inequality of income

A

typical

low-in-

ries of Austin and Brianna show, and given the his-

come kid, saving or leveraging about $20 a month

torical returns on asset building in America, this

and earning about a 7 percent annual return

would be money well spent. If we ever hope to ad-

would have over $38,000 by the time he or she

reached 18—an amount that would set genera-

and wealth, we must embrace such a program.

tions of kids on a lifelong path of saving, invest-

It is important to note, however, that ASAs are

ing, and ownership.

not meant to combat inequality of *outcomes*, but

Withdrawals from the account prior to age 18

inequality

of

*opportunity*:

would grow tax-free.

Account program would be costly. But as the sto-

Federal Thrift Savings Plan for government em-

ensure that the inequality of wealth in one genera-

ployees, would be established within the U.S. Trea-

tion will not result in inequality of opportunity in

sury Department to hold and manage the accounts.

the next.❖

At age 18, the beneﬁ ciary could choose to keep

.❖

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of American Stakeholder Accounts would help to

accumulated savings in the ASA Fund (the default

option) or roll it out to a ﬁ nancial institution of his

Amy Goldstein, “Initiatives to Promote Savings from

1

or her choice. However, to preserve the account

Childhood Catching On,” *Washington Post,* August 20,

and a lifetime platform for saving, a $500 mini-

2005.

4

kids—in

Americans

accept

in-

equality of outcomes as a by-product of how we

would

not

be

permitted,

but

conjunc-

reward the hard work, initiative, and creativity that

tion with their parents and ﬁ nancial educators at

underpin our much envied economy. But they do

school—would participate in investment decisions

not and should not accept inequality of opportu-

and watch their money grow. An ASA Fund and its

nity. Expanding the ownership of assets by means

governing board, modeled after the highly efﬁ cient

**savers, taxpayers, and**

etc.—should

be

en-

and exceptions would be permitted for hardship.

rations,

foundations,

though payments could be spread out over ten years

to $1,000 a year from

all sources. All funds

There’s no doubt that the American Stakeholder

couraged, but limited

provided funds (those deposited at birth and all the

A Fresh Opportunity for Each Generation

**entrepreneuers.**

tax

institutions would be permitted above the $500

ing funds for voluntary contributions up to $500 a

threshold), with additional contributions governed

year. These matching contributions could be depos-

by existing Roth rules.

ited directly into the account, or delivered directly

ASAs could be used tax- and penalty-free for

on tax returns through a larger earned income

postsecondary education or for the purchase of a

also be eligible to receive dollar-for-dollar match-

credit

or

child

ﬁ rst home, or retained in the account for retirement.

**We don’t need an**

Every Baby a Trust Fund Baby

Security number was issued. Children from house-

mum balance would have to be retained within

holds below the national median income would

the ASA Fund (that is, rollouts to private ﬁ nancial

perform-

the account holder would keep all the government-

good

**army of economists to**

ance in school, as well

tax credit. To encour-

If the assets were used for one of these purposes,

age