Promoting Economic Equity in 2020 and Beyond

February 25, 2020
Prosperity Now’s mission is to ensure everyone in our country has a clear path to financial stability, wealth and prosperity.
Housekeeping

- The webinar is being recorded and will be available online.

- Ask a question or make a comment at any time by typing it into text box of GoToWebinar Control Panel.

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Today’s Speakers

Vanna Cure
Senior Advocacy Manager

Emanuel Nieves
Associate Director, Policy
Today’s Agenda

✓ Overview of Wealth Inequality in America
✓ The Case for Bold Policy Solutions
✓ Designing Baby Bonds to Promote Economic and Racial Justice
✓ Prosperity Now Tax Campaign Priorities
✓ Group Discussion and Q&A
✓ Next Steps & Close
Poll Question

Are you currently working on policy issues to address wealth inequality?

- Yes, at the federal level
- Yes, at the state level
- Yes, at the municipal level
- No

(Use the poll tool on your screen to record your answer.)
Wealth Inequality in America: An Overview

Emanuel Nieves
Associate Director, Policy
Distribution of Household Wealth in the U.S


Source: Federal Reserve, Survey of Consumer Finances and Financial Accounts of the United States
Distribution of Household Wealth in the U.S


Source: Federal Reserve, Survey of Consumer Finances and Financial Accounts of the United States
Distribution of Household Wealth in the U.S


Top 10%: 61% → 70%
Middle 40%: 35% → 29%
Bottom 50%: 4% → 2%

Source: Federal Reserve, Survey of Consumer Finances and Financial Accounts of the United States

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Distribution of Household Wealth in the U.S


Trillions

Source: Federal Reserve, Survey of Consumer Finances and Financial Accounts of the United States

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Distribution of Household Wealth in the U.S


*Source*: Federal Reserve, *Survey of Consumer Finances and Financial Accounts of the United States*
Household Wealth in the U.S

Median Wealth by Race I 2016

Stocks vs Income

S&P 500 and Real Family Income Between 1989 and 2018, as a percentage of 1989 levels

- S&P 500
- Real Average Household Incomes
- Real Median Household Incomes
Percent Share of Total U.S. Assets Held

By Asset Class and Wealth Percentile I 1989:Q3

- Pension/Retirement Accounts: Top 10%: 49%, Bottom 90%: 51%
- Real Estate: Top 10%: 39%, Bottom 90%: 61%
- Stocks and Mutual Funds: Top 10%: 85%, Bottom 90%: 15%
- Total Debt: Top 10%: 20%, Bottom 90%: 80%

By Asset Class and Wealth Percentile I 2019:Q3

- Pension/Retirement Accounts: Top 10%: 54%, Bottom 90%: 46%
- Real Estate: Top 10%: 45%, Bottom 90%: 55%
- Stocks and Mutual Funds: Top 10%: 88%, Bottom 90%: 12%
- Total Debt: Top 10%: 25%, Bottom 90%: 75%

Source: Federal Reserve, Survey of Consumer Finances and Financial Accounts of the United States

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Composition of Household Wealth

By Race/Ethnicity I 2019:Q3

- Private Businesses: 12% (White), 5% (Black), 6% (Latinx)
- Stocks and Mutual Funds: 23% (White), 6% (Black), 11% (Latinx)
- Real Estate: 23% (White), 35% (Black), 26% (Latinx)
- Pensions: 21% (White), 38% (Black), 26% (Latinx)

Source: Federal Reserve, Survey of Consumer Finances and Financial Accounts of the United States
The Rising Cost of Upside Asset / Wealth-Building Programs

SOURCE: Prosperity Now analysis of Office of Management and Budget data
# The Rising Cost of Upside Asset / Wealth-Building Programs

*Share of Overall Tax Returns Compared to Share of Total Tax Cuts from the Tax Cuts and Jobs Act*

![Chart showing the share of overall tax returns and tax cuts for different groups.]

**SOURCE** Institute on Taxation and Economic Policy’s microsimulation model

<table>
<thead>
<tr>
<th>Average Tax Benefit from the Tax Cuts and Jobs Act</th>
<th>Households, By Income Group, Race/Ethnicity</th>
<th>Daily Benefit from the Tax Cuts and Jobs Act</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,710</td>
<td><strong>ALL HOUSEHOLDS</strong></td>
<td>$4.68</td>
</tr>
<tr>
<td>$2,560</td>
<td>Asian</td>
<td>$7.01</td>
</tr>
<tr>
<td>$840</td>
<td>Black</td>
<td>$2.30</td>
</tr>
<tr>
<td>$970</td>
<td>Latino</td>
<td>$2.66</td>
</tr>
<tr>
<td>$2,020</td>
<td>White</td>
<td>$5.53</td>
</tr>
</tbody>
</table>
Designing Baby Bonds to Promote Economic and Racial Justice

**Enrollment and Age of Eligibility**
- At birth and possibly before the age of 13
- Automatic enrollment

**Administration and Account Structure**
- Administered by a central entity – the U.S. Department of the Treasury
- Funds invested in U.S. Treasuries

**Seed Amount and Deposits**
- Lump sum at birth
- Universal sum at birth, followed by tiered deposits
Designing Baby Bonds to Promote Economic and Racial Justice

Allowable Uses of Funds and Age of Disbursements

• Higher education
• Homeownership
• Entrepreneurship

Cost Estimate and Funding

• $60 - $100 billion per year
• Upside-down tax expenditures
Bills have been introduced in the House and Senate


- Drum up as many co-sponsors as possible in both chambers
- Build momentum for the 117th Congress
The American Opportunity Accounts Act Helps All Families Build Wealth in a Progressive Manner

At birth, every child in the US would receive a $1,000 seed deposit.

<table>
<thead>
<tr>
<th>Annual Income (Family of Four)</th>
<th>American Opportunity Account Seed Deposit:</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL FAMILIES</td>
<td>$1,000</td>
</tr>
</tbody>
</table>
Every year, up until the child turns 18, the accounts would be boosted through additional investments by the federal government of up to **$2,000**, with children from lower income households receiving the most support.

<table>
<thead>
<tr>
<th>Annual Income</th>
<th>Amount of Additional Annual Deposits Made in a Child’s American Opportunity Account:</th>
</tr>
</thead>
<tbody>
<tr>
<td>LESS THAN 100% OF FEDERAL POVERTY LINE</td>
<td>$2,000</td>
</tr>
<tr>
<td>125% OF FEDERAL POVERTY LINE</td>
<td>$1,500</td>
</tr>
<tr>
<td>175% OF FEDERAL POVERTY LINE</td>
<td>$1,000</td>
</tr>
<tr>
<td>225% OF FEDERAL POVERTY LINE</td>
<td>$500</td>
</tr>
<tr>
<td>325% OF FEDERAL POVERTY LINE</td>
<td>$250</td>
</tr>
<tr>
<td>500% OF FEDERAL POVERTY LINE</td>
<td>$0</td>
</tr>
</tbody>
</table>
Managed by the Treasury department and achieving about three percent annual returns, account funds can be accessed by a child starting on their 18th birthday to pursue wealth-building opportunities, including higher education and homeownership.

Estimated Account Balance for 18-Year Old with Investment Growth:

- Less than 100% of Federal Poverty Line: $46,215
- 125% of Federal Poverty Line: $35,081
- 175% of Federal Poverty Line: $23,948
- 225% of Federal Poverty Line: $12,815
- 325% of Federal Poverty Line: $7,248
- 500% of Federal Poverty Line: $1,681
What Can You Do?

Ask Your Legislators to Support the American Opportunity Accounts Act!
The American Opportunity Accounts Act was just reintroduced by Senator Cory Booker (D-NJ) and introduced for the first time in the House by Representative Ayanna Pressley (D-MA-7). Also referred to as “baby bonds,” this legislation would provide every child with a fair shot at the American Dream by granting them, as a birthright, an “American Opportunity Account” seeded with $1,000. Every year, through the tax code, children would receive up to an additional $2,000 deposit depending on family income. With interest, this would be a nest egg of over $45,000 for the lowest income children to access higher education, home ownership or retirement.

Take a moment to email your Representative and Senators and ask them to cosponsor the American Opportunity Accounts Act! If this is your first time taking action here, please enter your contact information so that we can locate your Senators and Representative. After that, the pre-drafted email will appear, and all you have to do is click “Send”. It’s that easy.

Act now!

Submit All Letters

Or edit letters before submitting

Sen. Tim Kaine (D-VA)

Subject

Cosponsor the American Opportunity Accounts Act!

Message

Dear Sen. Kaine,

My name is Vanna Cure and I’m a constituent of yours here in Virginia. I’m writing to request that you cosponsor the American Opportunity Accounts Act, a bill that was recently introduced in both the House and Senate by Rep. Ayanna Pressley (D-MA-7) and Sen. Cory Booker (D-NJ). If passed, this bill would provide every child, at birth, with the economic resources needed to begin building long-term economic security and generational wealth. Administered by the Treasury Department, each one of the approximately four million children born each year would receive an American Opportunity Account seeded with an initial $1,000 deposit. Each year, until the child turns 18, their accounts would be boosted through additional, automatic yearly investments of up to $2,000 deposited directly into the accounts. At age 18, the funds could be used by the child to invest in wealth-building opportunities, such as a higher education or homeownership.

For children who come from our most financially vulnerable families, the American Opportunity Accounts Act would provide them with the greatest wealth-building support. I hope you’ll consider cosponsoring this legislation, S. 2231, to help all Virginia children have access to the American Dream.

Sincerely,

Vanna Cure

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2020 Right-Side Up Tax Campaign Priorities

• GOAL: Fund VITA Program at $30 million in FY21
2020 Right-Side Up Tax Campaign Priorities

• GOAL: Co-sponsorships and passage in the House

How the Refund to Rainy Day Savings Act Can Help a Family Build Emergency Savings at Tax-Time

Consider a family who is eligible for a $2500 tax refund...

- At Tax Time
  - The family will receive $2000 (80% of the standard tax refund)

- Six Months Later
  - They will receive a Rainy Day payment of more than $750
    - $500 deferred tax refund + $250 savings match + accrued interest
  - They may not have money for an EMERGENCY

SOURCE | The Rainy Day EITC, CFED, 2015

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Audience Q & A

What questions do you have?

Share them in the Questions box!
Stay in Touch!

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Next Steps and Wrap Up

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Next Steps

▪ Please complete the survey!

▪ Explore new state and Congressional district Scorecard data: https://scorecard.prosperitynow.org/

▪ Visit our online Advocacy Center at https://prosperitynow.org/take-action
Thank You!

Please Complete Our Survey