

## Executive Summary

On behalf of The New School's Institute on Race, Power and Political Economy, and with the support of the New Mexico State Treasurer's Office, the Maryland Office of the Comptroller, Rhode Island Office of the General Treasurer, and the Vermont State Treasurer's Office, this comment responds to the proposed regulations under 26 CFR §1.530A governing 530A "Trump Accounts." Our Institute and the co-signing state treasurer and comptroller offices are national leaders with substantial expertise in early wealth building policy and program design.

While the proposed rule appropriately establishes a foundational framework for account eligibility and structure, it leaves most substantive policy design questions unresolved. These unresolved areas will ultimately determine whether the program functions as a meaningful and equitable asset-building tool or reinforces existing economic disparities.

In its current form, the 530A program will disproportionately benefit young people who are from wealthier families and thereby make wealth inequality – particularly the racial wealth gap - in America, even worse. This is because:

- Families with greater wealth and disposable income will be better positioned to make ongoing contributions to 530A Accounts, allowing their children to benefit more from long-term compounding growth. Lower-wealth families facing immediate financial pressures are less likely to be able to contribute beyond the initial deposit.
- Opt-in enrollment and reliance on financial institutions and tax filing systems tend to advantage families with greater financial literacy, institutional access, and administrative capacity, while participation among lower-income and more marginalized households is likely to lag.
- If account balances and distributions are not protected from taxing and impacts on public benefits or financial aid eligibility, lower-wealth families may face greater risks and tradeoffs in using the accounts, reducing the program's overall value for those it is ostensibly intended to help most.

Thus the program's effectiveness to seed a fairer start for our nation's youth is curtailed by key regulatory choices related to eligibility, contributions, fees, distributions, data privacy, and interactions with public benefits and financial aid systems.

This comment's key concerns include barriers to eligibility and enrollment, uncertainty regarding tax and public benefit treatment, lack of protections against excessive fees, risks related to data sharing and privacy, and the potential for unconstrained private contributions to exacerbate wealth inequality. In addition, without automatic enrollment and eligibility

pathways available for all children born in America, many of the children most likely to benefit may not participate.

This comment provides (1) targeted recommendations tied directly to §1.530A-1 and (2) forward-looking recommendations for Treasury to address in forthcoming rulemaking under §§1.530A-2 through 1.530A-6 (currently reserved). Together, these recommendations aim to ensure that 530A accounts promote broad-based opportunity and fair start for all, protect vulnerable families, and function as a durable early wealth-building policy.

## **Section-by-Section Analysis**

### **I. Comments on §1.530A-1 — General Requirements and Account Establishment**

#### **A. Eligibility Definition (§1.530A-1(b)(4)(iii))**

Requiring a parent or guardian completing an application on behalf of a child to provide a Social Security number, as well as information regarding “foreign country,” may create a barrier to participation for certain children, particularly those in mixed-status families and two-parent immigrant households. Parents without a Social Security number, or those who may be hesitant to provide information related to country of origin, may be less likely to complete an application, even when their child is otherwise eligible.

Eligibility criteria tied, directly or indirectly, to documentation or tax filing status risk reproducing existing inequities in program access. Children’s access to 530A accounts should not be contingent on parental administrative capacity, immigration status, or interaction with the tax system. If unaddressed, these requirements could result in a two-tier system in which the children most in need of early capital are the least likely to receive it.

**Recommendation:** Treasury should clarify eligibility pathways, including clear public guidance that access to a 530A account is not contingent on a parent filing a tax return. Treasury should ensure that eligibility is not conditioned on parental Social Security numbers, ITINs, immigration status, or other administrative barriers. In addition, Form 4547 should be revised to remove fields requesting a parent’s Social Security number and “foreign country” information, as these are not required by statute and may unnecessarily deter participation.

#### **B. Account Beneficiary and Authorized Individual (§1.530A-1(b)(4)(i)-(ii))**

The current framework places responsibility for account establishment on an “authorized individual,” effectively requiring parents or guardians to initiate participation. This design

introduces substantial variation in access based on institutional trust, language access, and familiarity with financial systems.

Evidence from similar programs demonstrates that when participation depends on proactive engagement, take-up is significantly higher among more advantaged households. As a result, opt-in systems tend to amplify, rather than reduce, inequality in asset ownership.

**Recommendation:** Treasury should enable and encourage automatic enrollment mechanisms that ensure universal or near-universal participation regardless of family resources or engagement. This could include coordination with birth records, public benefit systems, or other administrative datasets. At minimum, Treasury should design the system such that failure to act does not result in exclusion. The current opt-in structure is likely to depress participation, particularly among those with fewer resources, and should be reconsidered.

### **C. Election to Open an Account (§1.530A-1(c))**

The requirement for an affirmative election to open an account introduces administrative friction that will disproportionately reduce participation among lower-income families and those facing competing financial and logistical pressures.

Even small procedural hurdles can have outsized effects on participation, particularly when programs are unfamiliar, perceived as complex, or associated with financial institutions. Over time, this can result in systematic underrepresentation of the very populations the policy is intended to support.

**Recommendation:** Treasury should minimize administrative burden by simplifying account opening procedures and explicitly permitting automatic or default enrollment models administered through public or quasi-public entities. Where affirmative consent is required, processes should be streamlined, multilingual, and accessible across multiple channels. The default design should be inclusion, not opt-in participation.

### **D. Account Structure and Growth Period (§1.530A-1(b)(2) and (b)(4)(iv))**

The proposed rule defines the growth period but does not address how account structure may influence long-term outcomes, costs, or ensuring a fair start for all. Individual account models can introduce variability in fees, investment performance, and exposure to predatory practices, particularly for families with limited financial experience.

Without clear guidance, there is a risk that account structures will evolve in ways that increase administrative costs, fragment oversight, and expose participants to unnecessary risk.

**Recommendation:** Treasury should clarify that publicly managed pooled or omnibus trust structures are permissible and encouraged. Such structures would allow for centralized and professionally managed investment strategies, reduce or eliminate administrative costs for lower-wealth families, minimize opportunities for financial predation, and improve overall risk management by pooling across participants. A pooled model also supports more consistent outcomes and aligns with the program’s public purpose.

## **II. Recommendations for Future Rulemaking Under §§1.530A-2 through 1.530A-6 (Reserved)**

Because the proposed rule does not yet address core operational and policy dimensions, forthcoming regulations will determine whether the program achieves its intended goals.

### **A. Contributions and Distributional Equity (Future §1.530A-2)**

Absent clear guardrails, private contributions will disproportionately benefit higher-income households that have greater capacity to save and to take advantage of compounding over time. This dynamic risks transforming the program from an equalizing policy into one that reinforces existing wealth disparities.

#### **Recommendation:**

- Reduce caps on annual and lifetime private contributions for accounts of young people in higher wealth families to prevent a widening of America’s significant wealth gap
- Enable publicly managed pooled contribution models that distribute philanthropic funds progressively, ensuring lower-wealth families receive relatively greater benefit
- Avoid tax incentives that disproportionately benefit higher-income contributors

Public investment should remain the primary driver of account balances, with private contributions structured to supplement rather than determine outcomes.

### **B. Fees and Account Erosion (Future §1.530A-2 or §1.530A-5)**

Even modest administrative, management, and reporting fees can significantly erode account balances over time, particularly for accounts with lower initial deposits. Because these accounts are intended to grow over long time horizons, fee structures have a compounding effect that can materially reduce outcomes.

#### **Recommendation:**

- Cap all fees, including administrative and reporting fees, not just investment fees
- Provide enhanced protections for accounts with lower balances, including zero-fee structures where feasible
- Require transparent fee disclosure and standardized reporting to enable oversight

Without these protections, fees will function as a regressive mechanism that disproportionately reduces benefits for lower-wealth participants.

### **C. Distributions and Tax Treatment (Future §1.530A-4)**

Uncertainty regarding the tax treatment of distributions and allowable uses may reduce participation and limit the program's effectiveness as a long-term planning tool.

#### **Recommendation:**

- Exempt and communicate that qualified distributions are not subject to federal taxation
- Ensure allowable uses are broad and support wealth-building pathways, including education, homeownership, and entrepreneurship
- Provide clear, stable, and predictable withdrawal rules to support long-term planning

Clarity and consistency are essential to building trust in the program.

### **D. Interaction with Public Benefits and Financial Aid (Future §1.530A-6)**

If account balances or distributions are counted in means-tested programs, participants may face "benefit cliffs" that reduce or eliminate access to essential supports. This would directly undermine the purpose of the program by penalizing asset accumulation.

Similarly, treatment as a student asset in financial aid calculations could reduce eligibility for assistance.

#### **Recommendation:**

- Ensure that account balances and distributions are excluded from eligibility determinations for Medicaid, SNAP, SSI, and similar programs
- Coordinate with federal student aid policy to prevent adverse treatment under FAFSA

The program should expand opportunity, not create tradeoffs between asset building and basic supports.

### **E. Reporting, Data Sharing, and Privacy (Future §1.530A-5 and §1.530A-6)**

Concerns about data sharing may deter participation, particularly among families that already face barriers to engaging with public systems. This is especially salient for mixed-status households.

**Recommendation:**

- Limit data collection and reporting to what is strictly necessary for program administration
- Provide clear, enforceable safeguards against inappropriate data sharing across agencies
- Ensure that account-related data is not shared with immigration enforcement or other agencies beyond the scope of program administration

Strong privacy protections are essential to ensuring broad participation.

**F. Consumer Protection and Program Integrity (Future §1.530A-5)**

Participants - particularly young people and families with limited financial experience - may be vulnerable to fraud, scams, or predatory financial practices. Past experience demonstrates the importance of proactive oversight and enforcement.

**Recommendation:**

- Establish strong, consumer-friendly protections overseen by an independent, nonpartisan entity
- Require clear, standardized disclosures
- Implement safeguards against fraud and scams
- Create accessible dispute resolution mechanisms
- Ensure robust enforcement capacity

Without these protections, the program risks exposing participants to harm.

**G. Transparency and Public Reporting (Future §1.530A-5 or §1.530A-6)**

Ongoing monitoring will be critical to evaluating whether the program is meeting its goals and reaching intended populations.

**Recommendation:** Require regular public reporting on participation, contributions, and outcomes, disaggregated by geography, income, race, ethnicity, and other relevant characteristics. Transparency will support accountability and continuous improvement.

**H. Participant Support and Financial Guidance (Future §1.530A-6)**

Without guidance, participants may not fully understand how to manage or use their accounts effectively.

**Recommendation:** Establish or support an independent, nonpartisan entity that provides both consumer protections and proactive financial guidance to participants and their families. This

should include accessible, culturally competent resources to support informed decision-making over time.

### III. Cross-Cutting Considerations

Across all sections, Treasury should prioritize:

- Automatic access to accounts for all young people born in the United States
- Strong consumer and privacy protections
- Design that provides additional supports and investments for those from lower wealth households, benefit protections, and tax treatment that reduce, rather than exacerbate, wealth inequality
- Program structures that complement, rather than undermine, existing public benefit and social insurance systems
- A clear emphasis on public investment as the foundation of the program

The success of 530A accounts will depend not only on their existence, but on whether they are structured to reach and benefit those with the least access to wealth-building opportunities.

### References

- Darrick Hamilton and William Darity Jr., “Can ‘Baby Bonds’ Eliminate the Racial Wealth Gap in Putative Post-Racial America?” *Review of Black Political Economy*
- Naomi Zewde, “Universal Baby Bonds Reduce Black-White Wealth Inequality,” *Review of Black Political Economy*, 2020.
- Urban Institute, *What Do We Know About Baby Bonds?* Washington, DC: Urban Institute, 2022; see also Michael Sherraden et al., research on Child Development Accounts and asset effects on child outcomes.
- William Elliott III, Margaret Sherraden, and colleagues, research from the SEED (Saving for Education, Entrepreneurship, and Downpayment) Initiative and related Child Development Account studies demonstrating the effects of automatic enrollment and inclusive account design on participation and savings outcomes.
- Vanguard, analyses on the long-term impact of fees on investment returns; see also policy literature on asset-building account design emphasizing the importance of minimizing administrative and management costs to preserve account value over time.

At least four simulations of a national ‘baby bonds’ program found that this early wealth building policy featuring progressive funding, automatic enrollment, public management and other key design features would reduce racial wealth disparities at varying scales: [Cosic and colleagues \(2024\)](#); [Mitchell and Szapiro \(2020\)](#); [Weller, Maxwell, and Solomon \(2021\)](#); and [Zewde \(2020\)](#). Urban Institute researchers also found that [baby bonds would decrease the share of people taking out student loans, and reduce the total amount of borrowers’ student loan debt](#) by age 45, with the greatest impacts among Black and Latino student loan holders.

For questions regarding this comment, contact David Radcliffe, Institute on Race, Power and Political Economy, [radclifd@newschool.edu](mailto:radclifd@newschool.edu).