Creating a New Capital Market for Child and Family Flourishing

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A Missing Market

Capital markets routinely finance housing, transportation, and infrastructure, with repayment drawn from the value created. No comparable market exists for child and family flourishing. When families thrive, the savings flow to schools, employers, health systems, child welfare, justice agencies, and governments that had little role in creating them. Because these "wrong pocket" savings are dispersed, no single actor sees enough return to justify upstream investment, even when the collective return is enormous. This is a solvable market failure.

Investing in Flourishing (IIF) is building the capital architecture, governance, and financial mechanisms to convert that dispersed downstream value into sustainable funding for upstream action. Philanthropic seed funding catalyzes commercial finance for comprehensive investment in the vital conditions for thriving. That investment produces measurable outcomes, such as fewer emergency visits and foster care placements and greater workforce participation. Shared-savings agreements with downstream beneficiaries capture a portion of the resulting savings to repay investors and sustain operations. This is capital reallocation through outcomes-based financing, not program expansion.

The Market Case

Children who grow up with stable housing, good nutrition, safety, health care, education, belonging, and economic security become productive adults who require fewer costly interventions. Children who lack these conditions generate far higher lifetime costs. The United States spends over $1.5 trillion a year in government programs responding to the downstream consequences of poverty, adversity, and lack of opportunity; including lost productivity, the total exceeds $2 trillion. Upstream investment in flourishing is not charity; it is a high-return reallocation of capital.

Coordinated prenatal support, for example, can prevent a premature birth and a neonatal intensive care stay, producing immediate health care savings while helping a mother return to stable employment. That child is then less likely to need special education or to become involved with child protection or juvenile justice. The savings cascade across sectors for decades.

Four Interlocking Mechanisms

Every market needs buyers, producers, and connectors. Here the buyers are downstream beneficiaries whose costs fall when families flourish. The producers are the people- and place-based supports that generate flourishing, from nurses, doulas, and coaches to stable housing, healthy food, and safe parks. The connectors coordinate producers and channel capital. IIF operationalizes this through four mechanisms now being prototyped in four demonstration communities.

Local Flourishing Councils provide community-led governance. They connect existing resources across sectors and fund what is missing. Councils do not advise; they decide. They allocate resources, define the outcomes that matter, negotiate shared-savings contracts, and borrow to

invest upstream. Lenders assume the risk of underperformance, while communities retain strategic control.

Defined Flourishing Clubs serve specific enrolled children and families, co-designing individualized success plans. Tracking outcomes within these enrolled populations provides the measurement precision that attribution and replication require.

Fiscal Partners bridge communities and capital markets. They design the capital stack, aggregate savings across sectors, manage shared-savings agreements, and coordinate outcome data.

The Innovation Hub and Solutions Lab, coordinated nationally by IIF, provides standardized data, templates, contract models, and technical assistance. Standardization makes flourishing legible to investors.

Why Prior Models Fell Short

Pay for Success and social impact bonds have been limited by single-sector focus, narrow attribution, short time horizons, high transaction costs, and institutional control. Health care–led reforms such as accountable care organizations cannot capture savings outside medicine. Collective impact efforts have improved coordination but lack governing authority and sustained funding. Coordination alone cannot overcome fragmented financing. IIF is, in effect, collective impact with a financial contract.

Community authority is essential to that contract. Communities with legal and fiduciary authority create the accountability that makes investment credible and ensure that what is financed reflects what families need.

Building the Proof

Demonstration states and communities are launching Flourishing Clubs and building the infrastructure to document returns, starting with children from preconception through age seven and their parents. The challenges are real, from linking data across systems to negotiating shared savings and attributing outcomes in mobile populations. But commercial markets routinely invest under comparable uncertainty. The goal is sufficient confidence, not certainty. Enrolled populations, a multi-sector portfolio, and phased implementation make that achievable.

Over the next two years, IIF and its partners will build Council governance, enroll families in Clubs, test Fiscal Partner functions, develop national data infrastructure for measuring returns, and recruit pioneer philanthropists and impact investors. Government's role is infrastructure: data standards and flexibility to blend funding.

IIF is part of the Federal Reserve Bank of New York's Making Missing Markets initiative, alongside parallel efforts in the arts, community ownership, and energy that can share the same infrastructure.

A Market That Does Not Yet Exist

The United States does not lack resources to invest in children and families. It lacks the architecture to make that investment sustainable. IIF builds them, positioning communities as governing authorities, families as decision-makers, and private capital as a resource repaid through demonstrated savings. The market for flourishing does not yet exist. Investing in Flourishing is how we build it.