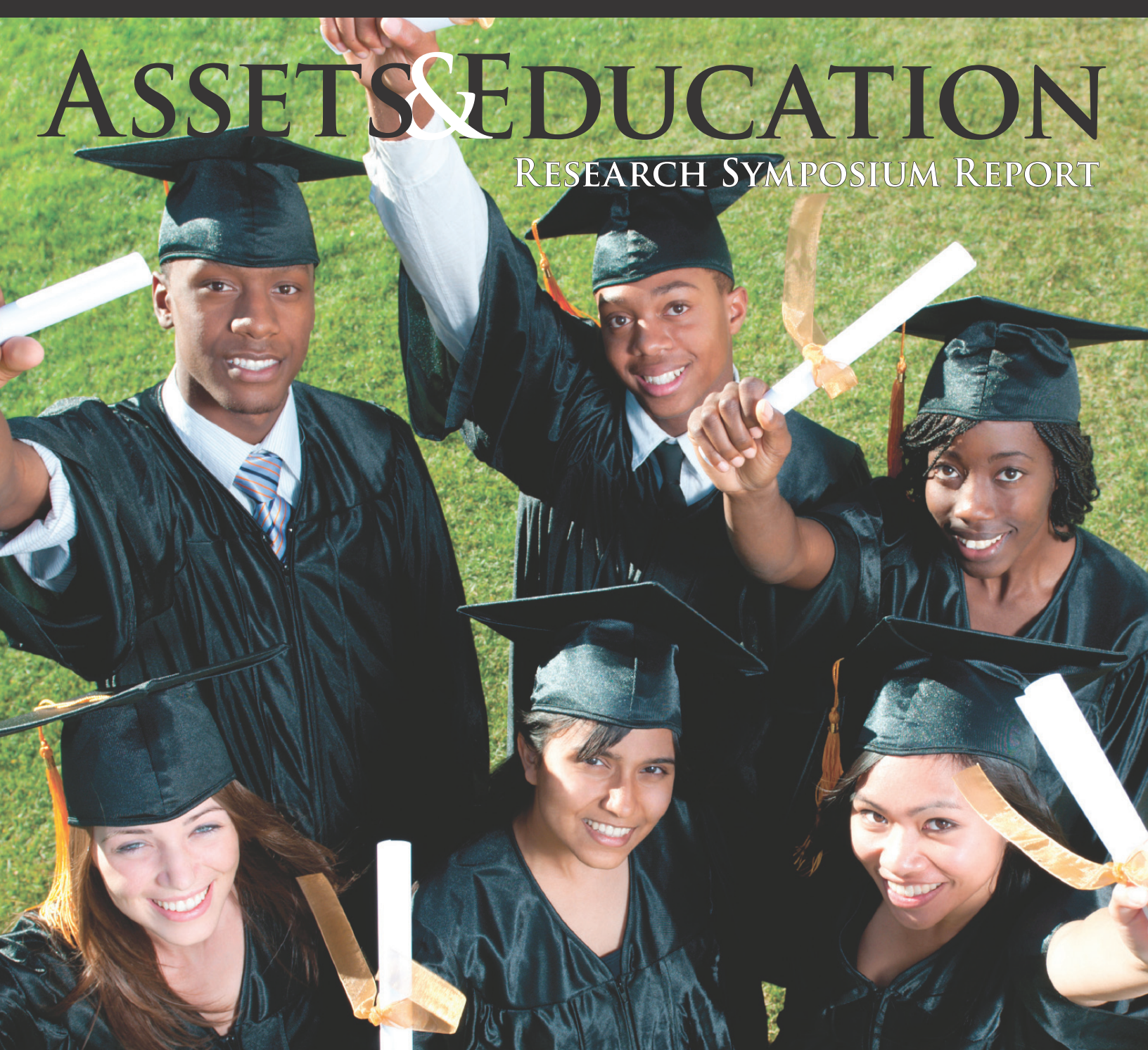


# ASSETS & EDUCATION

RESEARCH SYMPOSIUM REPORT



## LINKING SAVINGS AND EDUCATIONAL OUTCOMES: CHARTING A COURSE FOR SCHOLARSHIP AND POLICY



Center for  
Social Development

GEORGE WARREN BROWN  
SCHOOL OF SOCIAL WORK



Washington University in St. Louis



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# LINKING SAVINGS AND EDUCATIONAL OUTCOMES: CHARTING A COURSE FOR SCHOLARSHIP AND POLICY

ASSETS AND EDUCATION RESEARCH SYMPOSIUM REPORT

NOVEMBER 2012

**The University of Kansas**  
Lawrence, Kansas

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# Table of Contents

Executive Summary.....	1
The College Crisis for Low-Income Youth.....	1
The Link between Assets and Educational Outcomes.....	1
Policies to Facilitate Asset Building.....	2
Introduction.....	3
Part I: The American Dream, Reality, and Asset Building.....	4
Assets and College Debt.....	4
Asset Building for and by Young People by Sondra G. Beverly.....	5
Research.....	5
Policy Implications.....	8
Directions for Future Research.....	10
The Role of Savings and Assets in Educational Expectations, Behaviors, and Outcomes by Rachel Black.....	13
Research.....	13
Policy Implications.....	15
Directions for Future Research.....	17
Review of Higher Education Research and Assets by Thomas M. Shapiro.....	17
Research.....	18
Policy Implications.....	20
Directions for Future Research.....	20
Part II: The Role of Assets in a Comprehensive Education Plan.....	21
Equality of Opportunity.....	21
Assets Can Reduce Intergenerational Transmission of Education from Parents to Youth.....	21
Saving as a Youth Can Make College More Affordable.....	22
College Assets Can Increase Family Contributions.....	23
Assets Can Reduce the Burden of Paying for College.....	23
Assets Can Reduce the Negative Effects of College Debt.....	24
Improved Educational Outcomes.....	24
Psychological Outcomes.....	26
Conclusion.....	29
References.....	31

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University of Kansas Chancellor Bernadette Gray-Little welcomes attendees.



Symposium attendees participate in a Q&A session.

## Executive Summary

The Assets and Education Research Symposium—co-organized by the Assets and Education Initiative at the School of Social Welfare, University of Kansas, and the Center for Social Development at Washington University in St. Louis—featured 16 papers, three keynote presentations, and four panel discussions. The Symposium focused on explaining the potential role of assets in educational outcomes for low-income children and youth. Given the evolving research and policy initiatives on asset building and the growing awareness of the possible role that assets might play in equalizing educational outcomes, this is an opportune time to take stock of knowledge to date, add new research, and discuss pressing questions for the future.

### The College Crisis for Low-Income Youth

- Higher education is crucial for economic well-being and opportunity, but rising costs and the resulting unaffordability have dire effects for low-income students (Heller, 1997; Leslie & Brinkman, 1988; McPherson & Schapiro, 1998). Costs associated with college attendance are increasing while the number of grants and scholarships is decreasing, shifting the burden of college loans to families.
- High debt levels can compromise lifelong economic security and threaten academic achievement, and having student loans above a certain level becomes counterproductive (Zhan, 2012).
- Huang's (2012) findings suggest that household assets can help attenuate intergenerational transmission of educational underachievement from parents to children. Huang posits that asset-building policies may play a role in making education a more equitable path for attaining the American Dream.
- Having assets may help reduce the debt burden on students (Elliott & Friedline, 2012), increasing the value of a college education. Elliott and Friedline find that the economic return on a college education may be less for African American, Hispanic, and moderate-income students who shoulder more of the burden of paying for college than their White and higher-income counterparts. However, they also find that family savings for college may reduce the financial burden and call for policy changes that encourage saving for college among these families.

### The Link between Assets and Educational Outcomes

- ***Assets improve academic preparation:*** Assets can affect not only outcomes and behaviors at college but also academic preparation for higher education. Unlike other mechanisms of financing higher education, assets are associated with preparation for college as measured by improved English (i.e., reading and writing) scores (Chowa, Masa, Wretman, & Ansong, 2012).

- **Assets shape parental expectations:** Kim, Sherraden, and Clancy (2012) find that financial assets are significantly and positively associated with parents' expectations for their children and that variation in parental expectations between non-Hispanic Whites and minority families can be attributed to disparities in financial assets.
- **Assets contribute to college-bound identities:** Assets build positive expectations about higher education and increase college readiness. Assets may help youth develop college-bound identities and shape behaviors that reinforce this view. Saving may make the future feel more proximate and affirm the importance of education (Oyserman, 2012). Destin (2012) suggests that assets impact outcomes by helping low-income youth see themselves as college bound.
- **Assets promote college enrollment:** Grinstein-Weiss, Sherraden, Gale, Rohe, Schreiner, and Key (2012) present experimental evidence that being assigned to a three-year IDA program treatment group has a significant impact on educational enrollment, a positive—but not significant—impact on college degree completion, and an increase in education level six years after the program's completion. Being part of the IDA treatment group has a strong positive effect on increased educational attainment for men but not women.
- **Assets can increase graduation rates:** According to Loke (2012), when lower wealth households experience significant asset accumulation, youth from these households graduate from college at rates similar to youth from wealthier households.

## Policies to Facilitate Asset-Building

- **Tailoring incentives:** While individual and family characteristics help to shape savings behaviors (Webley & Nyhus, 2012; Otto, 2012), evidence suggests that there are institutional influences. Incentives encourage individuals to save, and restrictions on the use of funds help people focus on particular savings goals (Sherraden, Peters, Wagner, Clancy, & Guo, 2012).
- **Providing subsidies:** According to Friedline, Elliott, and Chowa (2012), the median amount of savings held by low-to-moderate-income young adults in 2007 was \$390, which suggests that subsidies are necessary for young adults from diverse backgrounds to have opportunities to pursue postsecondary education.
- **Encouraging early investment:** According to Williams Shanks and Robinson (2012), the impact of a lack of resources on a child's cognitive development and health is cumulative. Similarly, Destin (2012) argues that the benefits of parental investments in educational enrichment compound over time.
- **Targeting:** Interventions should target low socioeconomic status households in addition to directly investing in children's asset holdings. Resources at the household level reduce financial triggers of stress, improve caregivers' ability to mediate stress, and improve the educational expectations of parents (Williams Shanks & Robinson, 2012).
- **Combining assets with other academic enrichment:** Being "prepared" for college requires academic readiness and financial capability, two characteristics that may be interdependent. The Department of Education's pilot to incorporate savings accounts into Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)—an initiative to build college preparedness among low-income middle and high school students—exemplifies this two-part approach to preparedness.

College loans help pay for college, but assets have the potential for multiple positive effects before, during, and after college. This suggests that all types of financial aid do not have the same effects. Innovative ways to enable children to accumulate savings to pay for college should be considered. Collectively, Symposium proceedings support Shapiro's call to have a "larger vision of public investment for the public good" and Sherraden's suggestion for universal Child Development Accounts (CDAs) "to raise the next generation more successfully."



## Introduction

The Assets and Education Research Symposium was planned and carried out to explore the growing interest in the potential for assets to improve youths' educational outcomes, which is evident in rapidly changing U.S. Department of Education (DOE) policy. In November 2010, the DOE, FDIC, and National Credit Union Administration (NCUA) established a federal partnership to encourage schools, financial institutions, federal grantees, and other stakeholders to work together to increase financial literacy, access to federally-insured bank accounts, and savings among students and families across the country.

Also, as part of Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP), the DOE announced in 2011 an invitational priority that reflected Secretary of Education Arne Duncan's interest in financial literacy and savings as part of the DOE's plan to ensure GEAR UP students' completion of secondary school and enrollment in postsecondary education. Of the 66 grants awarded, 42 included some aspect of financial literacy and savings in their applications.

The most explicit indication of the DOE's increased interest in assets came May 31, 2012, when the department announced a new college savings account research demonstration project, which will be implemented within GEAR UP. The demonstration will test the effectiveness of pairing new federally supported college savings accounts with GEAR UP activities against the effectiveness of standard GEAR UP activities that do not include college savings accounts. Initially, \$8.7 million will be allocated to support the demonstration.

The field of education has shown increased interest in the potential of assets to improve youths' educational outcomes as well. Michael Lomax, President of the United Negro College Fund (UNCF), spoke at the Symposium about the Partnership for College Completion (PCC) with UNCF, the Knowledge is Power Program (KIPP), and CFED. PCC's goal is to ensure that low-income and minority students in the 125 free, open-enrollment, college-preparatory, public KIPP schools in underserved communities in 20 states have a viable opportunity to attend and graduate from college. In its pilot stage, PCC will work with up to 1,500 middle and high school students to open savings accounts and engage them in financial education. At scale, PCC plans to serve tens of thousands of KIPP students.

The Assets and Education Research Symposium was co-organized by the Assets and Education Initiative at the School of Social Welfare, University of Kansas and the Center for Social Development at Washington University in St. Louis. It featured 16 papers<sup>1</sup>, three keynote presentations on various aspects of assets and education research, and four panel discussions. Sondra Beverly acted as discussant for the first panel, which featured research on children and savings. The second panel covered research on assets, primary education, and secondary education and was moderated by Dalton Conley. Panel three focused on theories of asset effects, and the discussant was Michael Hock. The fourth and final session covered topics related to postsecondary education, and the discussant was Thomas Shapiro. Symposium proceedings will be the first special issue dedicated to research on assets and education in an education journal, *Economics of Education Review*.

In Part I of this Symposium report, we review assets and education research presented at the Symposium, offer some critique, and suggest future research directions. In Part II, we make the case that assets can play an important role in a comprehensive education plan.

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1 All 16 papers can be found online at <http://csd.wustl.edu/AboutUs/Pages/AssetsEducationSymposiumPubs.aspx>. Videos of all 16 presentations can be found online at <https://www.assetsandedu.drupal.ku.edu/videos>.

## Part I: The American Dream, Reality, and Asset Building

Findings from the Symposium suggest that policies designed to build a household's and children's assets may help restore education as a viable path to the American Dream for low- and moderate-income children. Beginning in the 1990s, Child Development Accounts (CDAs) were proposed as a way to create an inclusive and accessible opportunity for lifelong savings and asset building (Sherraden, 1991). Singapore, the United Kingdom, South Korea, and Canada have initiated policy efforts with CDAs that build upon this approach (Loke & Sherraden, 2009). While no national CDA policy has been adopted in the US, a number of legislative proposals have been developed (e.g., America Saving for Personal Investment, Retirement, and Education (ASPIRE) Act, Young Savers Accounts, 401Kids Accounts, Baby Bonds, and Portable Lifelong Universal Savings Accounts) (Cramer, 2010).

The ASPIRE Act<sup>2</sup> is probably the most recognizable proposal and serves as a placeholder for what a universal, inclusive CDA effort would look like. ASPIRE would create Lifelong Savings Accounts for every newborn with an initial \$500 deposit and opportunities for financial education. Children living in households with incomes below the national median would be eligible for an additional contribution of up to \$500 at birth and a savings incentive of \$500 per year in matching funds. When accountholders turn 18 years of age, they would be permitted to make tax-free withdrawals for costs associated with post-secondary education, a first-time home purchase, and retirement.

CDAs could be particularly interesting to policymakers because of their potential to engage parents, children, and others (e.g., aunts, uncles, grandparents, etc.) in saving and asset building. Moreover, findings from the Symposium suggest that assets for children and youth are associated with increased college enrollment and graduation rates. Further, asset building may affect children's future expectations, leading to a higher level of readiness for postsecondary education.

### Assets and College Debt

The Symposium focused on explaining the role of assets in education for low-income children and youth and why children save. Given the rapidly growing research and policy initiatives on asset building and the growing awareness of the role of assets in educational equity, it is an opportune time to take stock of knowledge to date, add new research, and discuss pressing questions for future research.

Previous studies establish that the lowest achieving children from the highest socioeconomic status group attend college at a slightly higher rate than the highest-achieving children from poor families. Further, most high achieving children from poor families want to attend college and recognize the value of college for future economic success, but many of them do not attend. Research to date suggests that many poor and minority students perceive that college is out of reach even when they have high academic ability and potential, willingness to invest great effort in learning, and a strong desire to continue their education beyond secondary school.

While many factors affect college attendance, cost is a significant barrier, even for middle-income families. As many scholars have noted, most families must look beyond income streams to meet the financial demands of higher education. Many students without assets who

**Findings from the symposium suggest that policies designed to build a household's and children's assets may help restore education as a viable path to the American Dream.**

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<sup>2</sup> A description of the ASPIRE Act and its provisions can be found in Cramer and Newville (2009).



*Sondra Beverly asks questions of the “Children and Saving” Panel.*

successfully overcome financial barriers to college entrance will leave school with heavy educational loan debt. Collective beliefs in personal responsibility and the view that the student—rather than society as a whole—is the primary beneficiary of higher education have contributed to the development of a financial aid system that rests heavily on borrowing and debt in the US.

If children and youth had savings accounts for college as a birthright, perhaps with progressive features to benefit those from families with modest resources, might we decrease reliance on college loans and stem the debt accumulation that results? Does asset building throughout childhood and youth have the potential to improve not only rates of college entrance but also academic performance throughout primary and secondary school? Does it increase psychological preparedness for higher education? What is the relationship between such preparedness and staying on course in college to complete a degree? Why and how do children save? What mechanisms explain the relationship between savings and children’s educational outcomes? These questions and others formed the foundation for the Symposium.

## **Asset Building for and by Young People by Sondra G. Beverly**

The Symposium discussion of youth saving is grounded in two assumptions: (1) Young adults need assets to help finance postsecondary education and training, purchase a home or car, and maintain consumption during financial crises, and (2) The current distribution of assets—which is dramatically skewed by income, education, race, and other indicators of socioeconomic status<sup>3</sup>—is problematic. Thus, the goal of scholarship related to youth and saving is to inform the design of asset-building policies and programs. Throughout this discussion, “saving-related behaviors” are individual actions (e.g., spending, budgeting, arranging for direct deposit, saving, and withdrawing) that affect the setting aside of money. “Savings outcomes” refer to a variety of outcomes related to saving and asset building, particularly account holding and asset accumulation. These outcomes are not always the product of individual behavior.<sup>4</sup>

### **Research**

Most scholarship on children and youth saving has come from the field of psychology, which concludes that money-related attitudes, knowledge, and behavior are expected to be shaped by individual characteristics (e.g., age/developmental stage, future orientation, self-control, and self-efficacy) and economic socialization (particularly by

3 For example, in 2004 median net worth was over \$294,000 for households in the highest income quintile and less than \$6,300 for households in the lowest income quintile (U.S. Census Bureau, 2010). In 2009, 24% of Hispanic households and 24% of Black households had no assets other than a vehicle, compared to 6% of White households with a vehicle as the only asset. Median net worth for White households was 18 times that of Hispanic households and 20 times that of Black households (Taylor, Fry, & Kochhar, 2011). For additional statistics on asset holding by income, race/ethnicity, and education, see Carasso & McKernan (2008).

4 As examples, adults open accounts for children, some employers automatically open retirement accounts and make deposits for employees, and adults receive inheritances.



parents). A review of variables and issues related to child and adolescent saving (Otto, 2012) follows this tradition. Otto emphasizes the role of parents as agents of economic socialization with children learning values, attitudes, and behaviors by observing and modeling. Parents also actively shape children's economic behavior through explanations and guidance related to money matters, reinforcement, punishment, and negotiation and by providing learning opportunities (e.g., allowances). Parents also influence attitudes and behaviors through practices that influence a child's self-efficacy, ability to self-regulate, and autonomy.

Developmental psychologists stress that the cognitive abilities of youth change over time in ways that affect their saving-related attitudes, skills, and comprehension. Otto notes that youth may become more future-oriented and develop greater self-control as they mature and briefly discusses self-efficacy. The author cites evidence that youth who believe saving is difficult are less likely to think of saving as (morally) "good" and more likely to say that it is pointless. Finally, Otto gives attention to the social context of youth's spending and saving decisions when she notes that the spending behavior and lifestyle of peers likely influences an adolescent's perceived need for money and perceived ability to save.<sup>5</sup>



*Michael Sherraden delivers the opening keynote address.*

Webley and Nyhus (2012) emphasize economic socialization in their findings from two studies of European youth and young adults. Data for the first study come from a survey of 392 Dutch young adults. The authors use simple correlations to examine the associations between childhood economic socialization experiences and adult economic behavior and attitudes. They find that parental encouragement (i.e., teaching children budgeting and encouraging them to save) is associated with having saved in the past year, a preference for saving over spending, conscientiousness, and greater future orientation but is not associated with plans to save next year or present orientation. Next, using multivariate analysis, the authors identify variables associated with liquid savings, debt, and total savings measured continuously from self-reports. Income is not associated with these asset variables, and control of spending is associated with all three. Present orientation is negatively associated with liquid savings and total savings. Parental encouragement is positively associated with total savings. According to Webley and Nyhus, these findings suggest that economic socialization shapes economic orientation and behavior.

Data for the second study come from surveys of 548 Norwegian teenagers, 256 mothers, and 227 fathers.<sup>6</sup> Along with descriptive statistics regarding allowances and teen employment, the authors present correlations between parent characteristics (e.g., household income, mother's education, father's education) and parental practices related to money matters. Because only a few of these correlations are significant, the authors conclude that in Norway, parental income and education do not have meaningful impact on economic socialization practices.

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<sup>5</sup> Otto identifies variables that affect ability and willingness to save. She classifies "perceived need for money" as a variable that affects ability to save. I believe it is better classified as a variable that affects willingness to save. This difference of opinion likely reflects the subjective nature of "needs."

<sup>6</sup> The authors note that lower-class families probably are underrepresented in these samples.

Both of these Symposium papers (Otto, 2012; Webley & Nyhus, 2012) emphasize that individual and family characteristics play important roles in the process that leads to saving-related behaviors. It is useful to identify specific individual and family characteristics associated with saving, especially when these characteristics can be modified. Identifying parenting practices that help children develop self-control and self-regulation skills and showing that youth may be taught strategies that help them self-regulate (both briefly discussed by Otto) have useful program implications. However, if individual and family characteristics explain most of the variation in saving-related behavior and savings outcomes, then there is little we can do to level the playing field. Children who naturally are future-oriented or have high self-control or—more likely—those who grow up with adults who teach and model future-orientation, budgeting, saving, and so forth are much more likely to become young adults who save and have assets. Advantage begets advantage, and inequalities persist.

Policies and programs might attempt to change individual and family characteristics, but institutional theory emphasizes the impact of programs, policies, products, and services on behavior and outcomes (while also acknowledging that individual characteristics shape behavior and can be shaped by institutions).<sup>7</sup> For example, direct deposit is a service that allows people to regularly set aside money without thought or action, and employer contributions into retirement savings programs can substantially increase the value of accumulated assets.<sup>8</sup>

The third paper on youth and saving (Friedline, Elliott, & Chowa, 2012) aims to bring an institutional perspective to research on account and asset holding by young adults. Like the first two papers, Friedline et al. are interested in the effect of economic socialization on savings outcomes. They suggest family income and assets affect when and how parents provide economic socialization, but access to bank accounts shapes savings outcomes. Longitudinal data come from the Panel Study of Income Dynamics (PSID) and its supplements. Friedline et al. find that socioeconomically advantaged groups are more likely to have accounts as adolescents and as young adults. Advantaged young adults also have more savings than disadvantaged young adults.

As their primary research question, Friedline et al. (2012) ask if adolescents with savings accounts are more likely than adolescents without them to have savings accounts and at least \$500 in savings in young adulthood. The researchers use propensity score weighting to adjust for observed differences between adolescents with and without savings accounts, and their models include a large set of socioeconomic and economic socialization variables. In multivariate analysis—specifically, bivariate probit analysis—predicting both outcomes across a low-income sample and a low-to-moderate-income sample, household income is never significant, and economic socialization variables are rarely significant. However, household net worth and account holding in adolescence are consistently significant. Young adults who had savings accounts as adolescents and those who lived in wealthier households as adolescents are more likely to have accounts and at least \$500 in savings.<sup>9</sup>

**Friedline et al. suggest that family income and assets affect when and how parents provide economic socialization, but access to bank accounts shapes savings outcomes.**

The paper on youth and saving (Sherraden, Peters, Wagner, Clancy, & Guo, 2012) summarizes research from

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7 Institutional theory is discussed briefly in Sherraden, Peters, Wagner, Clancy, & Guo (2012) and in more detail in Beverly, Sherraden, Cramer, Williams Shanks, Nam, & Zhan (2008); Schreiner & Sherraden (2007); and Sherraden & Barr (2008).

8 Of course, financial education is an institution that attempts to change knowledge, attitudes, and skills (individual characteristics), but most of the literature on institutions and asset building has emphasized the impact of institutions on behavior and outcomes.

9 There is one exception: In the low-income sample, adolescent account holding was not significantly associated with having at least \$500 in savings.

qualitative studies of three CDA programs. The first study, *I Can Save* (ICS), is a college savings program for elementary students in one school. The second study examines the Opportunity Passport™ program (OP), which provides incentivized savings accounts to youths transitioning out of the foster care system. The third study, SEED for Oklahoma Kids (SEED OK), is a randomized experiment of incentivized college savings plan accounts for children at birth.

Sherraden et al. (2012) identify a number of cross-cutting themes with implications for theory and policy. First, although participants in all three programs view good money management and saving as desirable, they say they had not learned enough about how to save. Most participants enter the savings programs with varying but low levels of financial understanding. Second, many describe saving as difficult. Participants in all three programs say that low (and sometimes intermittent) incomes are a barrier to saving. Children in ICS and youth in OP also report spending temptations or the lack of self-control. These themes point to individual and family characteristics that shape saving behavior and savings outcomes.

**To address the inequities ... policies or programs could attempt to change the attitudes, knowledge, skills, and behavior of parents or youth. Financially educated youth who understand the value of saving presumably become adults who pass that knowledge to future generations.**

Other cross-cutting themes relate to institutional variables that affect behavior and outcomes. Incentives (e.g., initial deposits and savings matches) generate enthusiasm for the savings programs and help individuals accumulate savings. Restrictions on the use of funds help participants focus on particular savings goals and discourage early withdrawals, but restrictions also may discourage some participants who are not comfortable “locking their money away.”

### **Policy Implications**

If we assume that young adults need assets to purchase a home, finance postsecondary education, or maintain consumption during a financial crisis, we must ask how young people can obtain these assets. Parents might save for youth, youth might save on their own, and policies and programs might provide subsidies to young people.<sup>10</sup> Each of these strategies has strengths and weaknesses, and each might be facilitated by policies and programs.

The first option for helping young adults obtain assets is for parents to save for their children, but parents differ greatly in their ability to save, and some are more motivated to save for their children than others. In the current economic and policy environment, high-income families are more likely than low-income families to save for their children’s future college expenses (Sallie Mae & Gallup, 2010). Programs and policies can attempt to motivate parents to save for their children and give them knowledge and skills intended to help them save, but as the research discussed above suggests, it seems unlikely that interventions would substantially level the playing field.<sup>11</sup> However, if policies and programs can increase parental saving for youth, there are likely to be benefits beyond the economic value of any assets accumulated for young adults. Financially savvy parents who understand the value of saving may raise financially savvy children who understand the same. They also may become grandparents who save for their grandchildren and are good role models and teachers regarding money matters.

<sup>10</sup> A fourth option, which does not require asset accumulation, is for policies and programs to provide point-of-purchase subsidies to young adults. For example, an expanded Pell grant program could help more low-income individuals finance college, and an expanded program of subsidies for first-time home buyers could help more low-income adults purchase homes. This option does not offer the benefits of early asset accumulation discussed below.

<sup>11</sup> It would be difficult to provide financial education programs on the scale necessary to reach a substantial portion of disadvantaged parents, to name just one concern.





*The Symposium offered time to network and discuss the issues at hand.*



*Kilolo Kijakazi of the Ford Foundation addresses Symposium attendees.*

The second method for young people to obtain assets—saving for themselves—is constrained by young people having relatively little income. Also, saving is often difficult for young people because the desire to conform to peer group norms can create intense pressure to spend. Lastly, the attitudes, knowledge, skills, and behaviors that motivate young people to save and make saving possible are shaped to a large degree by parents (and other important adults). Many youth are at a disadvantage because they do not have adults who model and teach financial knowledge and skills.

To address the inequities created by different economic socialization experiences, policies or programs could attempt to change the attitudes, knowledge, skills, and behavior of parents or youth. Again, it is unlikely that these initiatives would substantially reduce *inequities*, but they may increase youths' motivation to save and give them knowledge and skills to help them save, which could have lifelong benefits. Financially educated youth who understand the value of saving presumably become adults who pass that knowledge to future generations.

The Symposium papers on youth and saving offer lessons for those who want to create policies and programs that encourage saving by youth and adults. First, it is clear that saving is difficult for many people. Often, there is little money left after necessities are purchased, and it can be difficult to resist temptations to spend on non-necessities. In addition, many people believe they lack the skills and knowledge to help them save. Research cited by Otto (2012) might contribute to the creation of a timeline of age-appropriate financial knowledge and skills to inform financial education efforts. Research by Sherraden et al. (2012) suggests that restricted accounts could play an important role in asset-building initiatives by helping people mentally designate their savings for specific, long-term purposes and discouraging early withdrawals. Also according to Sherraden et al., programs and policies might encourage people to save out of lump-sum income (e.g., tax refunds, birthday money, employment bonuses), which seems to be easier than saving out of regular income streams.

Second, these papers suggest that asset-building initiatives should take into account the opportunities and barriers presented by particular developmental stages. For example, young children may not truly understand the purpose and value of saving, but they may enjoy activities associated with a “savings club” and learn important basic financial concepts through age-appropriate activities. Adolescents often face intense pressure to spend, but they may be motivated to save for purchases—such as a car, a computer, an apartment, or education expenses—that increase their autonomy or help them pursue education and career goals. New parents may have little time and many expenses, but the birth of a child may motivate them to think about the future and their aspirations for their children.

In the future, scholars and practitioners from different disciplines could work together to identify opportunities and challenges associated with each developmental stage and propose policy and program features based on them. Imagine the creative ideas that could be generated when developmental psychologists, institutional theorists, financial education providers, and others come together to think about asset-building initiatives.

The third option to help youth accumulate assets is for policies and programs to provide subsidies. According to Friedline et al. (2012), the median amount of savings held by low-to-moderate-income young adults in 2007 was \$390. Median values are even lower for certain low-to-moderate-income subgroups. Without other resources, youth with less than \$400 in savings are unlikely to be able to purchase a car or a home or obtain a college degree. These findings suggest that subsidies are necessary if we as a society want young adults from diverse backgrounds to have opportunities to pursue postsecondary education, purchase a home or car, or weather an economic crisis without incurring debt. Subsidies could be provided throughout childhood, beginning as early as birth.<sup>12</sup> In addition to the financial benefits of investment returns, the presence of assets from an early age may affect the attitudes and behaviors of children and adults in ways that improve later outcomes (Williams Shanks, Kim, Loke, & Destin, 2010).

These three strategies for helping young adults obtain assets are not mutually exclusive. IDA programs (Giuffrida, 2001) provide financial education to youth and young adults and incentivize and subsidize saving through matching deposits. SEED OK tests a universal and progressive asset-building initiative through CDAs automatically opened for every newborn and seeded with a \$1,000 initial deposit. Parents were encouraged to save additional funds for their children, and their deposits were matched (Huang, Nam, & Sherraden, 2012; Zager, Kim, Nam, Clancy, & Sherraden, 2010). Thus, asset-building initiatives that provide subsidies *and* encourage individual saving exist, and lessons learned from these initiatives may be used to inform future policy and program development.

### Directions for Future Research

The four papers on youth and saving discussed in this section (Friedline et al., 2012; Otto, 2012; Sherraden et al., 2012; Webley & Nyhus, 2012) have implications for an institutional theory of asset building. Institutional theory,

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12 Sherraden is a leading proponent of opening special accounts and providing funds for future developmental purposes as early as birth. His rationale and vision for asset-building policy were first presented in *Assets and the Poor* in 1991.



*Youngmi Kim presents research on parental educational expectations using data from the SEED for Oklahoma Kids Experiment as part of the “Assets, Primary Education, and Secondary Education” Panel.*

in turn, suggests caveats for future research. As noted above, institutional theory emphasizes the potential impact of “purposefully created policies, programs, products, and services” (Beverly et al., 2008, p. 90) on saving-related behavior and outcomes while also acknowledging that individual characteristics shape behavior. In a conceptual framework proposed by Beverly et al. (2008), the determinants of “saving and investment action” are classified into three categories: (1) institutional constructs, (2) individual constructs, and (3) intergenerational and interhousehold transfers.

Because institutional theory was created explicitly to inform program and policy development, the distinction between individual and institutional characteristics is essential. However, it sometimes is difficult to classify a variable as individual or institutional. For example, I suggest that Friedline et al. (2012) incorrectly classify their primary independent variable as institutional. Data from the PSID reveal whether adolescents have accounts, not whether they have access to accounts. Presumably, some adolescents have access to accounts (i.e., there are no financial, geographic, or other barriers to account holding) but do not hold accounts. If this is true, then account holding during adolescence is not an institutional variable but rather an individual-level variable shaped by—but not the same as—access.<sup>13</sup>

A second caveat involves use of the term “institutions.” It is tempting to define this term as (1) purposefully created policies and programs and (2) broader economic, social, and political forces that may or may not have been put in place on purpose. Both categories shape important outcomes, including the distribution of income and assets, but the former definition connects directly with the body of institutional theory developed to inform asset scholarship and policy. For the purpose of advancing theory and knowledge related to youth and saving, scholars might use a different term (perhaps “structural forces”) to refer to broader economic, social, and political forces.

The papers on youth and saving suggest a possible improvement to the conceptual framework proposed by Beverly et al. (2008). The third category of determinants of saving and investment action might include much more than transfers and thus could be defined more broadly as “family and social network constructs.” These constructs might include economic socialization experiences (a common theme across all four papers) and consumption norms of peers and role models (discussed by Otto, 2012). Again, scholars should think carefully about the distinction between individual and other characteristics. For example, social networks have consumption norms, but the degree to which a young person is influenced by them is an individual characteristic.

The papers also raise some important questions for asset-building theory. It would be helpful to articulate more precisely how institutions might shape saving-related attitudes, knowledge, skills, and behavior. For example, youth who have a checking account or some small stock of savings probably have learning opportunities that other youth lack.<sup>14</sup> Youth who have firsthand experience with restricted and designated accounts (e.g., “my education account”)

**Findings suggest that subsidies are necessary if we as a society want young adults from diverse backgrounds to have opportunities to pursue postsecondary education, purchase a home or car, or weather an economic crisis without incurring debt.**

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13 Thus, I contend that Friedline et al. (2012) do not test an institutional hypothesis because their model does not include an institutional variable. However, their research does support the claim that advantages persist: In the rigorous analysis of longitudinal data by Friedline et al., those who have savings accounts in adolescence and those who live in wealthier households in adolescence have better savings outcomes in young adulthood.

14 As Sherraden et al. (2012) suggest, people learn from their financial mistakes, and it is often helpful to make mistakes early in life when the stakes are relatively low.



may learn to set goals and develop strategies to control spending. Youth who have some success saving are probably more likely to see saving in a positive light, and those who have a sum of money saved for a particular purpose may change their expectations and aspirations in this domain. Each of these assumptions suggests a somewhat different pathway between institutions and attitudes, knowledge, skills, and behaviors, and each may shed some light on the institutional features most likely to facilitate saving and asset accumulation.

Collaboration among behavioral economists and institutional theory scholars likely would be quite productive. Behavioral economists have identified a number of common human characteristics that may make saving difficult (e.g., lack of self-control, limited cognitive abilities, the tendency to procrastinate [see Madrian & Shea, 2001; Shefrin & Thaler, 1988; Thaler, 1994; Thaler & Sunstein, 2008]) and have begun to make recommendations regarding the design of policies and programs that take into account these characteristics (see Thaler, Sunstein, & Balz, 2010). Much could be learned by bringing together the systematic thinking about human characteristics offered by behavioral economists and the systematic thinking about institutional features offered by institutional theory scholars.

In the area of program and policy development, the four papers suggest that many young adults will have trouble obtaining assets without some sort of sizeable program or policy intervention. Saving is difficult for most people but particularly for socioeconomically disadvantaged youth and adults. One interpretation of this fact is that subsidies will be needed if we aim to level the playing field for young people making the transition to adulthood. Perhaps initiatives that provide subsidies also can provide some type of financial education. The articles in the special issue *Economics of Education Review* suggest that asset-building policies and programs will be much more effective if they take into account opportunities and challenges associated with different stages of development.

**Over time, data from SEED OK will allow scholars to determine if young adults who at birth automatically received a college savings account with \$1,000 have better postsecondary education outcomes than those who did not.**



*William Elliott presents information on the college cost burden as part of the "Assets and Postsecondary Education" Panel.*

A number of important questions remain. For example, what exactly do "stage-appropriate" interventions look like? How should we allocate resources between financial education efforts and subsidies? How should we allocate resources across the lifespan (i.e., how much should we devote to encouraging and subsidizing saving by children, young adults, and parents)? These are difficult questions, and to answer them well would require data from a variety of asset-building initiatives. The SEED OK experiment is a very important step in this direction. Over time, data from SEED OK will allow scholars to determine if young adults who at birth automatically received a college savings account with \$1,000 have better postsecondary education outcomes than those who did not (Nam, Kim, Clancy, Zager, & Sherraden, 2012). If outcomes are better for young adults who had CDAs, scholars can identify the pathways through which better outcomes occurred. It will be particularly useful to examine whether account opening and saving initiated *by parents* lead to better outcomes than passive (i.e., automatic) account opening and asset accumulation.

## The Role of Savings and Assets in Educational Expectations, Behaviors, and Outcomes by Rachel Black

Previous research suggests that the presence of assets alone—whatever their value—can instill certain attitudes, behaviors, and choices (i.e., asset effects) that support positive outcomes (Yadama & Sherraden, 1996). This section briefly discusses several papers from the Symposium, identifies implications of this work on policy formation, and suggests possible avenues for future research.

### Research

The preceding papers explore how socioeconomic status influences the likelihood that a student will pursue postsecondary education. Clearly socioeconomic status determines the resources a household has to finance the pursuit of a college degree, but it also may influence the expectations that students and parents have of the future and the level of security or stress within the household (which may determine academic outlook).

Academic achievement is the product of numerous factors, including participation in an educationally enriching school environment and individual actions that leverage this context for future success. Formation of these individual actions and the role of assets in that process is the focus in Oyserman (2012) and Destin (2012). Each of these papers describes an identity as a unifying framework that dictates the perceptions and corresponding actions that predict academic achievement.

Oyserman (2012) contends that educational aspirations are universal among demographic groups and insufficient to direct the engagement required for academic success. Instead, school identities must (1) be reconciled to the student's other social identities, (2) provide strategies for overcoming obstacles, and (3) allow the student to perceive challenges as motivating.

The formation of identities and the perceptions and actions they cue are flexible, and Oyserman posits that saving can contribute to positive educational outcomes by (1) making the future feel more proximate, requiring immediate action to ensure success, (2) affirming the importance of education, (3) providing motivation for overcoming challenges, (4) reinforcing the importance of the college-bound identity, and (5) helping the saver identify strategies for overcoming challenges.

In the second identity-focused paper, Destin (2012) combines resource- and person-based evaluative approaches to suggest that assets impact outcomes by establishing the number of resources available for direct investment in education and influencing students' understanding of themselves and their place in the world. According to this model, students with a high socioeconomic status see college as financially accessible and have examples within their social environment for how students "like them" attain academic success. This view motivates them to persist when encountering challenges and provides strategies to do so. Low socioeconomic status students typically have none of these advantages, but asset-based interventions can provide physical resources and motivation to reevaluate behaviors required to attain a college education.

### **Saving can contribute to positive educational outcomes by:**

- **Making the future feel more proximate**
- **Affirming the importance of education**
- **Providing motivation for overcoming challenges**
- **Reinforcing the importance of the college-bound identity**
- **Helping the saver identify strategies for overcoming challenges**

The identity-focused papers provide a theoretical model of how identity is formed and its influence on future academic success and demonstrate how socioeconomic status affects this process. However, socioeconomic status is a broad construct that makes drawing a linear relationship between assets and educational outcomes tenuous. Each author posits that assets are linked to academic achievement and offers research connecting other financial variables to school-oriented identities, but their models establish only *how* identity can function as the mediating mechanism not *whether it does*.

Using data from SEED OK, Kim, Sherraden, and Clancy (2012) evaluate how racial disparities in parental expectations may contribute to the educational outcomes of their children. They apply four sequential logistic regression models to the full sample: Model 1 measures parental expectations against race and Hispanic origin; Model 2 assesses variations in those results after controlling for a range of demographic considerations (e.g., the child's gender and parents' marital status, education level, and country of origin); Model 3 considers economic status using the household's income to poverty ratio; and Model 4 incorporates multiple variables associated with households' economic resources (e.g., public benefits, various financial assets, and health insurance).



*Benita Melton of the Charles Stewart Mott Foundation addresses Symposium attendees.*

The findings suggest that variations in parental expectations between non-Hispanic Whites and minority families can be attributed to disparities in financial assets. In fact, even the strong differences related to income fade once other financial assets are accounted for. According to the authors, “Given comparable conditions, particularly comparable economic resources, parents are very likely to hold a similar and high level of educational expectations for their children’s college education” (Kim et al., 2012, p. 16).

A range of factors related to socioeconomic status may impact the educational outcomes of children. Williams Shanks and Robinson (2012) broadly define a model for understanding how relationships between household and community resources and parental interactions can produce a level of stress for a child that impairs health, cognitive development, and social-emotional development sufficient to undermine educational attainment. This “toxic stress” is more likely to occur in low socioeconomic status households where children encounter multiple stressors related to a lack of resources. These children also tend not to have mediating social supports that can prevent this stress from escalating to toxic levels.

Although the scope of their research is intentionally holistic rather than focused narrowly on the relationship between assets and educational outcomes, the authors identify household assets as one of the factors most significantly aligned with positive educational outcomes since families are able to deploy resources to avert otherwise destabilizing financial disruptions. Even within their broader survey of factors that contribute to toxic stress, there is more opportunity to explore the potential role of assets.



According to the authors' model, financial risk factors are mediated by social relationships, particularly those with parents or other primary caregivers. However, financial circumstances of a household and those adults' capacity to respond to them are often a product of the household's socioeconomic status. In households with lower socioeconomic status, parents are more likely to have depleted time and emotional capacity brought on by financial hardship and less likely to be able to provide a sufficient buffer between stressful financial circumstances and their children. The authors claim that improving family economic security is an important way to avoid or resolve toxic stress. They recommend coupling stress avoidance and resolution strategies with educational enrichment activities. However, the only asset-based intervention discussed is a child savings account, which the authors claim has limited benefit to a child experiencing toxic stress. This leaves a significant gap between the *definition* and *identification* of an effective intervention. If building assets has positive implications for reducing toxic stress and creating pathways for educational attainment, methods for doing so should be explored more fully in the future.

## Policy Implications

Increasing assets within a household can be an effective strategy to build resources, expectations, and behaviors that contribute to academic achievement and reduce toxic stress that can undermine biological systems necessary for that outcome. Research in the preceding papers has clear implications for the design of policies to promote assets as a tool for educational enhancement.

First, interventions should start early in childhood. According to Williams Shanks and Robinson (2012), the impact of a lack of resources on a child's cognitive development and health is cumulative. More damage can occur the longer a child follows a trajectory of financial risk. Destin (2012) states that the benefits of parental investments in educational enrichment compound over time and ideally should be made before the age of ten. Early investment not only prepares a child for active educational engagement but also cues the possibility of college by building a sense of social belonging and a strong college-bound identity. This assertion supports earlier findings that there is a significant relationship between college attendance and the presence of household liquid assets during early childhood (i.e., between the ages of two and ten) (Huang, Guo, Kim, & Sherraden, 2010).

**Increasing assets within a household can be an effective strategy to build resources, expectations, and behaviors that contribute to academic achievement and reduce toxic stress.**

The efficiency with which early interventions can be delivered is an important consideration for resource- and identity-based effects of available household assets. Establishing financial stability and an educational identity for children at a young age allows those related benefits to compound, which is likely to be more outcome- and cost-effective than remediating the consequences of low asset holdings later in life.

Second, interventions should target low socioeconomic status families in which children demonstrate lower levels of academic achievement and parents express lower levels of educational expectations than families with higher socioeconomic status. This clearly identifies an area of concern, but research suggests that these families are likely to be responsive to asset-based interventions. Destin (2012) finds that students from low-asset neighborhoods who receive open-path information related to college demonstrate increased motivation in school compared to those who receive closed-path information. Significantly, students from high-asset neighborhoods show no response to the treatment.

Whether through a universal approach structured to disproportionately benefit low socioeconomic status families or a program targeted directly at those families, future policy designed to increase assets and enhance educational outcomes

should reflect similar research that demonstrates where that investment will generate the intended results. Currently, most federal spending to promote saving and asset accumulation is delivered through the tax code and mainly benefits families who already have wealth (Cramer, Black, & King 2012).

Third, interventions delivered to households or directly to children have benefits. Resources at the household level reduce financial triggers of stress and improve caregivers' ability to mediate stress that occurs. Higher levels of household assets also improve the educational expectations of parents and are related to higher academic achievement of their children.

**Circumventing the economic conditions of the household and directing policy efforts at students instead has produced promising results and could provide a more scalable option. For example, CDAs give students resources and expectations independent of their parents' financial status.**

Ensuring adequate levels of household-level resources to achieve these outcomes is a formidable and expensive task for policy. Circumventing the economic conditions of the household and directing policy efforts at students instead has produced promising results and could provide a more scalable option. For example, CDAs give students resources and expectations independent of their parents' financial status. Oyserman (2012) and Destin (2012) posit that children's saving could cultivate an education-dependent identity through pursuit of a future goal, which could reinforce the understanding of the value of education and cue strategies to overcome obstacles when they occur. Proposals such as the ASPIRE Act would establish a universal system of accounts opened at birth for every child born in the United States, which could provide a model for an effective, child-directed intervention.

Finally, interventions could be coupled with other academic enrichment activities to amplify success. As Destin (2012) suggests, children from low socioeconomic status families are less likely to see examples of actions that correspond with educational aspirations, and therefore, less likely to see a pathway for academic success. Oyserman (2012) suggests that providing a context for interpreting challenges is critical so students perceive them as motivating rather than discouraging. One option is to incorporate savings-based interventions within other efforts to promote positive educational outcomes. This is the approach of the DOE's pilot to incorporate savings

accounts into the programming for GEAR UP. As part of this pilot, 10,000 students will receive accounts seeded with an initial deposit from federal funds and offered incentives for making additional contributions. The pilot will test the efficacy of offering a college savings account as part of a comprehensive set of services tied to college access and readiness. Based on existing research, the presence of an account dedicated to college and the act of saving for that purpose are expected to reinforce the perception of college as a realistic and accessible goal. The cohort model might promote an association between saving and other college preparatory activities as part of a group identity, and the other support services should provide tools that students can apply to overcome obstacles.

Another possibility is introducing a savings component into conditional cash transfers (CCTs), international anti-poverty tools that channel assistance directly to individuals who meet specified criteria (e.g., enrolling children in school or having health exams). In some instances, CCT programs include a savings component that builds financial inclusion and assets into the immediate cash assistance provided (Zimmerman & Moury, 2009). A similar model could be implemented to promote savings for postsecondary education.

The city of New York has been piloting a CCT intervention through their Family Rewards program. While the CCTs distributed through this program are not explicitly linked to savings, half of students interviewed reported using payments to save for college (Greenberg, Dechausay, & Fraker, 2011). Additional resources also were shown to reduce financial anxiety of low-income households that participated. In addition to the immediate benefit to the child's well-being, the subsequent stress alleviation allowed families to look beyond meeting immediate needs to long-term goals. In this way, a CCT program could also reduce toxic stress described by Williams Shanks and Robinson (2012).

### Directions for Future Research

Collectively, the papers discussed in this section posit that assets predict academic success and can be deployed as tools to increase postsecondary access among low socioeconomic status students. Further research could help lend specificity to the design of policies with this goal. One area that might be explored further is the *form* of assets most significantly tied to educational outcomes for low socioeconomic status students. For instance, previous research by Zhan and Sherraden (2011) demonstrates strong relationships between (1) assets (financial and non-financial) and college completion and (2) financial assets and academic expectations of parents and children. Elliott and Beverly (2011) find that students who expect to go to college are more likely to enroll if they have a savings account in their own name compared to peers who do not. Assets that promote financial security and decrease household stress also can support or undermine educational opportunity. To whom (e.g., entire household or child only), in what form (e.g., liquid savings or other financial assets), and under what household circumstances assets should be targeted for the greatest impact should be discussed further.



*Paul Webley responds to attendees during the Q&A session as part of the "Children and Saving" Panel.*

Another area for examination is the extent to which a student's social groups compete with or reinforce an education-dependent future identity. Kim et al. (2012) contend that race does not appear to be a factor in forming parental expectations once financial resources are controlled for, but racial identity does seem to contribute to children's perceptions of academic prospects and responses to challenges. Socioeconomic status also appears to be a significant influence. Does building a student's educationally focused identity displace negative cues from other social groups? Oyserman (2012) and Destin (2012) propose that as the education-dependent identity takes root, a student redefines self-perception, and other social identities assume those positive academic expectations. Learning more about how that process takes place could inform strategies to facilitate this integration.

### Review of Higher Education Research and Assets by Thomas M. Shapiro

The value of higher education has re-emerged in the public and policy discourse, and the research presented at the Symposium help explain the gravity of the issue. They also provide productive evidence to help us understand the underlying dynamics. The foundational context includes an understanding of the importance of higher education in the current global era and the shift of financing the collective benefits of education from public to private investment. A fundamental concern is whether higher education is a crucial pathway that generates and maintains high levels of inequality.



## Research

Family financial assets and the role they play in turning aspiration into achievement are the key issues discussed, and the data are compelling. A college education is key to economic well-being and opportunity, conferring significantly higher earnings to those with a degree than those without. Perhaps at no time in the history of the United States has formal education been so significant and essential to opportunity and mobility. Since the beginning of the 21st century, the premium of higher education has increased 84%. In other words, someone with a Bachelor's degree will earn \$2.3 million over a lifetime of earnings while someone with only a high school diploma on average will earn \$1.3 million. Thus, the difference between a high school diploma and college degree amounts to a million dollars (Carnevale, Rose, & Cheah, 2011). Those who do not complete high school fare even worse, earning under a million dollars during their working lifetime. Data regarding race, ethnicity, and gender clearly show that significant levels of discrimination persist, even when educational attainment is equal.



*Thomas Shapiro asks questions of the "Assets and Postsecondary Education" Panel.*

Since 1978, college tuition and fees have been increasing at a much faster rate than the cost of living, outpacing even soaring medical costs. Every year since 1983, college costs have gone up more than the cost of living. For example, in 2008 college costs increased 8.5% on average while the cost of living rose just over 3%. Not only are college costs soaring, but the gap between these costs and student financial aid is widening, shifting the increasing burden of college loans to families. Americans owe over \$1 trillion in student loan debt, which now outstrips credit card debt. Along with their diplomas, college graduates walk away with an average student loan debt of over \$25,000. Two thirds of students graduating from 4-year colleges have student loan debt.

Family financial assets allow economic, behavioral, sociological, and psychological access, opportunity, and achievement and fill the growing void between public disinvestment in education and the steeply rising cost of higher education. Asset theory claims to explain access (i.e., who gets to college, who persists and graduates, what the cost burden is, and how that cost burden is allocated). Elliott and Friedline (2012) and Cheatham and Elliott (2012) ask important access questions, and Huang (2012) discusses the passing along of family attainment through educational pathways.

Elliott and Friedline (2012) ask the critical question: Do rising college costs and changes in financial aid policies result in minority and low-income students shouldering more of the financial burden of college than their White and higher-income counterparts? Their findings indicate that students who have positive college expectations are more likely to have parents who help pay for their education. The title of their paper—*You Pay Your Share, We'll Pay Our Share: The College Cost Burden and the Role of Race, Income, and College Assets*—aptly captures this dynamic as commitments from student and parents reinforce behavior that results in college aspirations and then attendance.

From this overall finding, the paper includes nuances of how this process operates among various racial and ethnic groups and for those attending 2-year and 4-year colleges. That these contingent relationships vary reinforces the need for ongoing research on the impact of incentives on access.

Among the many significant contributions of Elliott and Friedline (2012), they highlight the process by which college completion is becoming less of a possibility for minority and low-income families. Their essay should be part of the call to action for addressing the financial burden of higher education, which significantly impacts the future trajectories of vulnerable populations.

Context and culture are highlighted in Cheatham and Elliott (2012), which examines the impact of savings on postsecondary education for young adults with disabilities and is the first empirical study of the subject. Young adults with disabilities are far less likely to be college bound than their counterparts without disabilities, even though previous research strongly indicates that higher education increases occupational prospects of young adults with disabilities. The key finding in Cheatham and Elliott is that family savings has a significant impact on whether or not students with disabilities are able to attend college. Also, savings mechanisms appear to be important factors with savings bonds having the strongest impact. Digging deeper into what savings for college means, the authors find

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that students' and parents' expectations for college may be a mediator. The animating research question is whether students with disabilities whose parents' have college savings for them are more likely to have enrolled in postsecondary school than students with disabilities whose parents do not have such assets. The findings are mixed and pose a puzzle for asset theory: Traditional savings mechanisms and college savings plans show no relationship to college matriculation. However, college savings bonds demonstrate a strong, positive relationship to college attendance, and more research is needed to determine why.

Huang's paper provides critical research on one of the most important policy issues of our day: how to get students to and through college. The widespread research consensus is that if one were to choose the single most important lever for improving the life prospects of young adults—particularly youth from low- and moderate-income families and minority youth—it would be to help them earn educational credentials beyond a high school diploma. Neither education advocates nor the research community have settled on whether there is a specific policy pathway that will lead to successful completion of higher education. Tom Hertz, an economist based at American University, claims that parents' education level—not race, health, or family assets—is the single most important driver of their children's future income level. Huang treats this as an open question since virtually no empirical work investigates the power of wealth to transfer status across generations.

Huang's meticulous method shows how complicated gender, race, and class specific intergenerational mobility is. He finds a positive and predictive relationship between family wealth and educational attainment for males but not females. In the context of raising several hypotheses about why this might be the case, the paper also reflects upon the need for deeper understanding of intergenerational mobility and methods for capturing the complex dynamics of it.

Huang examines the intergeneration mobility prospects for Whites only, which limits his findings and serves as an

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imperative reminder that racial dynamics are at the core of intergenerational mobility. Research by Otis Dudley Duncan (1968), Oliver and Shapiro (1995; 2006), and others clearly note that Black parents do not pass along achieved status at nearly the high rates as their White counterparts. One line of theorizing is that middle-class Black families achieve that socioeconomic status through schooling and on the job with income being the primary reward. However, similarly achieving White middle-class families have at least twice the wealth as their Black counterparts, which may be key to transferring status. Race and wealth need to be at the core of future research regarding intergenerational mobility.

### **Policy Implications**

A critical question that binds this set of papers is whether it is savings or strong expectations, planning, and aspirations that lead to college attendance. This line of research may have little to do with savings mechanisms but with what is needed to move college aspiration to attendance. We learn that college savings are important for students with disabilities, and savings bonds are a consistent predictor of positive outcomes for them. Perhaps savings bonds keeps students' aspirations alive, which translates into achievement. The evidence suggests that parents' financial assets are tied to transmittal of educational attainment across generations (but for male children only, which raises many intriguing questions that should move research to dig deeper into questions of gender and how assets are invested in children). We also learn that the rising cost of higher education and shift from public to family investment, the burden lies disproportionately on Black, Latino, and moderate- and low-income students. The profound implication is that financial burdens are closing opportunities, contributing to greater class and racial inequality.

### **Directions for Future Research**

I would like to strongly suggest that the authors of these papers and all who study the assets-education relationship take policy implications more seriously. We must examine the potential impact of CDAs and other structured mechanisms for college savings rather than simply suggesting their implementation. Additional emphasis needs to be on the importance of education for future well-being and mobility and the shift of cost burden to private citizens. We continue to view these issues in terms of assets when we should also consider a larger vision of public investment for the public good.



## Part II: The Role of Assets in a Comprehensive Education Plan

In his keynote speech, Mark Rank spoke about the American Dream. In its simplest form, the American Dream is the belief that success is a result of effort and hard work coupled with ability. This idea is embedded in the psyche of most Americans, and the term American Dream was popularized in James Truslow Adams' 1931 book, *The Epic of America*. This dream of working hard to build a better life—a central driver in the history of our nation—is associated with the constitutional right of all citizens to the “pursuit of happiness.” However, in the aftermath of the Great Recession, many have begun to question whether the American Dream is actually attainable (Meacham, 2012), a line of questioning that began with the increase in economic inequality that has been taking place since the 1970s (Mishel, Bernstein, & Shierholz, 2009). As the American Dream becomes unattainable for an increasing proportion of the American public, belief in its possibility will weaken.

Few institutions have been more important in sustaining the American Dream than public schools, colleges, and universities. Education has been called the great equalizer with the widespread belief that economic disparity can be narrowed through effort in school and the pursuit of higher education. In recent years, however, people have begun to question whether education provides all youth with the same opportunity.

The American Dream provides the context for understanding why assets should be part of a comprehensive education plan in America. Rank outlines three key beliefs that make up the American Dream: (1) All Americans should have freedom to pursue their desires (i.e., the equality of opportunity rationale), (2) Hard work should result in desired outcomes (i.e., the improved educational outcomes rationale), and (3) People should be able to see progress in their own lives and the lives of their children (i.e., the psychological rationale).

### Equality of Opportunity

The freedom to pursue happiness means that everyone should have an equal opportunity to work hard and succeed. Intertwined with this concept is the idea that our democratic government provides everyone with access to the types of institutions—and subsequently the education—that make achieving the American Dream possible. However, research suggests that education might not provide all children with the same opportunity (Hertz et al., 2007), and some of the papers presented at the Symposium address this issue of equality of opportunity. Specifically, they address inequality in the education system due to intergenerational transmission of education, costs, family capacity, and student loans.

### Assets Can Reduce Intergenerational Transmission of Education from Parents to Youth

Hertz et al. (2007) find a 0.46 correlation between parents' education level and their children's education level, which suggests that education may channel youth into the same social class as their parents. In his Symposium paper, Huang (2012) investigates the relationship of household assets with intergenerational transfer of education from parents to youth. He finds that household assets are associated with increased intergenerational persistence of education among male youth but decreased persistence among female youth. Huang suggests that researchers further examine why the effects of household assets on the intergenerational transmission of education vary by gender. He also suggests that if household assets affect intergenerational transmission of education from parents to children, asset-building policies may have a role to play in making education a more equitable path for attaining the American Dream.

**The freedom to pursue happiness means that everyone should have an equal opportunity to work hard and succeed. However, research suggests that education might not provide all children with the same opportunity.**

If a goal of education in America is to create greater equality of opportunity for the greatest number of children, research suggests that assets can play a role in a comprehensive education plan, increasing the potential of education to act as an equalizer rather than a barrier.

### **Saving as a Youth Can Make College More Affordable**

Rising college costs also have helped create an uneven playing field. The viability of education as a path to the American Dream depends—at least in part—on whether or not youth have enough money to prepare for, enroll in, and graduate from college. As states cut funding for higher education, college costs continue to rise. The average total cost of college attendance including room and board for an in-state student at a public four-year college for the 2010-2011 school year was \$16,140—an increase of 6.1% from the prior school year (College Board, 2010). The cost of a four-year private college in 2010-2011 rose to \$36,993—an increase of 4.3% (College Board, 2010). Rising costs negatively impact college enrollment of low-income youth in particular (Heller, 1997; Leslie & Brinkman, 1988; McPherson & Schapiro, 1998). Findings suggest that a net cost increase of only \$150 (in 1993-1994 dollars) results in a 1.6% reduction in enrollment among low-income students (McPherson & Schapiro, 1998).

Research conducted for the Symposium suggests that youth savings can lead to more assets in young adulthood. Friedline et al. (2012) find that adolescents aged 13 to 17 years who have savings of their own are more likely to have savings as young adults aged 18 to 22 years and are likely to have saved more than those who did not have savings as adolescents. If saving in childhood leads to higher amounts of money saved in young adulthood, assets clearly can play a valuable role in making college more affordable for a greater number of youth. Further, while Friedline et al. (2012) examine savings only until savers reach age 22, it is worth noting that a new study by Elliott, Rifenburg, Webley, Friedline, and Nam (2012) finds that having a savings account as a youth can improve long-term savings rates and amounts among adults 18 to 58 years old.

Important factors for promoting youth savings and types of policies to encourage youth savings are debated among Symposium participants. Webley and Nyhus (2012) and Otto (2012) emphasize individual and family characteristics as important to consider when studying processes that lead to saving-related behaviors. According to this perception, youth learn values, attitudes, and behaviors by observing and modeling their parents. Webley and Nyhus (2012) find that parental encouragement is associated with children saving in the past year, having a preference for saving over spending, being conscientious, and displaying greater future orientation. However, as Sondra Beverly states:

If individual and family characteristics explain most of the variation in saving-related behavior and savings outcomes, then there is little we can do to level the playing field. Children who are naturally future-oriented and high in self-control or (more likely) children who grow up with adults who teach and model future-orientation, budgeting, saving, and so forth are much more likely to become young adults who save and have assets. Advantage begets advantage, and inequalities persist...Policies and programs might attempt to change individual and family characteristics, but institutional theory highlights different pathways to asset accumulation (Beverly, 2012, p. 4).

In contrast to an economic socialization perspective, an institutional perspective is built on the premise that acquisition of financial knowledge and resources is strongly influenced by structural failures related to social class and race. Structural failures make it difficult for low-income families to provide youth with connections within and between financial institutions needed to save and accumulate assets. In support of the institutional perspective, Sherraden et al. (2012) find themes that cut across three studies conducted on youth savings programs that help point to the role institutional variables play in affecting saving behavior and outcomes. For example, they find that incentives (e.g., initial deposits and savings matches) help individuals accumulate savings, and restrictions on the use of funds help participants focus on particular savings goals and discourage early withdrawals.



*Trina Williams Shanks presents a theoretical model on assets, economic opportunity, and toxic stress.*

### **College Assets Can Increase Family Contributions**

Only a small percentage of students from low-income and racial/ethnic minority families report paying for college expenses with family contributions. Elliott and Friedline (2012) find that 29% of Black students report that their families help pay for college at two-year colleges compared to 42% of both Hispanic and Asian students and 46% of White students. Their survey of students attending a four-year college shows that about 57% of Black and Hispanic students pay for college with family contributions, and about 70% of Asian and White students do. Even larger disparities exist by income level. For example, 41% of students from families that earn \$0 to \$20,000 annually report paying for college with family contributions while 81% of students from families that earn \$100,001 or more annually report paying for college with family contributions. Using multivariate techniques, Elliott and Friedline (2012) uncover evidence that family assets, specifically college investment funds, may help increase the probability that students can pay for college with family contributions.

Involving families in saving for children's education is another way that asset policies may help make college more affordable for greater numbers of youth. We must adopt a village approach to paying for college (i.e., students, families, and federal and state governments must share the burden of paying for college education). Developing ways to help parents save for college costs may be an important step in that direction.

### **Assets Can Reduce the Burden of Paying for College**

Since the late 1970s, the federal government has attempted to solve the problems of prohibitive costs and low family contributions by adopting policies that make college loans more accessible. The Middle Income Student Assistance Act (1978) brought college loans to the middle class by removing the income limit requirement for federal aid programs (Hansen, 1983). The Higher Education Act (1992) made unsubsidized Stafford loans available, and the Omnibus Budget Reconciliation Act (1993) included provisions for the Federal Direct Loan Program. More recently, Congress raised the ceiling on the amount of individual federal Stafford loans students can borrow through the Ensuring Continued Access to Student Loans Act (2008). As loans have become more accessible, the ratio of federal



grants to federal loans has plummeted. For example, the proportion of federal grants to federal loans in 1976 was almost 1:1 (Archibald, 2002). By 1985, the numbers had shifted to 27% grants and 70% loans, and by 1998, they shifted even further to 17% grants and 82% loans (Archibald, 2002; see also Heller & Rogers, 2006).

Reversing this trend is imperative, and policies that encourage parent and youth asset accumulation might provide a mechanism for doing so. Elliott and Friedline (2012) find that students are less likely to report paying for college with student contributions—primarily through college loans but also through savings, job earnings, and federal work study programs—when parents open a savings account, start a state-sponsored savings plan, or open a college investment fund. However, nonminority and higher-income parents are more likely to have college assets for their children than minority and lower income parents. This finding is in line with findings on family contributions discussed above.

## **Balancing the burden among students, families, and society might increase the financial benefits for everyone.**

Assets in the form of parents' college savings may help reduce the amount of student loans youth are required to borrow to pay for college, which can be thought of as a means of bringing back into balance the share of the burden students are expected to pay to attend college. This is important because balancing the burden among students, families, and society might increase the financial benefits for everyone.

### **Assets Can Reduce the Negative Effects of College Debt**

Today, students are assuming more of the responsibility of paying for college, and student loan debt is rising. Total education borrowing increased by 5% (i.e., \$4 billion) from academic years 2007-2008 to 2008-2009 (Steele & Baum, 2009).<sup>15</sup> Among students who received loans and graduated from a four-year public university in 2007-2008, the median debt is \$17,700, a 5% increase from the education debt of similar students in 2003-2004 (Steele & Baum, 2009). Moreover, 10% of students who received education loans and graduated in 2007-2008 have more than \$40,000 of debt (Steele & Baum, 2009). At four-year private colleges, the median loan debt of those who graduated in 2007-2008 is \$22,375—an increase of 4% from 2003-2004. Among undergraduates who hold a degree from a four-year private college, 22% have more than \$40,000 of debt (Steele & Baum, 2009).

Zhan (2012) finds that college debt above \$10,000 actually can reduce the probability that students living in families with net worth above \$50,000 will graduate. This suggests that higher amounts of student debt might weaken the ability of students—in particular those with higher net worth—to graduate college. The logical conclusion is that increasing student loans above a certain level is counterproductive, which conflicts with current trends in financial aid policy.

Less student loan debt results in less time spent paying it off. If loan burden after graduation were reduced, education would become a stronger pathway for reaching the American Dream.

### **Improved Educational Outcomes**

Underlying the improved educational outcomes rationale is the notion that hard work and aspirations do not necessarily result in desired outcomes in school, particularly for lower income and lower wealth youth. For example, the Advisory Committee on Student Financial Assistance (ACSFA)—a group charged by Congress with enhancing access to postsecondary education for low-income youth—captures the effect that financial constraints have on actual college attendance (2006). They identify college-qualified youth (i.e., those who have put in the work) who expect to attend college but do not. ACSFA refers to this phenomenon as “melt” and find that 70%

<sup>15</sup> These figures include only federal loans, not other types of borrowing for school (e.g., credit cards or personal loans).

of college-qualified low-income youth plan in tenth grade to enroll in college, but only 54% actually enroll upon graduating from high school.

Elliott and Beverly (2011) build on ACSFA's study by examining the role assets play by conducting a study of "wilt." They find that 73% of adolescents plan on graduating from a four-year college, but 55% of adolescents who do not have savings fail to attend college after graduating high school. In comparison, only 20% to 26% of adolescents who have some type of savings do not enroll in college after graduating high school. ACSFA's (2006) and Elliott and Beverly's (2011) findings show the impact that assets can have on transforming desires (plans to attend college) into reality (actual college enrollment and graduation).

Six Symposium papers (Chowa, Masa, Wretman, & Ansong, 2012; Cheatham & Elliott, 2012; Grinstein-Weiss, Sherraden, Gale, Rohe, Schreiner, & Key (2012); Huang, 2012; Loke, 2012; Zhan, 2012) add to a growing body of evidence of the link between assets and youths' educational outcomes.<sup>16</sup> In the only Symposium paper to discuss primary school educational outcomes, Chowa, et al. (2012) present baseline evidence from the YouthSave Ghana Experiment. YouthSave is a five-year research project examining the potential of savings accounts as a mechanism for youth development in four developing countries. The Ghana Experiment is a cluster-randomized study of 100 schools. Fifty schools are assigned to the treatment condition, and the other 50 are assigned to the control condition. The baseline sample includes 6,252 youth, of which 3,087 are used in the study because researchers include only youth whose parents were interviewed at baseline and provided information about household possessions. Youth who live in households in which the family owns any asset score approximately three points higher in math and four points higher in English (i.e., reading and writing) than youth who live in households with no assets.



*During a networking period, Annette Otto speaks with PhD student Aislinn Conrad-Hiebner from the University of Kansas, School of Social Welfare.*

The other five studies focus on postsecondary or college outcomes and find that assets are a significant positive predictor of college enrollment. Cheatham and Elliott (2012) focus on a sample of students who at some point during or prior to tenth grade were in a special education program due to some type of disability. This is the first study to examine the effects of assets on a population of disabled youth, and the researchers find that parents' college savings—in particular college bonds—are a significant positive predictor of college enrollment rates among disabled youth.

While students must enroll in college before graduating, a growing consensus is that college graduation is important to measure because many students who start college fail to finish. Grinstein-Weiss et al. (2012) present evidence on college graduation outcomes from a randomized experiment within the American Dream Demonstration (ADD) in Tulsa, Oklahoma. ADD is the first large-scale test of Individual Development Accounts (IDAs) in the United States and implemented in 14 programs across the United States. Only the Tulsa program uses a randomized experimental design.

Participants in the ADD experiment were randomized into either the treatment group—members of which were offered a matched IDA, financial education, and case management services—or the control group. There were 537

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<sup>16</sup> For more information on previous studies, see the review by Elliott, Destin, and Friedline, 2011.

treatment group members and 566 control group members originally, and the study sample was restricted to those respondents that had no missing data on necessary covariates. This reduced the final sample to 824 respondents. Treatment group members were given 36 months to save money in their IDAs.

Grinstein-Weiss et al. (2012) use baseline and wave-four data collected 10 years after randomization took place and six years after the ADD program ended. They find that the treatment has a significant positive impact on enrolling in postsecondary education but not on graduation. They also find evidence that IDAs have a significant positive impact on males' educational attainment but not females'. However, other studies from the Symposium that focus on traditional college students (i.e., those who leave high school and enroll in college soon after) do find a significant relationship between assets and college graduation.

While Zhan's (2012) Symposium paper focuses on the relationship between household net worth and college debt, she also tests the relationship between household assets and college graduation. She finds a significant positive relationship between household net worth and college graduation. Similarly, Huang (2012) and Loke (2012) find evidence that assets are significantly and positively related to college graduation. Loke finds that asset holdings significantly higher than zero have a positive significant relationship with college graduation rates. Further, when lower wealth households experience significant asset accumulation over time, youth from these households graduate college at similar rates as youth from wealthier households. Overall, findings suggest that policies that encourage asset building among lower wealth families can have a positive effect on college outcomes. However, more research is needed to determine if effects are stronger for traditional students than nontraditional students.

**When lower wealth households experience significant asset accumulation over time, youth from these households graduate college at similar rates as youth from wealthier households.**

## Psychological Outcomes

The third and final rationale for including assets in the education discussion aligns with the aspect of the American Dream based on individuals' expectations of progress in their own lives and the lives of their children. This requires people to envision what the future will be like for themselves and for their youth, which we refer to as the psychological rationale. From this perspective, assets may change how youth think about their school-focused future identities (Oyserman, 2012).

One compelling aspect of youth savings policies is the potential for changing how youth think and act in regards to school. When measuring youths' and parents' perceptions about college, researchers use college expectations as a proxy. Generally speaking, college expectations are thought of as "...an individual's subjective probabilities that an event, such as receiving a college degree, will occur sometime in the future given available information and preferences at the present time" (Reynolds & Pemberton, 2001).

Past research supports the proposition that assets are associated with positive expectations (Elliott, Destin, & Friedline, 2011; Elliott, Choi, Destin, & Kim, 2011), and Symposium findings build on this growing body of evidence. Kim et al. (2012) present evidence from the randomized experimental SEED OK experiment, a large-scale experiment designed to test universal CDAs in Oklahoma. The SEED OK study sample was randomly drawn from birth records provided by the Oklahoma State Department of Health for all infants born from April through June and August through October in 2007. Of the 7,115 infants identified as eligible for the SEED OK study, primary caregivers of 2,704 infants agreed to participate and complete the baseline survey by telephone between fall 2007 and



*Mark Rank gives a keynote speech on Assets, Education, and the American Dream.*

spring 2008. The study uses data from the birth records and the baseline survey, and Kim et al. (2012) find evidence that financial assets are significantly and positively associated with parents' expectations for their youth to attend college. Due to the young age of the youth in their sample, Kim et al. (2012) are unable to determine whether assets affect expectations and thus educational outcomes.

Using a nationally represented sample of youth with disabilities, Cheatham and Elliott (2012) find evidence that youths' and parents' college expectations partially mediate the relationship between parents' college savings and youths' college enrollment outcomes. Loke (2012) also finds evidence that parents' college expectations for their children partially mediate—and sometimes fully mediate—the relationship between assets and college graduation. However, in contrast to Cheatham and Elliott's (2012) findings, Loke (2012) finds no evidence that youths' expectations act as a mediator.

Taken as a whole, research suggests that having assets seems to make positive expectations more likely, and having positive expectations seems to make savings more likely (see Elliott et al., 2011). What might explain this? Researchers recently have begun to use the Identity-Based Motivation (IBM) theory to explain how assets and expectations influence one another. As Destin (2012) states, “The concept of identity will be described as a central mechanism that may connect the observable influence of resources to the more subtle role of motivation and cognitive factors that drive achievement” (p. 4). From an IBM perspective, college expectations are a proxy for youths' school-focused future identities. IBM focuses on youths' future visions of themselves. Although the term identity can refer to a diverse array of concepts, IBM focuses on aspects of identity that can influence behavioral choices directly.

Oyserman (2012) states that school-focused future identities alone are not enough to change youths' school behaviors. She goes on to contend that abstract self-concepts are most likely to guide everyday behaviors when they are: (1) congruent with group identity (e.g., race/ethnicity, social class),

**Having assets seems to make positive expectations more likely, and having positive expectations seems to make savings more likely.**



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(2) connected with relevant behavioral strategies (e.g., studying, asking questions), and (3) able to provide an interpretation of difficulties as normal and manageable.

The idea that difficulties are normal may be related to the idea of the negative effects of toxic stress presented by Williams Shanks and Robinson (2012). Stress becomes toxic when youth lack strategies and resources needed to deal with normal stressful events (e.g., the death of a family member) and their bodies respond in ways that can be harmful to both cognitive and physical development. This concept informs our understanding of the mechanism by which normal stressors (e.g., no sufficient assets) may stunt youths' physical and cognitive development, and IBM explains how having sufficient assets may create more positive future identities and school outcomes. From an IBM perspective, asset accumulation is a current action taken to benefit a future, college-bound identity (Oyserman, 2012). In other words, saving may provide the conditions necessary for formation of college-bound identities, and assets may improve youths' school outcomes.

## Conclusion

The Assets and Education Research Symposium focused primarily on educational *outcomes*. Current research findings on outcomes do not provide enough evidence on their own to argue for the inclusion of assets as part of a comprehensive education plan. Potential benefits of children's asset building may go beyond improved educational outcomes. For example, Friedline and colleagues (2012) find that having savings as an adolescent is associated with higher rates of savings in young adulthood. Building on this Elliott, Rifenburg, Webley, Friedline, & Nam (2012) extrapolate the effects of having savings as an adolescent out to age 58. They find adolescents who had savings save at a higher rate and have more saved over the course of adulthood than their peers who did not have savings as adolescents. Using this as an indication that children's savings may build assets that can be used across the life course, we can compare asset-building policies to college loan, scholarship, and grant policies.

A growing body of evidence, some presented at the Symposium, suggests that assets have the potential not only to enable children to plan for college and other expenses in later life but also to change how children think about their futures, a concept introduced by Sherraden (1991). Indeed, it may be that psychological benefits occur even if there are few signs that children effectively monitor their savings.

Such psychological changes may provide part of an answer to a question often posed by the media, politicians, and asset researchers. At the announcement by the DOE of a new college savings account research demonstration, someone asked if \$1,600 dollars would be enough to make a meaningful difference in a child's life. In large part the answer to this question depends on whether or not having savings does produce the psychological effects described at the Symposium. Research by Elliott and colleagues using the PSID and its supplements suggests that assets create meaningful psychological effects (Elliott et al., 2011).

In the case of children, when we think about what constitutes a positive outcome, it may be helpful to think beyond changes in saving behavior and how much children save for college. Having assets may create a college-bound identity and provide children with a tool for overcoming financial difficulties of attending and eventually graduating from college. In her Symposium paper, Daphna Oyserman (2012) states it as follows:

First, the act of saving now for a later college-bound self implies that if future is near enough that current action is needed. This should improve chances of children spending time on homework as well as their engagement in classroom activities. Second, the act of saving now for a later college-bound self is not easy but implies that the future college-bound self is an important goal. This should improve chances of children persisting on difficult school tasks. Third, the act of saving now for a future college-bound self implies that people like oneself can get ahead, making strategies for persisting school more likely to come to mind.  
(p. 10)



*Jin Huang answers a question from discussant Thomas Shapiro while William Elliott looks on as part of the "Assets and Postsecondary Education" Panel.*

**If one form of financial aid helps children pay for college only when they reach college age, but another form has the potential for multiple positive effects beyond paying for college, the better investment becomes obvious. Innovative ways to help children accumulate savings to pay for college should be examined.**

All of these relationships regarding assets and potential outcomes will require larger programs of research.

Finding ways to get the most from money spent on college loans, scholarships, and grants is one way to frame this discussion, and asset building may be a way to maximize benefits. For example, as college debt skyrockets and it takes longer to pay it off, adults receive less of a financial return on their investment. Having assets may help reduce the debt burden on students (Elliott & Friedline, 2012), and thus increases the value of a college education. In addition, if having savings may help children engage in school at an early age, it might allow them to take better advantage of the primary education they receive. Also, if having savings as a child is associated with higher rates of saving throughout adulthood, children may be more likely as adults to maximize the financial benefit of having a college degree.

If one form of financial aid helps children pay for college only when they reach college age but another form has the potential for multiple positive effects beyond paying for college, the better investment becomes obvious. This suggests that not all forms of financial aid result in the same outcomes. Innovative ways to help children accumulate savings to pay for college should be examined. Investing money in programs that are potentially more advantageous speaks to Shapiro's call in this report to have a "larger vision of public investment for the public good" and Sherraden's suggestion to think about a universal CDA "to raise the next generation more successfully."

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