Biannual Report on the Asset and Education Field

Building Expectations, Delivering Results:
Asset-Based Financial Aid and the Future of Higher Education

Chapter 4 (Brief): From Disadvantaged Student to College Graduates: The Role of CSAs

By William Elliott and Emily Rauscher
Chapter 4 - Brief

**FROM DISADVANTAGED STUDENTS TO COLLEGE GRADUATES: THE ROLE OF CSAS**  
*BY WILLIAM ELLIOTT AND EMILY RAUSCHER*

Minority and low-income children have many of the same aspirations for college as more advantaged children, but their enrollment and completion rates lag. This contradiction between high expectations and constrained achievement provides one of the more vivid illustrations of failure of the education path to act as the great equalizer. Addressing the educational challenges facing disadvantaged children will require innovations that can create greater equality of opportunity, such that their innate talents and academic effort translate into meaningful access to college. Evidence points to differences in asset accumulation as part of the key to explaining educational gaps. Children’s savings for school, even at very low levels, may empower low-income high school graduates to enter and succeed in college. Some of these effects may be a result of children’s changed engagement with institutions, which they see as supportive of their aspirations and consistent with their normative expectations. Children’s Savings Accounts (CSAs) can be a step toward changing the educational trajectories of disadvantaged, but talented, children in the U.S.

**Bridging the chasm between hopes and reality: CSAs and the expectation paradox**

- About 52% of low-income and 82% high-income children enrolled in a two-year or four-year college immediately upon graduating high school in 2010.1 Even bigger gaps exist when considering college graduation rates. Children from high-income families are six times more likely than children from low-income families to complete a bachelor’s degree by age 25.2
- The gaps are most vivid when comparing students with similar achievement levels, but different incomes. Low-achieving children from high-income families attend college at a much higher rate than low-achieving children from low-income families (65% vs. 33%, respectively). Similarly, 88% of high-achieving children from high-income families attend college while only 69% (a similar percentage as low-achieving, high-income children) of high-achieving children from low-income families attend college.3
- These ‘lost college students’ represent missed opportunities. In the 1990s, between 1 and 1.6 million college-qualified high school graduates did not earn a bachelor’s degree; between 1.4 and 2.4 million will be lost in this decade.4

**Wilt: Impact of financial constraints on college attendance**

- Over 80% of non-college-goers identified financial aid as “extremely” or “very” important in their decision not to enroll in college.5 Additionally, even more generous provision of financial aid at the point of enrollment may not be adequate to reverse these effects; because reduced expectations of college

---

4 Ibid.
Chapter 4 - Brief

attendance shape college preparation, students’ financial worries may lead to failure to apply to college or for financial aid or to take requisite college entrance exams or preparatory coursework.

• Studies confirm that socioeconomic status plays a role in determining which talented students fail to attend college after leaving high school. ACSFA found that 70% of low-income, college-qualified children planned in 10th grade to enroll in college, but only 54% actually enrolled upon graduating from high school.

• When students are talented and academically prepared enough to go to college but fail to enroll, they can be said to have experienced ‘wilt’. There is evidence that having assets, especially when those savings are dedicated for college, can help to protect against wilt. Conversely, lack of savings can reduce even college expectations prior to high school graduation; more than 80% of children who have school savings as adolescents expect to graduate from college, compared to 64% of children with no account.

• Savings reduce wilt, and these effects are seen even at very low levels of savings. However, the amount of savings matters; higher percentages of children expect to graduate from college as savings amount rises.

• Savings not only increase college expectations, though; school savings, in particular, are associated with superior academic outcomes in college, as well.
  o Having school savings as a child improves the chances that low-income and black children enroll in college. A low- to moderate-income or black child who has school savings of $1 to $499 prior to reaching college age is about three times more likely to enroll in college than a black child with no savings account.

Enrollment is only the beginning: Inequalities deepen after college enrollment

• Disparities in college completion rates exist by parental income, parental education, cultural and social capital, mental and physical health, family structure, and academic preparation. In addition to these inequalities, a relatively recent line of research shows that assets—more unequally distributed than income—are also important for college graduation.

• When it comes to both determining the likelihood of college attainment and, subsequently, reaping the economic and social benefits of the degree, not all higher education is created equal. The type of institution a student attends—e.g., two- or four-year, private or public, selective or non-selective, and

---

size—has important implications for the likelihood of graduating,\(^\text{13}\) and there are significant inequalities in institutional selection, by student socioeconomic status. Two-year colleges have lower retention rates than four-year schools, even after accounting for differences in the types of students.\(^\text{14}\) Because those who attend two-year schools tend to come from families with fewer advantages, these retention differences exacerbate inequality.

- Beyond institution type, student pathways through college represent another way in which inequalities interact with the education system to transmit advantage. Disadvantaged students are more likely: 1) to transfer from a four- to two-year school;\(^\text{15}\) and 2) to transfer between postsecondary institutions with time gaps between leaving one school and entering another.\(^\text{16}\) These differences have implications for the likelihood of degree completion and returns.\(^\text{17}\) Socioeconomic status may even affect student course selection within institutions, in patterns that can close off career options and affect students’ academic experience.\(^\text{18}\)

- Importantly, assets make a difference for college completion, too, indicating that having school savings may help students to navigate the college environment more successfully than their relative disadvantage would otherwise predict. Low-income students with school savings of $500 or more were five times as likely to graduate from college as low-income students without a savings account and nearly three times as likely as those with only basic savings, not designated for education.\(^\text{19}\) Among children who expected to graduate from college while in high school, a low- or moderate-income child who has school savings of $1 to $499 prior to reaching college age is about four times more likely to graduate from college than a child with no savings account.\(^\text{20}\) Black children who expected to graduate from college are four times more likely to do so if they have school savings of $1 to $499, compared to black children with no savings account.

How assets reduce wilt: CSAs align normative and role expectations

- The institutional facilitation framework emphasizes three normative expectations—shared ideals about how institutions respond to individuals: (1) the American dream, (2) individualism, and (3) education as a

---


\(^\text{18}\) Ibid.


path to economic mobility. These normative expectations may provide a way to help understand educational differences within the American educational context.

- The American dream serves the functional purpose, at least in pretext, of providing everyone with equal opportunity.
- Individualism is the belief that individuals, not institutions, are causes of things that matter. Evidence suggests that people believe opportunities generally exist for everyone and that it is up to the individual to take advantage of those opportunities. Because people maintain their belief in the basic idea of the American Dream, they resist institutional explanations for explaining variations in individual outcomes.
- Americans also generally believe in the idea of education as a path to social and economic mobility. Almost all students aspire to attend college and most parents want their child to attend college.

- Unfortunately, once minority or low-income children arrive in school, they often find that their own actions do not produce the kinds of institutional responses that normative expectations predict.
- Regardless of the child’s cognitive expectations she is forced to perform school related activities in the context of socially shared role expectations for her. Role expectations that create advantage for some children unevenly increase the amount of return a child can expect to receive from investing effort and ability into schooling. Role expectations that disadvantage some children reduce the amount of return a child can expect to receive from investing effort and ability into school. In the ideal scenario, institutions would be held constant and variation in outcomes would be the result of personal capabilities—effort and ability. In other words, if U.S. society worked the way that many Americans believe it does, normative expectations and role expectations would be in ideal harmony with one another.
- Unsurprisingly, for minority and low-income children role expectations are often dissonant with normative expectations. Role expectations are critical because they represent the ongoing struggle and institutionalization of rules that divert resources to be used to augment certain groups’ use of effort and ability and not others, constraining the action of those groups who are not provided institutional benefits.
  - Large variability in school funding creates distinct advantages for some children, while inferior educational opportunities limit the life chances of others.
  - At the individual level, advantaged parents leverage their homes for superior educational opportunities for their children by moving to better neighborhoods where high-quality schools exist, using their individual power to exploit the disparities in resources. Lack of wealth (primarily inherited wealth) prevents many poor and black families from moving into these neighborhoods and, therefore, from accessing these schools and the opportunities they would afford.

---

Chapter 4 - Brief

- However, the external context cannot fully explain children’s behavior because of the internal process that occurs and the varied types of experiences that low-income children have with respect to school. So, while a high percentage of low-income children underachieve in grades K-12 and in college, we also see others who are high-achievers.

Changing the External Context with CSAs

- Changing the distributional consequences of role expectations and the bargaining power of minority and low-income children can change role expectations that are in conflict with normative expectations. In the current system either low-income parents—who are at a disadvantage for providing the institutional context to counteract disadvantageous role expectations—or philanthropic organizations—whose efforts are not comprehensive or systematic enough to support all children—are expected to provide the resources for challenging these role expectations. Public institutions have largely retreated from this responsibility, with the rise in college costs, even at state schools, and the disinvestment from financial aid based on need.
- Especially given evidence to suggest that asset effects on educational outcomes can be realized at relatively low levels of investment, however, there is reason to suspect that public support for widespread, even universal, children’s savings may succeed where reliance on individual or sporadic efforts has not. A national CSA program may provide children with the bargaining power they need to de-emphasize disadvantageous role expectations shared by most in the formation of their own identity.
- CSA programs may align role expectations with normative expectations by ensuring that college appears attainable to children. CSA programs may also enable communities to ensure every child has college savings and forms a college-bound identity.
- CSAs may also provide a way for children to interpret and overcome difficulty. In order to sustain an image of a future self as being college-bound, the context must provide a way to address inevitable obstacles to the goal of completing college. Here, the role of school savings is clear. Children are more likely to act on their college-bound identity when resources augment their use of effort and ability to make the image a reality.

CSAs Unlock Motivation and Empower Low-Income Students to Succeed

- If a child’s experiences with schools teach that her investment of effort and ability is undervalued relative to other children, the decision to invest in education becomes less likely. While the benefits of education ultimately outweigh the costs, minority and poor children often find themselves competing in an unfair game. While research has shown, for example, that black children have equal or higher levels of motivation for performing academic work, they must expend more effort to achieve the same results due to differences in how institutions augment their effort.
- When children have a CSA they may begin to act as though they have a right to attend, and expect to complete, college. With a financial stake in college comes a power that translates into different institutional interactions. Children’s savings programs may empower children to participate in, negotiate with, influence, control, and hold accountable the schools they attend.
  - Children who feel empowered are hypothesized to feel more comfortable about asking teachers, counselors, and school administrators for information about higher education or financial aid.

Chapter 4 - Brief

- They may also be more likely to take college-prep classes or entrance exams, or to apply to more selective colleges.
- They may be quicker to seek out an adviser when encountering challenges academically and may eventually become better financial aid consumers.
Chapter 4 - Brief


**Acknowledgments**

AEDI is indebted to countless individuals for their invaluable guidance in pulling together this report on the assets and education field. In particular, the following scholars either helped co-author specific chapters in the report and/or provided detailed feedback on the overall report: Dr. Reid Cramer; Mrs. Rachel Black; Dr. Terri Friedline; President of the Hatcher Group, Ed Hatcher; Mr. Robert Johnston; Ms. Amy Saltzman; Mr. Robert Kelchen; Mrs. Sally Kakoti; Mrs. Melinda Lewis; Dr. Emily Rauscher; Dr. Trina Williams Shanks Dr. Margaret Sherrard Sherraden; and Mr. Thomas Showalter.

We would also like to thank the Hatcher Group for editing (substantive as well as copy editing) and designing this report. They have been a valued partner in pulling together this report.

Finally, this report could not have been done without the generous support of the Lumina Foundation, Citi Foundation, Ford Foundation, and the Charles Stewart Mott Foundation.

These individuals and organizations are not responsible for the quality or accuracy of the report, which is the sole responsibility of AEDI. Nor do they necessarily agree with any or all of the report’s findings and recommendations.

**About Us**

The mission of the Assets and Education Initiative (AEDI) is to create and study innovations related to assets and economic well-being. The specific focus is on the relationship between children’s savings and the educational outcomes of low-income and minority children as a way to achieve the American Dream. AEDI, a division of the KU School of Social Welfare, builds the field’s capacity to conduct rigorous research and advocates for the economic well-being of low-income and minority children. For more, visit [http://aedi.ku.edu/](http://aedi.ku.edu/).

**Contact Information**

William Elliott III  
Assistant Professor, University of Kansas  
Director, Assets and Education Initiative  
Twente Hall  
1545 Lilac Lane, Rm 309  
Lawrence, KS 66045-3129  
aedi@ku.edu  
(785) 864-2283