A pattern of wealth inequality

Children from lower-wealth families are less likely to attend and complete college.¹

- Bachelor’s degree holders from low-income families start their careers earning about 1/3 less than those from higher income families.²
- Household income and net worth are higher for adults who received parental financial support for college.³

Parenting readiness

Parents with a CSA have higher expectations for their children’s education and their expectations are more likely to remain constant or increase over time than peers without CSAs.⁴

Infants that receive a CSA demonstrate significantly higher social-emotional skills at age four. CSAs mitigate about 50% of the negative association between material hardship and social-emotional development.⁵

Higher social and emotional learning is predictive of a 11-percentile-point gain in academic achievement.²¹

College Readiness

The prospect of debt is prohibitive of pursuit of college and a college degree.

Children with savings designated for college are 31% more likely to expect to attend college than children without savings designated for college.⁶

College Access & Wilt

Wilt contributes to the gap in college access:

Only 12% of the highest-achieving children from high income families fail to make the transition out of high school and into college.¹⁰

31% of the highest-achieving children from low-income families fail to make the transition out of high school and into college.¹¹

How we can break this pattern

Short-Term Solution

Eliminating student debt among those making $50,000 or below would reduce the Black-White wealth gap by about 37%; for those making $25,000 or below it would reduce it by over 50%.¹³

Long-Term Solution

CSAs combined with a Wealth Transfer. Children’s College Savings Accounts could reduce the racial wealth gap in America by 20% to 80% depending on wealth transfer size.¹⁴

For each $1K in loans required, the probability of a low-income student graduating drops 1.6%.¹⁶

Low and moderate-income children with savings designated for college are 4x more likely to graduate than without savings.¹⁵

College Completion

Wealth Accumulation & Upward Mobility

Households with 4-year college grads with outstanding student debt have $70,000 less in home equity than similarly-situated households without student debt.¹⁷

4-year college grads with median debt of $23,300 have $115,096 less in retirement savings by age 73 than those without student loans.¹⁸

Student debt burden for a dual-headed household with bachelors’ degrees from 4-year universities leads to a lifetime wealth loss of nearly $208,000.¹⁹

Acquiring $10,000 in student loans is associated with a 18% decrease in the rate of achieving median net worth.²²

Children who have savings reserved for college are...

2x more likely to have a savings account ²⁰

2x more likely to have a credit card ²⁰

4x more likely to own stocks ²⁰

71% of children born to high-saving, low-income parents move up from the bottom income quartile over a generation, compared to only 50% of children of low-saving, low-income parents.²³

For references please visit https://aedi.ku.edu/infographic

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