

BREAKING ← — — — — — THE CYCLE


OF RACIAL WEALTH
INEQUITIES AND HIGHER
EDUCATION OUTCOMES:

HOW DATA-DRIVEN INSIGHTS
CAN INFORM POLICY
SOLUTIONS THAT ADDRESS
THE RACIAL WEALTH GAP

By Charles Sanchez, Eleanor Eckerson Peters,
Diane Cheng, and Sean Tierney
MAY 2024



TABLE OF CONTENTS

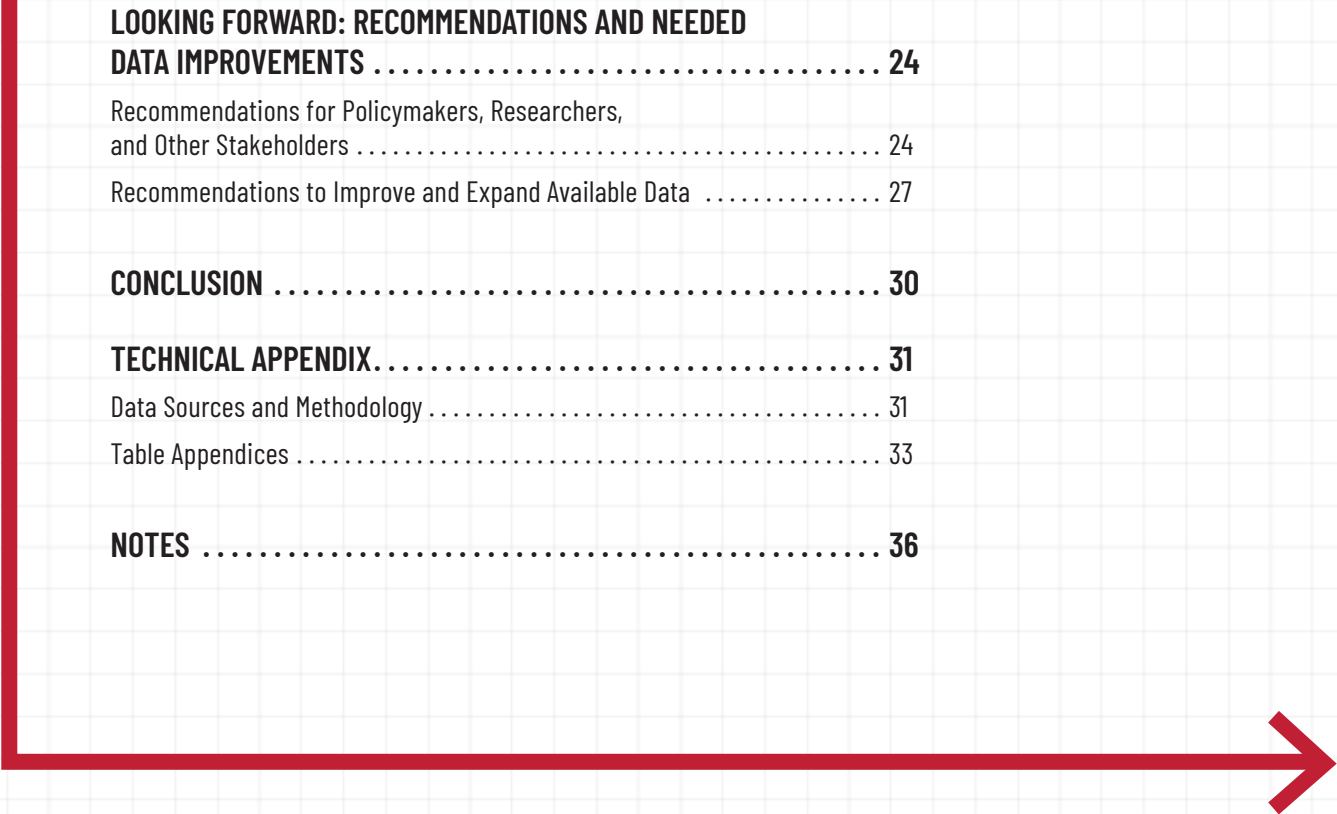


CONTRIBUTORS	III
ACKNOWLEDGMENTS	III
IDENTITY LANGUAGE	IV
INTRODUCTION	1
What is the Difference Between Income and Wealth?	1
What is the Racial Wealth Gap?	2
THE CYCLICAL RELATIONSHIP BETWEEN HIGHER EDUCATION AND THE RACIAL WEALTH GAP	3
How Wealth Affects Higher Education Experiences and Outcomes	3
How Wealth is Affected by Higher Education Experiences and Outcomes ...	5
Research Questions on Higher Education and Wealth	6
WHAT DATA ARE AVAILABLE ON WEALTH AND HIGHER EDUCATION?	7
HOW LARGE IS THE RACIAL WEALTH GAP?	13
HOW IS WEALTH ASSOCIATED WITH COLLEGE SAVINGS, ENROLLMENT, COMPLETION, AND BORROWING?	16
How Wealth Transfers Are Associated with Saving for Children's Higher Education	17
How Wealth Is Associated with College Enrollment	19
How Wealth Is Associated with College Completion	20
How Wealth Is Associated with Student Loan Borrowing	21

TABLE OF CONTENTS

(CONTINUED)

LOOKING FORWARD: RECOMMENDATIONS AND NEEDED DATA IMPROVEMENTS	24
Recommendations for Policymakers, Researchers, and Other Stakeholders	24
Recommendations to Improve and Expand Available Data	27
CONCLUSION	30
TECHNICAL APPENDIX	31
Data Sources and Methodology	31
Table Appendices	33
NOTES	36





CONTRIBUTORS

Kim Dancy, Institute for Higher Education Policy
Lauren J. Asher, LJA Strategies

ACKNOWLEDGMENTS

This research was funded through generous support from The Joyce Foundation. The findings and conclusions presented in this report are those of the authors alone, and do not necessarily reflect the opinions of the Foundation.

The authors are grateful for the contributions of IHEP staff who made this report possible. Thank you to Mamie Voight, president and CEO; Kelly Leon, vice president of communications and government affairs; Lauren Bell, communications associate; Jessica Vivar, government affairs associate; and Gabrielle Smith Finnie, former research intern. They provided a range of support, including policy insight, help identifying timely and relevant research, feedback on drafts, and a host of logistical assistance throughout.

This report required extensive data exploration by Netasha Pizano, former research intern; Marián Vargas, senior research analyst; Pearl Lo, former research intern, and Madeline Rowe, research intern; all of whom provided significant data validation and quality assurance support. We are grateful to Albert Liu, Jackson Miller, and Samuel Correa of Westat Insight for providing methodological feedback. We also extend thanks to Olivia Valdes of the FINRA Foundation for helping provide access to restricted-use data for some of the analyses presented in this report, Sabrina Detlef for copyediting, and openbox9 for creative design and layout.

IDENTITY LANGUAGE

In all of our work at IHEP, particularly as it relates to people, we endeavor to be inclusive, accurate, and respectful. We recognize the meaning and importance of racial, ethnic, and cultural identities by capitalizing them. We use the terms *Black*, *Latinx*, *Asian American*, *Native Hawaiian*, and *Pacific Islander (AANHPI)*, *Indigenous*, and *White* as more than a simple description of people; these are identities, not adjectives, and our capitalization recognizes that many of these terms reflect a shared culture and history. Capitalization of these terms also gives appropriate weight to the ways that socially constructed concepts of race and ethnicity have created and sustained inequities in our society.

Unfortunately, the country's postsecondary data system still utilizes aggregate race and ethnicity groups and terminology that does not always reflect how people identify themselves. As researchers, we aim, where possible and appropriate, to use language that is consistent across data sets and in research conversations. Where necessary to ensure that our research is accurate and replicable, we reflect those aggregate groups in our writing while, as part of our commitment to racial equity, continuing to push for greater disaggregation of race and ethnicity in federal and state postsecondary data collections.

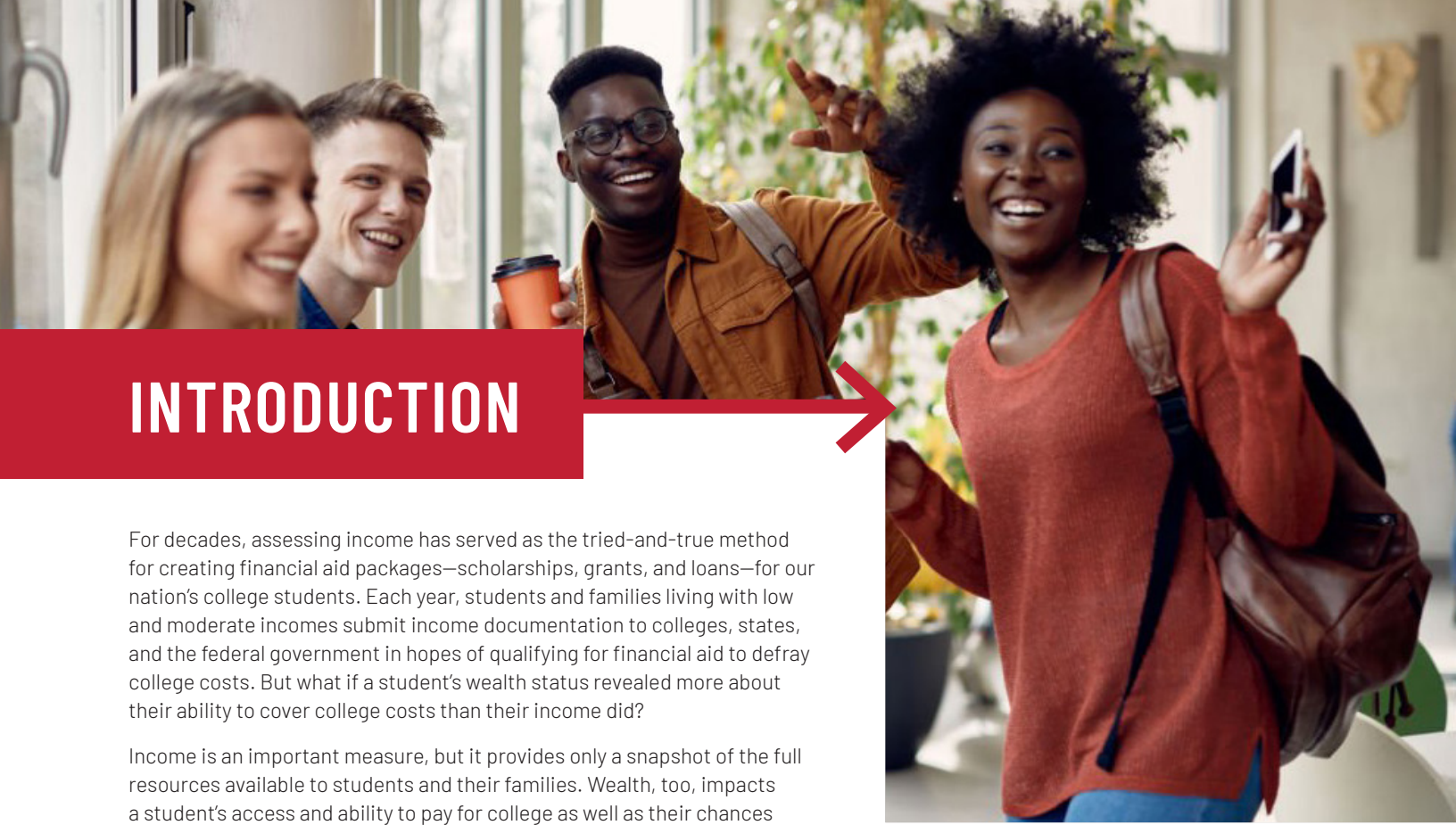
BLACK

At IHEP, we use the term "Black" as an inclusive term in reference to people who identify as part of the Black community. "Black" recognizes that language has evolved and reflects a shared identity and culture rather than a skin color alone. This includes Black people who are born in the United States and those who have direct African lineage from the African diaspora and globally. While the terms "Black" and "African American" are often used interchangeably, including in Census data, the term "African American" refers only to those who have direct lineage from the African continent to America and identify as such. In other words, "African American" can be overly narrow and fail to recognize the diversity of cultural experiences and identities. While the term "African American" is widely used in the United States, we use "Black" to recognize cultural underpinnings and to acknowledge the self-emancipation of enslaved individuals in the United States.

LATINX

At IHEP, we use the term "Latinx" as a place-based and gender-inclusive term to center people with ties to or origins in Latin America beyond Spanish-speaking communities and/or with Hispanic cultural or racial identities. Latinx encompasses Latinos and Latinas and also individuals with non-binary or gender-expansive identities. This term also encompasses the federal definition of "Hispanic," which is used in U.S. Census data. We recognize that some people identify as "Hispanic" while others feel it centers colonialist ties to Spain. We use the term "Hispanic" interchangeably when discussing federal data and/or source materials that use this terminology.





INTRODUCTION

For decades, assessing income has served as the tried-and-true method for creating financial aid packages—scholarships, grants, and loans—for our nation’s college students. Each year, students and families living with low and moderate incomes submit income documentation to colleges, states, and the federal government in hopes of qualifying for financial aid to defray college costs. But what if a student’s wealth status revealed more about their ability to cover college costs than their income did?

Income is an important measure, but it provides only a snapshot of the full resources available to students and their families. Wealth, too, impacts a student’s access and ability to pay for college as well as their chances of graduating and turning career aspirations into a well-paying job and fulfilling life. Examining income alone masks deep and persistent inequities in wealth by race or ethnicity. For example, our analysis finds that while the median income for White households is nearly twice as large as that of Black households, their median wealth is 13 times larger. This gap, which is rooted in generations of discrimination and systemic barriers to opportunity, affects the college dreams of countless people, particularly those from historically marginalized communities.

Limitations in available data mean researchers and policymakers know relatively little about how wealth impacts higher education, with far more attention focused on understanding and addressing the effects of income. This paper seeks to address that missing piece by exploring the impact of wealth on students’ experiences in higher education and how these experiences, in turn, influence wealth-building. This report:

1. Proposes a framework for understanding the cyclical relationship between higher education and the racial wealth gap, including specific research questions that explore how wealth affects college-going decisions and students’ experiences in college, as well as how students’ higher education experiences affect wealth-building.
2. Assesses the availability of data on wealth and postsecondary outcomes and presents a detailed inventory of select data sources.
3. Analyzes selected research questions with available data.
4. Presents considerations for policymakers and other higher education stakeholders seeking to ensure that higher education accounts for and helps narrow the racial wealth gap.
5. Recommends data improvements to enable robust research on the relationship between wealth and higher education.

WHAT IS THE DIFFERENCE BETWEEN INCOME AND WEALTH?

For many postsecondary interventions and policy efforts, income is the standard measure for both targeting investments and evaluating economic outcomes. Individuals typically earn income in the form of a paycheck through employment, though other forms of income also exist.¹ Income is the earned and unearned money an individual or family receives during any given period of time.

Wealth is a more durable and comprehensive measure of an individual’s or family’s financial situation. It is frequently defined as net worth, or the difference between the total value of assets (financial² and non-financial³) and all debts and liabilities.⁴ An individual with wealth to draw on might be able to weather a change in income in the case of, for example, losing a job, by using money in savings to cover expenses while unemployed. In contrast, people with low or no wealth may have trouble affording food or housing if their income drops suddenly. Thus, wealth provides a more complete financial picture of the resources available to a given individual or family.

WHAT IS THE RACIAL WEALTH GAP?

This report defines the racial wealth gap as the difference in wealth between households by race or ethnicity.

Wide and persistent differences in U.S. household wealth by race and ethnicity are well documented. Due to data limitations, comparisons of household wealth have historically been confined to examining differences between Black, Latinx, and White households. Though estimates vary over time and based on data sources used, research generally finds that median White households hold roughly six to seven times more wealth than median Black households, and five to six times more wealth than median Latinx households.⁵ Recently released data from the Survey of Consumer Finances further illustrate the enormity of wealth gaps and include data for Asian households for the first time: in 2022, the median wealth of White families (\$285,000) remained far greater than that of Latinx (\$61,600) and Black (\$44,900) families.⁶ Asian families had the highest median wealth (\$536,000), though there are likely significant wealth gaps within the Asian community.

Discriminatory, predatory, and racist policies and practices in housing, banking, education, and other sectors contribute to the longstanding and substantial gap in typical household wealth between Black Americans and White Americans and make accumulating and transferring wealth far more difficult for some than others. Black Americans are more likely to be denied opportunities to build wealth through homeownership,⁷ experience redlining practices, and face discriminatory mortgage markets.⁸ When they can purchase a home, Black Americans often pay higher property taxes.⁹ Black Americans are also likely to experience greater labor-market discrimination¹⁰ and higher rates of unemployment,¹¹ and receive lower wages than White Americans for comparable work,¹² impacting opportunities for wealth building in the long term through income and access to benefits through employment.

Additionally, because family wealth, unlike income, can be transferred from one generation to another, so, too, can racial wealth disparities. Not only are people born into more affluent families likely to inherit wealth, they also stand to inherit far more than their less-affluent peers—compounding inequities from generation to generation. Yet, accumulating wealth in one's lifetime does not in itself guarantee that one is able to easily transfer that wealth to one's children. Throughout American history, wealth transfers have been designed and implemented in exclusionary ways, limiting the ability of Black families to build and transfer wealth to their children. For example, legislation such as the Homestead Acts of the 1860s¹³ and the G.I. Bill nearly a century later sought to provide access to wealth building mechanisms like home ownership and education. But local implementation often obstructed these federal efforts. Under the G.I. Bill, many returning Black veterans seeking to pursue a college education faced numerous barriers to claiming their rightfully earned tuition and living benefits.¹⁴ Some faced outright denial of mortgage loans,¹⁵ while others were steered toward vocational training programs instead of four-year colleges.¹⁶ Even when Black veterans could access these benefits, many colleges across the South remained segregated and would not admit them. The resulting push towards historically Black colleges and universities (HBCUs) meant these schools became overcrowded.¹⁷ These discriminatory efforts meant many Black Americans were barred from opportunities to build wealth and pass that wealth to future generations.

“... WHILE THE MEDIAN INCOME FOR WHITE HOUSEHOLDS IS NEARLY **TWICE AS LARGE** AS THAT OF BLACK HOUSEHOLDS, THEIR MEDIAN WEALTH IS **13 TIMES LARGER**.”



THE CYCLICAL RELATIONSHIP BETWEEN HIGHER EDUCATION AND THE RACIAL WEALTH GAP

Individuals' wealth influences and is influenced by their higher education experiences and outcomes.

Wealth impacts the resources and opportunities available, including whether individuals are able to attend and complete college. For those who enroll in college, wealth can affect their ability to pay for college costs and whether they take out student loans, which are a form of negative wealth. Students' experiences with higher education and their loan debt can influence whether and how they are able to accumulate wealth after college. Since this accumulated wealth can be passed to children, the cycle continues with succeeding generations.

Higher education alone has not created the racial wealth gap, nor can it alone eliminate the racial wealth gap. Recognizing and better understanding the cyclical nature of this relationship can illuminate how higher education policies and practices can be designed to narrow rather than exacerbate racial wealth disparities.

HOW WEALTH AFFECTS HIGHER EDUCATION EXPERIENCES AND OUTCOMES

Despite a dearth of research on higher education and wealth, some studies have examined how wealth affects educational trajectories and attainment. This small body of research has largely focused on differences in college-going rates between more and less wealthy students as well as differences in how these groups finance their college educations, including through taking on student loan debt.

As with income, research suggests there is a positive relationship between wealth and college enrollment,¹⁸ and especially enrollment in selective four-year institutions.¹⁹ While part of this relationship can likely be attributed to the stronger academic preparation offered in the K-12 schools attended by children from higher-wealth families, research indicates that academic preparation and achievement alone do not explain why wealthier students enroll at selective institutions at higher rates.²⁰

Decisions to enroll in college can be shaped by students' ability to finance college, which can be influenced by family wealth. Several studies have examined the impact of parental wealth transfers—parents providing their children direct financial assistance—on students' ability to pay for college. The results consistently find that fewer Black students receive financial assistance from their families to pay for college than their White peers. This is likely because Black families have limited financial resources that can be used to pay for college when compared with White families,²¹ since Black families tend to hold fewer liquid assets and less home equity than similar White families.²²

Generational wealth-building in the United States is also related to the ability to save for higher education and help defray college costs. Research on the impact of parental saving for college attendance has produced mixed results. Studies that do not control for academic achievement have found a significant and positive link between dedicated college savings accounts and college enrollment,²³ while studies that control for achievement find no significant relationship.²⁴ However, children of parents who create and contribute to education-specific savings accounts are more likely to attain college degrees²⁵ and take on less student debt.²⁶

Furthermore, students with higher-wealth parents have been shown to borrow less in student loans, though this relationship is weaker for Black students compared with their White peers.²⁷ Studies investigating the relationship between student loan debt and higher education outcomes shows mixed results. Evidence from an experimental study of loan offers for community college students²⁸ suggests that having access to loans may improve some academic outcomes, including GPA, credits earned, and the likelihood of transferring to four-year institutions, though not necessarily degree completion,²⁹ a finding also observed in earlier research.³⁰ Research on the impact of student loan debt on graduation rates for students at four-year institutions shows mixed results.³¹ Higher loan debt is associated with significantly lower degree completion for Black students and modestly higher completion for White students,³² suggesting that these groups have different tolerances for this type of debt.

Finally, research on the impacts of wealth on college completion are conflicting, with several studies finding net worth to be significantly and positively related to completion³³ and others finding no effect or relationship.³⁴ When examining the impact of assets, several studies find a significant relationship between nonfinancial assets and completion³⁵ as well as significant and negative impacts of unsecured debt. Moreover, factoring in household assets is found to explain a substantial portion of the gap in college completion between Latinx and White, and Black and White students. One study, which conducts separate analyses by race and ethnicity, finds that financial assets are related to college completion only for White students, while nonfinancial assets and unsecured debt are negatively related to college completion for Latinx and White students.³⁶



“...EDUCATION ALONE HAS NOT CREATED THE RACIAL WEALTH GAP, NOR CAN IT ALONE ELIMINATE THE RACIAL WEALTH GAP.

RECOGNIZING AND BETTER UNDERSTANDING THE CYCLICAL NATURE OF THIS RELATIONSHIP CAN ILLUMINATE HOW HIGHER EDUCATION POLICIES AND PRACTICES CAN BE STRATEGICALLY DESIGNED TO NARROW RATHER THAN EXACERBATE RACIAL WEALTH DISPARITIES.

HOW WEALTH IS AFFECTED BY HIGHER EDUCATION EXPERIENCES AND OUTCOMES

To help institutional leaders, researchers, and policymakers better understand the economic returns of a higher education, the Postsecondary Value Commission developed a series of six earnings and wealth thresholds which provide benchmarks to measure the value institutions deliver to students.³⁷ Two of those thresholds propose measuring whether students are able to reach median levels of wealth and whether students of color, students from low-income backgrounds, and women reach the levels of wealth attained by their more privileged White, high-income, or male peers. Due in part to the methodological challenges and data limitations discussed in detail later, these thresholds remain largely unmeasured.

Much of the research on higher education's impact on wealth has focused on student debt. Studies find that smaller shares of Asian and Latinx students borrow relative to their Black and White peers.³⁸ Concerningly, Black students hold substantially more student debt than their peers³⁹—even those with similar incomes⁴⁰—and face greater difficulty repaying their loans. This means Black students leave college with more negative wealth than their peers do, lowering their net worth. A 2017 analysis of long-term outcomes of student loan borrowers found that typical Black borrowers who started college in the 2003-2004 academic year owed more on their student loan than they originally borrowed. Twelve years after starting college, nearly half of Black borrowers had defaulted on their loans, and typical Black borrowers made no progress paying down their student debt, the only racial group for which this was the case.⁴¹ These outcomes may be driven by the larger debt loads Black students incur to attend college,⁴² as well as a diminished ability to repay their loans, likely due to lower incomes and wealth.⁴³

Researchers also explored how student loan debt contributes to the racial wealth gap over time. One study found that the share of the gap in wealth between Black and White students attributable to student loan debt starts small but increases throughout early adulthood.⁴⁴ This is partly due to the fact that loan repayment impacts other areas of wealth-building opportunities like homeownership,⁴⁵ though there is some evidence to suggest this negative effect may be concentrated among borrowers who do not complete a degree.⁴⁶ Researchers emphasize the importance of examining longer-term debt trajectories rather than singular point-in-time estimates to understand how student debt accrued in one generation may contribute to wealth inequality for the next.⁴⁷



RESEARCH QUESTIONS ON HIGHER EDUCATION AND WEALTH

To better understand the cyclical relationship between higher education and the racial wealth gap, researchers should explore specific ways that wealth affects college-going decisions and students' experiences during and after college, as well as how higher education experiences affect wealth-building.

Table 1 outlines these areas of inquiry, only some of which have been covered in existing research. The asterisks indicate the four policy-relevant research questions that are the focus of this paper.

Many of the questions below have been explored by researchers who are considering income, but not wealth. Examining the effects of wealth on higher education experiences and the effects of higher education on wealth will help researchers, practitioners, and policymakers identify and design postsecondary policies and practices that create a more just and equitable system where all students have the opportunity to build wealth.

TABLE 1 Research Questions on the Cyclical Relationship Between Higher Education and Wealth

<p>How is wealth associated with college-going decisions?</p>	<ul style="list-style-type: none"> • Does the individual aspire to go to college? • What college preparatory resources, opportunities, and activities are available to and undertaken by the individual (and/or their family)? • Does the individual enroll in college?* • What type of institution does the student attend? • What type of credential does the student pursue? • What field of study does the student pursue?
<p>How is wealth associated with students' experiences and outcomes while enrolled in college?</p>	<ul style="list-style-type: none"> • Are students able to meet their basic needs (e.g., food and housing)? • How do students finance their education? • How much unmet financial need do students have?⁴⁸ • Are parents of the student able to provide financial support for their college education?* • Do students need to provide support to their families while enrolled? • Do students work at a job and/or internship? If so: <ul style="list-style-type: none"> ◦ How many jobs/hours per week do they work? ◦ Are they paid or unpaid? ◦ Are they employed on or off campus? ◦ Are they working in a position related to their field? • What is the student's enrollment intensity (e.g., part-time vs. full-time, number of credits attempted)? • What are students' academic achievement outcomes (e.g., GPA)? • At what level do students engage in campus activities and groups? • Do students persist in college or stop out? • Do students transfer to other colleges? • Do students complete a credential or degree?* If so: <ul style="list-style-type: none"> ◦ How long does it take them to complete?
<p>How do higher education experiences affect the wealth of students and their families?</p>	<ul style="list-style-type: none"> • Do students or their parents take out loans (negative wealth) for college?* If so: <ul style="list-style-type: none"> ◦ How much student loan debt was incurred? ◦ What type of loans did they take out? ◦ What are their repayment outcomes? • Are graduates and non-completers working at jobs that provide retirement benefits after college? • Are graduates and non-completers able to purchase homes after college? • What are graduates' and non-completers' wealth after college, over time? How does it compare with the wealth of their parents? • Do graduates and non-completers accumulate wealth after leaving college at levels comparable to the broader population? • Do graduates and non-completers of color, from low-income backgrounds, and women reach the level of wealth attained by their more privileged White, high-income, or male peers?

Questions marked with asterisks (*) are the subject of further analysis presented later in the report.



WHAT DATA ARE AVAILABLE ON WEALTH AND HIGHER EDUCATION?

To explore the answers to these critical questions and inform equity-focused, evidence-based policy and practice changes, policymakers need comprehensive and comparable data on both postsecondary outcomes and measures of wealth, as well as detailed data on race and ethnicity. However, many datasets capture detailed information on either higher education or wealth—not both. **Figure 1** illustrates the needed overlap between these measures.

FIGURE 1

Identifying the Overlap Between Wealth and Higher Education Measures in Existing Datasets

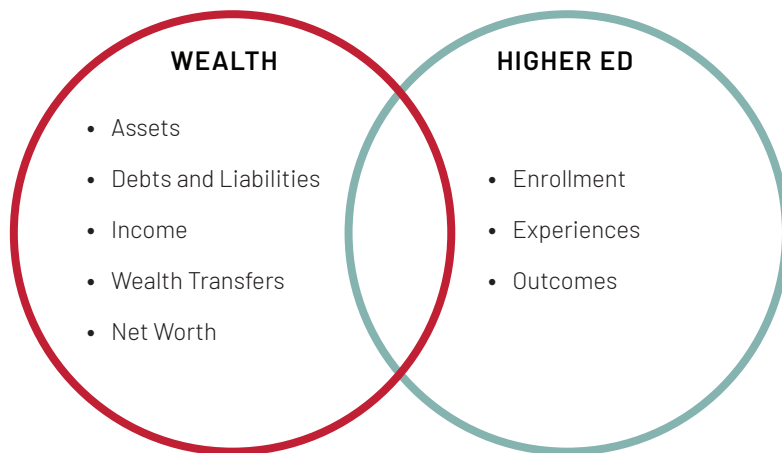


Table 2 (beginning on page 9) provides an inventory of datasets that include measures of family and individual wealth and college outcomes; these could be well positioned to help answer some of the research questions presented in **Table 1**.⁴⁹ This data inventory identifies select data sources, details their design, and lists the specific measures of wealth and college outcomes offered by each. While most datasets do not include comprehensive information on both wealth and college outcomes, the data inventory reveals the feasibility of conducting some analyses on the cyclical relationship between higher education and the racial wealth gap using currently available data.



Each data source offers strengths and weaknesses that should be considered in the context of specific research goals:

- **Survey of Consumer Finances:** While often heralded as the gold standard for measuring household wealth because of the comprehensive wealth data it collects, its higher education data are limited to the educational attainment levels of respondents, their spouses, and their parents and the student loan information of respondents and their spouses.
- **U.S. Department of Education longitudinal sample studies:** These studies, including the Education Longitudinal Study of 2002 (ELS02), High School Longitudinal Study of 2009 (HLS09), Baccalaureate and Beyond Longitudinal Study (B&B), and Beginning Postsecondary Students Longitudinal Study (BPS), collect in-depth data on college attendance, experiences, and outcomes, tracking student cohorts through their higher education journey and beyond. However, readily available wealth data is scarce. Only the discontinued B&B study of bachelor's degree recipients offers a limited proxy measure for wealth.⁵⁰ Detailed wealth information is only available through restricted-use access, as described below.
- **Restricted-use versions of U.S. Department of Education sample studies:** The restricted-use versions of the sample studies, including B&B, BPS, ELS2002, HLS09, and the National Postsecondary Student Aid Study (NPSAS), use administrative data from the Free Application for Federal Student Aid (FAFSA) to provide valuable information on the assets of certain federal aid applicants including owned real estate,⁵¹ farm/business worth, stocks, bonds, cash, wealth transfers through custodial accounts,⁵² educational saving accounts, and child support received.⁵³ But the FAFSA excludes home equity⁵⁴ and retirement savings, offering only a partial view of applicants' economic resources. Financial aid applicants with annual household incomes below \$60,000 are not required to report assets on the FAFSA.⁵⁵
- **National Longitudinal Survey of Youth 1997 (NLSY97) and the Panel Study of Income Dynamics Transition into Adulthood Supplement (PSID-TAS):** These nationally representative datasets of young adults include significant household wealth data from their parents and households alongside college enrollment and outcome measures. Under restricted-use agreements, these studies can be linked to the Integrated Postsecondary Education Data System (IPEDS), which allows for the identification of specific colleges attended by respondents.

All datasets in **Table 2** report race and ethnicity data, typically by providing a derived composite race variable and a series of variables identifying all of the race and ethnicity categories with which respondents identify. For example, datasets like the PSID-TAS and NLSY97 offer a great deal of data on race and ethnicity on the young adult respondents as well as their parent(s) or guardian(s). Like other datasets in the inventory, respondents are able to report multiple race identities every time they participate. PSID also provides race and ethnicity categories in the order that respondents report them, enabling more nuanced categorizations of disparities, though there may be sample size limitations for specific groups.

Many data sources in **Table 2** are limited because they are primarily designed to collect information on young adults, with narrower snapshots of their wealth and their children's postcollege wealth as they become further removed from higher education. This limits tracking and understanding the longer-term impacts of higher education on wealth-building.

TABLE 2 Inventory of Select Sample Study Data on Higher Education and Wealth

Dataset Name	Design, Coverage, and Study Years	Wealth Measures	Higher Education Measures
<u>Baccalaureate and Beyond (B&B)</u>	<p>Panel; nationally representative of bachelor's degree recipients surveyed upon graduation, and then one, four, and ten years after graduation.</p> <p>Four cohorts, starting years are: 1993, 2000, 2008, and 2016. Notably, in 2023 ED announced the discontinuation of B&B.</p>	<p>Proxy net worth indicator (respondents report what the financial result (in debt, break-even, or have money left over) would be if they were to sell all major possessions, turn all investments and other assets into cash, and pay off all debts); homeownership, individual retirement account indicator, vehicle loans, mortgage (indicator, & monthly amount), credit card debt, other debt.</p> <p>FAFSA asset and wealth data available</p>	<p>Attendance intensity (primarily student or employee) when enrolled, completion, institutional selectivity, time-to-degree, licensure or certification exam outcomes, field of study CIP code, student loan information (types, amount), repayment outcomes (delinquency and default), credential level, financial aid application status, EFC, aid package, housing status, receipt of federal benefits when enrolled.</p> <p>IPEDS data linkage available</p>
<u>Beginning Postsecondary Students (BPS)</u>	<p>Panel; nationally representative of first-time beginning students surveyed at the end of their first year, and then three and six years after first college entry.</p> <p>Four cohorts, with starting years 1990, 1996, 2004, and 2012. Follow-up studies occur three and six years after the initial year.</p>	<p>FAFSA asset and wealth data available</p>	<p>Enrollment, attendance intensity, completion, institutional selectivity, time-to-degree, licensure or certification exam outcomes, field of study CIP code, student loan information (types, amount), repayment outcomes (delinquency and default), credential level, financial aid application status, EFC, aid package, work status during enrollment, institutional selectivity, housing status, receipt of federal benefits.</p> <p>IPEDS data linkage available</p>
<u>Education Longitudinal Study of 2002 (ELS2002)</u>	<p>Panel; nationally representative of 10th graders in 2002 and 12th graders in 2004. Follow up data collections occurred in 2006 and 2012.</p>	<p>FAFSA asset and wealth data available</p>	<p>Applying to college, applying for financial aid, enrollment, attendance intensity, completion, institutional selectivity, time-to-degree, licensure or certification exam outcomes, field of study CIP code, student loan information (types, amount), credential level, financial aid application status, EFC, aid package, work status during enrollment.</p> <p>IPEDS data linkage available</p>

TABLE 2 (CONTINUED)

Dataset Name	Design, Coverage, and Study Years	Wealth Measures	Higher Education Measures
<u>High School Longitudinal Study of 2009 (HLS09)</u>	Panel; nationally representative of first-year high school students in 2009 and 10 representative state samples (CA, FL, GA, MI, NC, OH, PA, TN, TX, and WA). Follow-up data collections occurred in 2012 and 2016.	FAFSA asset and wealth data available	Applying to college, applying for financial aid, enrollment, attendance intensity, completion, institutional selectivity, time-to-degree, licensure or certification exam outcomes, field of study CIP code, student loan information (types, amount), credential level, financial aid application status, EFC, aid package, work status during enrollment, institutional selectivity. IPEDS data linkage available
<u>National Financial Capability Study (NFCS)</u>	Cross-sectional; national, state, and Census divisions; representative of U.S. adults, with oversamples of select U.S. states, Asian/Pacific Islanders, Black, Latinx, and adults with less than a high school education. Triennially since 2009	Wealth Transfers: Realized, and expected transfers of cash from parents or grandparents in excess of \$10,000 (added since 2021). Saving for the college education of children; indicators for homeownership, home-equity, stocks, bonds, mutual funds, IRAs, auto-loans, mortgage, store credit-cards, gas-station credit-cards, credit-card repayment in prior month, use of payday loans, student loans held (for self, spouse, children, grandchildren, or others).	Enrollment, intensity, degree completion, parental education, student loans held (for self, spouse, children, grandchildren, or other).
<u>National Longitudinal Study of Youth: 1997 (NLSY97)</u>	Panel; nationally representative of individuals born between 1980 - 1984, with oversamples of Black and Latinx respondents. Annually from 1997 - 2011, biennially since 2013	Homeownership; net worth of parents in 1997; net worth of parents' household according to youth respondent in 1997, 1998, 1999, 2000, 2001, 2002, and 2003; and net worth of youth respondent at age 20, 25, 30, 35, and 40.	Enrollment, attendance intensity, completion, institutional selectivity, time-to-degree. IPEDS data linkage available

TABLE 2 (CONTINUED)

Dataset Name	Design, Coverage, and Study Years	Wealth Measures	Higher Education Measures
<u>National Postsecondary Student Aid Study (NPSAS)</u>	Cross-sectional; nationally representative sample of students attending Title IV institutions. 1987, 1990, 1993, 1996, 2000, 2004, 2008, 2012, 2016, and 2020	FAFSA asset and wealth data available	Enrollment, attendance intensity, completion, institutional selectivity, time-to-degree, licensure or certification exam outcomes, field of study CIP code, student loan information (types, amount), credential level, financial aid application status, EFC, aid package, work status during enrollment, institutional selectivity, housing status, receipt of federal benefits. IPEDS data linkage available
<u>Panel Study of Income Dynamics Main Study (PSID)</u>	Panel; nationally representative of U.S. households with oversamples of families from low-income backgrounds and immigrant families added in 1997 and 2007. Annually from 1968 – 1997; Biennially since 1999	Homeownership, household assets, household debts & liabilities; and two derived total net worth members (excluding and including home equity). Wealth measures available in 1984, 1989, 1994, and in every release since 1999.	Years completed in school, whether attended college, highest degree attained, type of credential earned (e.g., certificate, degree, etc.), degree field/area of study
<u>Panel Study of Income Dynamics Transition to Adulthood Supplement (PSID-TAS)</u>	Panel; national; young adults (ages 18–28) from PSID households. Biennially since 2005; 2021 forthcoming	Household measures available from PSID main study.	Degree aspirations, degree expectations, attendance intensity, college enrollment, academic achievement (GPA), student loan borrowing (amounts, indicators, select types of federal loans), engagement on campus. IPEDS data linkage available

TABLE 2 (CONTINUED)

Dataset Name	Design, Coverage, and Study Years	Wealth Measures	Higher Education Measures
<u>Survey of Consumer Finances (SCF)</u>	<p>Cross-sectional; nationally representative of U.S. households with oversamples of high-wealth households.</p> <p>Two panels available: 1983 households were re-interviewed in 1986 and 1989, and 2007 households were reinterviewed in 2009.</p> <p>Triennially since 1983</p>	<p>SCF does not provide a derived wealth variable, but all needed components to derive net worth are available, including:</p> <p>All liquid assets; CDs; savings bonds; directly held pooled investment funds, stocks, and bonds; cash value of life insurance; other assets; quasi liquid retirement assets; vehicles; home(s), real-estate, net equity in non-real estate holdings, businesses, other misc. nonfinancial assets, primary residence debt, other lines of credit, credit card balances, installment loans, other debt.</p>	<p>Highest level of education of the reference person, their spouse, and parental education for both (added since 2016); Whether respondent applied for student loan in past 12 months; whether respondent or any household member has any such student loans, if the student loan is a federal student loan (e.g., Stafford, Direct, PLUS, Perkins), and the year last attended college (or age) which the loan was used for.</p>

Panel studies: Data are collected on the same units (e.g., individuals, households, institutions, etc.) over time. For example, HSLS09 is a panel study as it collects data from the same participants over time; the nationally representative sample of first-year high school students first provided data in 2009, then provided follow up data when many were high school seniors (2012) and had enrolled in college or entered the workforce (2016).

Cross-sectional studies: Data are collected on different units (e.g., individuals, households, institutions, etc.) over time. For example, NPSAS is a repeated cross-sectional study as it collects data on the same topics over time, but with different samples of students.

IPEDS data linkage available: Institution-level characteristics of colleges attended available if linked to IPEDS.

FAFSA asset and wealth data available: For FAFSA applicants, wealth data are available through administrative data collected or derived from respondents' FAFSA, including the net worth of: each student's (and their spouse's) investments, each student's business and farms, their parents' investments, their parents' businesses and farms, as well as the discretionary net worth of both students and their parents.

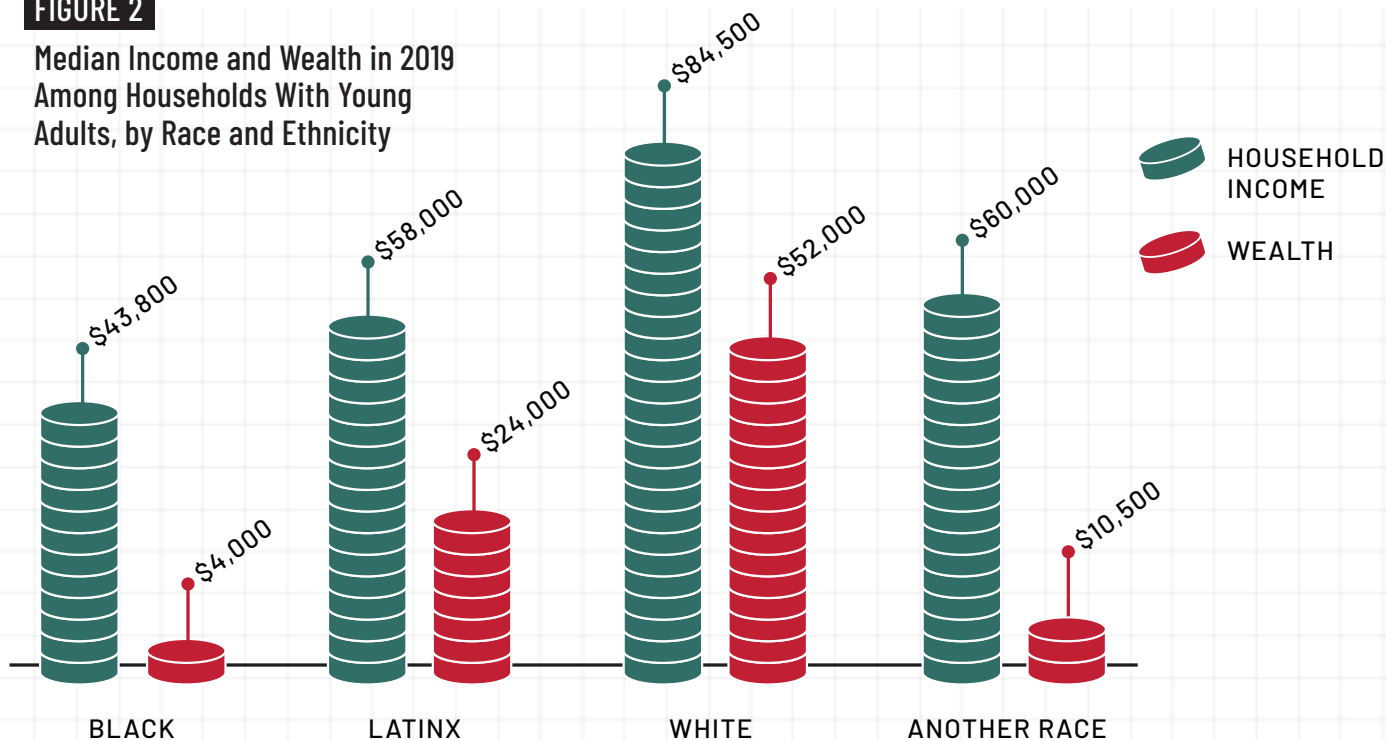


HOW LARGE IS THE RACIAL WEALTH GAP?

The Panel Study of Income Dynamics Transition into Adulthood Supplement (PSID-TAS) reveals that wealth differences are far greater than income differences across racial and ethnic groups among households with a young adult (Figure 2; see the technical appendix on page 31 for a detailed discussion of this data source and its limitations). While the median income for White households is nearly twice as large as that of Black households, their median wealth is 13 times larger. Furthermore, the relatively low wealth of households in the “another race” category demonstrates the pressing need to enhance data systems so they can collect more robust data and enable more detailed analyses.

FIGURE 2

**Median Income and Wealth in 2019
Among Households With Young
Adults, by Race and Ethnicity**



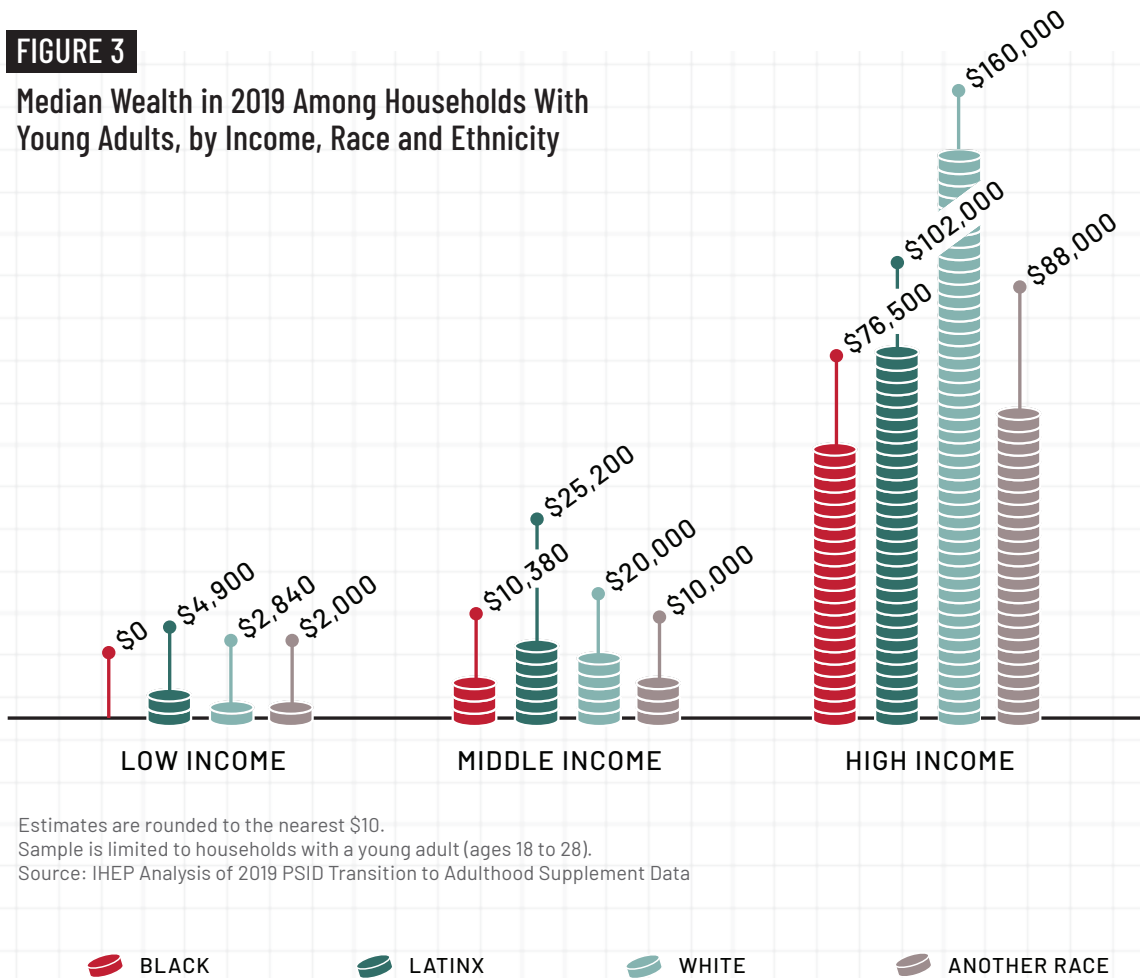
Estimates are rounded to the nearest \$10.
Sample is limited to households with a young adult (ages 18 to 28).
Source: IHEP analysis of 2019 PSID Transition to Adulthood Supplement data.

Even for individuals with similar incomes, large disparities in median wealth exist across racial and ethnic groups (Figure 3). For example, among households with the lowest incomes, the median wealth of Black households is \$0, far lower than that of their Latinx (\$4,900), White (\$2,840), and peers of another race (\$2,000). This means that at least half of Black families from the lowest-income households have no wealth to draw from and may be in debt. This trend is also true for the highest-earning households, which hold the vast majority of wealth. The highest-income Black households hold only roughly three-quarters of the wealth of the highest-income Latinx households and half the wealth of the highest-income White households. Clearly, income does not tell the entire story of a household's financial health and ability to pay for college.



FIGURE 3

Median Wealth in 2019 Among Households With Young Adults, by Income, Race and Ethnicity



By grouping respondents by household income and wealth, **Figure 4** illustrates how income and wealth vary between race and ethnicity groups and illuminates notable disparities in economic circumstances, especially between Black and White individuals.⁵⁶ For example, more than a quarter of Black young adults (26 percent) are from low-income and low-wealth backgrounds, while nearly half (48 percent) of White individuals are from high-income and high-wealth backgrounds.

FIGURE 4

Heatmap of Income and Wealth Groups by Race and Ethnicity

		Low Wealth	Middle Wealth	High Wealth	TOTAL
Black	Low Income	25.5%	15.0%	3.8%	100%
	Middle Income	10.5%	16.6%	7.5%	
	High Income	3.3%	7.7%	10.0%	
Latinx	Low Income	13.4%	11.0%	6.6%	100%
	Middle Income	10.0%	18.8%	14.0%	
	High Income	2.6%	6.0%	17.7%	
White	Low Income	7.4%	5.7%	1.5%	100%
	Middle Income	5.0%	8.6%	10.6%	
	High Income	4.5%	9.0%	47.7%	
Another Race	Low Income	19.2%	9.7%	4.8%	100%
	Middle Income	10.1%	13.4%	8.6%	
	High Income	4.8%	8.0%	21.4%	

Cells shaded to denote proportion of income and wealth group within each race. Darker cells denote larger shares.
 Source: IHEP analysis of PSID-TAS data (2005 - 2019).





HOW IS WEALTH ASSOCIATED WITH COLLEGE SAVINGS, ENROLLMENT, COMPLETION, AND BORROWING?

To explore part of the cyclical relationship between higher education and wealth, this report analyzes selected research questions on the relationship between wealth and college savings, attendance, borrowing, and completion. Specifically, it examines how considering wealth data alongside income data provides new insights on those outcomes.

These analyses rely on data from the National Financial Capability Study (NFCS) and the Panel Study of Income Dynamics Transition into Adulthood Supplement (PSID-TAS). Using NFCS shows how wealth transfers are related to respondents' ability to save money for the college education of their children. The PSID-TAS provides insight into associations between wealth and college-going, completion, and student loan borrowing for students from similar-income households.

However, there are notable limitations for both data sources that shape the findings presented in this report. The NFCS lacks a measure of net worth, though wealth transfers from parents or grandparents can be used as a rough proxy for wealth. The PSID-TAS sample only includes households with a young adult aged 18 to 28, limiting full understanding of the relationship between household wealth and higher education for older adults.

Furthermore, sample size constraints in the data dampen the ability to identify statistically significant trends and prevent the analysis of data for all racial and ethnic groups. Both the NFCS and PSID samples are sufficiently large to report findings for *White*, *Black*, and *Latinx* individuals. However, this study combines other racial and ethnic groups, which were often subject to small sample concerns. For analyses using PSID, respondents who are Asian, Native Hawaiian, Pacific Islander, American Indian or Alaska Native, Middle Eastern or North African, two or more races, and individuals of other races are grouped as *another race*. For analyses using NFCS, *Asian American and Pacific Islanders* (AAPI)⁵⁷ respondents are reported as a separate category. The NFCS *another race* category is otherwise similar to the PSID *another race* category. Combining these identities into an *another race* category masks the experiences of those distinct groups and obscures valuable insights.

Finally, descriptive analyses, such as those presented in this paper, cannot establish clear causal relationships between wealth and higher education outcomes because other factors that may impact wealth and higher education are not accounted for in these analyses.

Despite these limitations, the NFCS and PSID-TAS provide valuable data with which to examine the selected research questions explored in detail below. **Table 3** includes findings on college savings using NFCS data. **Table 4** and **Table 5** use PSID-TAS data to detail enrollment, completion, and borrowing outcomes by income and wealth. See the technical appendix (page 31) for further methodological details.

HOW WEALTH TRANSFERS ARE ASSOCIATED WITH SAVING FOR CHILDREN'S HIGHER EDUCATION

INDIVIDUALS WHO RECEIVE AT LEAST \$10,000 FROM THEIR PARENTS OR GRANDPARENTS ARE NEARLY TWICE AS LIKELY TO SAVE FOR THEIR CHILDREN'S COLLEGE EDUCATION.

The likelihood that individuals save for their children's college education increases significantly if they receive a wealth transfer from their parents or grandparents, based on data from NFCS. This analysis considers whether respondents receive specific financial support in the form of gifts of at least \$10,000 from their living parents or grandparents (not including inheritances) or ever have an expense of at least \$10,000 covered by their parents or grandparents. These wealth transfers are treated as a proxy for wealth, since net worth is not available in NFCS.

Individuals who receive a wealth transfer are 1.7 times as likely to save for their children's college education than those who do not, demonstrating the compounding impact of wealth from generation to generation and how it can interact with higher education (**Table 3**). For Black respondents, 67 percent of those who receive at least one wealth transfer saved for their children's education, compared with 40 percent of Black respondents who do not receive a wealth transfer. Similar trends were evident for Latinx and White respondents, though the differences for Asian American and Pacific Islander (AAPI) respondents were not statistically significant.

Because of racial differences in wealth distribution (see **Figure 3**), the role that wealth transfers, and by extension wealth in general, play in college savings may contribute to racial gaps in college affordability and access.



“INDIVIDUALS WHO RECEIVE A WEALTH TRANSFER ARE 1.7 TIMES AS LIKELY TO SAVE FOR THEIR CHILDREN'S COLLEGE EDUCATION THAN THOSE WHO DO NOT

RATES OF SAVING DIFFER SIGNIFICANTLY BY RACE AND ETHNICITY FOR INDIVIDUALS WHO DO NOT RECEIVE A WEALTH TRANSFER.

Among those who do not receive a wealth transfer, 52 percent of AAPI respondents report saving, compared with roughly 40 percent of Black and Latinx respondents, 33 percent of White respondents, and 27 percent of respondents of another race. There were no significant differences in college savings by race and ethnicity for those who do receive a wealth transfer.

TABLE 3

Share of Respondents Saving for the College Education of their Children by Wealth Transfers Received and Race and Ethnicity

Race and Ethnicity	Percent Saving for their Children's College Education		Sample Sizes	
	Received No Wealth Transfers	Received at Least 1 Wealth Transfer	Received No Wealth Transfers	Received at Least 1 Wealth Transfer
AAPI	52.3%	57.8%	294	102
Black	39.6%	67.1%	686	253
Latinx	40.1%	61.3%	686	193
White	33.0%	60.7%	4,640	1,645
Another Race	27.1%	43.3%	233	60
Overall	36.2%	61.1%	6,539	2,253

Notes:

- Highlighted estimates: Differences are significant at $p < .05$ between wealth groups within a given race and ethnicity.
- Bolded estimates: Differences are significant at $p < .05$ between race/ethnic groups of the same wealth group.
- Data are limited to individuals with children.
- Data weighted using the national survey weight.

Source: IHEP analysis of FINRA Foundation, NFCS 2021 State-by-State Survey Data.

HOW WEALTH IS ASSOCIATED WITH COLLEGE ENROLLMENT

INCOME AND WEALTH ARE BOTH ASSOCIATED WITH INCREASED COLLEGE ENROLLMENT, BUT THEIR IMPACT VARIES BY RACE AND ETHNICITY.

Overall, individuals with higher incomes or higher wealth are more likely to enroll in college than those with lower incomes or lower wealth (Table 4). However, the impact of income and wealth on college-going varies by race and ethnicity.

For Black respondents, enrollment trends are similar when considering either income or wealth. Black respondents with low incomes are about as likely to attend college as Black respondents with low wealth (60 percent and 61 percent, respectively). Middle-income (69 percent) and middle-wealth (67 percent) and high-income (80 percent) and high-wealth (81 percent) Black respondents also attended at similar rates.

However, the trends for income and wealth are not identical for respondents from other races and ethnicities. For Latinx respondents, wealth is a better indicator of college enrollment than income. While PSID-TAS data show a statistically significant difference in college enrollment rates between Latinx respondents with low wealth and high wealth, no significant difference in college enrollment rates exists between Latinx respondents with low incomes and those with high incomes. For White respondents, income is a stronger indicator than wealth; there is a 40 percentage-point difference in college enrollment rates between the lowest- and highest-income groups, but only a 31 percentage-point difference between the lowest- and highest-wealth groups. For these groups, wealth and income do not appear to have the same impact on enrollment, so it is useful to look at both types of financial resources.

Income and wealth are particularly strong indicators of college enrollment among White individuals and individuals of another race. These two groups showed the largest differences in enrollment rates between the low- and high-income categories and between the low- and high-wealth categories, compared with Latinx and Black respondents. For example, although White respondents from the lowest-income group were the least likely race or ethnicity to attend college (50 percent), White respondents from the highest-income group were the most likely to attend (90 percent).

INDIVIDUALS WITH BOTH LOW INCOMES AND LOW WEALTH ARE THE LEAST LIKELY TO ENROLL IN COLLEGE, WHILE THOSE WITH HIGH INCOMES OR HIGH WEALTH ARE MORE LIKELY TO ENROLL.

Income and wealth can mitigate or exacerbate the other's relationship to enrollment. To examine the interplay between wealth and income, this analysis breaks out respondents by both income group and wealth group (Table 5). For instance, a respondent might be in the lowest-income and highest-wealth group, or the middle-income and lowest-wealth group.

Respondents in both the lowest-income and lowest-wealth groups generally had lower enrollment rates than members of just one of those groups. For example, Black respondents with the lowest incomes and lowest wealth were much less likely to attend college (49 percent) than Black respondents with the lowest incomes and highest wealth (83 percent) and those with middle incomes and lowest wealth (77 percent).

The data suggest that having a high income can buffer the negative effect of having low wealth, and having high wealth can protect against the effect of having a low income. Across all races and ethnicities, respondents who were high-income (regardless of wealth), high-wealth (regardless of income), or both high-income and high-wealth attended college at a high rate (73 percent or higher). While this protective trend is noteworthy, it is uncommon for individuals to simultaneously have low income and high wealth or vice versa. (See Figure 4 for the distribution of PSID-TAS respondents by race and ethnicity across wealth and income categories.)

Data suggest that having a high income can buffer the negative effect of having low wealth, and having high wealth can protect against the effect of having a low income.

CLOSING RACIAL WEALTH AND INCOME GAPS WOULD SUBSTANTIALLY NARROW, BUT NOT CLOSE, COLLEGE ATTENDANCE GAPS BY RACE AND ETHNICITY.

Increased wealth and income among Black and Latinx populations could substantially increase their college enrollment rates. For example, 49 percent of Black and 64 percent of Latinx individuals with both low incomes and low wealth enroll in college, compared with 79 percent of Black and 86 percent of Latinx individuals with both high incomes and high wealth (Table 5). Yet Black and Latinx populations are less likely than White populations to have high incomes or high wealth. Greater financial resources almost certainly would open the door to increased—and more equitable—college enrollment.

However, this analysis indicates that financial resources are not the only barrier to college enrollment. Differences in college enrollment by race and ethnicity persist even for the highest-income, highest-wealth respondents. In that group, Black respondents are least likely to enroll in college (79 percent) and White respondents are most likely to go to college (92 percent). This corroborates research that shows that many Black students also face nonfinancial barriers to college enrollment⁵⁸ and commonly used recruitment, admissions, and enrollment policies and practices serve to exclude students of color while privileging their White peers.⁵⁹

HOW WEALTH IS ASSOCIATED WITH COLLEGE COMPLETION

ALTHOUGH HIGH INCOMES OR HIGH LEVELS OF WEALTH ARE ASSOCIATED WITH INCREASED COLLEGE COMPLETION, LESS THAN HALF OF BLACK AND LATINX STUDENTS FROM HIGH-INCOME OR HIGH-WEALTH BACKGROUNDS COMPLETE DEGREES.

For Black students, White students, and students of another race, higher levels of wealth are associated with a higher likelihood of completing college. However, despite the positive associations of income and wealth, less than half of Black and Latinx respondents from the highest-income group or the highest-wealth group completed college (Table 4). Even among respondents who were in both the highest-income and highest-wealth group, only 46 percent of Latinx students and 39 percent of Black students completed a college degree (Table 5). In fact, the college completion rate for Black students with the highest incomes (28 percent) is lower than the completion rate for students of other races and ethnicities with the lowest incomes (Table 4). The same is true for Black students with the highest wealth (35 percent) compared with the college completion rates for students of other races and ethnicities with the lowest wealth. These inequities imply that neither income nor wealth fully overcome the obstacles that Black students might face, such as the underfunding of the institutions they attend or their sense of belonging in college.⁶⁰ Institutions can implement evidence-based, nonfinancial strategies to increase college completion among all students and especially Black students, such as offering wraparound supports, providing clear advising pathways, cultivating positive student experiences, fostering students' sense of belonging, and improving transferability of credit.



WEALTH IS A STRONGER INDICATOR OF COLLEGE COMPLETION THAN INCOME FOR BLACK STUDENTS.

Black students in the highest-wealth group were significantly more likely to complete a degree (35 percent) than Black students in the lowest-wealth (24 percent) groups (Table 4). This was not the case for income, as there were no statistically significant differences in college completion rates for Black students by income. By contrast, both income and wealth were positively associated with college completion for White students. In this analysis, neither income nor wealth had a statistically significant impact on Latinx students' completion. These differences give a glimpse into the complicated interplay between race, financial resources, and college completion. Looking at income alone masks some of these nuances. The substantial impact of wealth on college completion, especially for Black students, demonstrates how crucial it is to address the wide and longstanding racial wealth gap in order to advance equity in student outcomes in higher education.

COMPLETION GAPS BY RACE AND ETHNICITY ARE WIDEST AMONG THE HIGHEST-INCOME AND HIGHEST-WEALTH GROUPS.

Differences in completion rates by race and ethnicity are generally largest among the highest-income and the highest-wealth groups. As a result, completion gaps by race and ethnicity widen with higher income and wealth (Table 4). Among respondents with the lowest wealth, there is a 16 percentage-point gap in completions between Black students (24 percent) and White students (40 percent).⁶¹ Among respondents with the highest wealth, that gap increases to 25 percentage points (35 percent and 60 percent, respectively).

This wide gap among high-wealth respondents could be the result of several factors. For example, White students with high wealth may have greater access to selective, well-resourced colleges with high graduation rates than Black students with high wealth. It is also possible that even among students in the top third of the wealth distribution, White students may have substantially more wealth than their Black peers. The large differences in completion rates by race and ethnicity among respondents with the highest wealth (Table 5) suggest that closing the racial wealth gap is only part of the solution to closing the college completion gap.

HOW WEALTH IS ASSOCIATED WITH STUDENT LOAN BORROWING

FOR SOME STUDENTS, WEALTH IS ASSOCIATED WITH THE LIKELIHOOD OF BORROWING FOR COLLEGE.

Within the same race or ethnicity group, the share of students who borrow is generally similar across income levels. This analysis finds that having a higher household income does not necessarily make students less likely to take out student loans (Table 4). This is consistent with prior research that has found the relationship between household income and student loan debt is nonlinear.⁶²

Wealth, on the other hand, is associated with significant differences in borrowing for White students as well as for students of another race. As their household wealth increases, White students and students of another race are less likely to borrow. For example, 76 percent of White students with the lowest wealth took out student loans, compared with 55 percent of White students with the highest wealth.

Given the complexity revealed by the data, further research is needed to fully understand the factors contributing to these patterns.



DIFFERENCES IN BORROWING RATES BY RACE AND ETHNICITY ARE THE GREATEST FOR STUDENTS WITH THE LEAST WEALTH.

Students from different races and ethnicities do not borrow at the same rates. About 76 percent of White students with the least wealth take out student loans, which is far more than their Black (64 percent) or Latinx (48 percent) peers. But these differences shrink as wealth increases, with Black students with high wealth and White students with high wealth borrowing at almost identical rates (55 percent; **Table 4**). There are several possible explanations for these differences among students with the least wealth. The non-borrowing students may be more likely to attend institutions that charge less, like community colleges, and have less need for loans. Or it may indicate that Black and Latinx students with the least wealth are less aware of financial aid options or processes, are more risk-averse when it comes to borrowing, or face additional barriers to accessing student loans.

TABLE 4

Enrollment, Completion, and Borrowing by Race and Ethnicity (Income and Wealth Separated)

Income	% Attended College			% Completed Degree			% Ever Borrowed		
	Low	Middle	High	Low	Middle	High	Low	Middle	High
Black	60.4%	68.7%	79.9%	24.0%	24.0%	28.1%	56.1%	65.1%	55.6%
Latinx	71.5%	68.5%	79.2%	33.9%	42.3%	47.5%	45.0%	45.1%	50.1%
White	50.1%	70.0%	89.6%	31.4%	47.9%	60.2%	61.2%	61.3%	57.6%
Another Race	58.1%	67.4%	87.3%	30.0%	49.4%	60.0%	63.4%	47.0%	57.1%
Wealth	Low	Middle	High	Low	Middle	High	Low	Middle	High
Black	61.2%	67.2%	80.6%	23.5%	18.9%	35.2%	64.4%	57.2%	54.8%
Latinx	63.9%	66.5%	81.9%	44.6%	35.9%	43.9%	48.1%	50.2%	43.2%
White	59.2%	63.9%	90.3%	39.5%	46.8%	59.9%	75.6%	62.1%	55.0%
Another Race	52.4%	74.6%	85.8%	36.8%	40.8%	63.1%	79.6%	45.7%	53.7%
Sample	All PSID-TAS Respondents			College Attendees			College Attendees		

Notes for table 4 are shown on the next page.

TABLE 5

**Enrollment, Completion, and Borrowing by Race and Ethnicity
(Income and Wealth Combined)**

Race and Ethnicity by Income	% Attended College			% Completed Degree			% Ever Borrowed		
	Low Wealth	Middle Wealth	High Wealth	Low Wealth	Middle Wealth	High Wealth	Low Wealth	Middle Wealth	High Wealth
Low Income									
Black	49.3%	73.5%	82.9%	23.4%	18.2%	45.8%	61.9%	51.2%	50.8%
Latinx	63.8%	72.0%	83.0%	46.6%	29.5%	24.9%	39.4%	55.4%	36.1%
White	46.0%	52.7%	-	32.6%	29.6%	-	76.1%	47.7%	-
Another Race	51.5%	61.8%	-	36.2%	29.2%	-	77.6%	47.3%	-
Middle Income									
Black	76.6%	55.5%	82.6%	31.1%	16.7%	24.0%	71.1%	62.7%	60.0%
Latinx	68.8%	61.0%	77.1%	42.2%	34.1%	49.7%	54.9%	44.3%	40.7%
White	63.5%	55.0%	84.8%	39.1%	41.5%	54.3%	79.5%	59.8%	55.8%
Another Race	46.2%	71.8%	80.1%	41.3%	43.3%	66.0%	74.3%	44.9%	34.6%
High Income									
Black	83.3%	79.8%	78.6%	7.2%	23.5%	39.3%	56.8%	59.7%	52.7%
Latinx	-	73.2%	85.9%	-	53.6%	46.0%	-	55.9%	47.8%
White	76.7%	79.7%	92.4%	47.1%	57.8%	61.5%	71.1%	69.8%	54.9%
Another Race	-	90.2%	90.0%	-	44.4%	67.8%	-	45.8%	56.9%
Sample	All PSID-TAS Respondents			College Attendees			College Attendees		

Table 4 and Table 5 Notes:

- Highlighted estimates: differences are significant at $p < .05$ between income or wealth groups within a given race and ethnicity.
- Bolded estimates: differences are significant at $p < .05$ between race and ethnicity groups of the same income or wealth.
- Income and wealth are divided into terciles, with all racial and ethnic groups using the same cut points.
- Another race represents individuals who are American Indian or Alaska Native, Asian, Middle Eastern or North African, Native Hawaiian or other Pacific Islander, or who are two or more races.
- The degree completion outcome identifies those who attended college and completed at least an associate's degree.
- Estimates are suppressed when sample sizes are smaller than 30.
- N sizes for tables 4 and 5 are shown appendix tables A-2 and A-3, respectively.
- Data are weighted using the most recent individual longitudinal weight.

Source: IHEP analysis of PSID-TAS data (2005 – 2019).



LOOKING FORWARD: RECOMMENDATIONS AND NEEDED DATA IMPROVEMENTS

The racial wealth gap and higher education are intertwined. This analysis clarifies that the racial wealth gap contributes to disparities in higher education outcomes between racial and ethnic groups. Given the cyclical relationship between higher education and wealth, reducing the racial wealth gap would narrow the inequities in higher education outcomes that in turn could reduce the racial wealth gap even further.

RECOMMENDATIONS FOR POLICYMAKERS, RESEARCHERS, AND OTHER STAKEHOLDERS

Policymakers—alongside researchers and other higher education stakeholders—should do the following to ensure that a person's wealth does not determine their postsecondary outcomes and that earning a postsecondary credential can help all students build wealth:

- 1 Center racial equity in policymaking.** Narrowing the racial wealth gap requires being explicit about inequities and identifying the root or historical causes of the inequities the policy or program aims to solve. Many policies at institutions of higher education and at the local, state, and federal level have created the inequitable outcomes we see today. White Americans for centuries have had disproportionate access to the economic and noneconomic benefits of higher education when compared with their Black, Latinx, Indigenous, and underrepresented Asian American, Native Hawaiian, and Pacific Islander peers. These multigenerational injustices reverberate within the postsecondary education system and beyond. Only when an issue is seen through an equity lens can policymakers design strategies and solutions.

2 Consider whether and how wealth should be used in the disbursement of need-based financial aid.

More research is needed to understand whether and how accounting for wealth in the distribution of need-based financial aid would promote equitable postsecondary access, success, and postcollege outcomes, compared with approaches that do not consider wealth. Researchers and policymakers should explore which policy designs would best support more equitable outcomes while minimizing unintended consequences like increasing administrative burden for students from low-wealth backgrounds when they are applying for aid or advantaging families with particular types of assets. Definitions of wealth affect which students benefit from financial aid policies and how much they benefit. For example, recent research⁶³ has found that the exclusion of retirement savings and home equity from the federal financial aid formula creates a larger implicit subsidy for White students (\$2,200) than their Black (\$800) and Latinx (\$800) peers. Policymakers should consider these potential approaches: using data from existing asset questions in the FAFSA or using other administrative data to assess wealth without asking more of families.

3 Consider designing recruitment, outreach, and admissions policies that increase access for students from low-wealth backgrounds.

This analysis shows a measurable impact of wealth on college enrollment. While much attention has been given to recruitment, outreach, and admissions policies that increase opportunity for students from low-income backgrounds, very little attention has been devoted to increasing college access for students from low-wealth backgrounds. In addition to supporting students from low-income backgrounds, policymakers and practitioners should identify effective ways to build pathways into higher education for students with low wealth, which can spur intergenerational mobility.

4 Identify student support practices that address completion disparities by wealth.

For some students, higher levels of wealth are associated with a higher likelihood of completing college, yet most student success interventions and supports center on students with low incomes. Students with low wealth may have distinct needs that could be best addressed through targeted interventions or programs. Institutions and researchers should investigate the impact of student support programs on outcomes for students from low-wealth backgrounds (in addition to low-income backgrounds) to reveal policy opportunities for reducing income and wealth disparities in completion.

Students with low wealth may have distinct needs that could be best addressed through targeted interventions or programs. Institutions and researchers should investigate the impact of student support programs on outcomes for students from low-wealth backgrounds.



5 **Assess whether and how policies related to student loans can be improved to foster opportunities for wealth-building.**

A wide body of research has found differences in borrowing by race and ethnicity, and this analysis shows students with higher wealth from certain racial and ethnic groups are less likely to borrow than their peers with lower wealth. More research is needed to understand how an individual's wealth affects the amount they borrow in student loans, their success in repayment (e.g., length of time in repayment, delinquency or default on loans), and their ability to build wealth through homeownership and other financial investments. A deeper understanding of those dynamics would help policymakers determine whether policies that reduce students' need to borrow or help support borrowers in repayment should be targeted toward students from low-wealth backgrounds and how to design such policies in a way that would reduce disparities in borrowing and repayment by race and ethnicity. Additionally, stakeholders in the financial sector should assess whether the treatment of student loans in credit reports, debt-to-income calculations, or other financial practices can be improved to facilitate wealth-building by student loan borrowers.



6 **Address wealth disparities by investing in historically underfunded higher education institutions.**

Historically Black colleges and universities (HBCUs) and minority-serving institutions (MSIs) are chronically underfunded yet play a crucial role in our higher education system, enrolling and graduating high shares of students of color. HBCUs, for example, serve 10 percent of all Black college students, award nearly one in four STEM degrees received by Black students, and graduate half of Black doctors and Black lawyers.⁶⁴ Increasing state and federal investments in HBCUs and MSIs would expand their capacity to serve students of color, including those from low-wealth and low-income backgrounds, and support them through to graduation. Policymakers should prioritize such investments and consider investment strategies that would best support outcomes for students from low-wealth and low-income backgrounds.



RECOMMENDATIONS TO IMPROVE AND EXPAND AVAILABLE DATA

Understanding the relationship between wealth and higher education requires access to high-quality and robust data on wealth and higher education. Most existing datasets capture detailed information on either higher education or wealth, not both. **Table 2** provides a detailed inventory of select sample studies with data on higher education and wealth, although even these data sources still have limitations. To address these limitations, IHEP recommends the following data improvements:

1 **Publish summative wealth measures for public National Center for Education Statistics (NCES) datasets.**

Currently, researchers with restricted-use data licenses can link student-level data captured in NCES longitudinal datasets to FAFSA submission data for each sample respondent who submitted a FAFSA, including several measures of assets and variations of net worth. To strengthen the field's understanding of the relationship between higher education and the racial wealth gap while maintaining student privacy, NCES should publish summative wealth measures from FAFSA submissions in publicly available datasets (e.g., ELS2002, HSL09, B&B, BPS, and NPSAS), in the following ways:

- Add student asset, student spouse asset, and parent asset variables to datasets publicly available through the NCES DataLab.
- Include available student asset, student spouse asset, and parent asset variables in public-use microdata files such as ELS2002 and HSL09. These data could be made available as categorical variables rather than continuous variables, to protect privacy.
- Add median asset variables disaggregated by race and ethnicity to future releases of College Scorecard data.
- Publish aggregate statistics on the percentage of students with certain asset types and amounts across institutional types in order to provide a profile of wealth stratification across higher education. For example, these asset data could be included in the U.S. Department of Education's Federal Student Aid Data Center reports on FAFSA submissions and Pell Grant recipients.

While limitations with these measures of wealth would still exist (e.g., the FAFSA does not collect information on retirement savings or home equity, nor on debt or liabilities) and the sample is limited to those who submit a FAFSA, wider access to summative wealth measures would open opportunities for further inquiry and deepen the ability of researchers, policymakers, and other decision-makers to make evidence-based decisions on how to improve equity in postsecondary access and outcomes.

2 Collect more granular data on the wealth of students and their parents in NCES longitudinal studies.

Longitudinal studies, which follow the same individuals and families over time, are the most helpful data sources for understanding intergenerational wealth patterns. The addition of wealth data to NCES longitudinal studies, which already collect the most comprehensive data on higher education enrollment, experiences, and outcomes, would enable these datasets to strengthen studies of the cyclical relationship between higher education and the racial wealth gap. To enable deeper study of this relationship, IHEP recommends the following:

- **Before college:** Incorporate wealth data collection in a pre-college time period into future NCES secondary studies designed to follow students through their postsecondary transitions by prompting respondents (e.g., when students are between 16 and 18 years of ages, and/or enrolled in high school) to report it. Such wealth questions on assets and debts or overall wealth could be included in parent questionnaires, which are typically included in these studies (e.g., ELS2002, HSLSO9) as students are unlikely to be intimately familiar with family finances. These data would ensure the availability of more comprehensive wealth data prior to potential college enrollment for the majority of study participants, as opposed to only for certain FAFSA applicants. While the wealth of students and parents is likely to be similar in pre-college periods, wealth data for students and parents should be collected separately.
- **During college:** Incorporate wealth data collection, at least once but ideally during each survey iteration, into future and ongoing NCES secondary studies like High School and Beyond 2022 (HS&B22), as well as BPS and NPSAS, by prompting respondents to report wealth data while enrolled in college.
- **After college:** Incorporate wealth data collection, at least once but ideally over time, in future NCES secondary studies, BPS, and HS&B22 by prompting respondents to report wealth data after college. For example, the NLSY97 cohort data capture the net worth of respondents at age 25, 30, 35, and so on, permitting a longer-term view of their wealth relative to the wealth of their parents in the pre-college period.

3 Ask respondents to the National Financial Capability Study (NFCS) State-by-State Survey to report total asset and total debt amounts.

The design of the NFCS to help decision-makers assess the financial knowledge, resources, access, experiences, and attitudes of U.S. adults would be strengthened by assessing the total assets and total debts held by respondents. Currently, the survey prompts respondents to report only their income, but assessing total financial assets and debts would deepen understanding of the full financial resources available to Americans of all walks of life. Ideally, asset and debt measures would report amounts separately by type of asset and type of debt, but should minimally collect information on these overall two measures (total assets and total debts). In addition to the information these measures could separately provide on the financial resources of American families, the two measures could jointly provide an estimate of the net worth of respondents.

4 Add more higher education measures to the Survey of Consumer Finances (SCF).

The SCF is considered the gold standard for collecting information on the wealth of American families, due to the breadth and depth of asset and debt information collected, as well as the design, which oversamples high-wealth families. However, it currently collects limited information about higher education experiences. To shed more light on the relationship between wealth and higher education, SCF respondents should be asked to report on the types of colleges they (and if applicable, their children) attended, how such college experiences were financed, and the educational attainment outcomes of their children.

5 Oversample small populations to build sufficient sample sizes.

To broaden research on wealth and higher education beyond traditionally covered populations (e.g., Black, Latinx, White), researchers need access to sufficiently large sample sizes for diverse populations. Where possible, data collections should seek to oversample populations typically omitted or grouped together, such as American Indian or Alaska Native, Asian American, Native Hawaiian or other Pacific Islander individuals in order to enable reporting disaggregated findings for more racial and ethnic groups (see IHEP's recommendations for improved data on [Asian Americans and Pacific Islanders](#), and [American Indian and Alaska Native populations](#)).⁶⁵

6 Collect multiple measures of race and ethnicity.

Survey instruments should permit respondents to report more than one racial category. For example, the Panel Study of Income Dynamics (PSID) collects multiple race and ethnicity measures for each iteration of the survey, allowing researchers to create granular categories of race and ethnicity (e.g., *Black, non-Latinx*; *Black, Latinx*; etc.). This facilitates the analysis of intersectionalities—overlapping aspects of identity—and of inequities in higher education for students with complex race and ethnicity categories. This is especially important for equity-focused studies seeking to find associations or infer causal effects.





CONCLUSION



Longstanding and pernicious disparities in wealth are the result of decades-long discrimination and predatory practices perpetrated against people of color, in part through the nation's system of higher education. This research goes beyond analyses of income to shed light on the often hidden role of wealth in shaping different aspects of a student's college experience (before, during, and after) and reveals the stark disparities among different racial groups. From access and completion to borrowing and saving for future generations, wealth influences every stage of a student's higher education journey.

Despite the limited available measures of both higher education and wealth, these findings leverage two data sources to deepen the field's understanding of the cyclical relationship between higher education and the racial wealth gap. The research presented in this report demonstrates that:

- **Considering wealth provides new insights into college opportunity and outcomes and should be measured and studied alongside income.**
- **Wealth transfers increase individuals' ability to save for the college education of their children.**
- **Wealth is associated with gaps in college access and success between racial and ethnic groups.**

Expanding access to high-quality, disaggregated, and complete data on wealth and higher education can help researchers and policymakers develop a blueprint to expand higher education access and success, and build on-ramps to wealth creation, especially for Black, Latinx, Indigenous, underrepresented Asian American, Native Hawaiian, and Pacific Islander communities, and all other race and ethnic identities.

TECHNICAL APPENDIX

DATA SOURCES AND METHODOLOGY

NFCS DATA AND SAMPLE

The first research question relies on data from the 2021 NFCS State-by-State Survey. Conducted by the Financial Industry Regulatory Authority (FINRA) Foundation since 2009, the NFCS is a triennially administered survey designed to help illuminate the financial capability of U.S. adults by collecting data on respondents' financial knowledge and decision-making as well as their ability to make ends meet, plan ahead, and manage financial products.⁶⁶ A nationally representative sample of 27,118 U.S. adults participated in the 2021 survey. Unlike the PSID main study, the NFCS does not specifically target heads of households or primary financial decision-makers.⁶⁷

The analysis presented in this report relies on three variables. The first is a composite race variable provided through a restricted-use agreement with the FINRA Foundation, used to identify whether respondents are *White, Black, Latinx, Asian/Pacific Islander, or another race*.⁶⁸ Second, data on this study's first outcome of interest come from a survey question that asks respondents if they saved for the college education of their children. This outcome is recoded to ensure that the analysis is limited only to those with financially dependent children. Finally, since the NFCS does not collect net worth data from respondents, a binary wealth indicator is created to identify respondents who reply "yes" to having received at least one of the following wealth transfers:

- At any time in your adult life (18 and older), did your parents or grandparents pay for an expense of yours that was \$10,000 or more?
- Have you ever received a gift (not an inheritance) from your parents or grandparents that was \$10,000 or more?

The analysis excludes respondents who reply with either "Don't Know" or "Prefer Not to Say" to both questions about wealth transfers.

GEOGRAPHIC CONSIDERATIONS AND LIMITATIONS

This study sought to examine how saving for the college education of one's children might vary regionally by using the 2021 NFCS data. The NFCS data contain weights which permit regional analyses that can be broken out by certain demographic groups, including by race or ethnicity. However, sample size constraints presented serious limitations for the analyses, so this study did not include them in the findings. Disaggregating the data by both Census Division (regions) and race or ethnicity resulted in small sample sizes across many racial or ethnic groups, so this study was not able to report data on those groups separately. Sample sizes were still small even when individuals identify as AAPI, Black, Latinx, or another race were combined into a "respondents of color" category, particularly for those with at least one wealth transfer (see **Table A-1**).

DATASET: PANEL STUDY OF INCOME DYNAMICS

The PSID is a nationally representative longitudinal survey of American households, conducted by the University of Michigan's Survey Research Center. Beginning in 1968, with a nationally representative sample of 18,000 individuals from 5,000 families, it is the longest running longitudinal survey of individuals and families in the United States. Conducted annually until 1997 and biennially since then, the PSID collects economic, social, and health information from members of a household and their families.

PSID data used in this analysis are drawn from two elements of the study: (1) the main study, and (2) the Transition into Adulthood Supplement (PSID-TAS). Data from the main study are obtained through an interview with one individual in a given household⁶⁹ who provides information on the total household income and wealth⁷⁰ during each wave of the survey. Wealth is a PSID-provided variable, derived as the sum of assets⁷¹ minus debts and liabilities.⁷² This IHEP study supplements this with data from the PSID-TAS, which provides information on young adults, ages 18 to 28, from households in the main study. During each PSID-TAS wave, these young adults provide data on their transition into adulthood, including whether they attend college and their experiences in college.

PSID SAMPLE

The PSID-TAS sample is comprised of and limited to all TAS respondents who ever participated in the TAS survey between 2005 and 2019, whether they participate only in a single year or multiple times. The full sample includes 4,776 young adults between 18 to 28 years of age. The analysis excludes 31 respondents who never reported race and ethnicity data, and 500 respondents who were assigned individual longitudinal weights of zero in 2019 (e.g., they failed to respond to certain questions or dropped out of the study).

MEASURING RACE OR ETHNICITY IN THE PSID

Each survey wave of the PSID-TAS collects a host of demographic information from the young adult participants. Respondents are able to provide more nuanced information on their backgrounds, allowing them to report up to five racial categories.⁷³ To create an overall race or ethnicity indicator, each individual's responses were aggregated across all waves in which they participated, to derive the following categorizations:

- *Latinx* if they ever reported their ethnicity as Latino and/or Hispanic.
- *Black* if they only report their race as Black.
- *White* if they only report their race as White.
- *Another race* if they were not Latinx, and identified as Asian, American Indian or Alaska Native, Native Hawaiian or other Pacific Islander, Middle Eastern or North African, or reported more than one race.

There are trade-offs to this approach. Creating more nuanced race or ethnicity indicators would better represent respondents and their experiences than using a combined indicator, but many of those detailed groups would have needed to be excluded from this study due to small sample sizes. The creation of these race or ethnicity indicators helped retain as many individuals from the sample as possible.

DEFINING PSID INCOME AND WEALTH GROUPS

As PSID-TAS participants enter and exit the TAS survey in different years, this analysis focuses on characterizing levels of income and wealth in the period preceding their potential college enrollment. To categorize students of similar incomes and wealth levels, respondents are divided into terciles (top third, middle third, bottom third), based on their household income and wealth for each survey year. The cut points for those terciles are applied to all racial and ethnic groups. For PSID-TAS respondents who attended college, we identify the income and wealth terciles their households belonged to prior to college enrollment. Respondents who never attended college are assigned the income and wealth tercile they belonged to in the year they first entered the TAS study.

COLLEGE ENROLLMENT, DEGREE COMPLETION, AND BORROWING OUTCOMES

The PSID outcomes of interest identify whether a respondent ever enrolls in college and whether college attendees complete a degree or ever take out student loans. As respondents are observed in multiple survey years, responses are aggregated across all survey waves to create binary outcomes that identify if they ever report attending college, completing a degree, or taking out a student loan.⁷⁴

TABLE APPENDICES

TABLE A-1

Share of Respondents Saving for the College Education of their Children, by Race Indicator and Census Division

	Percent Saving for their Children's College Education		Sample Sizes	
	White	Respondent of Color	White	Respondent of Color
No Wealth Transfers				
New England	39.3%	51.1%	580	108
Middle Atlantic	37.1%	46.2%	227	118
East North Central	33.1%	51.0%	443	115
West North Central	32.0%	39.4%	775	118
South Atlantic	31.5%	42.3%	683	396
East South Central	29.7%	41.0%	406	148
West South Central	34.2%	40.3%	353	168
Mountain	35.0%	30.1%	682	344
Pacific	38.9%	38.4%	491	384
At Least 1 Wealth Transfer				
New England	59.7%	58.3%	191	44
Middle Atlantic	72.2%	77.9%	84	49
East North Central	63.5%	57.2%	153	44
West North Central	52.8%	78.8%	218	43
South Atlantic	65.4%	77.6%	266	118
East South Central	58.0%	59.8%	112	54
West South Central	65.5%	62.5%	139	55
Mountain	59.2%	61.6%	242	77
Pacific	70.5%	62.4%	240	124

Respondents of color groups individuals who identify as: AAPI, Black, Latinx, or Another Race. Data are limited to individuals with children, and weighted using the regional (Census Division) survey weight.
Source: IHEP analysis of FINRA Foundation, NFCS 2021 State-by-State Survey Data

TABLE A-2**Enrollment, Completion, and Borrowing, by Race and Ethnicity
(Income and Wealth Separately) Unweighted Sample Sizes**

Income	% Attended College			% Completed Degree			% Ever Borrowed		
	Low	Middle	High	Low	Middle	High	Low	Middle	High
Black	694	543	328	384	372	251	384	372	251
Latinx	192	266	163	126	187	131	126	187	131
White	222	369	931	105	258	825	105	258	825
Another Race	181	172	184	105	117	156	105	117	156
Wealth	Low	Middle	High	Low	Middle	High	Low	Middle	High
Black	616	615	334	352	399	256	352	399	256
Latinx	161	222	238	98	151	195	98	151	195
White	256	355	911	153	222	813	153	222	813
Another Race	183	167	187	103	123	152	103	123	152
Sample	All PSID-TAS Respondents			College Attendees			College Attendees		

Income and wealth are divided into terciles, with all racial and ethnic groups using the same cutpoints. Degree completion includes the completion of an Associate's degree or higher, and does not include certificate completion. Sample shown exclude cases assigned a longitudinal weight of zero, as well as 31 individuals with no reported race and ethnicity data.

Source: IHEP analysis of PSID-TAS data (2005 - 2019).

TABLE A-3**Enrollment, Completion, and Borrowing, by Race and Ethnicity
(Income and Wealth Combined) Unweighted Sample Sizes**

Race and Ethnicity by Income	% Attended College			% Completed Degree			% Ever Borrowed		
	Low Wealth	Middle Wealth	High Wealth	Low Wealth	Middle Wealth	High Wealth	Low Wealth	Middle Wealth	High Wealth
Low Income									
Black	399	235	60	202	146	36	202	146	36
Latinx	83	68	41	48	45	33	48	45	33
White	112	87	23	52	40	13	52	40	13
Another Race	103	52	26	54	36	15	54	36	15
Middle Income									
Black	165	260	118	116	165	91	116	165	91
Latinx	62	117	87	42	76	69	42	76	69
White	76	131	162	48	76	134	48	76	134
Another Race	54	72	46	30	53	34	30	53	34
High Income									
Black	52	120	156	34	88	129	34	88	129
Latinx	16	37	110	8	30	93	8	30	93
White	68	137	726	53	106	666	53	106	666
Another Race	26	43	115	19	34	103	19	34	103
Sample	All PSID-TAS Respondents			College Attendees			College Attendees		

Income and wealth are divided into terciles, with all racial and ethnic groups using the same cutpoints. Degree completion includes the completion of an Associate's degree or higher, and does not include certificate completion. Sample shown exclude cases assigned a longitudinal weight of zero, as well as 31 individuals with no reported race and ethnicity data.

Source: IHEP analysis of PSID-TAS data (2005 – 2019).

NOTES

1. Earned income can come from salaried, hourly, and/or self-employment contracts. Individuals can also earn income passively, by, for example, leasing rental properties or through a portfolio (e.g., interest and dividend income from investments, etc.).
2. Financial assets include, but are not limited to, all liquid assets, certificates of deposit(s), stock(s), bonds, IRAs, and life insurance value.
3. Non-financial assets include, but are not limited to, the value of held real estate, housing equity, business(es), and vehicles.
4. Debts and liabilities can include, but are not limited to, farm or business loans, credit card debt, and student loans.
5. Asante-Muhammad, D., Collins, C., Hoxie, J., & Nieves, E., (2016), *The ever-growing gap: Without change, African-American and Latino families won't match White wealth for centuries. The Institute for Policy Studies*, https://ips-dc.org/wp-content/uploads/2016/08/The-Ever-Growing-Gap-CFED_IPS-Final-2.pdf; Ashman, H., & Neumuller, S., (2020), Can income differences explain the racial wealth gap? A quantitative analysis, *Review of Economic Dynamics*, 35, 220-239, <https://doi.org/10.1016/j.red.2019.06.004>; Bhutta, N., Chang, A. C., Dettling, L. J., & Hewitt, J. W. H., (2020, September 28), *Disparities in wealth by race and ethnicity in the 2019 Survey of Consumer Finances*, <https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.html>; and Thompson, J. P., & Suarez, G. A., (2015), *Exploring the racial wealth gap using the Survey of Consumer Finances, Finance and Economics Discussion Series 2015-076, Board of Governors of the Federal Reserve System*, <http://dx.doi.org/10.17016/FEDS.2015.076>.
6. Aladangady, A., Chang, A. C., & Ma, J. K. (2023). *Greater Wealth, Greater Uncertainty: Changes in Racial Inequality in the Survey of Consumer Finances*. <https://doi.org/10.17016/2380-7172.3405>
7. Choi, J. H., Young, C., McCargo, A., Neal, M., & Goodman, L., (2019), *Explaining the Black-White homeownership gap*, Urban Institute.
8. Dwyer, R. E., (2018), Credit, debt, and inequality, *Annual Review of Sociology*, 44(1), 237-261, <https://doi.org/10.1146/annurev-soc-060116-053420>.
9. Avenancio-León, C. F., & Howard, T., (2022), The assessment gap: Racial inequalities in property taxation, *The Quarterly Journal of Economics*, 137(3), 1383-1434, <https://doi.org/10.1093/qje/qjac009>.
10. Bertrand, M., & Mullainathan, S., (2003), *Are Emily and Greg more employable than Lakisha and Jamal? A field experiment on labor market discrimination*, National Bureau of Economic Research, <http://www.nber.org/papers/w9873>
- Kang, S. K., DeCelles, K. A., Tilcsik, A., & Jun, S., (2016), Whiteness: Race and self-presentation in the labor market, *Administrative Science Quarterly*, 61(3), 469-502, <https://doi.org/10.1177/0001839216639577>.
11. Sullivan, L., Meschede, T., Dietrich, L., Shapiro, T., Traub, A., Ruetschlin, C., & Draut, T., (2015), *The racial wealth gap: Why policy matters*, Demos and The Institute on Assets and Social Policy, Brandeis University.
12. Manduca, R., (2018), Income inequality and the persistence of racial economic disparities, *Sociological Science*, 5, 182-205, <https://doi.org/10.15195/v5.a8>.
13. Oliver, M. L., & Shapiro, T. M., (2006), *Black wealth/White wealth: A new perspective on racial inequality*, Routledge.
14. Humes, E., (2006), How the GI Bill shunted Blacks into vocational training, *The Journal of Blacks in Higher Education*, 53, 92-104; Serow, R. C., (2004), *Policy as symbol: Title II of the 1944 G.I. Bill. The Review of Higher Education*, 27(4), 481-499, <https://doi.org/10.1353/rhe.2004.0022>; and Thelein, J. R., (2011), *A History of American Higher Education (2nd ed.)*, The Johns Hopkins University Press.
15. Woods, L. L., (2013), Almost "no Negro veteran...could get a loan": African Americans, the GI Bill, and the NAACP campaign against residential segregation, 1917-1960, *The Journal of African American History*, 98(3), 392-417, <https://doi.org/10.5323/jafriamerhist.98.3.0392>
16. Humes, 2006.
17. Herbold, H., (1994), Never a level playing field: Blacks and the GI Bill, *The Journal of Blacks in Higher Education*, 6, 104, <https://doi.org/10.2307/2962479>; Serow, 2004; Thelein, 2011; and Woods, 2013.
18. Conley, D., (2001), Capital for college: Parental assets and postsecondary schooling, *Sociology of Education*, 74(1), 59, <https://doi.org/10.2307/2673145>; Elliott, W., & Beverly, S. G., (2011), The role of savings and wealth in reducing "wilt" between expectations and college attendance, *Journal of Children and Poverty*, 17(2), 165-185, <https://doi.org/10.1080/10796126.2011.538375>; Haveman, R., & Wilson, K., (2007), Access, matriculation, and graduation, in S. Dickert-Conlin & R. Rubenstein (Eds.), *Economic inequality and higher education: Access, persistence, and success* (pp. 17-43), Russell Sage Foundation, <https://www.jstor.org/stable/10.7758/9781610441568>; Jez, S. J., (2008, November), The influence of wealth and race in four-year college attendance, SERU Research Symposium, UC Berkeley, <https://files.eric.ed.gov/fulltext/ED503340.pdf>; Jez, S. J., (2014), The differential impact of wealth versus income in the college-going process, *Research in Higher Education*, 55(7), 710-734, <https://doi.org/10.1007/s11162-014-9332-0>; and Zhan, M., & Sherraden, M., (2011a), Assets and liabilities, race/ethnicity, and children's college education, *Children and Youth Services Review*, 33(11), 2168-2175, <https://doi.org/10.1016/j.childyouth.2011.06.024>.
19. Jez, 2014.
20. Jez, 2014.
21. Nam, Y. (2020). Parents' financial assistance for college and black-white disparities in post-secondary educational attainment. *Children and Youth Services Review*, 110, <https://doi.org/10.1016/j.childyouth.2020.104828>; Nam, Y., Hamilton, D., Darity Jr., W. A., & Price, A. E., (2015), Bootstraps are for Black kids: Race, wealth, and the impact of intergenerational transfers on adult outcomes, Insight Center for Community Economic Development, <https://insightcced.org/wp-content/uploads/2015/07/Bootstraps-are-for-Black-Kids-Sept.pdf>; and Taylor, J., & Meschede, T., (2018), Inherited prospects: The importance of financial transfers for White and Black college-educated households' wealth trajectories, *The American Journal of Economics and Sociology*, 77(3-4), 1049-1076, <https://doi.org/10.1111/ajes.12227>.
22. Addo, F. R., (2021), Ensuring a more equitable future: Exploring and measuring the relationship between family wealth, education debt, and wealth accumulation, The University of North Carolina at Chapel Hill.
23. Charles, C. Z., Roscigno, V. J., & Torres, K. C., (2007), Racial inequality and college attendance: The mediating role of parental investments, *Social Science Research*, 36(1), 329-352, <https://doi.org/10.1016/j.ssresearch.2006.02.004>.

24. Elliott, W., & Beverly, S., (2011), Staying on course: The effects of savings and assets on the college progress of young adults, *American Journal of Education*, 117(3), 343-374, <https://doi.org/10.1086/659211>.
25. Nam, J., & Ansong, D., (2015), The effects of a dedicated education savings account on children's college graduation, *Economics of Education Review*, 48, 198-207, <https://doi.org/10.1016/j.econedurev.2015.07.004>.
26. Elliott, W., & Friedline, T. (2013), "You pay your share, we'll pay our share": The college cost burden and the role of race, income, and college assets, *Economics of Education Review*, 33, 134-153, <https://doi.org/10.1016/j.econedurev.2012.10.001>; and Elliot, W., Lewis, M., Grinstein-Weiss, M., & Nam, I., (2014), Student loan debt: Can parental college savings help? *Review*, 96(4), <https://doi.org/10.20955/r.96.331-357>.
27. Addo, F. R., Houle, J. N., & Simon, D., (2016), Young, Black, and (still) in the red: Parental wealth, race, and student loan debt, *Race and Social Problems*, 8(1), 64-76, <https://doi.org/10.1007/s12552-016-9162-0>.
28. Marx, B. M., & Turner, L. J., (2019), Student loan nudges: Experimental evidence on borrowing and educational attainment, *American Economic Journal: Economic Policy*, 11(2), 108-141, <https://doi.org/10.1257/pol.20180279>.
29. The authors note this null finding may be due to the fact that student outcomes were only observed through a two-year period.
30. Dowd, A. C., & Coury, T., (2006), The effect of loans on the persistence and attainment of community college students. *Research in Higher Education*, 47(1), 33-62, <https://doi.org/10.1007/s11162-005-8151-8>.
31. Kim, D., (2007), The effect of loans on students' degree attainment: Differences by student and institutional characteristics, *Harvard Educational Review*, 77(1), 64-100, <https://doi.org/10.17763/haer.77.1.n14t6910q8292784>; and Dwyer, R. E., McCloud, L., & Hodson, R., (2012), Debt and graduation from American universities, *Social Forces*, 90(4), 1133-1155, <https://doi.org/10.1093/sf/sos072>
32. Kim, 2007.
33. Conley, 2001; Haveman & Wilson, 2007; and Zhan & Sherraden, 2011a.
34. Nam, Y., & Huang, J., (2009), Equal opportunity for all? Parental economic resources and children's educational attainment, *Children and Youth Services Review*, 31(6), 625-634, <https://doi.org/10.1016/j.childyouth.2008.12.002>.
35. Kim, Y., & Sherraden, M., (2011), Do parental assets matter for children's educational attainment? Evidence from mediation tests, *Children and Youth Services Review*, 33(6), 969-979, <https://doi.org/10.1016/j.childyouth.2011.01.003>; Zhan & Sherraden, 2011a; and Zhan, M., & Sherraden, M., (2011b), Assets and liabilities, race/ethnicity, and children's college education, *Children and Youth Services Review*, 33(11), 2168-2175, <https://doi.org/10.1016/j.childyouth.2011.06.024>.
36. Zhan, M., & Sherraden, M. (2011b).
37. Postsecondary Value Commission, (2021), Equitable value: Promoting economic mobility and social justice through postsecondary education, <https://www.postsecondaryvalue.org/wp-content/uploads/2021/07/PVC-Final-Report-FINAL-7.2.pdf>.
38. Addo, Houle, & Simon, 2016; Cunningham, A. F., & Santiago, D. H., (2008), Student aversion to borrowing: Who borrows and who doesn't, Institute for Higher Education Policy and Excelencia in Education, <https://files.eric.ed.gov/fulltext/ED503684.pdf>; and Grinstein-Weiss, M., Perantie, D. C., Taylor, S. H., Guo, S., & Raghavan, R., (2016), Racial disparities in education debt burden among low- and moderate-income households, *Children and Youth Services Review*, 65, 166-174, <https://doi.org/10.1016/j.childyouth.2016.04.010>.
39. Addo, Houle, & Simon, 2016; and Taylor, M., Turk, J. M., Chessman, H. M., & Espinosa, L. L., (2020), Race and ethnicity in higher education: 2020 supplement, American Council on Education, <https://www.equityinhighered.org/wp-content/uploads/2020/11/REHE-2020-final.pdf>.
40. Grinstein-Weiss, Perantie, Taylor, Guo, & Raghavan, 2016.
41. Miller, B., (2017, October 16), New federal data show a student loan crisis for African American borrowers, Center for American Progress, <https://www.americanprogress.org/article/new-federal-data-show-student-loan-crisis-african-american-borrowers/>.
42. Taylor, Turk, Chessman, & Espinosa, 2020.
43. Manduca, 2018; Perry, A. M., & Romer, C., (2021, February 25), Student debt cancellation should consider wealth, not income, Brookings, <https://www.brookings.edu/articles/student-debt-cancellation-should-consider-wealth-not-income/>; and Miller, 2017.
44. Addo, Houle, & Simon, 2016.
45. Bleemer, Z., Brown, M., Lee, D., Strair, K., & Van Der Klaauw, W., (2017), Echoes of rising tuition in students' borrowing, educational attainment, and homeownership in post-recession America, *Journal of Urban Economics*, 122, <https://doi.org/10.1016/j.jue.2020.103298>; Mezza, A., Ringo, D., Sherlund, S., & Sommer, K. (2020), Student Loans and Homeownership, *Journal of Labor Economics*, 38(1), 215-260. <https://doi.org/10.1086/704609>; and Velez, E., Cominole, M., & Bentz, A., (2019), Debt burden after college: The effect of student loan debt on graduates' employment, additional schooling, family formation, and home ownership, *Education Economics*, 27(2), 186-206, <https://doi.org/10.1080/09645292.2018.1541167>.
46. Velez et al., 2019, find no effect of student debt on homeownership with a sample limited only to bachelor's degree recipients, raising questions about whether the negative impacts are more harmful to or concentrated among non-completers.
47. Houle, J. N., & Addo, F. R., (2019), Racial disparities in student debt and the reproduction of the fragile Black middle class, *Sociology of Race and Ethnicity*, 5(4), 562-577, <https://doi.org/10.1177/2332649218790989>.
48. Unmet need refers to the difference between a students total college costs (including tuition and non-tuition expenses) and the grant aid and family resources available to them.
49. Table 2 builds on earlier research by Fenaba Addo, who designed a data inventory identifying potential sources of wealth and college data on behalf of the Postsecondary Value Commission.

50. The B&B datasets have proxy net worth indicators (B1SELLPO & B2SELLPO) which ask the respondent to report the financial result (in debt, break-even, or have money left over) if the respondent were to sell all major possessions, turn all investments and other assets into cash, and pay off all debts.
51. The FAFSA currently requires students and families to provide the value of all real estate properties owned, outside of the primary home, including any efficiencies being rented out within the primary home.
52. Custodial accounts include those created under the UGMA and UTMA (Uniform Gifts to Minors Act and Uniform Transfers to Minors Act, respectively).
53. Child support received was added as part of the 2024 FAFSA.
54. Home equity was previously incorporated in the federal financial needs formula, though it was removed in the 1992 HEA amendments.
55. As of the 2024–25 FAFSA, only applicants with a household income of \$60,000 or higher are required to report assets. Previously, the asset reporting threshold was set at \$50,000.
56. Income and wealth groups are based on the terciles the PSID-TAS respondents were in in the year they enrolled in college (or entered the PSID-TAS study, for those who never attended college).
57. While IHEP uses the term *Asian American, Native Hawaiian, Pacific Islander (AANHPI)*, the *NFCS composite race variable* represents “Asian/Pacific Islander, non-Hispanic.” To remain true to the data source we use the term AAPI here.
58. Dynarski, S., Nurshatayeva, A., Page, L. C., & Scott-Clayton, J., (2023), Addressing non-financial barriers to college access and success: Evidence and policy implications, National Bureau of Economic Research, <http://www.nber.org/papers/w30054>.
59. Bussey, K., Dancy, K., Gray Parker, A., Peters, E.E., and Voight, M., (2021), *The most important door that will ever open: Realizing the mission of higher education through equitable admissions policies*, Institute for Higher Education Policy, <https://www.ihep.org/publication/mostimportantdoor/>
60. Gopalan, M., & Brady, S. T., (2020), College students’ sense of belonging: A national perspective, *Educational Researcher*, 49(2), 134–137, <https://doi.org/10.3102/0013189X19897622>; Harper, S. R., & Hurtado, S., (2007), Nine themes in campus racial climates and implications for institutional transformation, *New Directions for Student Services*, 2007(120), 7–24, <https://doi.org/10.1002/ss.254>; Hausmann, L. R. M., Ye, F., Schofield, J. W., & Woods, R. L., (2009), Sense of belonging and persistence in White and African American first-year students, *Research in Higher Education*, 50(7), 649–669, <https://doi.org/10.1007/s11162-009-9137-8>; and Strayhorn, T. L., (2008), Fittin’ In: Do diverse interactions with peers affect sense of belonging for Black men at predominantly White institutions? *NASPA Journal*, 45(4).
61. These differences are large though not statistically significant.
62. Houle, J. N., (2014), Disparities in debt: Parents’ socioeconomic resources and young adult student loan debt, *Sociology of Education*, 87(1), 53–69, <https://doi.org/10.1177/0038040713512213>.
63. Levine, P. B., & Ritter, D., (2023), The racial wealth gap, financial aid, and college access, *Journal of Policy Analysis and Management*, 1–27, <https://doi.org/10.1002/pam.22550>.
64. Murray, L., Njoku, N. & Davis, R., (2022), *Greater funding, greater needs: A report on funding for HBCUs*, UNCF, https://cdn.uncf.org/wp-content/uploads/UNCF-Patterson-HBCUs-funding-report_V6.pdf.
65. Byon, A., (2020), Everyone deserves to be seen: Recommendations for improved federal data on Asian Americans and Pacific Islanders (AAPI), Institute for Higher Education Policy; Southeast Asia Resource Action Center, https://www.ihep.org/wp-content/uploads/2020/11/ihep_aapi_brief.pdf; and Santos, J., & Tachine, A. R., (2024), Layers of identity: Rethinking American Indian and Alaska Native data collection in higher education, Institute for Higher Education Policy, <http://www.ihep.org/publication/layers-of-identity-rethinking-american-indian-alaska-native-data-collection>
66. Mottola, G. R., & Kieffer, C. N., (2017), Understanding and using data from the National Financial Capability Study, *Family and Consumer Sciences Research Journal*, 46(1), 31–39, <https://doi.org/10.1111/fcsr.12227>.
67. NFCS 2021 State-by-State-Methodology, (2022), FINRA Foundation.
68. We renamed the original categories for the restricted-use race variable from “White non-Hispanic,” “Black non-Hispanic,” “Hispanic (alone or in combination),” “Asian/Pacific Islander non-Hispanic,” “Other non-Hispanic (American Indian, Other, 2+ ethnicities)” to “White,” “Black,” “Latinx,” “Asian/Pacific Islander,” and “Another race,” respectively.
69. This individual is known as the *reference person, as of 2017; previously, this person was head [of household]*.
70. The PSID provides two versions of net worth, one excluding and one including home equity. As we wanted to use the most comprehensive data available, we rely on the net worth variable that includes home equity.
71. PSID assets include farm/business value, total checking/savings money market accounts, CDs/government bonds and treasury bills, total real estate worth, total value of all vehicles, total of any other savings or assets, total of money held in private annuities or IRAs, and home equity value.
72. PSID debts and liabilities include debts on farms/businesses, debt owed on real estate, total of credit cards and store cards, total student loan debt, total medical debt, total legal debt, total of loans from relatives for living family members, and total of all other debt.
73. Prior to the 2017 PSID-TAS, race and ethnicity questions permitted respondents to report only up to three racial categories.
74. Our borrowing outcome relies upon aggregating responses to questions on whether the student “currently has any student loan debt.” Therefore, this measure may be conservative in instances where students take on and pay back a student loan between waves and subsequently report “not currently holding student debt.”



 **IHEP**
INSTITUTE FOR HIGHER EDUCATION POLICY

IHEP.ORG