

Two Paths to the American Dream: CSA On Ramp to the Asset Empowerment Path

The Asset Empowered Path (PART 1)

by William Elliott

Story one in this three-part series depicts the *Asset Empowered Path* to the American dream, which better aligns with the ideal of education as the “great equalizer” in society.

Melinda’s (a middle-aged white female) parents have three college degrees between them and most of her relatives and many of her parents’ friends are college graduates as well. Melinda went to a suburban elementary school that offered access to a selective gifted program and free transportation to get there. Her mother drove her to piano lessons, acting classes, writing workshops, and volunteer commitments.

She received college entrance exam coaching as part of her high school curriculum and took the Preliminary Scholastic Aptitude Test (PSAT) as practice as a freshman. She also benefited from earning college credit from her honors classes so that she could enter college with sophomore status.

The University of Kansas (KU) offered her a full scholarship as a National Merit Scholar. Combined with other awards, she had enough aid left over to pay for a summer in Europe and trips to Latin America to study Spanish. She did not work for pay during her first year at KU, focusing instead on unpaid internships that helped to define her career direction and equipped her to compete successfully for a Truman Scholarship for public service.

Melinda graduated from the George Warren Brown (GWB) School of Social Work at Washington University with a Master of Social Work.

She finished with money left in the account that her parents had opened for her education when she was a child. Melinda used these leftover funds to pay off her husband’s undergraduate loan. They bought a home before they celebrated their first anniversary. They continued to save for retirement when her husband returned to graduate school. They financed his degree from their stored assets, which were themselves seeded with transfers from Melinda’s family. They started college savings accounts for all four children before the youngest was even born.

For most Americans, though, the *Asset Empowered Path* is a blocked road. Without saving, or an infusion of wealth, debt is inevitable.

Education reproduces inequality



3 in 5

family heads achieve a college degree when a parent has done so; **if neither parent has a degree, it drops to 1 in 4**

Wealthy families pass forward advantage



11X

young adults from families in the top wealth quartile received 11X more money for school from their family than those below the median

Scholarship distribution reinforces wealth advantages



13%

of Americans with the highest incomes get private scholarships, **compared with 9% of those with the lowest incomes**

Assets and scholarships for the wealthy, student debt for the poor



Only 46%

of students not eligible for Pell Grants have student loans **compared to 84% of low-income students who qualify**

It is not all about who works harder



1/3

Parental assistance explains 1/3 of racial gap in college and advanced degrees

Saving for college has been something wealthy families do for their kids



3X

Income of families who save for their child’s education using a State 529 account is about 3X the median income of families that don’t save using a State 529 account

Educational inequality matters when it comes to income and wealth



**25% more income
39% more wealth**

the income of a typical college graduate with a parent who also had a college degree was 25% larger than that of a typical first-generation student; wealth was 39% larger