THREE PART BLOG SERIES

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

CSA Onramp (PART 3)

by William Elliott

Story three in this three-part series depicts asset policies for children as being an on ramp to the *Asset Empowerment Path* for poor children.

The GI Bill made higher education and housing possible for millions of veterans. Although the expense may have seemed unthinkable it not only improved millions of lives, but within 8 years of the bill's signing, it had returned every dollar invested in education nearly seven-fold in economic output and federal tax revenue. The GI Bill helped a generation understand that a timely wealth transfer can spur economic growth and strengthen the American way of life.

One generation later, that lesson was all but lost, student loans became the primary way of financing education. However, as murmurs intensify about the failures of higher education to deliver on the American dream of equitable opportunities for all, change seems not only desirable, but needed.

We must begin to imagine meaningful alternatives, and to insist that our financial aid system perform up to the standards of our American values, which hold that only effort expended, and innate ability possessed should determine one's relative outcomes. These potential outcomes cannot be realized without a financial aid system that enhances, rather than compromises, education's potency as an equalizer.

Children's Savings Account (CSAs) may be on such intervention. Unlike student debt, CSAs have the potential to work on multiple dimensions—early education, affordability, completion, and post-college financial health—to improve outcomes and catalyze opportunity. Assets from CSAs allow and prompt poor children to plan for their futures. When poor children have assets of their own, they can begin to visualize their future selves going to college, buying a home, starting a business, or retiring one day. CSA inspired hope is tangible, not just wishful.

Dreams buoyed by well-funded government subsidized CSAs will allow poor children to withstand hardship whether it is poverty, war, or even a pandemic. They have the potential to give poor children an onramp to the *Asset Empowered Path* for achieving the American dream.

Education as equalizer requires assets not student loans

37%

Eliminating student debt among those making $50,000 or below reduces the Black-white wealth disparity by nearly 37% among low-wealth households, and **a policy that eliminates debt among those making $25,000 or less reduces the Black-white wealth gap by over 50%**

Assets are important for mobility

6X | 8X | 21X

Americans who move from the bottom of the income ladder had 6X higher median liquid savings, 8X higher median wealth, and 21X higher median home equity than those who remained at the bottom

Where you start matters

5X

A $1 increase in income translates to a $5 increase in wealth for White families but only a 70¢ in wealth for Black families

However, when Black families start off with similar levels of assets, they have a return of $4.03

CSAs are a policy vehicle for reducing wealth gaps, level the playing field

23% potential wealth gap decrease

Policy simulations show that if a universal CSA program had been established in 1979 with a progressive initial deposit of $7,500 for low-wealth households (less than $5,000 net worth) with incremental declines to $1,250 for the highest-wealth households ($25,000 net worth or more), the Black/White wealth gap would be decreased by 23%

CSAs produce tangible hope

3X

Low- to moderate-income children ($50,000 or less) with tangible hope (i.e., wish to attend college while in high school and have college savings of $1 to $500) are 3X more likely to graduate college than low- to moderate-income children who are just wishful

CSAs teach children to fish (i.e., build assets of their own):

Children between ages 15 to 19 who have savings are more likely to have a savings account, credit card, stocks, bonds, vehicle, and a home at age 22 to 25 than if they did not have savings of their own between ages 15 to 19

SCHOOL OF SOCIAL WORK
UNIVERSITY OF MICHIGAN

Produced by the Center on Assets, Education, and Inclusion (AEDI)

To read the other two blogs in this three-part series go to https://aedi.ssw.umich.edu/blog/1955-the-asset-empowered-path-part-1 and https://aedi.ssw.umich.edu/blog/1956-the-debt-dependent-path-part-2.

AEDI