



Before College: Building Expectations and Facilitating Achievement

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Before College: Building Expectations and Facilitating Achievement

By giving students and families a clear strategy for how to overcome cost barriers, college savings increase the likelihood of enrollment. The prospect of significant borrowing, on the other hand, does little to orient students towards college as a likely part of their futures.

- Even small levels of savings make enrollment more likely. Specifically, 45% of low or moderate-income students with no account, 71% with more than \$1 of school savings, and 72% of students with school savings of \$500+ enroll in college.¹

On the longer-term challenge of equipping students to succeed, CSAs also show promise, largely through reinforcing a college-saver identity (expects to graduate and sees savings as a strategy for paying for college) that increases engagement and builds expectations.²

- Conversely, going through school without assets can compromise achievement. Spells of asset poverty prior to age 11 have a particularly negative effect on academic achievement.³

During College: CSAs ‘Buy’ Engaged Students and Increased Persistence

While high-dollar student debt shows some negative effects on college graduation, research suggests that college savings can improve a student’s chances of making it to graduation.

- The results are dramatic: 5% of students with no account, 13% who have school savings but less than \$1 saved, 25% who have school savings from \$1 to \$499, and 33% of students who have school savings of \$500+ graduate from college.⁴
- Students who come to college with assets may be less strained by financial considerations, allowing them to focus more effectively on their studies.⁵ The psychological effects of asset holding—increasing students’ sense of ‘ownership’ of their educational experience—may shift how they engage in class. The connections between CSAs and academic achievement may better prepare students for college course loads. Perhaps through a combination of these forces, 74% of students with college savings are on course to graduate, compared to 41% of students with no savings.⁶

Table 1. Percentages of LMI children who complete college in 2009 by savings threshold

	Enrollment	Graduation
No college savings	45%	5%
\$1 to \$499 saved	65%	25%
\$500 or more saved	72%	33%

Source. Elliott, Song, and Nam (2013)

After College: Better Off, even compared to other graduates

By instilling savings habits, reducing the long-term cost of financing, and connecting young adults to financial institutions, asset-based financial aid is alone in improving graduates’ financial status following college completion.

- While student debt can result in delayed homeownership, reduced net worth, and smaller asset stores, young savers largely continue an asset-building trajectory.

¹ Elliott, W. (2013). Small-dollar children’s savings accounts and children’s college outcomes. *Children and Youth Services Review*, 35(3), 572-585.

² Elliott, W., Destin, M., & Friedline, T. (2011). Taking stock of ten years of research on the relationship between assets and children’s educational outcomes: Implications for theory, policy, and intervention. *Children and Youth Services Review*, 33, 2312-2328.

³ Elliott, W. (2013). The effects of economic instability on children’s educational outcomes. *Children and Youth Services Review*, 35(3), p. 461-471.

⁴ Elliott, W. (2013). Small-dollar children’s savings accounts and children’s college outcomes. *Children and Youth Services Review*, 35(3), 572-585.

⁵ Hamilton, L. T. (2013). More is more or more is less? Parental financial investments during college. *American Sociological Review*, 78(1), 70–95.

⁶ 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.

- Children who have savings accounts while they are young are more likely to own accounts as young adults, have more diversified asset holdings, and accumulate higher net worth.⁷
- Young adults own almost twice as many types of assets when they have savings accounts as children compared to when they do not.⁸
- These outcomes are in addition to the spillover effects of improved educational outcomes, which may, in turn, improve employment prospects and lifelong earning potential.

Table 2. Net worth by student loan use

	Net Worth in 2007	Net Worth in 2009
Has student loans	\$68,427	\$42,800
Does not have student loans	\$149,023	\$117,700

Source. Elliott and Nam (2013)

In summary, savings and wealth show more promising outcomes before, during, and following college. As the U.S. considers how to best deploy its financial aid investments, it is increasingly clear that we cannot afford *not* to consider a complementary role for CSAs.

Table 3. Comparing Student Debt to CSAs

	Pre-College Educational Outcomes ⁱ	College Access Outcomes	College Completion Outcomes	Post-College Financial Outcomes
Student loans	N / A	+ / -	-	-
Savings and wealth	+ / -	+	+	+

⁷ Friedline, T., & Elliott, W. (2013). Connections with banking institutions and diverse asset portfolios in young adulthood: Children as potential future investors. *Children and Youth Services Review*, 35(6), 994-1006.

⁸ Ibid.



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