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RESEARCH BRIEF

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The Role of Savings and Wealth in Reducing "Wilt" between Expectations and College Attendance

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The belief that an ordinary citizen can turn the American Dream into reality is embedded in US history and culture. However, in a highly technical global economy, turning the Dream into reality typically requires a college education. Access to college in America is widely believed to be based on merit, but soaring costs have made college an elusive goal for many.

Research Objectives

In this study, "wilt" occurs when a young person who expects to graduate from a four-year college (prior to graduating from high school) has not attended a four-year college by the ages of 19 to 22.[1] We examine attendance at four-year colleges rather than two-year colleges because youth who obtain a four-year degree earn more, are less likely to be unemployed, and are less likely to be poor (Baum & Ma, 2009). Using individual-level longitudinal data, we estimate the percentage of wilt among different subgroups and identify variables associated with wilt. We pay special attention to the effects of savings and wealth on college attendance.

We assume that savings and wealth may have two effects on college attendance. The first effect is direct and mainly financial: Savings may allow young people to pay for books, computers, school activities, and eventually college tuition and fees. The second effect is indirect and mainly attitudinal: If youth grow up knowing they have money to help pay for current and future schooling, they may have higher educational expectations, which in turn may foster educational engagement and academic achievement (Elliott, 2008; Marjoribanks, 1984; Sherraden, Johnson, Elliott, Porterfield, & Rainford, 2007). Thus, we hypothesize that net worth and parent savings for youth are significant positive predictors of college attendance.

In addition, we hypothesize that youth savings may be even more strongly associated with college attendance than other savings and wealth variables—because we expect that a young person perceives more control over savings in his or her own name than savings in a parent's name. Perceived control—the perception that one has the ability, resources, or opportunities to obtain positive outcomes or avoid negative effects through one's own actions—is one of the most robust predictors of student resilience and academic success

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(Skinner, Simmer-Gembeck, Connell, Eccles, & Wellborn, 1998; Skinner, Wellborn, & Connell, 1990).

Research Methods

Data for this research come from the Panel Study of Income Dynamics and its supplements, the Child Development Supplement and the Transition into Adulthood supplement. The sample is restricted to White and Black youth with a high school diploma or a General Equivalency Diploma (GED) aged 15 or older in 2002 and with data on expectations for college attendance (N=453). To investigate wilt, the sample in most analyses is further restricted to youth who reported in 2002 that they expected to graduate from a four-year college at some point in the future (n=333). College attendance is measured in 2005, when youth were 19 to 22 years old (mean age=20). Other variables are measured in 2002 or earlier. We define wilt as the percentage of youth expecting to graduate from college that do not attend a four-year college by 2005.

Descriptive data detail the percentage of youth expecting to graduate from college and the percentage experiencing wilt. We then estimate a series of logistic regression models to examine the independent effects of several savings and wealth variables on wilt. These models control for household head's education, head's marital status, family income, household size, youth race, youth gender, and youth academic achievement.

We investigate three savings and wealth variables. Net worth is a continuous variable that sums separate values for a business, checking or savings accounts, real estate, stocks, and other assets, and subtracts out credit card and other debt. It does not include home equity. We also use a trichotomous measure of net worth with the following categories: negative net worth (< $0), modest net worth ($0 - $10,000), and high net worth (>$10,000) households. Parent savings for youth is a dichotomous variable indicating whether heads of household (or another caregiver) in 2002 had any money set aside for youth in a bank account that was separate from other types of savings. Youth savings is a trichotomous variable dividing youth into the following categories: those who in 2002 had an account but did not designate a portion of the savings in the account for future school (youth account), those who had an account and designated a portion of the savings in the account for school (youth school savings), and those with no account (the reference group).

Findings

Within the full sample of White and Black youth with high school diplomas or GEDs, the majority (73%) expected to graduate from a four-year college. Youth who are White and who lived in more educated, higher-income, and wealthier households were more likely than others to expect to graduate from a four-year college. Youth with parents who had money set aside for them and youth with accounts and with school savings of their own were more likely to expect to graduate. If college expectations are a type of calculation youth make about the opportunities they have for achieving a desired outcome (Cook, et al., 1996; Mickelson, 1990; Reynolds & Pemberton, 2001), such as attending college, then changes in their opportunity structure could lead to higher expectations (Elliott, 2008).

Almost one-third of youth who expected to attend a four-year college experience wilt. Descriptive analysis shows that Black youth (35%), males (38%), youth with parents who have a high school degree or less (40%), youth living in unmarried households (36%), and youth living in low-income households (45%) experience higher levels of wilt.

In multivariate analyses, youth gender and head's education remain important predictors of wilt. Race is significant in some models (with Blacks experiencing *less* wilt than Whites when we control for other variables). Somewhat surprisingly, income is never a significant predictor of wilt when we control for other variables.

When young people do not have a savings account, this appears to be a particularly important predictor of wilt. A remarkable 55% of youth with no account of their own experience wilt—the highest level among all groups examined. In multivariate analyses, youth who had an account are about seven times more likely to attend college than similar youth who did not have an account. Youth who had an account and had also designated a portion of the savings in that account for school are almost four times more likely to attend than those without an account. Moreover, when youth savings is included in regression models, academic achievement is no longer a significant predictor of college attendance.

Discussion

Contrary to our first hypothesis, net worth and parent savings for youth are not significant predictors of college attendance for youth who expected to graduate from college. Consistent with our second hypothesis, youth savings is a consistent, significant, and very strong predictor of college attendance for youth who expected to graduate.

One policy strategy designed to provide every youth in the United States with an account is a universal Child Development Account (CDA). In their simplest form, CDAs are incentivized savings accounts that can be used for long-term investments, such as education, home and business ownership, and retirement. In the United Kingdom, for example, every child now begins life with his or her own savings account in the UK Child Trust Fund. A proposed CDA policy in the United States is the America Saving for Personal Investment, Retirement, and Education (ASPIRE) Act. ASPIRE is being considered in the US Congress. It would create a savings account for every newborn with an initial $500 deposit, matching funds for deposits by low- and moderate-income families, and opportunities for financial education.[2]

An alternative to the ASPIRE Act for creating more inclusive asset building programs for youth is to build CDA policy upon the existing platform of state college savings (529) plans (Clancy, Cramer & Parrish, 2005; Sherraden, 2009). Many states are adopting policies that make it easier for moderate- and low-income families to save in their child's name for post-secondary education (Lassar, Clancy, & McClure, 2010).

We do not claim that youth savings is the most important factor for understanding college attendance, but savings appears to matter and is an understudied factor. While it is somewhat surprising that account ownership has a larger effect on college attendance than school savings, in a practical sense, the distinction may not be that important. In this study, both variables had large effects, and program and policy interventions that promote savings accounts are very likely to promote saving and vice versa.

Our findings—that youth account ownership and savings predict college attendance while parent savings and net worth do not—bring to mind lyrics from the Billie Holiday song, God Bless the Child: "Mama may have, Papa may have, but God bless the child that's got his own." Policies that aim to increase youth account ownership and savings may play an important role in helping to restore the American Dream of attending college.

Endnotes

1. "Wilt" is similar to the concept of "melt" examined in a 2006 report by the Advisory Committee on Student Financial Assistance (ACSFA). The ACSFA (2006) had aggregate cross-sectional data and calculated melt by subtracting the percentage of students that attended college from the percentage that expected to graduate and then dividing by the percentage that expected to graduate.
2. For a description of the ASPIRE Act see: http://www.assetbuilding.org/resources/the_aspire_act_of_2004_kids_accounts_s_2751_hr_4939.

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