

Kids' savings, college success linked

April 26 2011, By Jessica Martin



(PhysOrg.com) -- Evidence supporting the link between savings and college success is growing. Three studies out of the Center for Social Development (CSD) at the Brown School at Washington University in St. Louis offer a connection between assets and college enrollment and completion.

“This research underscores the importance of policies and programs that help Americans of all income levels to save for [college](#),” says Margaret Clancy, policy director and College Savings Initiative director at CSD. “That’s why the College Savings Initiative includes innovative public policy and reforms to 529 college savings plans. The ultimate goal is to increase post-secondary education access and completion rates, particularly among lower-income students.”

In a study forthcoming in the *Journal of Children and Poverty*, CSD researchers found that among youth who expected to graduate from a four-year college, those with a savings account in their name were approximately six times more likely to attend college than those with no account.

Arne Duncan, U.S. secretary of education, recently cited this study when announcing a new partnership with the Federal Deposit Insurance Company and the National Credit Union Association to improve financial education, savings and college access for low- and moderate-income students.

A CSD study forthcoming in the *American Journal of Education* finds that, controlling for many other variables including income, financial assets are a consistent predictor of later college graduation.

“Previous research has stopped short of assessing relationships between assets and college completion, and very limited research has examined the associations between different types of assets and liabilities and college success,” Clancy says.

Another study forthcoming in *Children & Youth Services Review*, finds that also controlling for family income and other factors, both financial assets — such as savings accounts, IRAs, or CDs — and non-financial assets — such as equity in a home, vehicle or business — are positively related to children’s college completion. In other words, it is assets, and not income, that is associated with college success.

“In this study and others, there is evidence that the positive effect of savings may be more than economic — assets are related to changing the college expectations of parents and children,” Clancy says.

Finally, a review of 38 studies on household assets and children’s

educational success finds that household [assets](#) have a significant independent effect on whether children attend and ultimately graduate college.

Influenced in part by this CSD research, programs and policies increasingly support college savings for families of all income levels. San Francisco's innovative Kindergarten to College program, a city-funded college savings program, was launched in the fall of 2010.

The program, which was informed by College Savings Initiative research, will eventually offer an account with a seed deposit to every kindergartner in the San Francisco public schools.

"The account is not just a vehicle for savings but a vehicle for hope," Secretary Duncan said in his message.

At the federal level, President Barack Obama has proposed "Bank on USA," a program to facilitate access to affordable deposit accounts and basic financial services to unbanked American families.

"Obama has set a goal that by the end of the decade America will once again lead the world in college completion," Duncan said. "These initiatives will play a critical role in helping our students go to college, succeed there, and help our country meet the president's goal."

The College Savings Initiative (CSI) is a collaboration of the Center for Social Development (CSD) and the New America Foundation that aims to increase access and completion of post-secondary education among low- to moderate-income students. Supported by the Bill & Melinda Gates Foundation and the Lumina Foundation for Education, the initiative focuses on research and policy for more inclusive college savings plans.

More information: CSD research on Inclusive 529 Savings Policy:
csd.wustl.edu/AssetBuilding/Inclusive529SavingsPolicy/Pages/home.aspx
College Savings Initiative: collegesavingsinitiative.org/
Comprehensive review of findings on household assets and children's
educational success:
csd.wustl.edu/Publications/Documents/WP11-08.pdf

Provided by Washington University in St. Louis

Citation: Kids' savings, college success linked (2011, April 26) retrieved 25 April 2024 from
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