

More parents funding college education contributes to income and wealth gap

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More parents today are financially supporting—and paying more—for their children's college education, but that development also might be exacerbating economic inequality, according to a new study by a University of Kansas professor.

"Young adults from families in the top quarter of the wealth distribution received more than eleven times more money for school than those in the bottom half," said Emily Rauscher, a KU assistant professor of sociology. "What makes this a concern is that financial support from [parents](#) for [education](#) is associated with higher socioeconomic outcomes, including income, education, and wealth. A key takeaway is that parental financial support for education is one way in which economic inequality is passed between generations. Parental wealth matters for a variety of child outcomes, and the findings of this study suggest that it matters even in young adulthood."

The *Russell Sage Foundation Journal of the Social Sciences* recently published Rauscher's findings. She compared the amount of funding parents transferred to their children for educational purposes using the Rosters and Transfers Module of the Panel Study of Income Dynamics that provides survey data from 2013 back to 1968.

On average, individuals in the study received more than \$13,000 from parents for school since they turned 18. However, it's likely that - among those receiving financial support from their parents - most received more than that because 75 percent received no educational transfers

from their parents at all.

Rauscher said the study's findings have implications for inequality and suggest several potential education and economic policies, especially in explaining and dealing with [economic inequality](#).

For one, researchers have described a period of "extended adolescence" in which [young adults](#) remain dependent of their parents in some fashion for longer than past generations. However, Rauscher said this study reflects that "extended adolescence" only applies to certain young adults.

"Those from poor or low-wealth backgrounds are forced to fend for themselves earlier in their lives than the privileged adolescents," she said. "Receiving parental funding for college is one example. Young adults from poor backgrounds do not enjoy this parental support for college."

Rauscher noted that [parental support](#) for education could be viewed both positively and negatively. It can help many young adults earn a college degree.

"One potential concern, though, is that parents may be supporting their children's education at the expense of saving for retirement," Rauscher said. "That could put the parents in a difficult situation as they age, leaving them without enough savings to retire."

She said recognizing parental financial transfers for education as one mechanism through which inequality is transmitted across generations could be critical as policymakers in states and Congress grapple with economic legislation.

"It signals where our society could invest to allow young adults to achieve economic outcomes based on their own hard work, rather than

that of their parents," Rauscher said.

For example, these findings could point to the importance of higher education spending outside of tuition and funding of federal Pell grants, the McNair Scholars Program and work-study programs, all of which help students of low-income or first-generation college students. Also, another area of research has suggested most high-achieving, low-income youth don't apply for selective colleges, even though those colleges provide better financial aid and have higher-degree completion rates.

"In order to put young adults on more equal footing," Rauscher said, "my results suggest that society could either fund higher education for all or provide young adults from poor backgrounds with the same [financial support](#) that wealthier young adults receive from their parents,"

KU's Center on Assets, Education, and Inclusion in the School of Social Welfare supported the research. Rauscher serves at the center's faculty director for the wealth transfer project.

Provided by University of Kansas

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