# Today: Two Paths To Higher Ed

**Loans** ← **How Will You Pay For College?** → **Savings**

**Higher education** plays a critical role in the U.S. economy, creating a ladder of economic opportunity for American children, especially for those in poverty. However, despite our collective belief in an American dream of equitable opportunities for all, higher education today increasingly reinforces patterns of relative privilege, particularly as students rely more and more on student loans to finance college access. As borrowing reduces the return on a college degree—by failing to support strong educational attainment and by compromising post-graduation financial security—the inequity of our financial aid system is laid bare. By supporting and investing in asset-based savings approaches for all U.S. children, we have the potential to deliver superior outcomes and strengthen the American dream.

| | Loans | Savings |
|---|---|---|
| HOW? | Reliance on a **"debt-dependent"** financial aid system | Empowerment through an **"asset-dependent"** financial aid system |
| COLLEGE READINESS | **Concern About Student Loan Debt =** A **negative influence** on low-income students' perception of college as a viable option | **Knowledge of Savings =**<br>• Higher student and parental college expectations<br>• Weak but positive effect on reading and math scores<br>• Higher high school GPA |
| COLLEGE ACCESS | **Access to loans** creates a weak but positive effect on access to college<br>**More effective when combined with grants and scholarships** | Even college savings of less than **$500** **increase college entry** for low and moderate income students<br>**3x** more likely to enroll in college than with no savings account |
| COLLEGE COMPLETION | Having even less than the average amount of debt (**$26,500**) might have a negative relationship with college graduation for some low-income public school students | Even college savings of less than **$500** **increase college completion** for low and moderate income students<br>**4x** more likely to graduate college than with no savings account |
| LONG-TERM FINANCIAL HEALTH | **Household with college degree with student debt**<br>**63%** less net worth<br>**40%** less home equity<br>**52%** less retirement savings | **Young adult graduates who had savings as adolescents**<br>**2x** more likely to own savings accounts<br>**2x** more likely to own credit cards<br>**4x** more likely to own stocks |

## How to Help More Families Save for College

**National Children's Savings Account (CSA) Program**

Basic Components of a CSA Program

Savings Plan → Accounts Automatically Opened at Birth → Initial Government Deposit → Matching Contributions → Funds Can be Spent on Education or Related Expenses

**By giving families savings incentives and building universal and progressive vehicles for saving, CSAs may improve the educational outcomes and financial health of low-income children.**

**Learn more at Save2LimitDebt.com, a project of the University of Kansas School of Social Welfare's Assets and Education Initiative**

Elliott, W. and Lewis, M. (2013). *Are student loans widening the wealth gap in America? It's a question of equity*. Lawrence, KS: Assets and Education Initiative (AEDI).