First-Generation College Graduates Get a Financial Boost, but Don’t Catch Up

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Federal Reserve Bank of St. Louis
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Overview

• First-Gen Graduates Defined
• Demographics of Wealth 1
• Intergenerational Education
• Racial/Ethnic Differences
• Parent Boost
• College Boost
INTRODUCTION AND KEY FACTS
First-Generation Graduates

• A key demographic in higher education because they best exemplify higher education’s promise of upward mobility.
Typical College Grads* Have More Wealth

Wealth Gaps by Educational Attainment
A look at median (50th Percentile) household wealth over time

In 2016, the typical four-year college grad family had over three times the wealth of the typical two-year college grad family.

*We draw a line between four-year college grads and everyone else because of large wealth differences.
Share of First-Gen College Grads is Down

- 41.6% nationally (2018)
- First-Gen Freshmen:
  - ~15% SLU (2018)
  - ~7% WashU (2016)
  - ~20% SIUE (2016)
  - ~42% UMSL (2016)

Up 3.8 percentage points to 37.4%
Down 7.1 percentage points to 41.6%

Share of U.S. adults age 25 to 64 who are college grads
Share of college grads that are first-gen

Intergenerational Education

Continuing-gen potential

At least one parent has a four-year college degree

60 percent likelihood that adult children household heads also have degrees

Neither parent has a degree

24 percent likelihood that adult children household heads have degrees

First-gen potential
DEMOGRAPHICS OF WEALTH
Why are Demographics Important?

• Much of the debate is framed with income and wealth distribution (e.g. the wealth of the 1%).
• However, there is considerable movement over time across the entire distribution.
• It’s difficult to draw conclusions when the underlying groups have changed.
• Demographics serve as independent and stable identifiers.
The Demographics of Wealth

- Explore connections between wealth and a family’s:
  1. Own education and parents’ education,
  2. Age and birth year, and
  3. Race/ethnicity

- These factors are related to which families struggle and thrive.
Essay 1: Financial Returns from College Are Large but Unequal

- How much of income and wealth returns from college are due to a family’s own effort versus inherited demographic traits?
Families with “favorable” (white, middle-aged or older, college grad parents) inherited traits typically earn higher incomes and accumulate more wealth than families without them.
Families who exceed educational expectations (i.e., first-gen families) get a larger boost up the ladder from completing their degree than do continuing-gen families.
FIRST-GEN SHARES AND EDUCATIONAL STICKINESS
First-Gen Share Declines Across Generations

- Continuing-gen's share of college graduates is larger for younger generations.
- The rise in college graduates thus stems almost entirely from the surge in continuing-gen grads.
- This trend is unexpected given that the majority (nearly 2 in 3) of adults age 25 to 64 still have first-gen potential.
Educational Attainment Persists

• Could reflect:
  – Better ability to navigate “hidden curriculum”
  – Avoidance of private, for-profits
  – Wealth’s connection to education

<table>
<thead>
<tr>
<th>CONTINUING-GENERATION</th>
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<tbody>
<tr>
<td>BOTH PARENTS EARNED FOUR-YEAR DEGREE OR HIGHER</td>
</tr>
<tr>
<td>ONE PARENT EARNED FOUR-YEAR DEGREE OR HIGHER</td>
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<table>
<thead>
<tr>
<th>FIRST-GENERATION</th>
</tr>
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<tbody>
<tr>
<td>PARENT(S) EARNED TWO-YEAR DEGREE OR CERTIFICATE</td>
</tr>
<tr>
<td>PARENT(S) ATTENDED COLLEGE (BUT NO DEGREE)</td>
</tr>
<tr>
<td>NO COLLEGE EXPERIENCE, EITHER PARENT</td>
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<table>
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<tr>
<th>PERCENT</th>
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<tr>
<td>Bachelor’s or Higher</td>
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Marked Racial/Ethnic Differences

- Blacks have the lowest intergenerational college persistence.
- Hispanics had the highest no-college persistence.

### Educational Breakdown by Parents' Education and Race/Ethnicity

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<tr>
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<th>Head of Household's Education</th>
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<tr>
<td></td>
<td>Four-year degree</td>
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<tr>
<td>Whites Parents' Education</td>
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</tr>
<tr>
<td>Four-year degree</td>
<td>60%</td>
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<tr>
<td>No degree</td>
<td>28%</td>
</tr>
<tr>
<td>Blacks Parents' Education</td>
<td></td>
</tr>
<tr>
<td>Four-year degree</td>
<td>34%</td>
</tr>
<tr>
<td>No degree</td>
<td>19%</td>
</tr>
<tr>
<td>Hispanics Parents' Education</td>
<td></td>
</tr>
<tr>
<td>Four-year degree</td>
<td>49%</td>
</tr>
<tr>
<td>No degree</td>
<td>12%</td>
</tr>
<tr>
<td>Other Races Parents' Education</td>
<td></td>
</tr>
<tr>
<td>Four-year degree</td>
<td>69%</td>
</tr>
<tr>
<td>No degree</td>
<td>41%</td>
</tr>
</tbody>
</table>

**SOURCES:** Federal Reserve's Survey of Consumer Finances and author's calculations.
HOW BIG IS THE COLLEGE BOOST?
First-Gen Families’ Income and Wealth vs:

Parent Boost
- Continuing-gen grad families

College Boost
- Families with no college degree in either generation

<table>
<thead>
<tr>
<th>Adult Family Head</th>
<th>Head’s Parents</th>
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Both Own Education and Parents’ Education Matter

- While the College Boost is large, the Parent Boost persists.

In 2016, the parent boost for the youngest continuing-gen Baby Boomers was 103%.

In 2016, the college boost for the youngest first-gen Baby Boomers was 370%.
Estimated median income and wealth levels predicted by age

- What do we expect median (or middle) income and wealth values to be at each age?
- Statistical methods generate these expectations based on education and age
- How do the College Boosts and Parent Boosts differ?
- White families between age 40 and 61
Income College Boost Larger For First-Gen Grads

• Age 50:
  – First-Gen: $113k vs. No College: $54k (109% boost)
  – Continuing-Gen: $152k vs. Only parents have college: $77k (96% boost)
Wealth College Boost Also Larger For First-Gen Grads

- **Age 50:**
  - First-Gen: $412k vs. No College: $92k (**349%** boost)
  - Continuing-Gen: $613k vs. Only parents have college: $158k (**288%** boost)

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**Percent Boost over Nongrad Family with Same Parental Education**

- **First-Gen Boost over Nongrad:**
  - Age 40: 310%
  - Age 50: 349%
  - Age 60: 350%

- **Continuing-Gen Boost over Nongrad:**
  - Age 40: 240%
  - Age 50: 288%
  - Age 60: 330%
Some Considerations

• Hard to pick a perfect comparison group
  – Families who have first-gen potential and get a degree may differ markedly from those who don’t:
    • Drive, natural ability, greater opportunities, tenacity
• Inherited demographic: parental education
Parent Boost Smaller but Matters; Continuing-Gen Grads Have More

- **Age 50:**
  - Continuing-Gen: $152k vs. First-Gen: $113k
  - $38,000 difference or
  - 34% boost
Similarly, Wealth Parent Boost Smaller but Powerful

• Age 50:
  – Continuing-Gen: $613k vs. First-Gen: $412k
  – $201,000 difference or
  – 49% boost
A Reminder: College Isn’t the Answer for All

INTERGENERATIONAL EDUCATION

- No College in Either Generation
- Only Parent(s) Has College
- First-Gen
- Continuing-Gen

NET WORTH

$\begin{array}{cccc}
\text{Median (50th percentile)} & \text{75th percentile} & \text{25th percentile} \\
\$56,000 & \$182,000 & \$213,000 \\
\$45,000 & \$182,000 & \$290,000 \\
\$71,000 & \$293,000 & \$293,000 \\
\end{array}$
POTENTIAL EXPLANATIONS AND CONCLUSIONS
Plausible Mechanisms for the Parent Boost

• Institutional know-how: graduate on time, class/major choice, university choice
• It’s not what you know, it’s who you know
• Financial support for riskier ventures
• Middle-class cultural competence
• Inheritances? Not so much
Summary

• Even after first-gen students persevere in attaining their degrees, they face barriers.
• First-Gen’s college boost is large but not equalizing.
• The Parent Boost remains. College may thus be considered a “little” equalizer as opposed to the “great” equalizer.
• The increasing share of continuing-gen graduates may indicate hardening class barriers.
• Once barrier broken, children may reap rewards.
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2018 Series

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