EXPERT INSIGHTS

PRESENTED BY

Asset Funders Network

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Senior Advisor and Director of Household Financial Stability

with Moderator:

Christi Baker
Program Officer

Asset Funders Network
PARTICIPATE

During the presentation – Type your question in the QUESTIONS BOX to be addressed during discussion breaks or during Q/A.
Working Together to Achieve Economic Security for All

As the only membership organization for grantmakers focused on advancing economic security, the Asset Funders Network connects philanthropic leaders to drive greater impact where it’s needed most.
Leveling the Playing Field for Education and Wealth: What Can We Learn from Recent Research?

Asset Funders Network
AFN Expert Insights Webinar
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*These are my own views, and not necessarily the views of the Federal Reserve Bank of St. Louis, Federal Reserve System, or the Board of Governors
Outline of Presentation

I. Overview: Education and Wealth

II. How Education Predicts Wealth

III. How Wealth Predicts Education

IV. Implications for Philanthropy
In General, College Really Pays...

Compared to those not completing a 4-year degree, a college degree is associated with:

- Higher income and wealth
  - College income boost: 108%
  - College wealth boost: 327%
- Better health
- A higher likelihood of being a homeowner
- A higher likelihood of being married or cohabitating
- A lower risk of falling behind on loan payments

34% of families are now headed by someone with at least a 4-year degree, up from 23% since 1989.
Education and Wealth: Some Cautions
II. How Education Predicts Wealth
Overall, Education is Strongly Correlated with Wealth

Real Median Family Net Worth, By Education
Thousands of 2016 Dollars

Source: Federal Reserve Board, Survey of Consumer Finances.
Income Returns on College Have Been Steady Across Birth Cohorts

Change in Expected Income
Four-Year Degree Families

White, Non-Hispanic

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930s</td>
<td>72%</td>
</tr>
<tr>
<td>1940s</td>
<td>64%</td>
</tr>
<tr>
<td>1950s</td>
<td>57%</td>
</tr>
<tr>
<td>1960s</td>
<td>60%</td>
</tr>
<tr>
<td>1970s</td>
<td>60%</td>
</tr>
<tr>
<td>1980s</td>
<td>43%</td>
</tr>
</tbody>
</table>

Black

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930s</td>
<td>76%</td>
</tr>
<tr>
<td>1940s</td>
<td>73%</td>
</tr>
<tr>
<td>1950s</td>
<td>74%</td>
</tr>
<tr>
<td>1960s</td>
<td>66%</td>
</tr>
<tr>
<td>1970s</td>
<td>71%</td>
</tr>
</tbody>
</table>

**Sources:** Federal Reserve Board’s Survey of Consumer Finances and authors’ calculations.
**Note:** Percent change is relative to nongrad families of the same race born in the same decade.
However, Wealth Returns on College Vary More, and Are Diminishing

![Change in Expected Wealth](chart)

**Change in Expected Wealth**

*Four-Year Degree Families*

- **1930s**
- **1940s**
- **1950s**
- **1960s**
- **1970s**
- **1980s**

**Percent Change**

- **White, Non-Hispanic**
  - 247%
  - 195%
  - 185%
  - 166%
  - 134%
  - 42%

- **Black**
  - 253%
  - 126%
  - 177%
  - 18%
  - 6%

**Sources**: Federal Reserve Board's Survey of Consumer Finances and authors' calculations.

**Note**: Percent change is relative to nongrad families of the same race born in the same decade.
Combining All Birth Cohorts, Overall Wealth Returns are Positive but Vary by Race and Education Level

Net Worth by Education Level and Race

*Index = Per $100 of College-Educated White Family’s Wealth*

Source: Federal Reserve Board's Survey of Consumer Finances and author's calculations.
III. How Wealth Predicts Education
As Family Wealth Rises, College Success Rises

<table>
<thead>
<tr>
<th>Wealth Group</th>
<th>Born in 1970s</th>
<th>Born in 1980s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest wealth group</td>
<td>11.3%</td>
<td>11.8%</td>
</tr>
<tr>
<td>Middle wealth group</td>
<td>25.7%</td>
<td>32.5%</td>
</tr>
<tr>
<td>Highest wealth group</td>
<td>46.0%</td>
<td>60.1%</td>
</tr>
</tbody>
</table>

Note: Wealth categories are based on a person’s parents’ wealth when the person was 10-14 years old. Lowest wealth group is the bottom 40 percent of households; middle wealth is the middle 40 percent; upper wealth is the top 20 percent. Educational outcomes are at age 25.

IV. Implications for Philanthropy
Approximately one in five Americans:

- Fail to graduate high school in six years.
- Complete high school but pursue no further education.
- Start but do not complete college.
- Earn a college degree but have jobs that don’t require one.
- Follow the traditional high-school→college→career track.
Possible Directions for Philanthropy

1. Develop skills and opportunities for Americans not on the “traditional” high-school → college → career path:
   - ✓ Project QUEST example (www.questsa.org)
   - ✓ Promote adaptability and technical skills for team-based, life-long learning (Neil Irwin, How To Win)

2. For those on the 4-year college completion path:
   - ✓ Reduce the cost of college.
   - ✓ Ease student loan burdens through IBRs, employers, etc.
   - ✓ Develop “rainy day funds” to promote college completion.
   - ✓ Especially promote college completion for first-gen students.

3. For all kids, promote early education and savings programs, ideally through at-birth, life-long 529 accounts.
Resources cited during the presentation:


- SEED for Oklahoma Kids (SEED OK), Center for Social Development, Washington University in St. Louis. [Link](#).

Thank you for attending today’s Asset Funders Network presentation.

**PLEASE FILL OUT OUR SURVEY**

The survey will pop up on your screen momentarily and will also be sent to you via email.

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