



# Bridging Research, Policy, and Philanthropy: Incorporating Wealth into Postsecondary Policy

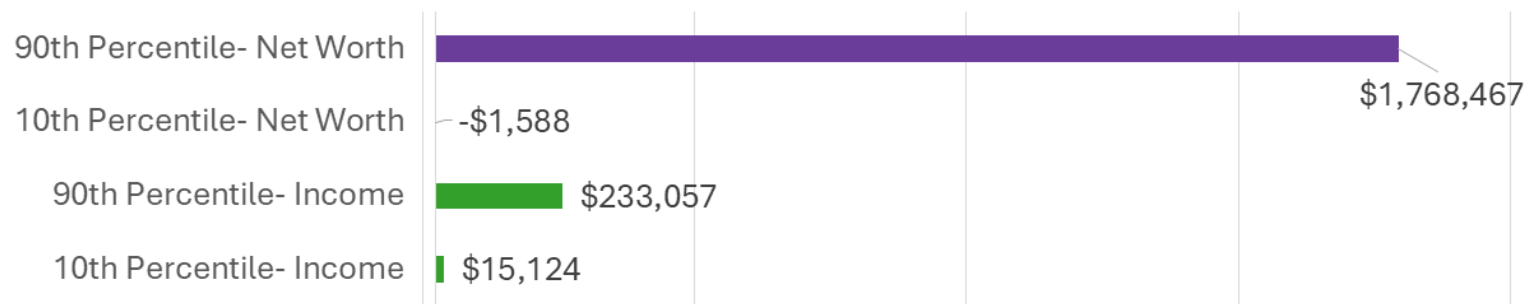
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Income = current earnings within a time frame

Wealth = total value of household assets minus debts,  
reflects accumulation over time

## Wealth and Income Inequality across Households in the US: SIPP 2018-2023



Gini Coefficient (range:0-1)

**Assets (.74)**

**Income (.51)**

**Wealth gaps in  
the U.S. far  
exceed income  
gaps.**

# How is **wealth** divided in the US?



Components of wealth by income quintile, adjusted for inflation (2022 dollars), Q1-Q3 2022 average

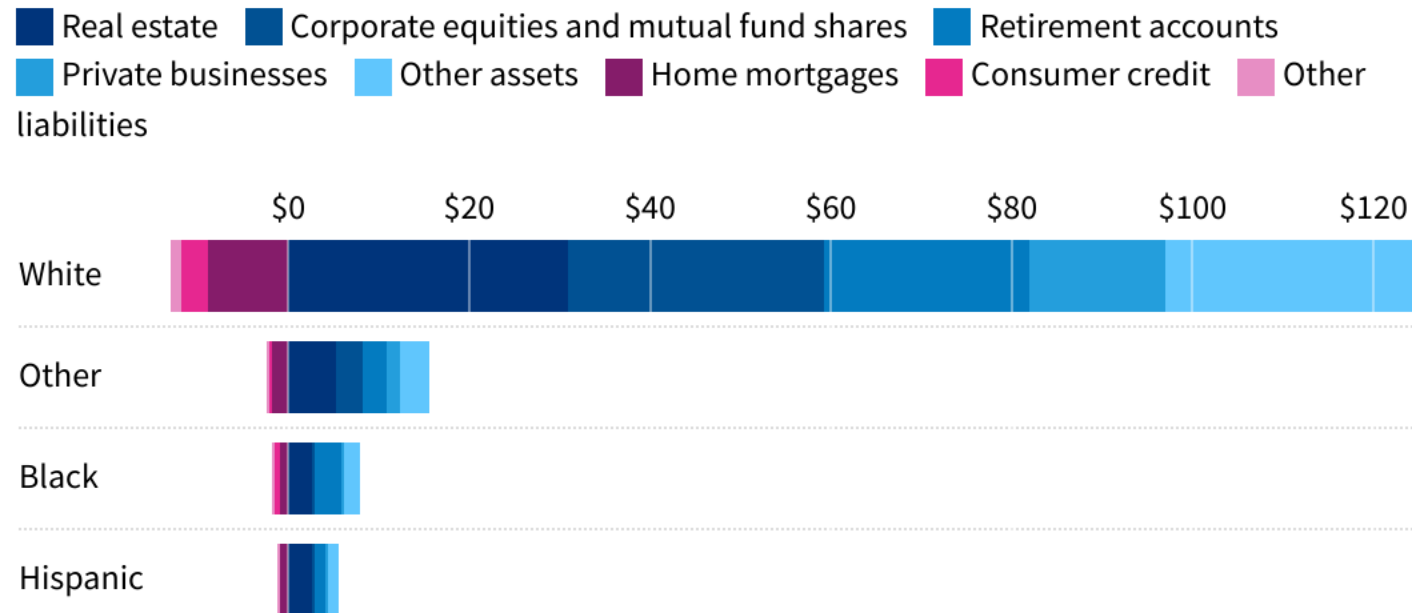
Source: Federal Reserve

USA **FACTS**

Those in the top of the income structure in the US have greater wealth than those in the bottom.

# According to the Federal Reserve, white households held more than 80% of the nation's assets in 2022.

Wealth measured in assets and liabilities by race (in trillions), Q3 2022

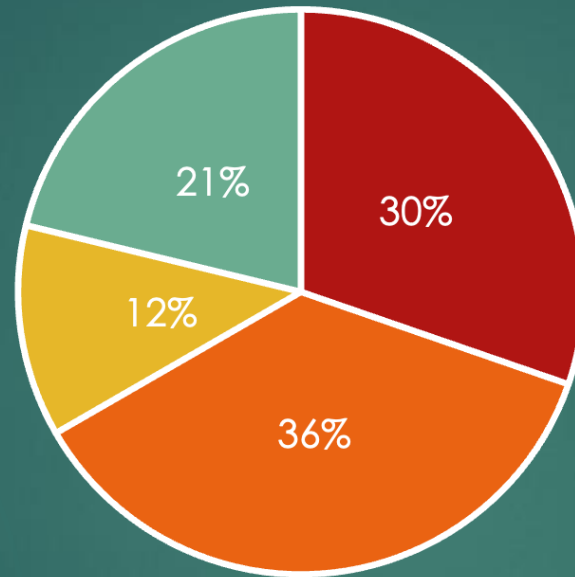


Source: Board of Governors of the Federal Reserve System

USA FACTS

White households have far greater assets than others.

## Multi-Dimensional Economic Need



■ Dually Disadvantaged ■ Only Low-Wealth  
■ Only Low-Income ■ Not Disadvantaged

Data source:  
NPSAS 20. Among  
2019-2020 FAFSA  
filers. Low wealth  
is \$0 in counted  
assets and low-  
income is defined  
as the bottom  
quintile.

## Share of FAFSA Filers by Racial Group and Multi-Dimensional Category

	Black	Latine	White
<b>Not Disadvantaged</b>	19%	21%	39%
<b>Low-Wealth Only</b>	37%	39%	35%
<b>Low-Income Only</b>	13%	12%	11%
<b>Dually Disadvantaged</b>	31%	28%	15%

*Definitions:* Low-wealth = \$0 in FAFSA-reported net worth; low-income = bottom third of FAFSA-reported total income (determined using the distribution of total income at the state level, for state-specific estimates).

*Data source:* National Postsecondary Student Aid Study 2019-20.

Feature	Before 2024–25 (EFC era)	From 2024–25 Onward (SAI era)
Aid formula name	Expected Family Contribution (EFC)	Student Aid Index (SAI)
Adjusted gross income	After tax and income allowances, 25%-50% of income is counted	After tax and income allowances, 25%-50% of income is counted
Parental asset assessment rate	12%	5.64%

**Student Aid Index (formerly EFC) barely considers assets**

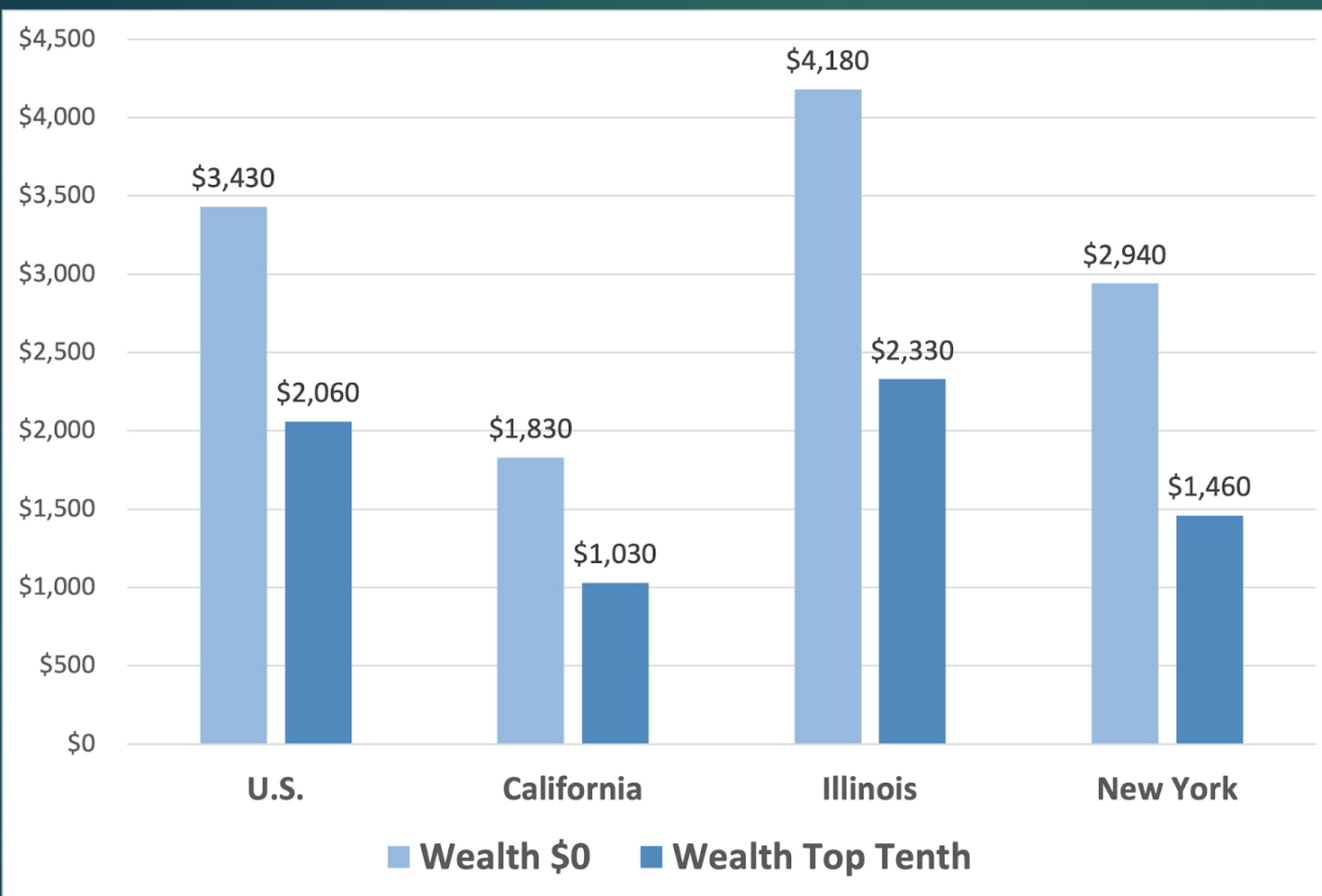


Feature / Program	Cal Grant (CA)	MAP Grant (IL)	TAP Grant (NY)
Administering Agency	California Student Aid Commission (CSAC)	Illinois Student Assistance Commission (ISAC)	NY Higher Education Services Corporation (HESC)
How Need is Measured	Cost of Attendance – Student Aid Index (SAI)	SAI must be < 9,000; then tuition-based formula	NYS Net Taxable Income only
Asset Consideration	Exclude higher asset families (ceiling of \$105,200 for 25-26 dep students)	Not directly considered	Not directly considered

## Average amount of state need-based grant aid received, 2019-2020

	US	California	Illinois	New York
Low-Income Only	\$1160	\$1420	\$2050	\$1300
Dually Disadvantaged	\$970	\$1430	\$1920	\$1290

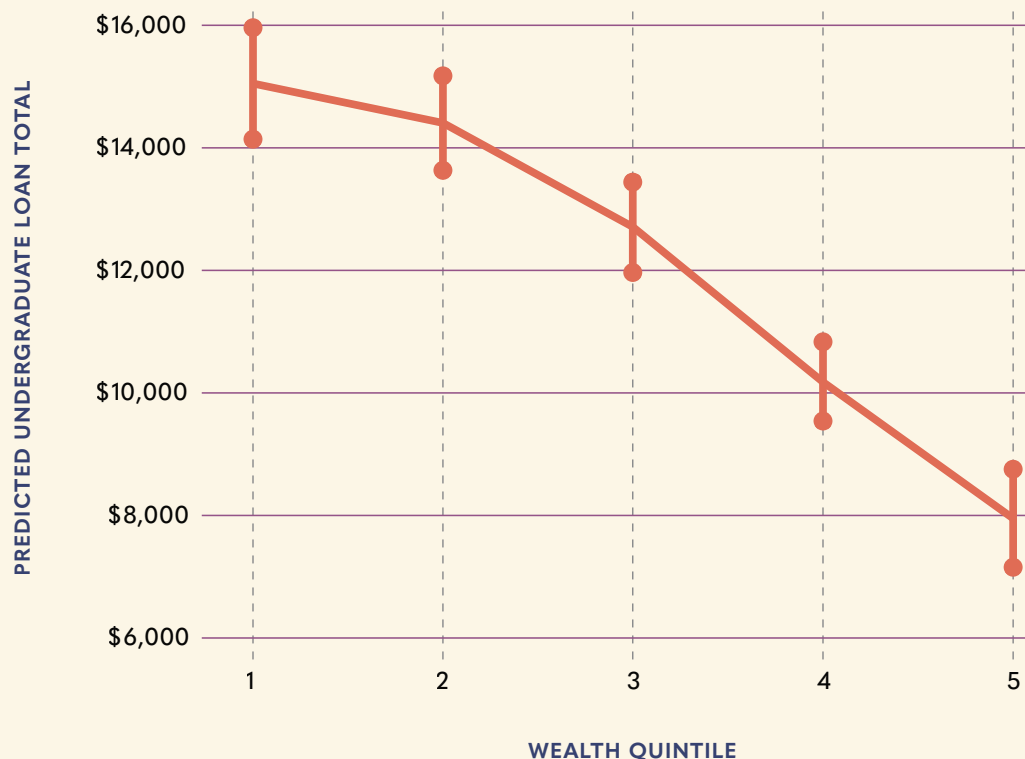
Data source: NPSAS 20. Among 2019-2020 FAFSA filers. Low wealth is \$0 in counted assets and low-income is defined as the bottom third.



## Predicted 2019-20 borrowing of low-income students, by wealth.

*Data source:* National  
Postsecondary Student Aid  
Study 2019-20.

### Regression-adjusted mean of total undergraduate borrowing 12 years out, by wealth quintile

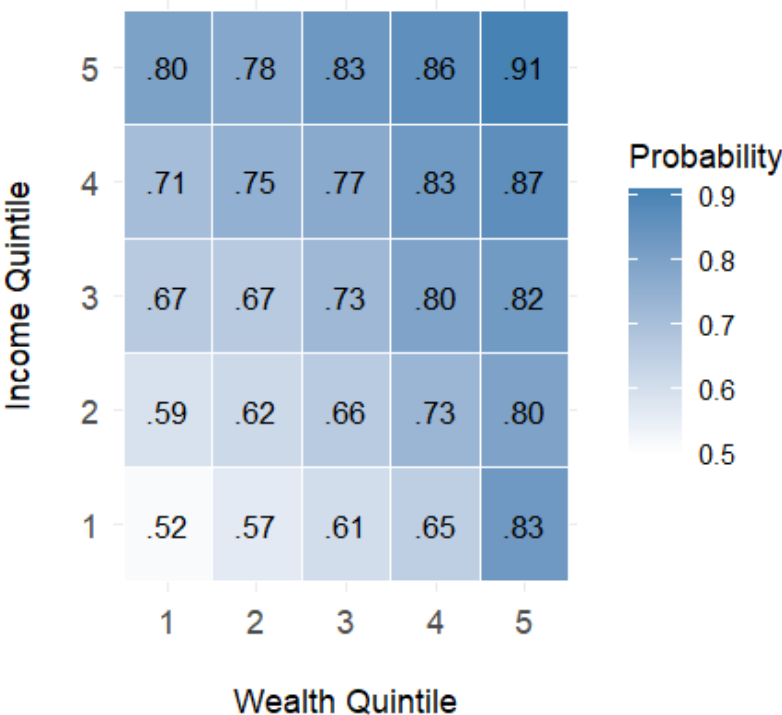


**Low-wealth students  
also borrowed more  
total, over the course of  
their entire education,  
holding EFC constant.**

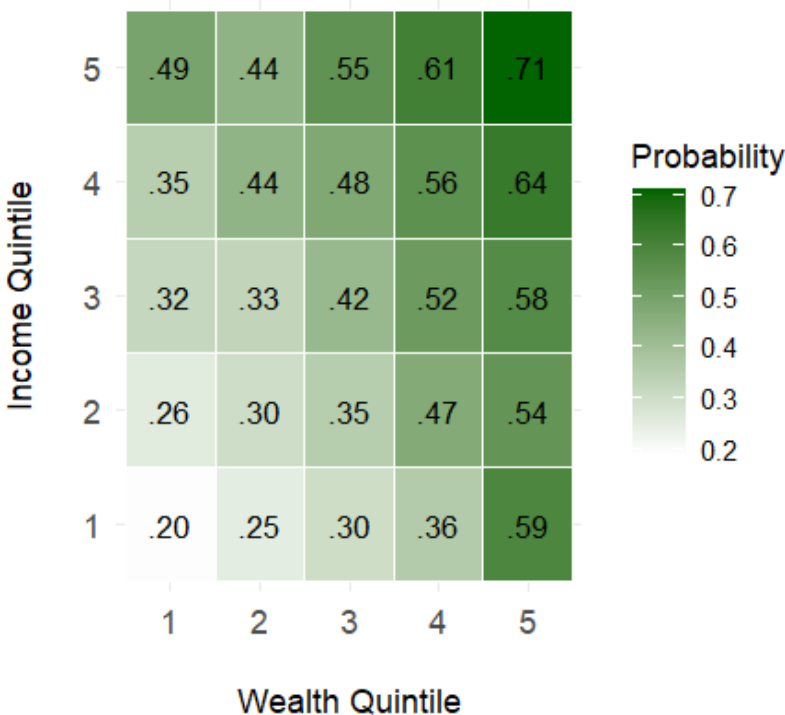
*Notes: Estimates apply survey weights and multiply imputed data. Sample is restricted to dependent students who filed the FAFSA. Control variables are Expected Family Contribution, race, institutional level, months enrolled full-time by 12 years, and months enrolled part-time by 12 years. Source: 2004/09 Beginning Postsecondary Students Longitudinal Study (BPS:04/09).*

Students who are dually disadvantaged face the greatest access and completion barriers.

College Entry (Given HS Degree)



BA Completion (Given College Entry)



*Notes:* Estimates are based on a logistic regression model for each transition separately. The predicted probabilities hold all other factors at their mean values. Covariates include: parental education, race/ethnicity, gender, nativity status, urbanicity, geographic region, household size, a single-parent indicator, and high school grade-point average. Missing data was handled using multiple imputation. The models apply probability weights to account for NLSY's complex sampling design.  
*Data source:* National Longitudinal Survey of Youth (NLSY) 1997.



**A solution: Target low-wealth students with federal and state aid, especially the dually disadvantaged**

**We can do this with data already collected by FAFSA**



The FAFSA asks respondents to report several types of assets—data used in many of the analyses shown today. These include:

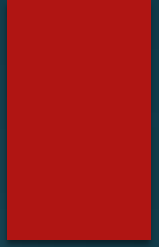
- Money in cash, savings, checking accounts, time deposits; money market funds;
- Net worth of businesses or investment farms (reported as \$0 if negative);
- Real estate (excluding the primary residence), vacation homes, and income producing property;
- Trusts, stocks, bonds, derivatives, securities, mutual funds, and tax shelters;
- Qualified educational benefits or education savings accounts



Uncounted assets, which are not part of FAFSA reporting, include retirement savings and home equity.

- The total value is lower than the value of all household assets, but the distribution is similar





**FAFSA does not request information on debts**

- **But debt is highest among the most economically disadvantaged families.**

# How is **wealth** divided in the US?



Those with the greatest assets can also accrue debts (e.g., large mortgages, vehicle loans)

Components of wealth by income quintile, adjusted for inflation (2022 dollars), Q1-Q3 2022 average

Source: Federal Reserve

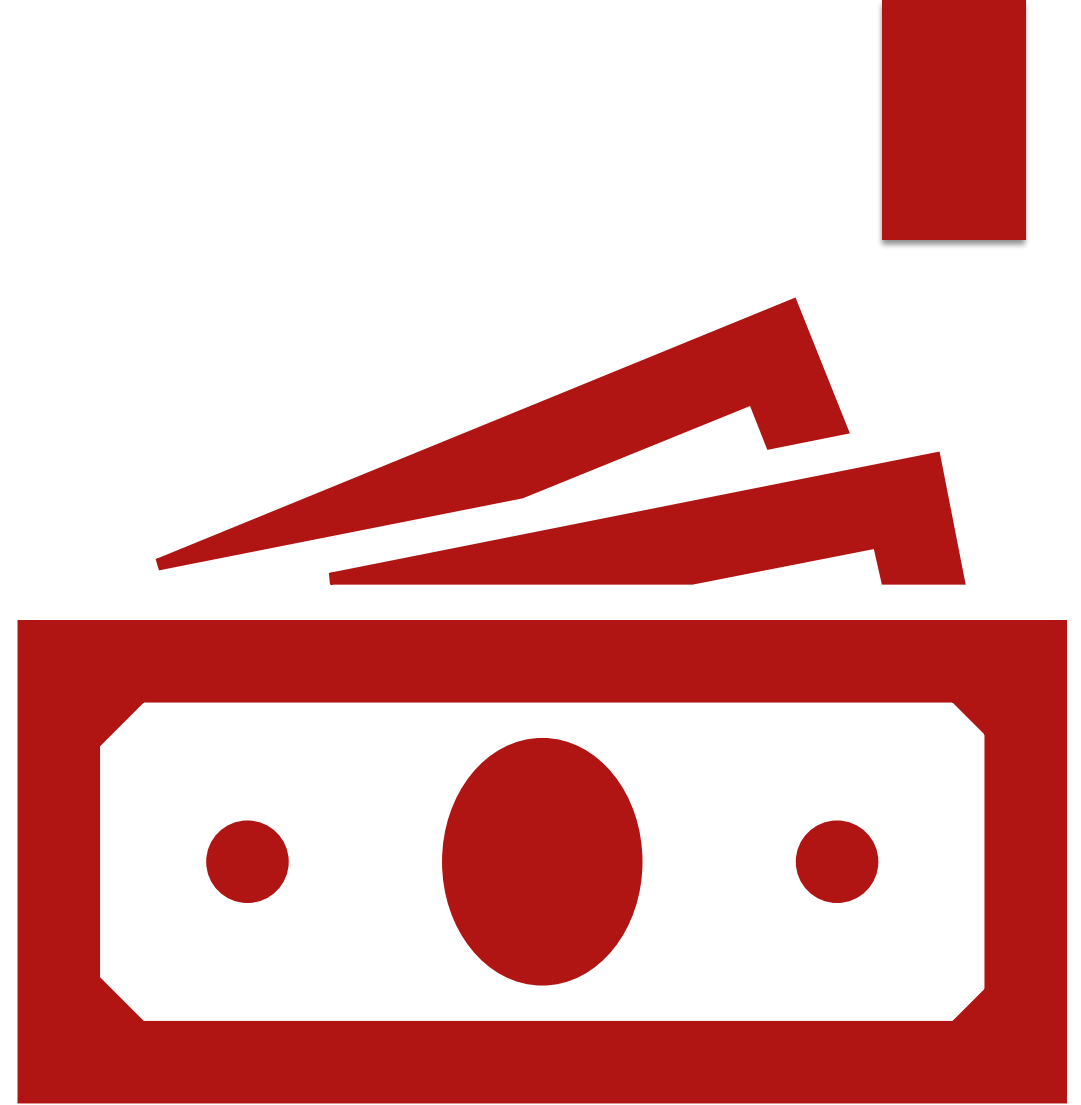
USA **FACTS**

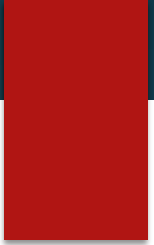
## No asset reporting

- Assume low assets or require simple attestation regarding lack of financial assets.

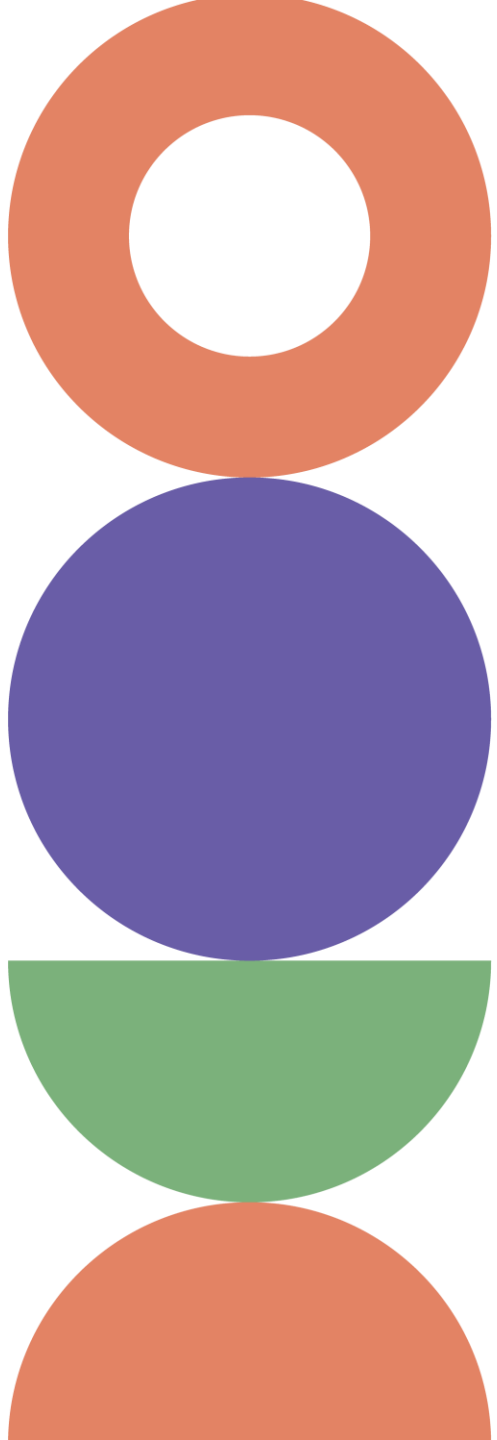
Solutions to low access and completion should:

- ▶ Address the multi-dimensionality of economic need
- ▶ Target the dually disadvantaged





	California	Illinois	New York
<b>Number of Recipients</b>	41,730	8,980	14,060
<b>Number of College Graduates Induced</b>	4,590	990	1,550
<b>Total Cost</b>	\$208,600,000	\$44,900,000	\$70,300,000
<b>Total Economic Benefit</b>	\$966,000,000	\$153,700,000	\$378,300,000
<b>Ratio of Benefit to Cost</b>	4.6	3.4	5.5



2040

By 2040, 75 percent of adults in the U.S. labor force will have college degrees or other credentials of value leading to economic prosperity.

# Lumina's Ecosystem of Partnerships Rethinking Student Aid + Student Borrowing

This Project



Federal  
Policy +  
Access



+ more across the Foundation's investments

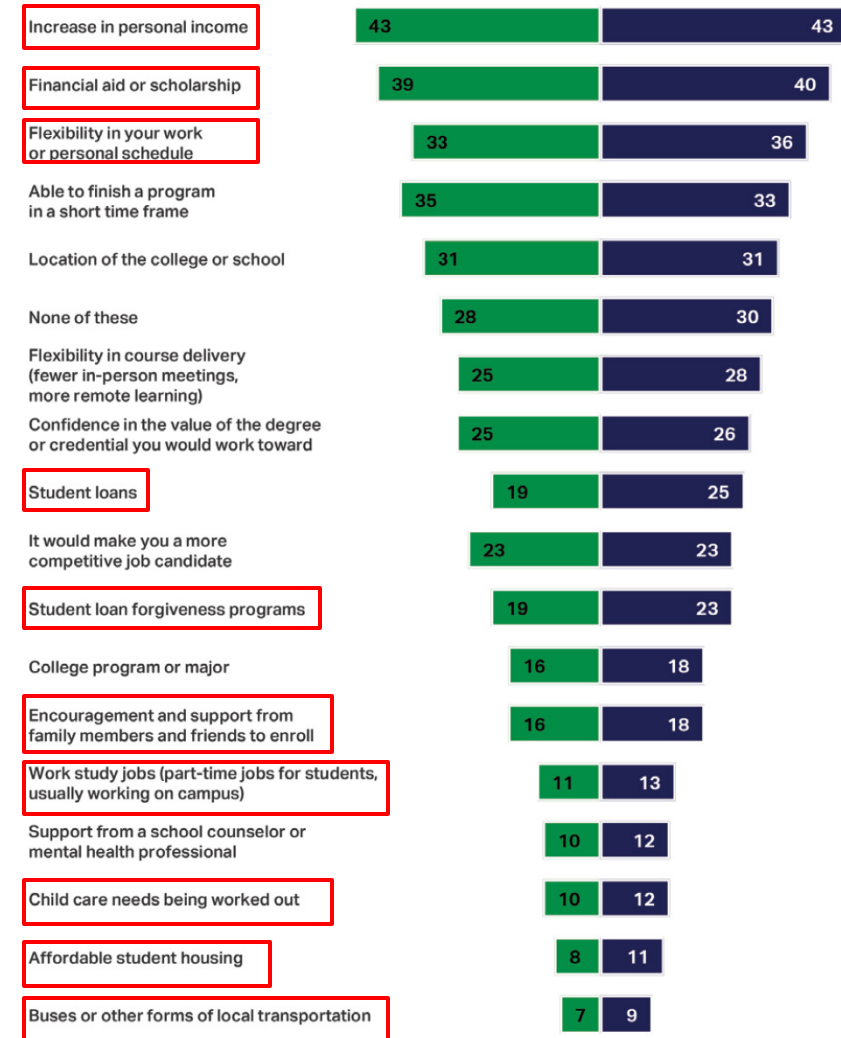
## Factors That Influence Enrollment in Higher Education

Among students interested in at least one program but unlikely to enroll

Please indicate if any of the following would be important factors in getting you to enroll in a \_\_\_\_\_ program.

(% Selected)

■ Two-year degree ■ Four-year degree

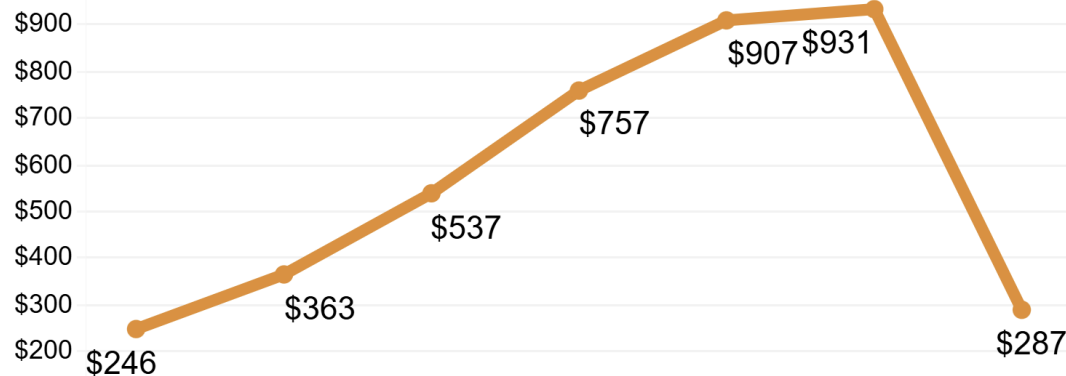


# Financial aid remains a key driver of college enrollment

Source: Lumina Foundation-Gallup *State of Higher Education 2025*

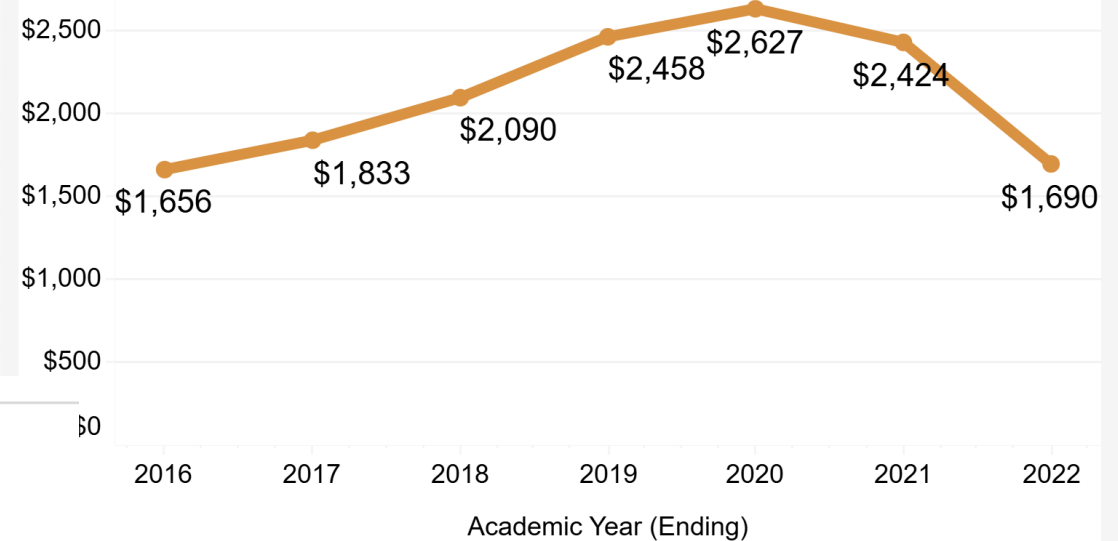


Avg. Affordability Gap at Community Colleges,  
2015-16 to 2021-22



February 01, 2023

Avg. Affordability Gap at Public Bachelor's-Granting Institutions,  
2015-16 to 2021-22



## Pandemic Higher Ed Relief Funds Kept Students Enrolled and Institutions Open

A new report from the  
emergency relief aid h  
received \$1,507, on av

COMMENTARY BEYOND HEALTH

## Beyond Health: Medicaid Cuts Could Put College Dreams on Life Support



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# Thank you!

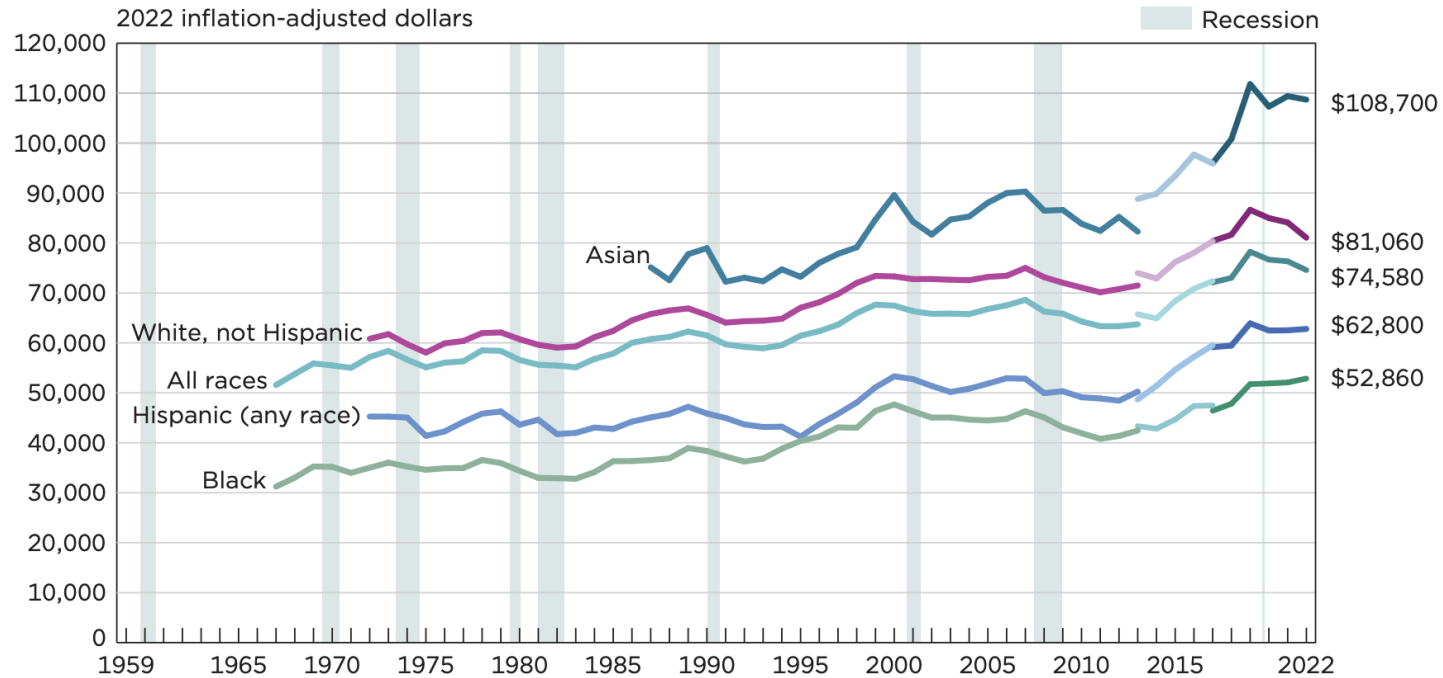
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Figure 2.

**Real Median Household Income by Race and Hispanic Origin: 1967 to 2022**

(Households as of March of the following year)

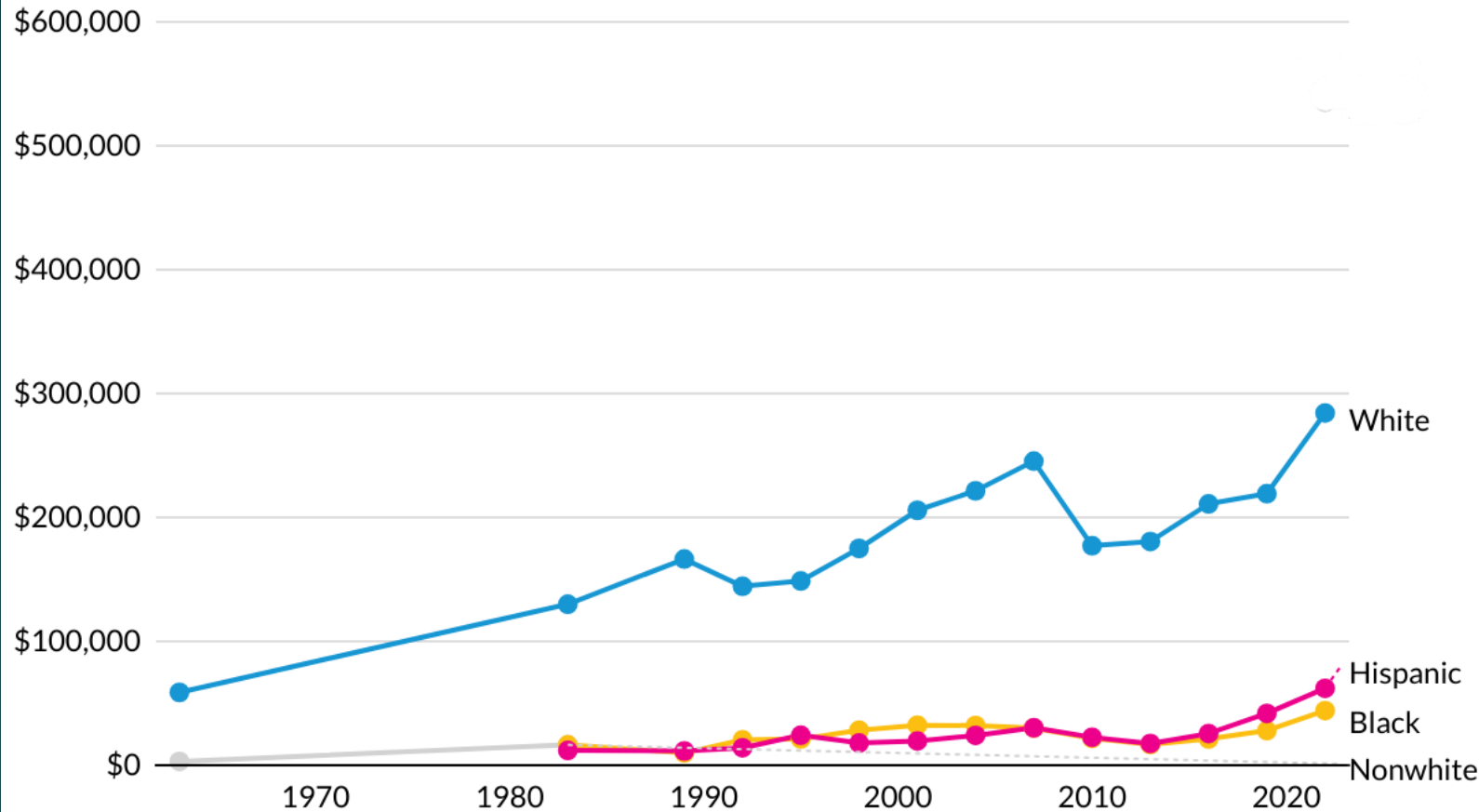


Note: The data for 2017 and beyond reflect the implementation of an updated processing system. The data for 2013 and beyond reflect the implementation of the redesigned income questions. Refer to Table A-2 for historical race footnotes. The data points are placed at the midpoints of the respective years. Median household income data are not available prior to 1967. Income is in 2022 dollars, adjusted using the C-CPI-U (2000-2022) and R-CPI-U-RS (pre-2000). More information on the inflation adjustment and recessions is available in Appendix A. Information on confidentiality protection, sampling error, nonsampling error, and definitions is available at <https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar23.pdf>.

Source: U.S. Census Bureau, Current Population Survey, 1968 to 2023 Annual Social and Economic Supplements (CPS ASEC).

White families have 1.2x more income than Hispanic families and 1.5x more income than Black families. These gaps are far smaller than racial wealth gaps.

## Median Family Wealth, by Race and Ethnicity, 1963–2022

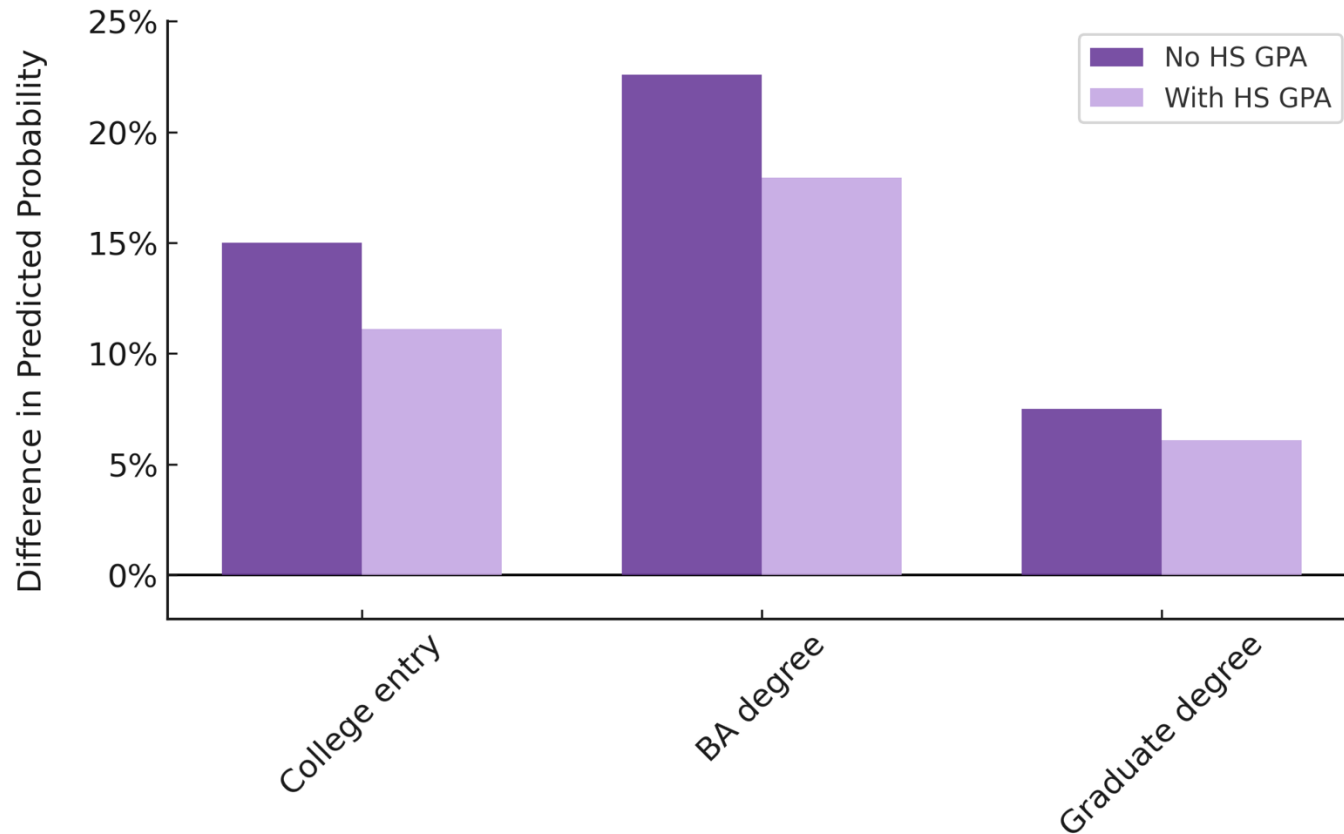


**Source:** Urban Institute calculations from the Survey of Financial Characteristics of Consumers 1962, the Survey of Changes in Family Finances 1963, and the Survey of Consumer Finances 1983–2022.

**Notes:** 2022 dollars. Until 1983, the surveys categorized all people of color as “nonwhite.” The Survey of Consumer Finances began disaggregating data for Black and Hispanic families starting in 1983 and for Asian families starting in 2022. We used inflation adjustment factors from *Changes in U.S. Family Finances from 2019 to 2022: Evidence from the Survey of Consumer Finances*. No comparable data are available between 1963 and 1983.

White families  
have 4.5x the  
wealth of  
Hispanic families  
and 5.6x the  
wealth of Black  
families.

## Predicted Gaps in Select Educational Transitions by Wealth Decile Top 10% vs Bottom 10%



Note: College entry is conditional on high school degree, BA degree is conditional on college entry, and graduate degree is conditional on graduate school entry.  
Source: National Longitudinal Survey of Youth (NLSY) 1997-2022.

**Wealth gaps persist at multiple levels of postsecondary education, even when accounting for student demographics and high school performance.**