Breaking the Cycle of Racial Wealth Inequities and Higher Education Outcomes:

How Data-Driven Insights Can Inform Policy Solutions That Address the Racial Wealth Gap

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Wealth provides a more holistic measure of resources than income and plays a critical role in college access and success. While income disparities by race are significant, wealth disparities are even greater. For example, while the median income for White households is nearly twice as large as that of Black households, the median wealth for White households is 13 times larger, a gap rooted in historical discrimination and systemic barriers. Data on wealth and higher education are limited, masking inequities and opportunities to promote better student outcomes.

Breaking the Cycle assesses the availability and limitations of current data sources and proposes a framework for understanding the cyclical relationship between higher education and the racial wealth gap. Wealth influences a person’s higher education experiences and outcomes. It impacts available resources and opportunities, including if individuals can attend and complete college. For college enrollees, wealth impacts how costs are covered and if student loans, a negative form of wealth, are borrowed. Students’ experiences with higher education and loan debt can also influence wealth accumulation after college. Because accumulated wealth can be passed to children, the cycle continues with succeeding generations.

THE ANALYSIS EXPLORES HOW WEALTH IMPACTS COLLEGE SAVINGS, ATTENDANCE, BORROWING, AND COMPLETION, AND FINDS:

- Considering wealth provides new insights into college opportunity and outcomes and wealth should be measured and studied alongside income.

- Wealth transfers increase individuals’ ability to save for the college education of their children.

- Wealth is associated with gaps in college access and success between racial and ethnic groups.
Higher education alone has not created nor can it eliminate the racial wealth gap. But higher education should help to narrow, not exacerbate the racial wealth gap. This requires a multi-pronged approach. For example, federal, state, and institutional policymakers should:

- Center racial equity in policymaking.
- Consider whether and how wealth should be used in the disbursement of need-based financial aid.
- Consider designing recruitment, outreach, and admissions policies that increase access for students from low-wealth backgrounds.
- Identify student support practices that address completion disparities by wealth.
- Assess if and how policies related to student loans can be improved to foster, rather than limit, opportunities for wealth building.
- Address wealth disparities by investing in historically underfunded higher education institutions including historically Black colleges and universities and other minority-serving institutions.

Improvements to existing data sources would enable researchers to develop more robust metrics and conduct research that informs evidence-based policy solutions. IHEP recommends the following data improvements:

- The U.S. Department of Education should publish summative wealth measures from FAFSA submissions in its publicly available datasets, including the sample studies accessible through the National Center for Education Statistics (NCES) DataLab, the College Scorecard, and Federal Student Aid Data Center reports.
- The U.S. Department of Education should collect more granular data on the wealth of students and their parents in NCES longitudinal studies, in time periods before, during, and after college.
- The FINRA Foundation should ask respondents to the National Financial Capability Study State-by-State Survey to report total asset and total debt amounts.
- The Board of Governors of the Federal Reserve System should add more higher education measures to the Survey of Consumer Finances.
- In general, data collections should oversample small populations to build sufficient sample sizes and collect multiple measures of race and ethnicity.

Expanding access to high-quality, disaggregated, and complete data on wealth and higher education can help researchers and policymakers develop a strategic blueprint to expand higher education access and success, and build on-ramps to wealth creation, especially for Black, Latinx, Indigenous, underrepresented Asian American, Native Hawaiian, and Pacific Islander communities, and all other racial and ethnic identities. By leveraging data-driven insights, higher education can be a powerful tool for narrowing the racial wealth gap and creating a more just and equitable society.