

Wealth, not income, matters for getting into college

BY SU JIN JEZ - SPECIAL TO THE BEE

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When it comes to getting into college, family money matters, but not in the way you might think.

This month, students across the country are receiving college admissions decisions – an annual occurrence that always prompts discussion about who gets in, and why.

A college admissions officer will talk about crafting a student body based on merit: high school grades, SAT scores, extracurricular activities. Student advocates will point out how low-income students are chronically underrepresented in higher education. But few will acknowledge the hidden role that family wealth plays in determining who goes to college and where.

While we use wealth and income interchangeably in casual conversation, they are not the same thing. Family wealth is the value of everything the family owns minus everything the family owes. That includes the value of a home, cars, retirement, investments and savings, businesses and other items, minus how much is owed on mortgages, car loans, credit cards, student loans, business loans. Income is simply the amount of money received over a given period of time, such as an annual salary.

When it comes to college opportunity, family wealth matters much more than family income. In fact, wealth's role is so prominent that it trumps academic achievement as a predictor of who will attend a four-year college. Wealthy students with middling achievement – ranking in the 25th to 50th percentile of their class – are more likely to go to a four-year college than low-wealth students with top achievement. When looking at admissions to selective colleges, disparities are even starker. For similarly high-achieving students, those in the top 10 percent of the wealth distribution are up to 10 times more likely to attend a selective college than students with less wealth.

Certainly family income does play a role. High-income families can hire a math tutor, pay for an elite private high school and enroll the student in an SAT prep course – all things that will help a student get into college. But income matters much less than wealth. Wealth can provide income, but as Melvin Oliver and Thomas Shapiro state in their book, "Black Wealth/White Wealth: A New Perspective on Racial Inequality," it is also used to "create opportunities, secure desired stature and standard of living, or pass class along to one's children."

Unfortunately, public policy has yet to wise up to the crucial difference between income and wealth. Financial aid generally relies on family income as a measure of financial resources but disregards family wealth. For example, the federal student financial aid application asks students to exclude the value of the home they live in, any family business with 100 or fewer full-time employees and any family farm. These exclusions effectively eliminate the consideration of wealth in determining financial aid, as most families hold most of their wealth in those forms. Though well-meaning, policies meant to lessen the impact of income can actually end up favoring wealthy students.

Most Americans hate the idea that family money has anything to do with access to college, but at least we feel comforted by the availability of financial aid for needy students. Unfortunately, we can't rely on that. We won't really address the wealth gap until we shift our policy emphasis toward supporting lower-wealth families rather than lower-income families.

What would this look like? First, instead of using family income to determine who needs assistance, we would use family wealth. Low-wealth families would receive financial aid, free lunch at school and be targeted for college outreach programs. Second, all children would have environments like those of America's wealthiest children. We would think broadly about the types of support wealthy children have that enable them to excel.

We don't yet understand why wealth plays such a significant role in college opportunity. It's not just more parental involvement and positive peer influences, or better grades and test scores. Even when low-wealth students have all of these advantages, they do not attend college at the same rate as their wealthier peers. The issue may be a purely financial one or there may be something related to the lack of financial resources that has yet to be revealed. It is likely both – an issue about money and also about correlates of money.

In the meantime, our policies need to match reality. The underlying illness is bad enough; family money shouldn't play a role in what college a student attends. But we can at least start treating the illness properly, by diagnosing the problem accurately and getting the policy prescription right.

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