Perspectives on Financial Aid Policy: Reducing the Impact of Wealth Disparities

**First: wealth and income are different, and wealth is much more important**
- Income is the amount of money earned in a given time period
- Wealth is the value of all assets less all debts
- Low-wealth students worse off than low-income students, and high-wealth students better off than high-income students in the college-going process
- While income is important, I find its significance diminishes or completely disappears when I consider wealth

**Wealth has a greater impact on selective college attendance and less of an impact on college application and less selective college attendance**

**Racial differences in wealth explain disparities in college access**
- Large gaps exist between racial, ethnic groups in college access
- When wealth is accounted for, some of the racial and ethnic disparities in college access are explained
- When academic achievement is accounted for along with wealth, the racial and ethnic disparities are eliminated, and often reversed

**Wealth’s impact persists regardless of student’s level of academic achievement**
- While wealth can lead to higher levels of academic achievement, all else equal, wealthier students are more likely to apply to college and attend college, particularly selective colleges
- Students in the top decile of wealth and income are much more likely to attend a four-year college than less privileged students of similar academic achievement
  - In some cases, lower achieving higher wealth students are more likely to attend a four-year college than higher achieving lower wealth students
- **Most and highly selective colleges** truly are for the highest achieving of the high wealth and high income student population, although there is some matriculation by high achieving students from across the economic spectrum

**State policy should focus on the pure financial aspect of wealth disparities, making financial aid policy central to promoting college access**
- Policymakers should be particularly concerned about the plight of low-wealth students if they care about where students go to college

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