Trellis Strategies

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EXECUTIVE SUMMARY

JUST OUT OF REACH:

How Student Financial Well-Being Impacts the Realization of Economic Returns on Postsecondary Education

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EXECUTIVE SUMMARY

There are many benefits from a postsecondary education. Students who complete a postsecondary degree can earn over a million dollars more during their lifetime than a person with only a high school diploma. A college degree can help a person find economic mobility and build a successful life for themselves and their children. Recent research from the Institute for Higher Education Policy (IHEP) shows that the typical student at institutions serving 93% of postsecondary students will likely earn at least the median income of a high school graduate in their state and recoup the cost of their education within ten years. However, not all schools are delivering the same amount of value to their students. Some schools fall short on crucial markers of postsecondary success, which is cause for further investigation.

This study uses five years of data from the Trellis Strategies Student Financial Wellness Survey (SFWS) to develop three underlying factors of student financial well-being–stability, confidence, and behaviors. Using these factors, we look at how the financial well-being of an institution's student body is correlated with their ability to meet or exceed the thresholds for a baseline economic return on their educational experience. The report builds on the work of the Postsecondary Value Commission (Commission), the Institute for Higher Education Policy (IHEP), and Trellis Strategies (Trellis) to understand how student financial well-being at an institution correlates with the economic return students can expect to receive from their education. For postsecondary students, financial well-being is especially important because higher financial well-being allows students to focus on their schoolwork and "leveling up" their career rather than worrying about whether they have enough money to make ends meet.

We find that postsecondary institutions that have more students with low financial well-being are likely to have lower economic returns. The strongest relationship is between the financial stability of an institution's student body and the expected economic return from attending that institution. Institutions whose students have low levels of financial stability also have a lower expected economic return from their education. This means that many students who are starting from the lowest level of financial stability are at schools where the financial return on their investment is also lower. These findings may be exacerbated by the inequitable financial starting positions of students in school. A student's financial situation might hinder their ability to choose a college with higher expected economic returns or prevent the student from completing their postsecondary education. In both cases, a student with fewer financial resources may face a higher debt burden that could undermine the net financial benefit of college and make it more difficult to see long-term economic returns.

Factors of Financial Well-being

Each of the factors of financial well-being answers a key question about a student's financial situation:

Financial Stability: *Can the student reliably meet their basic needs?*

Financial Confidence: *Is the student worried about paying for current and future expenses?*

Financial Behaviors: *Does the student manage their finances and/or follow a budget?*

A STUDENT'S FINANCIAL SITUATION MIGHT HINDER THEIR ABILITY TO CHOOSE A COLLEGE WITH HIGHER EXPECTED ECONOMIC RETURNS OR PREVENT THE STUDENT FROM COMPLETING THEIR POSTSECONDARY EDUCATION.

Policy Implications

Our findings suggest the need for policies that support students throughout their college experience. We recommend policies that would increase financial stability, financial confidence, and financial behaviors while in college. Specific policy recommendations include:

- **Increased investment in need based financial aid.**
  Federal policy changes such as increasing the Pell Grant, as well as state-based grants or application fee waivers, may allow low-income students to apply to schools with a higher expected return on investment.
- **Expand emergency aid programs to help students weather unexpected financial shocks.**
  Create a permanent federal responsive need-based aid program, modeled off of the HEERF appropriations. This would allow schools to offer small, need-based awards to assist students with emergency expenses.
- **Improve transparency and communication about expected costs and available financial aid.**
  Continuing to increase the information available to students about both the true cost of college and the expected earnings upon graduation will allow students to make informed decisions about which institution best supports their overall goals.

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All ideas, findings, and conclusions drawn by this report are the sole responsibility of the report's authors.

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