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Equitable Investments in the Next Generation: **Designing Policies to Close the Racial Wealth Gap**

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RACIAL wealth DIVIDE INITIATIVE

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Summary & Key Findings

This report focuses on the role that policy design can have on closing the country's unrelenting and unacceptable racial wealth divide. We utilize a new framework—The Racial Wealth Audit™—launched jointly by the Institute on Assets and Social Policy at Brandeis University (IASP) and Demos to show what impacts policy initiatives may have on narrowing or widening the racial wealth gap, one of the most pressing dynamics of inequality facing the United States today.[1] Specifically, this report examines education policies that affect financial outcomes in relation to:

- Children's Savings for College and Asset Development
- Student Debt and College Affordability
- Education and Employment Outcomes

Although the Racial Wealth Audit framework can and should be applied to many other areas of policy design, our focus on education comes at a point in which the issue has risen to the top of policy debates. Most recently, and perhaps most notably, growing awareness of the crucial financial impacts of higher education was further elevated by the recent presidential election, which featured numerous discussions on ways to reduce student debt and make college more affordable. As these debates continue to move forward, policymakers and advocates should ensure that proposals to improve education access and success—from kindergarten all the way through college—also intentionally work to reduce the racial wealth gap, instead of exacerbating it further.

By focusing on the ways in which policy design in the area of education shapes the racial wealth gap, we seek to foster a conversation about how policymakers can more effectively address pervasive and far-reaching inequality in the United States through intentional, well-crafted policies that place racial economic equity at the forefront of policy design considerations. Without such focus, our ability to reverse racial economic inequalities—which have been fostered by public policy for years—will be greatly impeded.

Among our most significant conclusions:

- Incorporating the concept of targeted universalism—in which universal policies emphasize benefits based on existing needs and barriers—in the design of public policies is a critically important way to reduce economic inequities, particularly when it comes to the racial wealth gap. For example:

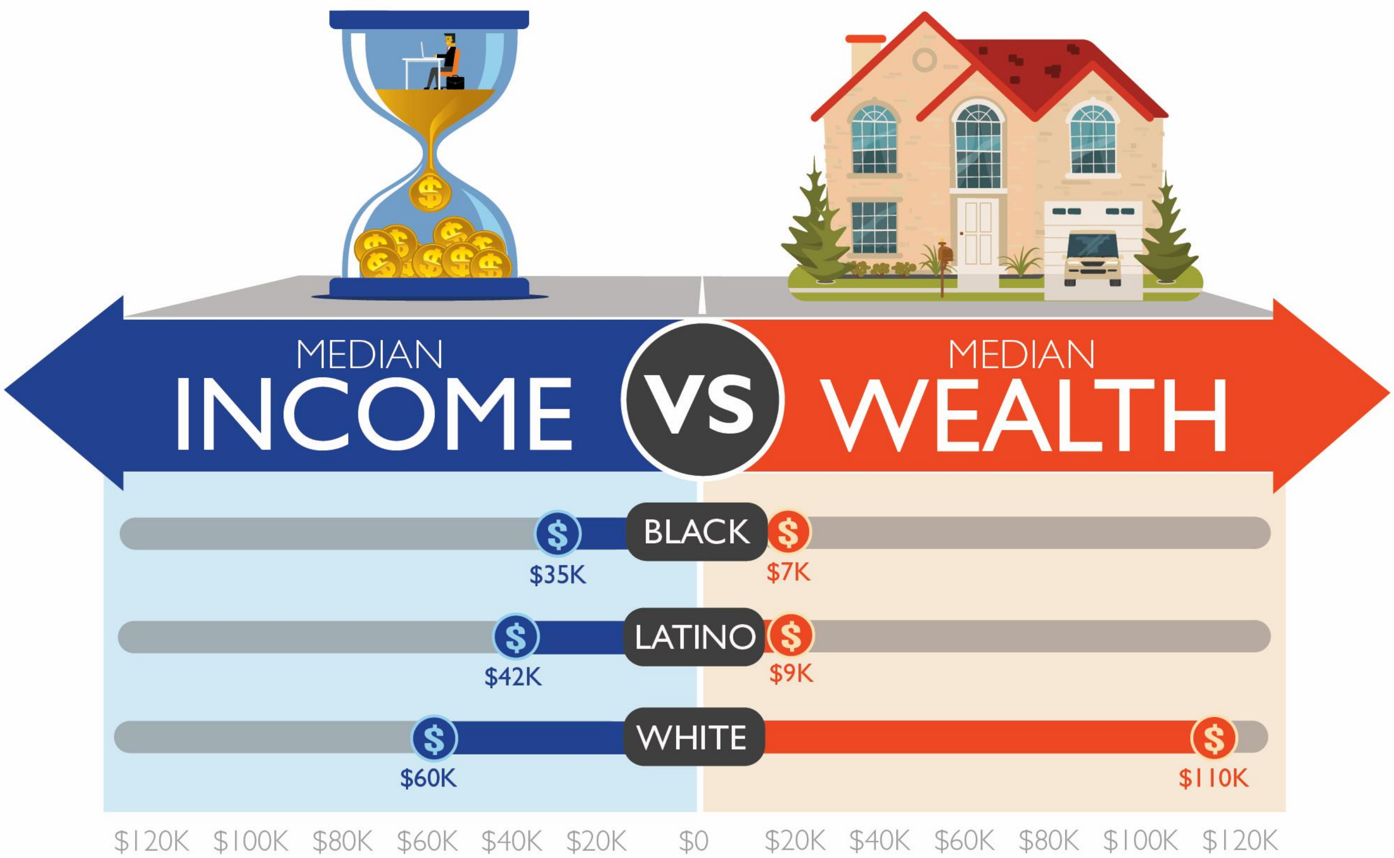
    - A universal and progressive national Children Savings Account (CSA) program that provided greater support to lower wealth households, with support incrementally declining for higher wealth households, could close the racial wealth divide substantially, depending on the structure and funding of the accounts.

    - Universal policies to eliminate student debt could actually increase the racial wealth gap among young adults by nearly 10%, while targeted policies such as providing relief to households making $50,000 (roughly the U.S. median income) or less could reduce the racial wealth gap by 7%.

- Focusing on equalizing high school and college graduation rates alone would do little to close the wealth gap because a college degree is associated with substantially more wealth for White households ($55,900) than for Black and Latino households ($4,800 and $4,200, respectively). This disparity is due in part to the low-wealth starting point of Black and Latino households, as well as other factors, including high levels of student debt these communities take on and their adverse experiences within the labor market after graduation. As a first step to addressing these challenges, policy efforts that focus on producing a more equal wealth return, such as making public colleges and universities more affordable, particularly for low-income and low-wealth households, would substantially reduce the racial wealth gap between college-educated adults.

INTRODUCTION

In recent years, much attention has been focused on the problem of growing income inequality in the US. This focus, while important, masks a substantially greater problem: wealth disparities between White households and households of color. When it comes to racial income inequality, median Latino and Black households have incomes that are approximately $18,000 and $25,000 less per year, respectively, than the typical non-Hispanic White household.[2] However, when it comes to racial wealth inequality this disparity in income pales in comparison as median Latino and Black households own over $100,000 less in wealth than median White households.[3]



Source: U.S. Census Bureau, Income and Poverty in the United States: 2014; Survey of Income and Program Participation, 2008 Panel, Wave 10. Figures depicted above are median.

Wealth is not only about accumulating money; it's also about ensuring that current and future generations have opportunities to get ahead. Those opportunities are made possible through the ownership of assets of every type—such as a home, a business, a college education and retirement savings—that provide households the means to thrive, rather than simply get by.

Right now, our country is in the midst of a demographic shift that will redefine the nation's makeup, in which racial minorities are projected to comprise a majority of the population by 2043.[4] Given where communities of color—Black and Latino communities in particular—are today in terms of wealth and where the trends point in the future, addressing the racial wealth divide is one of the greatest economic challenges before us. In fact, if nothing is done about this divide, recent research by CFED and the Institute for Policy Studies projects that in just under 30 years median Black and Latino households will own less than three-quarters of a percent ($425 and $1000, respectively) of the wealth held by median White households ($131,980).[5]

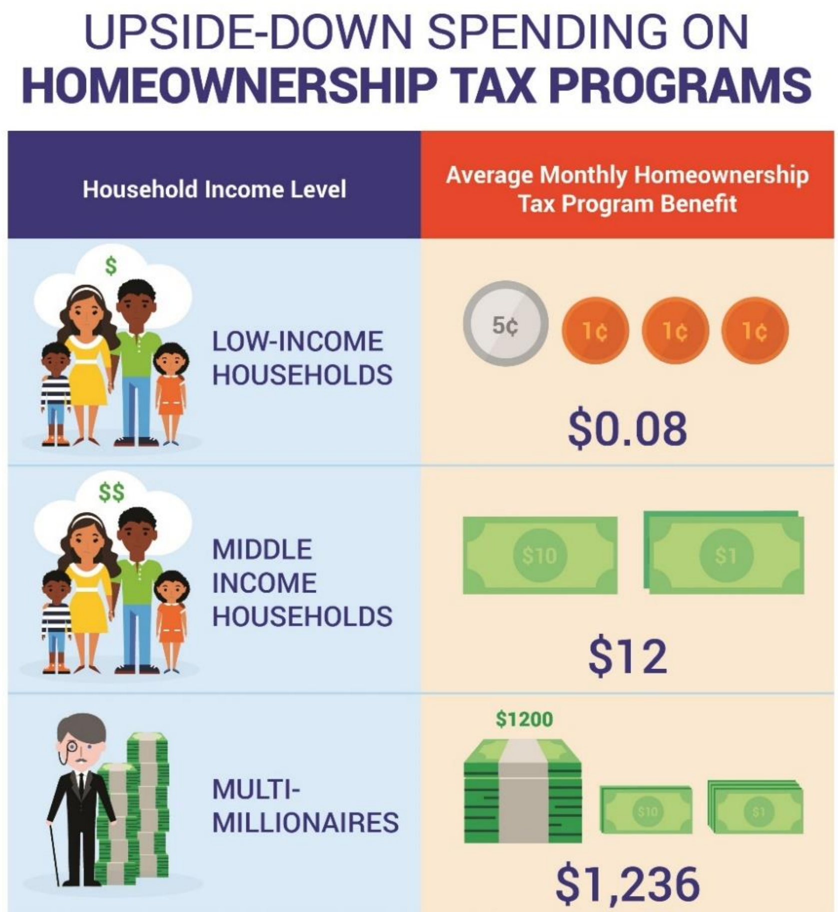
Although racial economic disparities have been persistent since the founding of this country, these challenges have been further engrained and exacerbated by public policy decisions made throughout our history. Past policy choices that created and have driven this wealth gap include the explicit exclusion of farmworkers and domestic workers—

predominately people of color—from coverage under the Social Security Act of 1935; the unequal distribution of G.I. benefits for Service Members of color; and the practice of redlining, in which communities of color—particularly Black communities—were directly excluded from homeownership opportunities created through Federal Housing Administration-backed loans.[6]

These decisions, made by politicians and administrators all at levels of government, have resulted in a host of systematic abuses and injustices that have deprived communities of color of wealth and equal economic opportunity. Unfortunately, the United States' long track record of enacting policies that explicitly or inadvertently exclude low-wealth communities from gaining a piece of the economic pie, persists today. Although not as explicit as in the past, current wealth-building policies continue to perpetuate inequality, particularly in the tax code.[7]

Take, for example, two of the largest homeownership tax programs: the Mortgage Interest Deduction and the Property Tax Deduction, which in 2015 cost the government $90 billion.[8] Recent analysis by CFED found that over the course of a year, the typical low-income households gets about eight cents per month from these two tax programs, while middle-income households receive about twelve dollars. When it comes to the typical multimillionaire in the top 0.1%, these benefits add up to more $1,200 per month in homeownership support.[9]

Even more regrettable, these tax programs not only disproportionately benefit the already-wealthy, they also often systematically exclude households of color.[10] For example, despite the fact that the Internal Revenue Service (IRS) does not collect race or ethnicity data, recent research has found that in zip codes with the highest percentage of tax returns reporting mortgage interest deductions—which cost the government over $65 billion a year[11]—Whites made up 83% of the residents in those zip codes. By comparison, Black residents made up just six percent of residents in those zip codes.[12] Thus, evidence suggests that major financial policies which aim to support economic security through tax and homeownership incentives can and frequently do exacerbate wealth inequalities, rather than alleviating them.



Source: CFED analysis of Tax Policy Center (TPC) microsimulation models estimates of tax benefits of the deductions for home mortgage interest and property tax.

As with past transgressions that created and have widened the racial wealth gap to its current levels, the inequities found in today's tax code are further fueling this divide due to choices made by legislators and other policymakers; choices that are directing massive investments in racial and overall economic inequality.

Fortunately, despite the detrimental choices policymakers have made and continue to make, as we highlight in this paper, if policymakers decided to place racial economic equity at the forefront of policy design, research by IASP and Demos shows that they can create intentional, well-crafted policies that can more effectively address pervasive and far-reaching inequality in the United States.

THE RACIAL WEALTH AUDIT: ENSURING EQUITY IN FUTURE POLICY EFFORTS

Research has made clear that past and present policies that did not examine the racial inclusiveness of their design often ended up exacerbating racial wealth inequities, even when they aimed to promote opportunity and economic security. In order to avoid the mistakes of the past, we should not only judge new policy investments on the face value of their good intentions, but also on their implications for the racial wealth gap. Achieving this policymaking shift will require that policymakers, advocates and others interested in promoting racial wealth equity incorporate disparate impacts of policy by race and/or ethnicity into their policy development and decision-making processes, as a means of undoing the current structures that make race and wealth important determinants of life chances.

The Racial Wealth Audit is one important resource for achieving this change, as it explicitly directs attention of decision-makers and stakeholders to the ways in which policy proposals that affect household finances may alter the racial wealth gap.[13] By bringing the effects of policy on racial disparities to the center of policy deliberations, this framework provides a crucial but often missing perspective in policymaking. Moreover, the Racial Wealth Audit engages multiple stakeholders to better inform policy decisions by offering policy analysis and design recommendations that focus on equity.

> Through analysis of several similar iterations of a policy, application of the Racial Wealth Audit can help to improve policy design by better informing decision-makers about how changes and modifications in policy design may improve or hinder progress towards reducing racial wealth disparities. IASP and Demos' analyses of policies using the Racial Wealth Audit has illustrated how similar policy proposals with differing design features, such as eligibility thresholds or program benefit levels, may have dissimilar outcomes in regards to impacts on racial wealth disparities. Thus, careful analysis of and attention to the ways in which the design features of policy proposals may impact the racial wealth gap are critical. The Racial Wealth Audit fills this need.
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> Analysis using the Racial Wealth Audit involves conducting policy projections using key available survey data to estimate changes in household wealth levels and the racial wealth gap that would occur under the implementation of a new policy, or given differing social or economic conditions that can be shaped by policy.[14] By comparing baseline racial wealth disparities seen today—as measured by the racial wealth gap at the fiftieth percentile—with wealth outcomes and differences by race and ethnicity given the implementation of innovative policies, application of the Racial Wealth Audit framework serves to uncover projected changes in the racial wealth gap due to policy intervention.[15]
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> By incorporating the potential impacts of a proposal on the racial wealth gap in the prospective evaluation of a new policy, application of the Racial Wealth Audit framework helps to identify the best iterations of a policy proposal—ranging in scale from modest proposals to ambitious policy overhauls—that can both achieve targeted goals, which may not explicitly focus on racial wealth disparities, while simultaneously reducing the racial wealth gap.

Through several applications of the audit framework on policy proposals in the area of education policy, the remainder of this paper provides an overview of how policy design can better promote equitable outcomes through attention of forecasted policy impacts on the racial wealth gap.

TARGETED UNIVERSALISM: ALIGNING PUBLIC INVESTMENTS AND EQUITY TO REDUCE INEQUITIES

While there is a clear need to reform the embedded inequalities in our nation's public educational system—including our schools and universities—policy changes that simply increase resources broadly are not enough to promote equity, as the analyses below reveal. When designing policies, policymakers and stakeholders should not assume that new investments and equity are necessarily aligned.

> In fact, even when we have social consensus on overarching policy goals, like access to quality education for all, policymakers must recognize that groups are situated differently and that to promote a large, universal goal, the policy tools and instruments to achieve that objective need to take current social structures into account. This approach of targeted universalism—that is, universal policies which emphasize benefits based on existing needs and barriers—is an important way to reduce inequities, particularly the racial wealth gap.

In this way, public policies can redirect the economic trajectories of all families towards prosperity. This is particularly true when it comes to our education system, which is built on unequal structures; even the most well-intentioned new policies often serve to reinforce the unequal structures that currently exist. Thus, in order to promote equity, institutional reforms and new investments, promising policies must be consciously designed to nurture all communities and widen opportunities. Only then can policies succeed in supporting the educational development and personal growth of all young people, particularly young people of color.

The following analysis focuses on how three specific education policy areas—from childhood through higher education—can be reformed to promote economic security for all and reduce wealth disparities by race and ethnicity. As the examples highlighted below underscore, through the combination of both deliberate effort and empirical analysis, purposeful public policy design can dramatically narrow the racial wealth gap and promote equity.

Children's Savings Accounts: Providing Early Investments in Children's Financial Futures

Wealth inequality, even more than income inequality, is a result of the historic legacies of inequity in society, as wealth is passed from one generation to the next. It is for this reason that leaders in the asset-building field have increasingly drawn attention to policies and programs that provide an opportunity to restructure existing inequalities in wealth.

One such opportunity has arisen through the growing movement for Children's Savings Accounts (CSAs), which are incentivized savings accounts for every child that help put our youngest generation on more equal footing when it comes to opportunities for long-term wealth building.[16]

CSAs are based on the simple idea that all families, given the right support, can save and invest in the potential and aspirations of their children. CSAs are long-term asset-building accounts, established for children as early as birth, which grow over their lifetime. Accounts are seeded with an initial deposit and built by contributions from family, friends, and the children themselves. Often, CSAs are augmented by savings matches and/or other incentives, and gain meaning as young accountholders and their families engage in age-appropriate financial education. At age 18, the savings in CSAs are typically used to fund higher education, but in some programs, the savings can also be used for other asset-building purposes, such as purchasing equipment to start a small business.

By providing every child with an account and an endowment at birth (or at a very young age, such as at kindergarten), CSAs are designed to ensure that all youth have access to at least a modest wealth endowment as they transition into adulthood and launch their early independent lives.

Empirical evidence gathered over the last several years documents the potential of CSAs to expand educational and economic opportunity for low- and moderate-income families. Randomized controlled trials have found positive impacts from CSAs and financial education targeted toward young students. The research shows that children's savings is associated with improved child development and academic performance, greater college expectations, higher levels of college enrollment and graduation, and increased financial capability.[17] The best CSA programs are both universal and progressive, meaning that a savings account is given to every child in the target region, and that the program includes greater initial deposits and/or savings matches for youth from economically vulnerable households. In other words, CSA programs apply the targeted universalism approach.

In the US, cities and states are currently taking the lead, with a number of programs currently in place or being considered from San Francisco[18] to New England[19] and places in between. Supporters and advocates across the country increasingly see CSAs as an important policy instrument to help to promote greater opportunities and mobility for children from low-wealth households, which are disproportionately households of color.

Internationally, similar but more robust and larger-scale programs can be found in countries like Israel, which next year will automatically provide every child under 18 with a savings account seeded with an initial deposit of 1,000 Israeli shekels (about $260 U.S. dollars). The account will then be augmented with monthly, automatic deposits of 50 shekels (about $13 U.S. dollars), all of which is in addition to any deposits made by the family of the child as well as additional deposits of 500 shekels made by the National Insurance Institute when the child reaches 18 and 21 (the second deposit of 500 shekels would only be granted if the child waits to withdraw funds until they've reached 21).[20]

With momentum growing for CSAs, US policymakers have a significant opportunity to expand asset-building opportunities and counteract policies which have created existing wealth divides by race. For many who would like to see CSAs develop into a national program that reduces the racial wealth gap, children's savings represents an opportunity to counter the unequal advantages that have bolstered the wealth of many White households substantially for generations. Thus, as policy and program designs are developed and debated, the potential impacts of any new CSA proposals on racial wealth inequalities should be considered carefully by decision-makers.

> Analysis by IASP using the Racial Wealth Audit framework has highlighted the importance of policy design in shaping how a national CSA program would serve to close the racial wealth gap, from eligibility criteria to the magnitude of public investment. The findings suggest that a large-scale, national, universal and progressive CSA program could notably reduce the racial wealth gap among young adults if public policy were to make substantial investments in the program. Moreover, IASP's analysis has also found that the structure of the program within those broad parameters could make a sizable difference on the magnitude of reductions in the racial wealth gap.[21]
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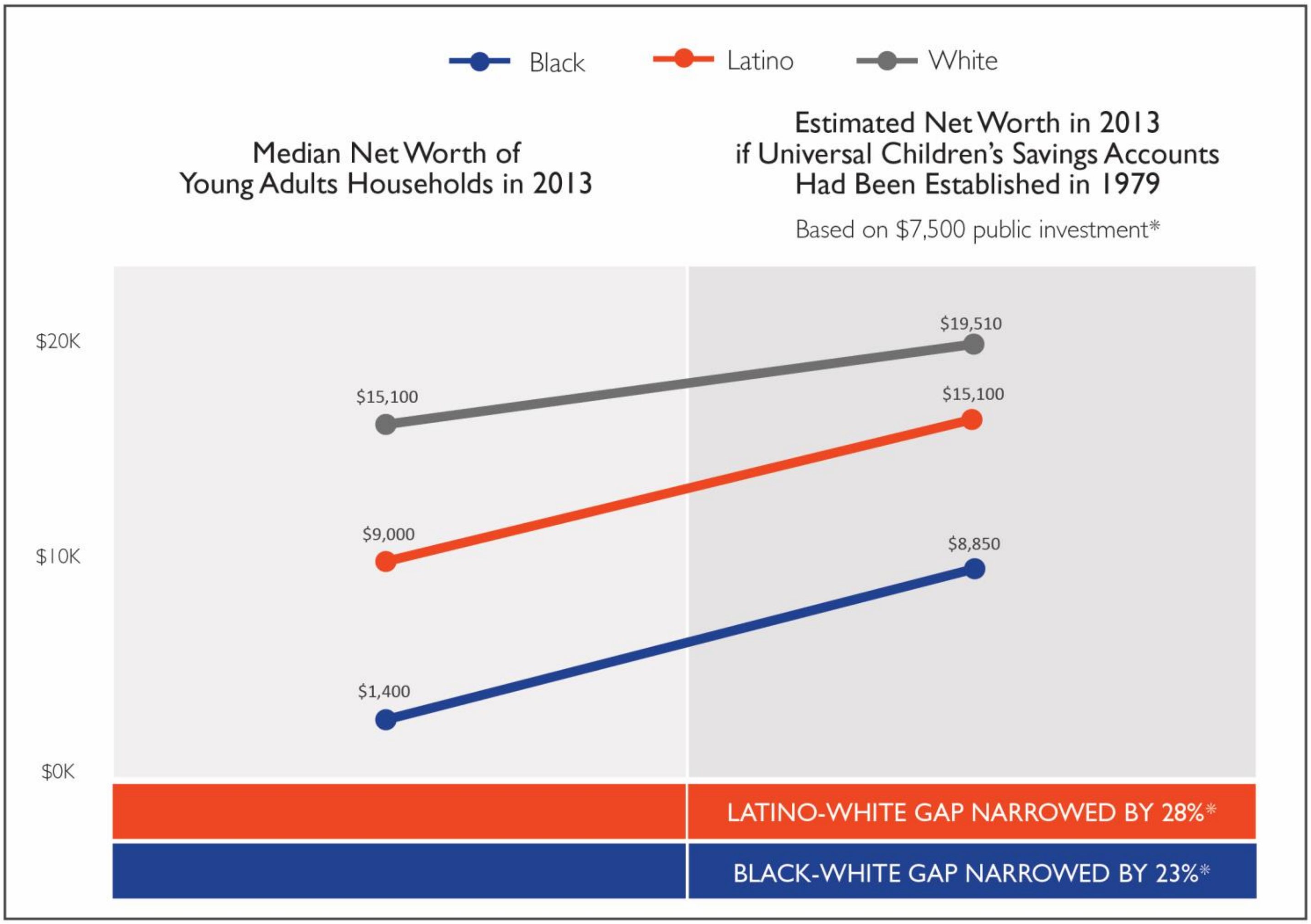
> As policymakers determine how to structure the progressive features for CSAs, they should keep in mind the important point supported by IASP's analysis that if the design of a CSA policy were based on household wealth, it would likely do a better job of reducing wealth disparities than if eligibility were based on income. While this analysis explored the impacts of accounts of substantial size and investment that constitute a broader scale of investment than typical CSA programs—often called "baby bonds"—the analysis helps us to better understand the potential of significant investments in children's savings to increase asset security levels among young adult households of color while reducing disparities.[22]

For example, one iteration of the policy tested revealed that if a universal CSA program had been established in 1979, and if that program had included as part of its design a progressive public investment reaching $7,500 for low-wealth households with incremental declines to $1,250 for the highest-wealth households,* median wealth holdings for younger Black and Latino households today could have been significantly higher (by $7,450 and $6,100, respectively). Meanwhile, the wealth gap between Black and White households for young adults would have decreased by 23%, while the wealth gap between White and Latino households for young adults would have declined by 28%.[23]

POTENTIAL OF NATIONAL CSA PROGRAM TO CLOSE THE RACIAL WEALTH GAP



Source: IASP analysis for Annie E. Casey Foundation, Investing in Tomorrow: Helping Families Build Savings and Assets, 2016.

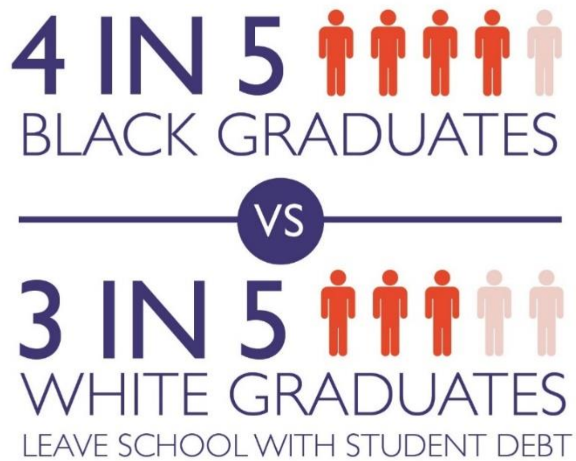
Any national policy must incorporate design features that are administratively feasible and can garner national support. IASP's analysis suggests that careful consideration of eligibility criteria could serve to help potential policies better counteract racial wealth disparities. With national CSA policy proposals being introduced in Congress, such as the USAccounts Act[24] and the Save for Success Act,[25] it will be critical to consider how eligibility and progressivity are designed and to ensure that proposals are evaluated though a racial equity lens.

*For the purposes of this analysis, low-wealth households are those with less than $5,000 in net worth, while high-wealth households were defined as having $25,000 in net worth. The analysis focused on young adult households, age 18-34, that would have benefited from these accounts.

College Debt and Affordability

In addition to providing early investments in the financial future of children, a renewed commitment to affordable higher education for all should be a priority for policymakers and advocates interested in racial and economic equity. Unfortunately, in recent years at the state and federal levels, particularly during periods of tight budgets, policymakers have failed to prioritize investments in public higher education. Nationally, in 2014, 69% of students who graduated from public and nonprofit private colleges and universities held student debt, averaging about $29,000 per student, with borrowing levels growing notably in the last decade.[26]

Since the 1980-1981 academic year, average tuition and fees at four-year public schools have almost quadrupled in real dollars, from $2,320 to $9,410.[27] Including room and board, average annual public university expenses now stand at about $19,500, while average costs at private nonprofit universities are more than double that level, averaging approximately $43,900 annually.[28]



Source: Demos, The Debt Divide: Racial and Class Bias Behind the "New Normal" of Student Borrowing, 2016.

These rising real costs make college increasingly unaffordable for many families and have led to ever-rising levels of student debt, both on the household level and nationally.[29] If we are to take the important step of ensuring that increasing attendance in higher education expands opportunity rather than bestowing additional financial burdens, addressing growing student debt must be a top priority for policymakers and advocates.

While ballooning student debt is increasingly on the minds of policymakers and the public, our frequent public discussions of student debt often mask the reality that households of color are more likely to be disproportionately affected by student debt. Though the escalating levels of student debt are an issue of growing importance nationally, data highlight that Black households face particularly high student debt burdens as they seek out higher education.[30] Recent data show that more than four out of five (81%) Black graduates leave school with student debt, compared to fewer than three out of five White graduates.[31] Among young adult households (aged 25-40), over half of Black households hold student debt (54%), compared to 39% of White households in the same cohort.[32]

This statistic is especially alarming considering the lower graduation rates among Black households, who often face greater financial and non-financial challenges to college completion and are thus more likely to accrue debt without earning a degree.[33] These trends in student debt present particularly troubling implications for the racial wealth gap given that student debt levels are associated with substantially lower lifetime wealth for debt holders. Recent findings from Demos indicate that an average student debt burden for a college-educated household with two adults ($53,000) would lead to a lifetime loss of wealth of over $200,000.[34]

> Research from IASP and Demos applying the Racial Wealth Audit framework exposes that universal policies to reduce or eliminate student debt could actually increase the racial wealth gap among young adults, while targeted policies—those which reduce the cost of college for low- and moderate-income students—could substantially reduce the racial wealth gap, particularly among lower-wealth households.[35] The analysis shows that among young adult households, full debt forgiveness for all student loan holders would increase the wealth gap between White and Black households at the median by nine percent, while a targeted policy that provided full debt relief to households making $50,000 or less (roughly the U.S. median income) would decrease the same gap by seven percent.[36]
>
> These findings highlight the fact that universal tuition- or debt-reduction policies that spread resources without consideration of need can improperly direct resources to those with little

financial need, thereby exacerbating the racial wealth gap. Again, within a broad policy agenda to reduce student debt, specific policy design can change outcomes for wealth equity by race/ethnicity; without appropriate attention to potential impacts on the racial wealth gap, policies which aim to improve student financial outcomes can actually foster disparities.

The data suggest that rather than universal tuition reduction or forgiveness programs, policymakers should consider targeted debt relief and tuition support through public investments directed toward families with low to moderate financial resources. Thus, while higher education funding needs to be expanded broadly given the widespread nature of the student debt problem, policy approaches that apply the concept of targeted universalism by directing investments to students with greater financial need will serve to both reshape the problem and promote equity.

Effects of Student Debt Reduction Policies on the Racial Wealth Gap

	Before Reducing Student Debt	After Eliminating Student Debt, All Income Levels	After Eliminating Student Debt for Those Making $50,000 and Below	After Eliminating Student Debt for Those Making $25,000 and Below
Wealth Gap Between Young Black and White Families	$32,201	$35,200	$30,000	$31,090
Change in the Racial Wealth Gap	N/A	$2,999	-$2,201	-$1,111
Percent Change		9%	-7%	-4%

Source: IASP, Demos, Less Debt, More Equity: Lowering Student Debt While Closing the Black-White Wealth Gap, 2016; Calculations for Households Age 25-40, Analysis of 2013 Survey of Consumer Finances Data.

Education and Employment Trajectories

Though access to quality education for all is an ideal in this country, we are far from that ideal. While some students have the opportunity to experience a smooth escalator to success, others are frequently faced with underfunded schools, inexperienced teachers, and under-resourced neighborhoods, forcing them to tackle a number of intractable obstacles to reach their educational goals. Adding to these disparities is the fact that despite the Brown vs. the Board of Education ruling over 60 years ago, our schools today often are still highly segregated.

Recent research shows that the proportion of schools in which at least 75% of students come from low-income households and at least 75% are Black or Latino households has grown since 2000.[37] Nationally, the outcomes of our unequal public schools has led to lower high-school graduation rates among Black, Latino and Native-American households compared to White households—with long-lasting consequences for career opportunities.[38] These disparities in our school systems lead to reduced access for many households of color to quality jobs, which are often the gateway to stable incomes and wealth-building benefits, such as pensions or employer-sponsored retirement savings programs.[39] Despite these embedded inequities in our educational system, there are some promising trends.

Though disparities in educational attainment remain as school quality continues to be tied to zip code, young people of color are increasingly attending college, with substantial increases in attendance. Since 1980, substantial gains (about 10 percentage points) have been made in the percentage of young Black and Latino students attending college, with about one-third of Black and one-quarter of Latino youth aged 18-24 enrolled in 2008.[40]

Although higher education is important to the economic well-being of communities of color, working people of color with equal qualifications frequently face greater challenges to obtaining quality jobs. For example, in 2013, newly minted Black college graduates aged 22-27 saw an unemployment rate twice as high as their college-educated peers overall (12.4% versus 5.6%, respectively), with the Great Recession hitting recent Black graduates particularly hard.[41] At every education level, Black workers face higher unemployment rates than their White peers with similar levels of education, revealing that racial discrimination among employers continues to play a key role in the financial security of households.[42] These figures point to the reality that returns on investments in education remain highly unequal. Quite simply, education access alone will not be sufficient for demolishing current barriers to economic equality.

In fact, analysis by IASP and Demos quantified the differences in the wealth returns on a college education by race, revealing the reality that a college degree is associated with substantially more wealth for White households ($55,900) than for Black and Latino households ($4,800 and $4,200, respectively).[43] In part, this is due to the low-wealth starting point of many Black and Latino households, as well as other factors, which often include high levels of student debt and disparate experiences within the labor market after graduation.

In other words, although education provides greater opportunity in terms of income and employment, it is insufficient to bridge racial wealth inequality. Controlling for other factors, a college degree yields more than ten times the wealth at the median for White households than for Black or Latino households. Overall, these findings reveal that equal accomplishments in higher education are not equally rewarded.

In order to expand opportunity and close the racial wealth gap, policymakers should focus on equalizing returns on educational investments, rather than just equalizing high school and college graduation rates. To this point, if policy efforts were made to equalize wealth returns on educational investments—through methods such as making public colleges and universities more affordable for low-income and low-wealth households—it would substantially reduce the racial wealth gap between college-educated adults. By contrast, efforts that solely focused on equalizing college graduation rates among Black, Latino and White students would do little to close the racial wealth gap between these groups.

Effects of Equalizing College Graduation Rates & Returns on Educational Investments on the Racial Wealth Gap

	Effects of *Equalizing College Graduation Rates* on the Racial Wealth Gap			
	Wealth Gap with White Families Before Equalizing Graduation Rates	Wealth Gap with White Families After Equalizing Graduation Rates	Change in the Racial Wealth Gap	Percent Change in the Racial Wealth Gap
Black families	$104,033	$102,720	-$1,313	-1%
Latino families (any race)	$102,798	$99,270	-$3,528	-3%

	Effects of *Equalizing Returns on Educational Investments* on the Racial Wealth Gap			
	Wealth Gap with White Families Before Equalizing Graduation Returns	Wealth Gap with White Families After Equalizing Graduation Returns	Change in the Racial Wealth Gap	Percent Change in the Racial Wealth Gap
Black families	$104,033	$93,247	-$10,786	-10%
Latino families (any race)	$102,798	$96,920	-$5,878	-6%

Source: IASP, Demos, The Racial Wealth Gap: Why Policy Matters, 2016; Calculations for Households Age 25-40, Analysis of 2013 Survey of Consumer Finances Data.

Even as we see increasing rates of educational attainment among all groups, without policies that adequately address the systemic imbalances in our schools and labor markets that produce ongoing post-education employment disparities by race and ethnicity, we will not see substantial reductions in the racial wealth gap. Equalizing financial returns associated with educational attainment by race/ethnicity will require policymakers to commit to interventions that promote equality of opportunity for all students during their educational years and beyond.

As noted previously, investments in public higher education are crucial for expanding educational access and reducing college debt burdens for households of color, but consideration of financial need and equity must be built into efforts to make college more affordable. With these facts at hand, it becomes clear that education policy decisions can decrease the racial wealth gap, but only if policymakers take decisive action to ensure equitable educational opportunities for all.

CONCLUSION

Today, numerous public policies that pave the educational and economic pathways for young people are inherently unequal. From inequitable and inadequate public school funding in many communities across the country to growing student debt, current policies are not moving us in the right direction. The importance of integrating equity, particularly in regards to race and ethnicity, into our frameworks for understanding policy cannot be understated. If we want a country characterized by equality, we need to ensure that opportunities are provided to all, rather than just to the fortunate.

As we've highlighted in this report, achieving such a goal requires the careful consideration of policy proposals' impacts on the racial wealth gap, so that they do not inadvertently widen wealth inequality. More specifically, in order to ensure that future generations have equal opportunities to achieve security and stability, policymakers must put equity at the forefront of policy design. Any prospective policy analysis should consider a number of criteria, from administrative feasibility to overall effectiveness at a primary goal. We argue that impacts on racial wealth inequality should not only be included among the core criteria, but that it be given significant weight relative to the other criteria used to evaluate policy proposals.

The Racial Wealth Audit framework urges policymakers and analysts to embed equity in regards to wealth outcomes by race/ethnicity explicitly into the design and evaluation of proposed policies. Without clear and explicit attention to racial wealth inequality, new policies could reinforce the existing wealth gaps, which were erected in eras when explicit exclusion by race was the norm. While policymakers today would not overtly design exclusionary policies, the legacy of structural barriers from past eras still serve as a foundation for today's wealth distribution in the US. Thus, to reconfigure this foundation in an equitable way, it is not enough to simply support social investments without a clear equity lens. Instead, policymakers can remodel our economic future toward equity and inclusion by incorporating analysis of inequalities in wealth by race into the decision-making process for all policies related to family savings and asset-building opportunities.

While education policy and asset development for youth are the focus of this report, the principles outlined in this analysis can and should be applied to all policy areas. The examples and findings covered in this report reveal that education is a crucial area in which investments and equity can be fostered jointly. As we move towards the start of a new Administration and Congress, leaders and advocates in the education arena have several opportunities for policy development and reforms. In order to ensure that these policy solutions are both successful in their targeted goals and that they help to close the racial wealth gap, it will be crucial that policy leaders understand the ways in which promising proposals can be improved to promote equity. Design features should account for how groups are situated differently when it comes to existing barriers to and opportunities for getting ahead. Integrating the principles of targeted universalism into policy development will be essential to advancing more equitable policies and closing the unrelenting racial wealth divide.

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