

The College Savings Behavior of Foreign-born Parents in the United States

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Objectives

This study examines the college savings behavior of foreign-born parents of high school students in the United States. Using data from the Education Longitudinal Study of 2002, we explore three research questions: 1) Are foreign-born parents as likely as native-born parents to save for their 10th-grader's college education? 2) Is there variation by parental nativity in the types of college savings methods used? 3) Does acculturation affect foreign-born parents' college savings efforts? Findings contribute to literature on the educational and economic incorporation of children of immigrants in the U.S.

Background

The rising costs of higher education in the U.S. have made financial planning for college increasingly important. Previous research has found that parents' savings efforts for their children's post-secondary education is positively associated with college attendance (Charles, Roscigno and Torres 2007) and that parental financial support increases the odds of college completion (Steelman and Powell 1989). Such studies have also pointed to variation in parents' college saving behavior by race/ethnicity, highlighting the need to further explore variations in financial planning for college, especially among groups who may be at a disadvantage in the U.S. education system (Charles, Roscigno and Torres 2007).

Children of immigrants represent one such group. As the fastest growing sector of the U.S. youth population, children of immigrants will constitute an increasingly large proportion of college students for decades to come. A well-established body of literature has examined foreign-born parents' educational expectations for their children, providing consistent evidence that, compared to native-born parents, foreign-born parents hold higher and more consistent educational expectations and aspirations (Glick and White 2004; Hao and Bonstead-Bruns 1998; Kao and Tienda 1995; Raleigh and Kao 2010). Although we know much about the educational future that immigrant parents envision for their children, we know much less about how they plan and prepare for it financially.

Given that foreign-born parents tend to hold higher educational expectations for their children, it is plausible that they are as or more likely than native-born parents to save money for their children's college education. On the other hand, foreign-born parents may be less likely than native-born parents to save money for their child's college education. Unfamiliarity the U.S. higher education system and mainstream financial institutions may negatively affect their college savings behavior. If this is the case, then acculturation factors such as English proficiency and time in the U.S. may be positively associated with college savings behaviors among foreign-born parents.

Data and Methods

We use data from ELS: 2002, a longitudinal survey of a nationally representative sample of approximately 15,000 tenth-grade students in 750 schools in the U.S. ELS surveyed one of the student's parents in the base year, asking questions about a number of topics including what, if

anything, the parent was doing to prepare financially for their child's post-secondary education. Our analyses are based on data from the base year student and parent surveys. Our sample consists of students with valid parent reports of financial planning for college and parental nativity.

Dependent variables. Our dependent variables come from the parent survey questions about financial planning for the tenth-grader's postsecondary education. We derive our first dependent variable from the parent responses to the question "Have you or your spouse/partner done anything specific in order to have some money for your tenth grader's education after high school?" This question was asked only to those parents who indicated that they expected their tenth grader to attend college. We assign a 1 to students whose parents have made an effort to save money for college and a 0 to all others.

Parents who responded that they have made an effort to set money aside for their tenth-grader's education after high school were then asked what specifically they have done to save money for college. They could select one or more of the following savings methods: started a savings account, bought a U.S. insurance policy, bought U.S. savings bonds, made investments in stocks or real estate, set up a college investment fund, started working another job or more hours, established another form of savings, reduced other expenses in some way, remortgaged property or took out a home-equity loan, had the student put aside earnings, and participated in a state-sponsored college savings program. We create a series of dichotomous dependent variables based on these savings methods.

Independent variables. Parental nativity and race/ethnicity are our key independent variables. We also include controls for student demographic characteristics (sex, family socioeconomic status, parent employment status), family background characteristics (number of siblings, two-parent household), academic achievement (base year math test scores and 9th-grade GPA), student and parent educational expectations, parental involvement in the student's school, and school characteristics (region, urbanicity, school type, percentage of students who are children of immigrants, and percentage of students who are eligible for free lunch). For models in which we restrict the sample to children of immigrants only, we include acculturation measures (student generational status, number of immigrant parents, number of years the parent(s) has been in the U.S., and parent English-speaking proficiency).

Analytic strategy. Our analysis proceeds in three parts. First, we use logistic regression models to examine variation by parental nativity in the likelihood of parents saving money for their 10th-grader's college education. We first run models for the entire sample divided into immigrant-race groups, using children of white native-born parents as the reference group. We then run models separately by race, using children of native-born parents as the reference group. Second, we restrict the sample to students whose parents are saving for college and use logistic regression models to explore differences by parental nativity in types of college savings methods. Third, we restrict the sample to children of immigrants only and use logistic regression models to explore the association between acculturation and college savings behavior among foreign-born parents.

Preliminary Results

Table 1 shows the proportion of parents who reported having saved money for their child's college education when they child was in 10th grade. Latino immigrant parents have the lowest proportion of parents who are saving money for their child's college; only 29 percent of Latino immigrant parents reported having saved money for their child's post-secondary education, whereas 58 percent of white native-born parents and 47 percent of Latino native-born parents reported having saved money for their child's college education. In contrast, similar proportions of Asian immigrant parents and white native-born parents reported saving money for their child's college education.

Table 2 presents the odds ratios from the logistic regression models predicting parents' saving money for their 10th-grader's college education. Relative to white-native born parents, Latino immigrant parents have lower odds of saving money for their child's college education, even after accounting for differences in demographic characteristics, academic achievement, educational expectations, parental involvement, and school characteristics. Asian immigrant parents do not differ significantly from white native-born parents in their college savings behaviors.

Results from analyses of college savings methods (not shown) indicate that Latino immigrant parents who are saving money for their 10th-grader's college education have greater odds of using informal savings methods such as working more hours or another job and lower odds of using formal savings methods such as investing in stocks or savings bonds. Results from the analyses using the children of immigrants sample only (not shown) show that acculturation factors such as parent's English-speaking proficiency are positively associated with the college saving behavior of foreign-born parents.

Table 1: Parent Report of Saving Money for Post-Secondary Education by Race and Parent Nativity

	Percent	N
White		
U.S. Born Parent	0.584	6,159
Immigrant Parent	0.551	463
Black		
U.S. Born Parent	0.502	1,070
Immigrant Parent	0.521	152
Latino		
U.S. Born Parent	0.466	582
Immigrant Parent	0.294	960
Asian		
U.S. Born Parent	0.661	58
Immigrant Parent	0.575	778
Other Race		
U.S. Born Parent	0.508	431
Immigrant Parent	0.604	182
Total	0.534	10,835

Table 2: Odds Ratios from Logistic Regression Predicting Parents' Savings Efforts for 10th-grader's Education after High School

Race/Parental Nativity	Baseline ^a		Family Background/SES ^{a, b}			Student, Parent and School Controls ^{a, b, c}		
White								
<i>U.S. Born Parent (reference)</i>								
Immigrant Parent	0.885	(0.112)		0.851	(0.112)		0.851	(0.114)
Black								
U.S. Born Parent	0.727	(0.055)	***	1.288	(0.106)	**	1.299	(0.117) **
Immigrant Parent	0.780	(0.163)		1.166	(0.271)		1.169	(0.276)
Latino								
U.S. Born Parent	0.621	(0.060)	***	0.929	(0.099)		0.974	(0.109)
Immigrant Parent	0.299	(0.026)	***	0.605	(0.055)	***	0.588	(0.060) ***
Asian								
U.S. Born Parent	1.388	(0.552)		1.121	(0.509)		1.056	(0.554)
Immigrant Parent	0.947	(0.111)		1.026	(0.130)		1.008	(0.135)
Other Race								
U.S. Born Parent	0.735	(0.094)	*	1.023	(0.139)		1.033	(0.145)
Immigrant Parent	1.117	(0.228)		1.378	(0.285)		1.346	(0.292)

N=10,835

*** p<0.001, ** p<0.01, * p<0.05, ~ p<0.1; standard errors displayed in parentheses

^a Additional Controls: student gender

^b Additional Controls: two parent household; parental employment; number of siblings; family SES

^c Additional Controls: Student college expectations; 10th grade math test score; Parent college expectations; parent school involvement; School type; School region; % immigrant in school; school sector; % free lunch

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