

Money Zone: Education Planning Just For You: Calculating the Costs

Given the high cost of a college education, you might sometimes say “Why bother? I’ll never be able to save enough.” But as a future Money Star, you know that ignoring the problem won’t make it go away. There are lots of ways you can conquer the education cost woes. We know of someone who had their three-year-old at the driving range several times a week, practicing to be the next Tiger Woods and hoping to qualify for athletic scholarships.

If your child is not a star athlete, and you just can’t save enough, don’t despair. There are other scholarship and aid programs, government-sponsored tax incentives, and plain old working your way through college. So start when you can to save as much as you can. We’re here to help.

Let’s start with (gasp!) a pop quiz:

Pop Quiz on Education Planning

1. Planning for my kids’ college education is like:
 - a. Baking a cake—you just follow the instructions and voila!
 - b. Learning a new instrument—I’m making mistakes, but I’ll get where I’m going
 - c. Climbing Mount Everest, blindfolded and alone, with no shoes

2. A 529 plan is a:
 - a. Smart move for college savings
 - b. Education planning thinga-ma-bob that might help me to achieve my goals
 - c. Step below a 530 plan?

3. When I think about my college savings plan, I feel:
 - a. Confident and secure.
 - b. Learning and improving.
 - c. Scared to death.

4. If my child were to get into Harvard, I’d say:
 - a. “Wow! Let’s take a tour of Boston next month.”
 - b. “Yay! But it’s just a bit more than we budgeted”
 - c. “Congratulations! Now, start packing for your trip to Public U.”

5. I’ve been saving for my children’s college education since:
 - a. The day they were born.
 - b. I woke up one day in a cold sweat when my oldest was in junior high.
 - c. Saving? What’s that?

If you answered mostly A’s: You are well on your way to fulfilling your college savings plan, and you feel good about your knowledge and achievements. Yay! You are in a great position to help your fellow Money Club members learn how to succeed. You may also benefit from the additional articles in this Money Zone to further your knowledge.

If you answered mostly B’s: You are learning new facts about education planning that will help you to achieve your goals. As you learn and grow, you can benefit from the support of your fellow Money Club members in achieving your goals. You may want to join the Money Club discussion group ([hotlink to Yahoo groups http://groups.yahoo.com/group/MoneyClubs/](http://groups.yahoo.com/group/MoneyClubs/) for more information and support.

If you answered mostly C's: You are having some difficulties planning for your children's college education. Well, sista', you have come to the right place. The Money Club is a support and information network that can help you get moving toward your goals. Join (or start) a Money Club to help yourself get motivated, and then learn more about the tools available to plan for your children's college education.

Wherever you are right now, you can start saving each month for your children's future. Here's a worksheet to help you figure out how much you'll need to save for college. (If you have more than one child, do the worksheet separately for each child and then add the total monthly amounts together to determine how much to save.)

College Costs Worksheet	
1. Current estimated annual cost of college	\$
2. Multiply by the Inflation Factor from Table 1.	X
3. This equals the future annual college cost.	\$
4. Multiply by 4	X 4
5. Your child's estimated future college cost.	=
8. Multiply by the Investment Factor from Table 2. This is your annual savings amount.	
9. Divide by 12	/ 12
10. This is your monthly college savings amount.	\$

Education Planning Worksheet - Table 1
INFLATION FACTOR

Years until College	4%	6%	8%
1	1.04	1.06	1.08
2	1.08	1.12	1.17
3	1.12	1.19	1.26
4	1.17	1.26	1.36
5	1.22	1.34	1.47
6	1.27	1.42	1.59
7	1.32	1.50	1.71
8	1.37	1.59	1.85
9	1.42	1.69	2.00
10	1.48	1.79	2.16
11	1.54	1.90	2.33
12	1.60	2.01	2.52
13	1.67	2.13	2.72
14	1.73	2.26	2.94
15	1.80	2.40	3.17
16	1.87	2.54	3.43
17	1.95	2.69	3.70
18	2.03	2.85	4.00

Education Planning Worksheet - Table 2
SAVINGS FACTOR



Years to save	Investments earn 4%	Investments earn 6%	Investments earn 8%	Investments earn 10%
1	.981	.971	.962	.952
2	.481	.471	.463	.454
3	.314	.305	.296	.288
4	.231	.222	.213	.205
5	.181	.172	.164	.156
6	.148	.139	.131	.123
7	.124	.116	.108	.100
8	.106	.098	.090	.083
9	.093	.085	.077	.070
10	.082	.074	.066	.060
11	.073	.065	.058	.051
12	.065	.058	.051	.045
13	.059	.051	.045	.039
14	.054	.046	.040	.034
15	.049	.042	.035	.030
16	.045	.038	.032	.026
17	.041	.034	.029	.023
18	.038	.031	.026	.021