

focus  n[®]

College Funding

Investing in Your Children's Future

PREVIEW



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Estimate the Cost

Preparing Now for College Costs

College is expensive, so creating a plan for how to pay for it is a smart financial move. These three steps can help you get started:

- 1 Estimate the Cost
- 2 Establish a College Fund
- 3 Evaluate Other Funding Sources



Current Cost of a College Education

For the 2022–2023 academic year, the average cost at a four-year public college is \$23,250 (for in-state residents), and the average cost at a four-year private college is \$53,430. This brings the total four-year cost to more than \$93,000 and \$213,720, respectively.

Public college

\$ 23,250
x 4 years

\$ 93,000

Private college

\$ 53,430
x 4 years

\$213,720

These figures include tuition, fees, room, and board but not indirect expenses such as books, supplies, personal expenses, and transportation.

Source: *Trends in College Pricing and Student Aid 2022*, College Board

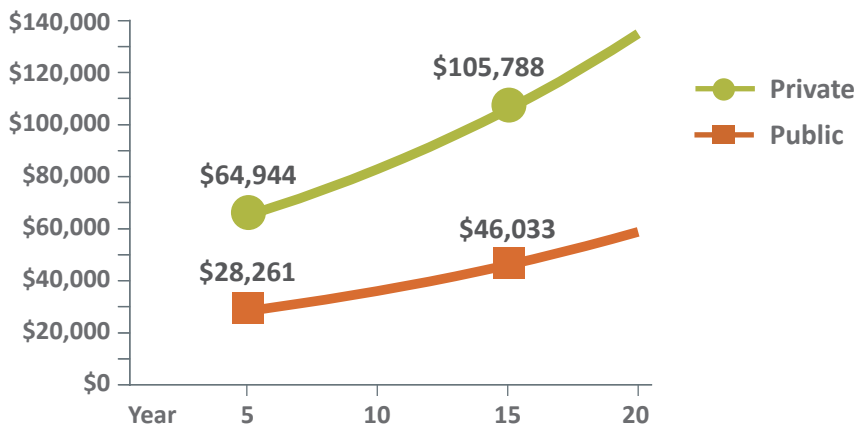
College Costs Over the Past Decade

Over the past 10 years, college tuition, fees, room, and board have increased 6% at private colleges and 2% at public colleges, on average.

Source: *Trends in College Pricing and Student Aid 2022*, College Board

Future Annual Cost of College

You might not realize the impact that college inflation can have on overall costs. This chart shows how much one year of college might cost in five years and in 15 years, assuming a 5 percent college inflation rate.



Source: *Trends in College Pricing and Student Aid, 2022*, College Board

Estimate the Cost

Calculating the Cost

You can use this worksheet to estimate the future cost of sending your children to college for four years and the annual savings needed to reach your goal.

College Cost Worksheet



| Name of the Child | Age | Current Annual College Cost | x | Estimated Future Cost Factor | = | Estimated Future Cost |
|-------------------|-------|-----------------------------|---|------------------------------|---|-----------------------|
| Leah (example) | 8 | \$ 25,000 | x | 7.021 | = | \$ 175,525 |
| _____ | _____ | \$ _____ | x | _____ | = | \$ _____ |
| _____ | _____ | \$ _____ | x | _____ | = | \$ _____ |

Estimated inflation rate: 5%

An Investment in the Future

Nearly 9 in 10 families say college is an investment in their children's future.

Source:
How America Pays for College 2022, Sallie Mae

| Age of the Child | Estimated Future Cost Factor | Age of the Child | Savings Factor |
|------------------|------------------------------|------------------|----------------|
| 1 | 9.879 | 1 | 0.039 |
| 2 | 9.408 | 2 | 0.042 |
| 3 | 8.960 | 3 | 0.046 |
| 4 | 8.534 | 4 | 0.051 |
| 5 | 8.127 | 5 | 0.056 |
| 6 | 7.740 | 6 | 0.063 |
| 7 | 7.372 | 7 | 0.070 |
| 8 | 7.021 | 8 | 0.080 |
| 9 | 6.686 | 9 | 0.091 |
| 10 | 6.368 | 10 | 0.105 |
| 11 | 6.065 | 11 | 0.123 |
| 12 | 5.776 | 12 | 0.147 |
| 13 | 5.501 | 13 | 0.181 |
| 14 | 5.239 | 14 | 0.232 |
| 15 | 4.990 | 15 | 0.317 |
| 16 | 4.752 | 16 | 0.488 |
| 17 | 4.526 | 17 | 0.952 |
| 18 | 4.310 | 18 | 1.000 |

| Estimated Future College Cost | x | Savings Factor | = | Annual Savings Required |
|-------------------------------|---|----------------|---|-------------------------|
| \$ 175,525 (Leah) | x | 0.080 | = | \$ 14,042 |
| _____ | x | _____ | = | \$ _____ |
| _____ | x | _____ | = | \$ _____ |

Estimated investment return: 5%

This hypothetical example is used for illustrative purposes only and does not represent any specific investment. Taxes and investment expenses are not considered.

Estimate the Cost

Factor in Your Timeline

As you estimate future costs, you'll need to consider your timeline.

How many years remain before you will need money for your oldest child's first year of college? If you have more than one child, will you have two or more children in college at the same time?

Determine your timeline and cumulative costs so you can establish a college funding goal for each child.

What Is Your Savings Goal?

Not all parents expect to pay 100 percent of a child's college education.

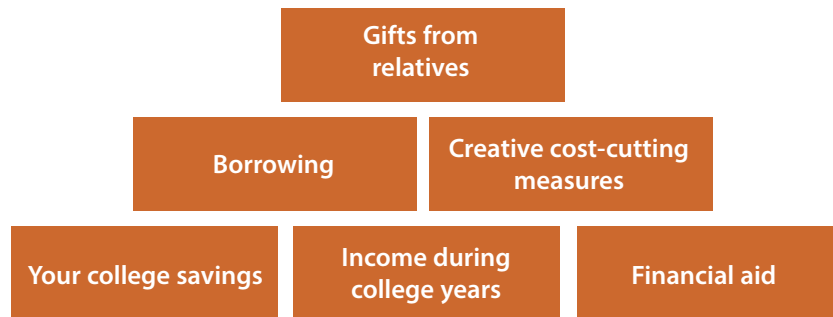
You might think of your college savings as a down payment on the total cost, similar to a down payment on a home. A good benchmark is to aim to save at least 50 percent of your child's projected college costs. Then, when the time for college arrives, you can supplement your savings with other funding sources.

| Contribution Goal | |
|--------------------------------------|---------------|
| Personal Savings | Other Sources |
| <input type="checkbox"/> 25% | 75%: _____ |
| <input type="checkbox"/> 50% | 50%: _____ |
| <input type="checkbox"/> 75% | 25%: _____ |
| <input type="checkbox"/> 100% | |
| <input type="checkbox"/> Other ____% | ____%: _____ |

Use these spaces to record how much you expect to contribute toward future college savings.



How Will You Pay for College?



Think of your college savings as just one piece of the college financing puzzle. In addition to your own college savings, some of your child's college costs are likely to be covered by:

Costs Are a Consideration

About 81% of families factor in the price of a college when narrowing their list of schools to attend.

Source:
How America Pays for College 2022, Sallie Mae

- **Your income during the college years, plus any income your child might earn from a part-time job**
- **Financial aid**
- **Borrowing during the college years**
- **Creative cost-cutting measures, such as:**
 - **Having your child attend a community college for two years before transferring to a four-year college**
 - **Having your child enroll in an accelerated program and graduating in less than four years**

And perhaps, if you're lucky:

- **Generous gifts from grandparents or other relatives**

Even though these potential resources are off in the future, knowing about them now might help you feel better as you build your college fund. Just keep in mind that your college savings are the cornerstone of any successful college financing plan.

