

Calculating College Costs

This chart, provided by Mark Baniewicz, president of Socius Family Advisors, shows the amounts parents must save for a four-year college education depending on the current age of their child. The calculations assume a 5% rate of return and 3% annual tuition inflation. The amounts shown represent every \$1,000 in current college costs, making it easy to do the math for schools at different price points.

The first column, the total inflated cost of tuition, shows how much each \$1,000 of a four-year education will cost when factoring in 3% annual tuition inflation. The payment columns factor in 3% annual tuition inflation and a 5% rate of return. The discounts shown are compared to the total inflated cost of tuition. The lump sum payments indicate what parents must pay if they choose to fund their child's entire education at the age shown in the chart.

As for timing, Baniewicz says the periodic investments are made at the end of the period (the only exception is the lump sum) and the tuition expenses are made in one big annual sum at the beginning of each year. "Since compounding interest is such a strong force, even small errors in the return/inflation assumptions can make big differences," he says. "We generally recommend looking at where you are each year, making any necessary adjustments to the assumptions, and making any funding changes."

AGE OF CHILD	Total Inflated Cost of Tuition	LUMP SUM		ANNUALLY		QUARTERLY		MONTHLY	
		Payment	Discount	Payment	Discount	Payment	Discount	Payment	Discount
0	\$7,122	\$2,750	61%	\$235	41%	\$58	41%	\$19	41%
1	\$6,915	\$2,803	59%	\$249	39%	\$61	40%	\$20	40%
2	\$6,713	\$2,858	57%	\$264	37%	\$65	38%	\$22	38%
3	\$6,518	\$2,913	55%	\$281	35%	\$69	36%	\$23	36%
4	\$6,328	\$2,970	53%	\$300	34%	\$74	34%	\$25	35%
5	\$6,144	\$3,027	51%	\$322	32%	\$80	33%	\$26	33%
6	\$5,965	\$3,086	48%	\$348	30%	\$86	31%	\$29	31%
7	\$5,791	\$3,146	46%	\$379	28%	\$93	29%	\$31	29%
8	\$5,622	\$3,207	43%	\$415	26%	\$102	27%	\$34	27%
9	\$5,459	\$3,269	40%	\$460	24%	\$113	25%	\$38	26%
10	\$5,300	\$3,333	37%	\$516	22%	\$127	23%	\$42	24%
11	\$5,145	\$3,398	34%	\$587	20%	\$145	21%	\$48	22%
12	\$4,995	\$3,464	31%	\$682	18%	\$168	19%	\$56	20%
13	\$4,850	\$3,531	27%	\$816	16%	\$201	17%	\$67	18%
14	\$4,709	\$3,599	24%	\$1,015	14%	\$250	15%	\$83	16%
15	\$4,572	\$3,669	20%	\$1,347	12%	\$331	13%	\$110	13%
16	\$4,438	\$3,740	16%	\$2,012	9%	\$494	11%	\$164	11%
17	\$4,309	\$3,813	12%	\$4,004	7%	\$983	9%	\$326	9%
18	\$4,184	\$3,887	7%						