

Monthly College Planning

In order to have enough for college you must aim at something. Your assignment is to determine how much per month you should be saving at 12% interest in order to have enough for college.

If we are saving at 12% and inflation is at 4% then we are moving ahead of inflation at a net of 8% per year.

Step One:

In today's dollars how much per year does the college of your choice take: \$ _____

X 4 years = \$ _____

(hint: \$15,000 to \$25,000 annually)

Step Two:

To achieve that college nest egg you will save at 12%, netting 8% after inflation; so we will target that college egg using 8%.

$$\frac{\text{Nest Egg Needed}}{\text{Factor}} \times \text{Factor} = \text{Monthly Savings Needed}$$

8% Factors (select the one that matches your age)

<u>CHILD'S AGE</u>	<u>YEARS TO SAVE</u>	<u>FACTOR</u>
<u>0</u>	<u>18</u>	<u>.002083</u>
<u>2</u>	<u>16</u>	<u>.002583</u>
<u>4</u>	<u>14</u>	<u>.003247</u>
<u>6</u>	<u>12</u>	<u>.004158</u>
<u>8</u>	<u>10</u>	<u>.005466</u>
<u>10</u>	<u>8</u>	<u>.007470</u>
<u>12</u>	<u>6</u>	<u>.010867</u>
<u>14</u>	<u>4</u>	<u>.017746</u>

Note: Be sure to try one or two examples if you wait 5 or 10 years to start.