



## PROJECTING COLLEGE COSTS

Perhaps since college expenses are behind you, you feel you can relax. Not so! If you have children or grandchildren, be prepared for a major shock.

For the past three years, colleges have increased prices by as much as 10-20%. Shrinking endowments and state budget woes were largely to blame, however, increasing fixed costs – insurance premiums, health care, and energy bills made a tight situation tighter.

Expenses range widely from one institution to another. However, the total costs must include tuition and fees, but also books, room, board, incidental expenses and transportation.

At the absolute low end of the scale, a student might attend a local college that eliminates room expenses and reduces board and transportation. Unless the student lives next door, there is still transportation expense to commute.

Cost for a single school year may range from a low of \$9,000 to more than \$25,000 per year. For an out of state school, the average might be substantially higher, but could be reduced by \$2,000 to \$3,000 per year by student summer earnings.

The following chart will help you calculate costs. Each year shows the annual costs inflated by 7%. Count the years till your child will start college. For our example, a five year old is expected to start in thirteen years when that \$10,000 will have inflated to \$22,522 per year.

The annual net current cost is assumed to be \$10,000, based on \$12,000 for tuition, room and board, books, fees, transportation and incidental spending money, less an assumption of net \$2,000 summer earnings. We also show current \$8,000 and \$15,000 annual costs to give some idea of the range of costs.

EDUCATION COST PROJECTIONS					
Years Till College	Today's Annual Cost				
1	8,000	10,000		15,000	
2	8,560	10,700		16,050	
3	9,159	11,449		17,174	
4	9,800	12,250		18,376	
5	10,486	13,108		19,662	
6	11,220	14,026		21,038	
7	12,006	15,007		22,511	
8	12,846	16,058		24,087	
9	13,745	17,182		25,773	
10	14,708	18,385		27,577	
11	15,737	19,672		29,507	
12	16,839	21,049		31,573	
13	18,018	22,522	*	33,783	
14	19,279	24,098	*	36,148	
15	20,628	25,785	*	38,678	
16	22,072	27,590	*	41,385	
17	23,617	29,522		44,282	*
18	25,271	31,588		47,382	
<b>*Total for Indicated Years:</b>		<b>\$99,996</b>		<b>\$144,278</b>	

The traditional four years have been marked with an asterisk. The expected need totals nearly \$100,000; assuming the student only attends for four years. A fifth year of school, such as for a master's degree, currently costing \$15,000, might be at a higher cost then - \$44,282.

For your sake and for the sake of your family, isn't it obvious that advanced planning and savings will be necessary?

Sources: Don't Miss Out: The Ambitious Student's Guide to Financial Aid, 2006-2007 Financial Planning Consultants, Inc. for calculations