



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 1:

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

$$\begin{array}{r}
 \$ \underline{\hspace{2cm}} \quad \underline{\$20,000} \\
 \times 4 \text{ years} = \quad \$ \underline{\hspace{2cm}} \quad \underline{\$80,000} \\
 \text{(hint: \$15,000 to \$25,000 annually)}
 \end{array}$$

Step 2:

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

$$\frac{\$80,000}{\text{Nest Egg Needed}} \times \frac{.003287}{\text{Factor}} = \frac{\$262.96}{\text{Monthly Savings Needed}}$$

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

CHILD'S AGE	YEARS TO SAVE	FACTOR
0	18	.002083
2	16	.002583
4	14	.003287
6	12	.004158
8	10	.005466
10	8	.007470
12	6	.010867
14	4	.017746

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

Retirement and College



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 1:

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

$$\begin{array}{r}
 \text{X 4 years} = \quad \$ \underline{\hspace{2cm}} \\
 \quad \quad \quad \quad \$ \underline{\hspace{2cm}} \\
 \text{(hint: \$15,000 to \$25,000 annually)}
 \end{array}$$

Step 2:

To achieve that college 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 child's age)

CHILD'S AGE	YEARS TO SAVE	FACTOR
0	18	.002083
2	16	.002583
4	14	.003287
6	12	.004158
8	10	.005466
10	8	.007470
12	6	.010867
14	4	.017746

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