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:

$ $20,000

X 4 years = $ $80,000

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

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%.

$80,000	X	.003287	=	$262.96
Nest Egg Needed		Factor		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.

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

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_____		_____		_____

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