

HOW MUCH DO WE NEED TO SAVE?

Use this worksheet to get a ballpark estimate of how much you should save for a four-year college education. This model assumes that you are starting with no savings, that tuition and fees will increase by 6.5 percent per year, and that your investments will earn 8 percent per year after taxes. These figures do not include additional college costs, such as room and board, which will increase the funds needed, or grants and scholarships, which will likely decrease the amount you will need to pay.

1. Number of years before college starts (age 18 for most students): _____
2. Current college costs per year (use a college you are interested in or \$4,694 for the average tuition and fee figure for four-year public colleges, or \$19,710 for the average tuition and fee figure for four-year private colleges): _____
3. Future cost of the first year of college (multiply line 2, current college costs, by the appropriate factor from column A in the following table): _____
4. Future four-year cost of college (multiply line 3 by 4.69): _____
5. Amount you need to save annually to meet the total four-year cost of tuition and fees (multiply line 4 by the appropriate factor from column B below): _____

Years Before College Starts	A: Cost Increases	B: Investment Returns
1	1.07	.926
2	1.13	.445
3	1.21	.285
4	1.29	.205
5	1.37	.158
6	1.46	.126
7	1.55	.104
8	1.65	.087
9	1.76	.074
10	1.88	.064
11	2.00	.056
12	2.13	.049
13	2.27	.043
14	2.41	.038
15	2.57	.034
16	2.74	.031
17	2.92	.027
18	3.11	.025

Adapted from Money Magazine, September 1989, p. 64. For a dynamic calculator on-line, try <http://partners.financenter.com/bankone/calculate/us-eng/savings04.fcs>.

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