

Saving for College

College Costs

Understanding and Estimating Future Costs

Every year, between February and April, most schools publish their tuition, fees, room and board rates for the following year. What is important to note is that these rates are the “published” rate, sometimes referred to as the “sticker price” and NOT necessarily what the family will have to pay. This month’s article will describe the difference between the “published” rate and the “net price,” how to estimate future college costs, and how these estimates factor into a college savings plan.

Understanding College Costs

Typically the total cost of attendance (COA) will include the following:

- **Tuition & Fees**—charged by the institution for the educational instruction. Fees are mandatory and may include items such as technology or student activities.
- **Room & Board**—the average charged by the institution for the dorm room and the standard meal plan
- **Books & Supplies**—books and materials needed to complete coursework successfully
- **Travel**—transportation cost to and from the primary residence to campus, assuming two round-trips
- **Personal**—an estimated amount for personal expenses such as laundry and modest social expenses.

Once the family has been notified of any gift aid (scholarships and grants), it can calculate a “net price.” The net price is the “published/sticker” price of the college minus the gift aid that has been awarded. The net price of a college is often much lower than its published price.



Estimating the 4-year cost

General Calculators

There are many online resources that help estimate the projected costs of a student's future enrollment. One such calculator is the CollegeBoard's College Savings Calculator. It allows users to determine how much their college education will cost as well as measure the effectiveness of their current savings strategy.

School-Specific Calculators

Each school is required to have a net price calculator on its website. This calculator allows individuals to input their financial information to get a "net price" estimate based on the school's financial aid policies. By using these tools, one can calculate a rough estimate of what their family would be expected to pay for one year at that particular school.

Creating a Savings Strategy

Most families can't save 100% of the total expected net cost; but families should save as much as they can. While often a challenge and not always achievable, a common industry goal to which a family could aspire is to have saved up to one-third of the total four-year cost.

The important thing is to not be daunted by these numbers and to start a savings plan and begin saving regularly. The earlier a savings plan is established, the cost will be less burdensome, and the student will be able to consider more choices. The following chart demonstrates how monthly contributions to a college savings plan can compound to create a sizeable account.

Impact of Monthly Savings Contributions

