

SETTING YOUR FAMILY EDUCATION PHILOSOPHY

The first step in saving for your child's college expenses is to discuss and agree upon a Family Education Philosophy. A productive philosophy encourages all parties (parents, grandparents, students, employers, etc.) to engage in this crucial decision in a meaningful way.

The following questions are great conversation starters as you work toward defining a balanced Family Education Philosophy:

- Are we in agreement regarding the purpose of education after high school?
- Will this be a private or public conversation? Meaning, if Grandma asks at a family gathering where your student is applying or has been accepted, is it okay for you to tell her? What about talking with the parents of your student's friends?
- What type of degrees, majors, and schools—if any—do we favor for our child?
- Will we limit our child's education options by geographic location, prestige, or the schools we attended?
- Can we form consensus on our child's involvement in campus life, outside work arrangements, and extracurricular activities?
- What roles will we play...who schedules campus visits? Who talks to the high school counselor?
- What percentage of our child's projected education expenses will we agree to finance?
- Do we want our child to acquire student loans?
- How will we ensure this expense does not put our retirement or future plans in jeopardy?

EXAMPLE OF A SPECIFIC FAMILY EDUCATION PHILOSOPHY:

We plan to save 40% of our child's projected, four-year education expenses at an in-state, public institution of higher education. We expect to pay for 30% of our child's education through current earnings at the time of enrollment. The remaining 30% of our child's education expenses will come from scholarships and their income from working. Any expenses beyond this including additional years beyond four, graduate degrees, etc. will be financed by our child. In the case our child gets a full-ride scholarship, tuition assistance, or decides to pursue an alternative route we will consider allocating the saved funds to productive causes, for instance, a down payment on a house or an initial investment in a startup business. We expect degrees pursued will have a reasonable chance of leading to gainful employment.

Once you have defined your Family Education Philosophy, you can calculate a monthly amount to save in addition to picking the right investment strategy for your goals.

EXERCISE 1: OUR FAMILY EDUCATION PHILOSOPHY

We plan to:

SAVING FOR COLLEGE

Now that you have defined your Family Education Philosophy, you can use a college cost calculator to project your child's expected cost of attendance. A cost of attendance includes room and board, books and supplies, transportation, and personal expenses in addition to tuition and fees. For reference, from the cost of attendance, you would subtract any scholarships or grants (free money!) awarded to arrive at your net price.

To establish an estimated cost of attendance, you can use College Board's [BigFuture Savings Calculator](#).

Using the Family Education Philosophy outlined above as an example and the College Savings Calculator, you can enter the amounts you have saved or plan to save, the length of time you expect your child to be in school, and how long you have until your child goes to school. Entering these values will provide you with an idea of whether you're saving enough to meet your goals.

- Annual cost of public, in-state institution = \$21,447
- College cost inflation rate = 5%
- Expected years of attendance = 4
- Percent of costs you plan to cover from savings = 40%
- Assuming a 5-year-old child, years to college = 13

RESULTS:

Total Projected Cost of Attendance =	\$ 174,308
Savings Goal of 40% =	\$ 69,723
Savings/Month Goal =	\$ 318
Parent Income Goal of 30% =	\$ 52,292
	\$ 13,073/year
Earned by Child Goal of 30% =	\$ 52,292
	\$ 13,073/year

EXERCISE 2: RECORD YOUR RESULTS

Total Projected Cost of Attendance: \$ _____

Total Savings Goal: _____% or \$ _____

Savings/Month Goal: \$ _____

Parent Income at Time of Enrollment Goal: _____% or \$ _____

Number of Years Expected to Graduate: _____

Parent Income/Year Expectation (divide Parent Income Goal amount by Years to Graduate):

\$ _____

Child Earnings by Scholarships or Income Goal: _____% or \$ _____

Child Earnings/Year Expectation (divide Child Earnings Goal amount by Years to Graduate):

\$ _____