

The Price of Education

While it is often stated that a college education is priceless, the reality is that costs continue to rise each year. According to the College Board, most students and their families can expect to pay, on average, up to \$1,398 more for this year's tuition and fees, compared to last year, depending on the type of college. The good news is that many sources of financial aid are available to students and their families. For example, during the 2007-08 academic year, more than \$143 billion in financial aid was distributed to students in the form of grants from all different sources¹. Moreover, there are plenty of savings vehicles that can be utilized.

The table illustrates the trends in college pricing for the 2008-2009 academic year, according to the College Board's Trends in College Pricing. When compared with the prior year, the various fees are up at least 5.2%, with a high of 6.4% (tuition and fees only). The College Board also stated over the 30 years from 1978-79 to 2008-09, the rate of growth in tuition and fees has been more rapid at public four-year institutions than at private four-year institutions and has been slowest at public two-year institutions.

These costs might seem somewhat alarming to most people (especially for those parents who have put off saving and planning for their children's college). But about 56% of students who are enrolled at four-year colleges or universities attend institutions that charge tuition and fees of less than \$9,000 per year, and 38% of full-time students who are enrolled in public four-year colleges and universities attend institutions that charge tuition and fees between \$3,000 and \$6,000. While private four-year institutions have a much wider range of tuition and fee charges, only about 8% of all students attended colleges with tuition and fees totaling \$33,000 or higher per year.

However, it would be wise for parents to start saving for college as soon as possible and to assume your children will attend a private four-year institution—assume "the worst." If they receive grants and/or scholarships or decide to opt for a more-affordable option, think of all the fun things you can do with the excess cash! There is an array of college-savings options available—many that offer tax-deferred growth and tax-free withdrawals (when used for qualified higher-education expenses). Some of the more popular plans include 529 plans and Coverdell Education Savings Accounts (ESA). There are contribution limits to the various plans, and plenty from which to choose, so it would be wise to consult with your financial advisor to see what is right for you.

As with any goal, whether you are saving for retirement or a vacation home, the key is to start saving early—and save often. While it's easy to procrastinate when it comes to initiating a long-term investment plan, the sooner you begin, the more likely it is that the plan will succeed. By starting early, and thereby taking advantage of the power of compounding: Time can be your best friend.

Trends in College Pricing: 2008-2009 Academic Year

Type of college/ university	Tuition & fees	% change vs. prior year	Including room & board	% change vs. prior year
Public 4-year (in-state student)	\$6,585	6.4%	\$14,333	5.7%
Public 4-year (out-of-state student)	\$17,452	5.2%	\$25,200	5.2%
Private 4-year (nonprofit)	\$25,143	5.9%	\$34,132	5.6%

Source: College Board's Trends in College Pricing, 2008.

¹College Board's Trends in Student Aid, 2008.