College Costs

QEP Outcome: Explain questions, problems, and/or issues

Using your knowledge of college tuition rates, think about the benefits of college savings plans to solve the problem below.

The average cost of college at 4-year private colleges was $29,026 in 2005. This was a 5.5% increase from the previous year.

(a) If the cost of college increases by 5.5% each year, what will be the average cost of college at a 4-year private college in 2020?

(b) College savings plans, such as a 529 plan, allow individuals to put money aside now to help pay for college later. If one such plan offers a rate of 4% compounded continuously, how much should be put in a college savings plan in 2005 to pay for 1 year of the cost of college at a 4-year private college in 2020?

Think about the following Elements of Thought:

1) What is the purpose of college savings plans?

2) What issues/problems will students face with the increase in college tuition?

3) What solutions can you offer to those issues/problems pertaining to college tuition?