

Switch to Prepared

Education Savings Philosophy

Create your own Education Savings Philosophy

The first step in saving for your child's college expenses is to discuss and agree upon an Education Savings Philosophy. This is a crucial milestone that many families overlook. A productive philosophy encourages all parties (parents, grandparents, students, employers, etc.) to engage in this pivotal decision in a meaningful way. In particular, the student's engagement can take a number of forms, including monetary contribution, "sweat equity," achieving academic expectations, pursuing gainful employment or adhering to other parental expectations.

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

- What percentage of our child's projected education expenses will we agree to finance?
- Are we in agreement regarding the purpose of education after high school?
- Can we form consensus on our child's involvement in campus life, outside work arrangements and extracurricular activities?
- Do we want our child to acquire student loans?
- Will we limit our child's education options by geographic location, prestige or the schools we attended?
- What type of degrees, majors and schools – if any – do we favor for our child?
- Will we limit our child's education options by school or program type (apprenticeships, technical education, 2-year, 4-year, master's, doctorate, public or private)?
- Will we allow our child to consider a for-profit program or school?
- How will we ensure this expense does not put our retirement or future plans in jeopardy?
- How will we communicate these expectations to our child?
- Do we want to use the equity in our home to help pay for college?

Switch to Prepared

Education Savings Philosophy

Example:

We plan to save 40% of our child's projected, 4-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 his/her income from working while in school. Any expenses beyond this (including additional years beyond 4, graduate degrees, etc.) will be financed by our son or daughter. In the case our son or daughter gets a full-ride scholarship, tuition assistance, or decides to pursue an alternative route (apprenticeship, 2-year education, joining the workforce immediately) we will consider allocating the saved funds to productive causes, for instance, a down payment on a house or initial investment in a startup business. We expect degrees pursued will have a reasonable chance of leading to gainful employment.

Exercise: Our Education Savings Philosophy

We plan to:

Once you have defined your Education Savings Philosophy, then you can move on to calculating a monthly amount to save in addition to picking the right investment strategy for your goals.

Switch to Prepared

Education Savings Philosophy

Saving for College

Now that you have defined your Education Savings Philosophy, you can use Envista's College Cost Calculator to project your son, daughter or grandchild's expected net cost of attendance. A net cost of attendance includes tuition and fees, room and board, books and supplies, transportation and personal expenses.

Once you have the expected net cost of attendance, plug it into the [Envista's College Cost Calculator](#) (in the following exercise) to calculate the projected net savings plan for your student.

Example:

Total projected net cost of attendance: **\$266,730**

Amount we should save (40%): **\$106,692**

Amount we should save per month: **\$302** to reach this savings goal (assuming 6% return)

We expect **\$80,019** (30%) to be covered by current parental earnings at the time of enrollment (\$20,005 per year)

We expect **\$80,019** (30%) to be covered by our son or daughter's income or scholarships (also \$20,005 per year)

Exercise: calculate your savings goal

Annual projected cost of attendance: \$_____

Total projected net cost of attendance(4,5 or 6 yrs): \$_____ < x 1.05% inflation

Amount we should save (_____%): \$_____ < # of mos. before child turns 18.

Amount we should save per month: \$_____

We expect _____ or _____% to be covered by current parental earnings at the time of enrollment at an estimated tuition of \$_____ per year.

We expect _____ or _____% to be covered by our son or daughter's income or scholarships at the time of enrollment at an estimated tuition of \$_____ per year.

Assuming a 5% cost inflation rate and one-year old son or daughter.

Switch to Prepared

Education Savings Philosophy

How should we achieve our goals through investing?

To discuss the best investment strategy (529 Savings Plan, Coverdell Savings Account, Mutual Funds, etc.) for your unique financial situation, set up a no-cost, no-obligation appointment with [Envista's Investment Advisors Program](#).

Steps

- ✓ Create your Education Savings Philosophy.
- ✓ Calculate your savings goals.
- ✓ Contact an [Envista Investment Advisor](#).