



**TIME HORIZON LESSONS**  
Recommended for Grades 6–8

**MONEY  
CONFIDENT Kids**

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# Inflation

## LESSON 6

**When you're planning for a financial goal with a long-term time horizon, you need to consider and plan for the effects of inflation.**



### Objective

To teach kids the importance of how the value of money can change and affect their purchasing power in the future. Understanding this concept can help kids see how important it is to save early and help them make more informed investing decisions as they grow up.

### The Higher Cost of Higher Education

One long-term expense that you (and your parents!) might face in the next four to six years is college tuition. Due to inflation, college gets more and more expensive every year. Today, the average tuition cost at a state college is \$10,400 per year for in-state students; if room and board is considered, the total cost is about \$22,000 per year. Out-of-state and private colleges may be even more expensive. And consider this inflation fact: The price of tuition has been increasing at a rate of about 6% per year!

**Directions:** Take a look at the chart below and compare the cost of college for Nikki's family members. Then, on the next page, predict what the cost of tuition might be when you're ready to head off to college.

### COST OF TUITION INCREASE

Family Member	Year	Costs*	Average Annual Percentage Increase
Grandpa	1971	\$405	N/A
Grandma	1972	\$430	6.1%
Dad	1990	\$1,910	8.6%
Mom	1993	\$2,540	10.0%
April	2015	\$9,430	6.2%
Nikki	2019	\$10,440	0.5%



6% per year

\*One-year public college tuition and fees.

<https://finance.yahoo.com/news/average-cost-college-jumped-incredible-122000732.html>

# Inflation

Name \_\_\_\_\_

## Consider your college costs

What will college cost when you're ready to go? Look ahead and start planning today.



**Consider:** The average cost of college today for one year with room and board is \$22,000.

What do you think the cost will be in five years? \_\_\_\_\_

**Take It Further!:** If your teacher asks, visit the website of a college you would like to attend to determine the current cost of tuition. What will tuition cost when you are ready for college?

I hope to attend (name of college) \_\_\_\_\_ in \_\_\_\_\_ (4, 5, or 6) years.

Today, annual tuition is \$ \_\_\_\_\_.

Taking inflation into account, annual tuition will be \$ \_\_\_\_\_ when I'm ready to attend.

**Reflect:** How does inflation affect your thinking as you plan to pay for future college costs? Do you have any strategies that might help you prepare for your medium-term time horizon?



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Answer Key: Research: Answers will vary. Check your answers here: [bit.ly/collocalc](http://bit.ly/collocalc). Reflect: Individual answers will vary, but you can deal with the increase in tuition costs by some combination of comparison shopping and increasing savings by cutting costs and increasing income. You may also have to consider student loans to cover the tuition.