



## A History of College Inflation

Since 1975, college inflation has been consistently higher than the Consume Price Index (CPI) or regular inflation. There were four years during the seventies when CPI actually did top college inflation, but those days are long gone.

The following charts tell the story.

Figure 1: A History of College Inflation vs. CPI

Year	College Inflation	CPI	Difference	
<b>Average</b>	<b>7.41%</b>	<b>4.62%</b>	<b>2.79%</b>	
2004	5.35%	2.99%	2.36%	
2003	5.77%	2.11%	3.66%	
2002	5.50%	1.46%	4.04%	
2001	5.20%	2.85%	2.35%	
2000	4.77%	3.54%	1.23%	
1999	4.24%	2.14%	2.10%	
1998	4.77%	1.68%	3.09%	
1997	4.62%	2.23%	2.39%	
1996	5.05%	2.95%	2.10%	
1995	5.32%	2.76%	2.56%	
1994	5.44%	2.77%	2.67%	
1993	5.99%	2.78%	3.21%	
1992	5.79%	3.16%	2.63%	
1991	7.61%	4.45%	3.16%	
1990	7.83%	4.81%	3.02%	
1989	8.61%	4.99%	3.62%	
1988	7.89%	4.16%	3.73%	
1987	7.39%	3.90%	3.49%	
1986	8.02%	1.61%	6.41%	
1985	8.15%	3.55%	4.60%	
1984	8.03%	4.14%	3.89%	
1983	9.78%	2.44%	7.34%	
1982	14.35%	6.48%	7.87%	
1981	13.95%	10.73%	3.22%	
1980	12.00%	13.22%	-1.22%	←
1979	9.05%	11.27%	-2.22%	←
1978	7.37%	7.74%	-0.37%	←
1977	8.10%	6.72%	1.38%	
1976	9.27%	5.43%	3.84%	
1975	7.20%	9.65%	-2.45%	←

Source: CPI U.S. Department Of Labor, Bureau of Labor Statistics, Washington, D.C. 20212  
 Consumer Price Index, All Urban Consumers - (CPI-U), U.S. city average, All items, 1982-84=100 (Year Ending June 30)

College Inflation The College Board, New York, NY

**Figure 2: Average Inflation Rates Over 30 Years**

Average	College Inflation	CPI	Difference
Last 5 Years	5.32%	2.59%	2.73%
Last 10 Years	5.06%	2.47%	2.59%
Last 15 Years	5.55%	2.85%	2.70%
Last 20 Years	6.17%	3.04%	3.12%
Last 25 Years	7.26%	3.92%	3.34%
Last 30 Years	7.41%	4.62%	2.79%

The Figure 2 above, shows that while college inflation had begun to drop, it experienced a slight increase last year. Overall, however, college inflation has averaged twice CPI for the past 30 years.

What does this mean to parents and their financial advisors? Saving for college is not the time to be ultra conservative. With college inflation averaging better than 5%, low-risk bank CDs probably won't get the job done. Equities should definitely have a place in a college savings portfolio.

Furthermore, with the genesis of college savings vehicles that provide tax-free growth, it would seem foolish to ignore them unless there is a compelling reason. Tax-free growth can give a healthy boost to college savings accounts.

The demands on family cash flow are many. Parents who are overly conservative in their investment strategy could find they must divert more of their cash toward savings in order to meet their college goals. A financial advisor can provide guidance in building a savings plan that will be a little more aggressive in tax advantages and investment returns.