

The cost of education: saving for school and university fees

Having children can be an expensive business, not least when it comes to considering the costs of school and university fees. Most parents would agree that a good education is key to giving children the best start in life. This comes at a cost, however, especially for parents who choose to educate their children in private schools. As many young people continue their education into their early twenties, the financial cost to parents can continue for many years.

If you plan to send your children to a fee-paying school, the sooner you start putting money aside the better. According to the Independent Schools Council Census (2008) average annual fees for day pupils are £9069 while boarding schools cost £22 059.

Going to university doesn't come cheap either. The National Union of Students estimates that it costs more than £12 000 a year to attend a university outside London and over £14 000 a year in the capital. Student loans will not cover the full cost of fees and expenses.

To ensure you can meet these financial demands you should plan well in advance. The last thing you want is to disrupt your child's schooling because of financial problems.

Planning ahead

Before you decide how you want to plan paying for school fees there are a number of factors that you should consider:

- It's worth exploring whether there are any bursaries, grants or scholarships available to help you fund your child's education. You should be able to get more details from the school or local education authority.
- If you already have a portfolio of assets and investments, you should review these and consider whether they will

cover all the costs. You may want to make additional contributions to increase their worth or even seek new investment opportunities. You should ask your financial consultant for advice.

If you commit to new investments you should consider their maturity date to ensure that they release funding to coincide with the times when you need to pay the school fees.

Saving for school

Once you've considered your current position, you need to think about the options available to you. Some parents will find it a strain to pay education fees continuously from regular, taxed income and prefer to spread a portion of the costs over a longer period.

Individual Savings Accounts

A tax-efficient savings option is to use your Individual Savings Account (ISA) allowance. Every adult can save up to £7200 a year in an ISA where your savings can grow tax free. Investments can either be made in lump sums or as regular savings starting at around £20 per month.

Up to £3600 of your ISA allowance can be invested in a cash ISA. This is an ideal home for money that you will require in 5 years or less. The remaining part of the allowance could go into a stocks and shares ISA, designed for medium- to long-term saving. Alternatively you can invest the whole of the allowance into a stocks and shares ISA. There are various types available depending on your attitude to risk. For more cautious investors there are with-profits ISAs which invest in a mixture of shares, fixed interest securities and property. Regular bonuses are added in order to smooth out investment returns.

A popular alternative is unit trust ISAs. A choice of funds is available which invest in the UK or overseas shares, fixed interests or property. Your investment in these funds will fluctuate in value in line with the underlying investments.

Other investments

If you have the capital available you could invest a lump sum of money. A wise investment could ensure that future fees can be covered from the returns. You should speak with a financial consultant to find a tax-efficient and flexible approach that suits your needs.

For longer term savings, direct investment in unit trusts is another option. This can also be a tax-efficient option because investors can use their annual capital gains allowance of up to £9600 to make tax-free withdrawals.

It's also worth considering a unit-linked regular savings plans that can be put into discretionary trusts for children. Managed funds can be used which spread the investment risk across shares, fixed interests and property.

There are other investment options available according to your timescale and attitude to risk. Your attitude to risk will be a key factor in helping you to decide what type of financial planning to undertake. If you are a cautious investor you might want to choose funds with a safer, lower return. More speculative investors might consider higher-risk options.

Finally it's worth thinking about how you would continue to pay fees if your personal circumstances change, for example if you are sick, made redundant or die. You might want to ensure your payments are suitably protected to cover you in the event of such unforeseen circumstances.

Conclusions

There are many ways in which money can be put aside to help pay the costs of your children's education. Every family will have different requirements so it makes sense to take professional advice from a financial consultant who has a good understanding of the subject and of your own needs. The sooner you start saving the better prepared you will be to cover these costs. **BJHM**

The above information does not constitute financial advice. For further information please speak to your financial adviser.

Wesleyan Medical Sickness provides specialist financial advice for doctors
Telephone: 0808 100 1884

Website www.wesleyanmedicalsickness.co.uk