Sagicor

Guide to Saving for your Child's Education

You Know The Power Of Education

Most parents hope that their child will complete some form of higher education, either in post-secondary or tertiary schooling. This is more than just parental pride. The role that higher education plays in lifetime achievement is well documented. The completion of a university education has been shown to have a significant impact on employment and earnings throughout a graduate's life, even if the degree obtained does not lead to professional accreditation. An education – local or abroad – can further expand a young person's experience and opportunity.

Do You Know The Real Cost?

The cost of tertiary education both in the Caribbean and internationally is increasing rapidly and there is pressure on educational institutions to recover more of this cost from students. We would all like to know that we were able to assist our children to access higher education – particularly if we did not have the opportunity ourselves. It is safe to assume that you will have to carry significant costs for your child's education. But you might be surprised to know just how significant.

How Will You Close The $100,000 Gap?

Coming up with a minimum of US$100,000 over three or even four years is a challenge for most households, and if you have more than one child in higher education, the burden will be even greater. There are three possible ways to close the gap: borrow the funds when your child is ready to go to school, pay for their schooling out of your cash-flow at the time , or begin saving and investing to create an education fund for each child. The first two options are not financially attractive, between the cost of carrying that kind of debt and the pinch in cash-flow that you would feel. The third option is by far the most prudent, and the sooner you start, the sooner you will get there.

TIP: There is some financial help available to students but it varies by institution and country. While these sources of help can make a difference, they cannot be relied on to cover the entire cost for tertiary education.

Below are some of these sources:

- Long-term student loans mature after graduation and must be paid back within a defined period. These loans can leave a debt burden on your child that lasts for years.
- Short-term student loans can help bridge the gap until funds from another source becomes available.
- Grants may be available for students who achieve high academic standing and may be directed to a particular cost (book grants) or for general use (scholarships).
- Meal subsidies are available in some cases to students unable to cover the cost of food on campus.

You Can Get There From Here

As little as $135 each month, invested prudently for the child's first 18 years will have an education fund of $50,000 by the time the child is ready to enter college or university at age 18.