

## How To Maximise Your Education Savings – A Tip Sheet

Education costs have risen at twice the rate of inflation over the past 15 years according to information available from the Australian Bureau of Statistics ([www.abs.gov.au](http://www.abs.gov.au) - go to Consumer Price Index section).

As Australia's largest independent friendly society specialising in helping families provide for their children's future education, The Australian Scholarships Group (ASG) encourages parents and relatives to plan ahead and implement simple strategies to achieve their education goals. To help parents plan for their children's education and make their education choices more affordable, ASG has compiled a number of education savings tips – based on planning– that involve small family sacrifices that can make a big difference to a child's future.

### **1. Prepare early in your child's life – kick off your plan with the Federal Government baby bonus or other government support allowances**

It's never too soon to plan for the future education costs of your child. The earlier you begin, the sooner you will hit your education targets. The later, you start, the more you will have to find each week, month or year to reach your education goals.

### **2. Investigate schooling options**

Do your homework on the schooling options available to your child – explore government, systemic (eg Catholic) and private school systems – and the costs associated with each of them. Kathy Walker, education consultant and author of the book, *What's the hurry?*, says she is repeatedly asked about "best schools". Kathy says there is no best school for a child because a child's needs and the parents' schooling preferences should be combined in order to make the most appropriate selection.

### **3. Make your school choice**

Armed with the knowledge of the schooling options available, you can then select schools that best meet your educational preferences. Schooling choices need to realistically reflect parents' preferences for academic performance, the values promoted at the school, the level of discipline expected, curriculum options, range of extracurricular activities, religious beliefs and ideologies. You need to explore these options and make your school selection keeping a realistic assessment of your budget in mind.

### **4. Determine your education goals**

Your school choice will help determine your education goals. If you choose a fee-paying school, be sure to include the range of additional costs you will need to meet as part of sending your child to any type of school, whatever your school choice. These include fees, levies, charges; voluntary contributions; fundraising contributions; incidentals such as transport, lunches, excursions, camps and outings; stationery; textbooks; materials; uniforms - Summer and Winter; sports clothing requirements and equipment; school bag; and extra tuition fees for music or sporting activities. You can access more information on these costs from ASG's website – [www.asg.com.au/resources](http://www.asg.com.au/resources)

### **5. Contribute regular amounts**

Break down your education savings goals into bite-size chunks. How much do you need to save yearly, quarterly, monthly or weekly to hit those goals? Contributing small amounts regularly seems much more achievable than making one large payment.

### **6. Be disciplined**

Setting up an automated system ensures regular contributions. Automating your contributions means you don't have to remember to make them, and pretty soon you will become accustomed to your new budget. When you review your education funds, you'll see how quickly they've mounted up and this will further encourage you.

### **7. Increase your payments annually**

As your salary increases, increase your regular education contributions. Over the past 15 years, education costs have risen substantially. Information from the Australian Bureau of Statistics shows that the education fees component of the Consumer Price Index has been rising at almost two and a half times the cost of inflation. You need to factor this trend into your education targets. Most people increase their expenditure in line with any salary increases they receive rather than increase their saving capacity – do you want to be one of them?

### **8. Do your homework before selecting an education program**

There are many products available to help you plan for your child's education. They range from passbook savings accounts and include a myriad of financial options such as friendly society funds, managed funds, shares, and term deposits. Explore them all and choose the one that's right for you.

### **9. Limit accessibility to your education funds**

Many products provide the ability to access your funds at any time. While this might help your family go on holiday, it doesn't help you secure a complete education for your child. Make sure you choose a plan for the sole purpose of your children's education or be prepared to flex your self-discipline muscles when you're tempted to fritter your funds away for other purposes that seem like a great idea at the time.

### **10. Look for flexibility in your education program**

Whether it's secondary schooling or post-secondary study options, such as University or TAFE that are the focus of your education goals, ensure your plan offers a choice of options to help you maximise your funds and support the choices that suit your budget and needs.

### **11. Encourage grandparents and relatives to contribute**

Education is one of the most important gifts you can give your child. Encourage your relatives to contribute the money they would otherwise spend on gifts into your education program for your child. Make an assessment as to whether your child really needs any more toys or would benefit more from greater education options.

### **12. Explore the taxation advantages of your education funds**

If you choose a program offering tax concessions under the Tax Act, you will further maximise the benefits of the contributions you make into your program.

### **13. Support your children in their educational pursuits**

Research has shown that many capable students, irrespective of their family background or income, leave their studies before completing their education. ASG's research has found that children discontinue their studies for the reasons of lack of motivation, wanting independence, peer pressure, and financial issues. These findings were supported by a study from the Australian Council of Educational Research that revealed children leave school because they want to get a job, want to earn their own money, and because they find it financially hard to stay at school. Try to address both the motivational and financial aspects of your children's education as they grow and learn.

### **14. Examine the security of your savings**

When you're putting the education of your children on the line, you need to question whether high-risk investment options are the right strategy. Low to medium risk investments may be a slower means to reaching your education savings goals, but they may be more secure and reliable.

### **15. Monitor your savings contributions regularly**

Assess the performance of your education plan regularly by comparing the expected returns with your education savings goals. You can then reassess your contributions or your plans and budget accordingly.

### **The Australian Scholarships Group**

ASG is a not-for-profit friendly society specialising in children's education plans for more than 30 years. Its mission is to help parents provide education opportunities for their children. ASG's members and their children share the benefits generated by the endeavour. To date, ASG has helped more than 300,000 parents plan for the costs of their children's education using the benefits of collective mutual pooling.

ASG's Education Program can be tailored to suit individual family's needs and budget from around \$10\* per week. The foundation program provides for basic secondary costs and a tertiary or post-secondary scholarship allowance for each child. Parents may also choose to supplement their program to provide for additional assistance with their children's secondary or post-secondary (tertiary) study costs, or both options. Parents and relatives wishing to send their children to private secondary schools or full-fee paying tertiary courses can contribute additional amounts to meet their education goals. ASG's members can enjoy the benefit of a specific tax concession allowed for educational benefits under the Tax Act. For more information about ASG and its Education Program, phone 1800 648 945 or visit: [www.asg.com.au](http://www.asg.com.au)

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\* Depending on the age of the child at enrolment.

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