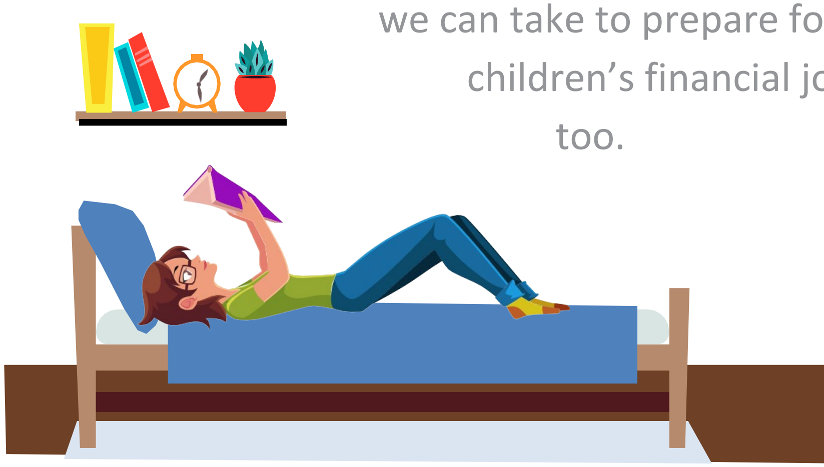
Fidelity INTERNATIONAL WORKPLACE PENSIONS

The University Challenge

It's nearly that time of year when those of us with children are looking forward to the summer break. This year, with many students being impacted by covid restrictions and studying at home, the approaching relief from the intense pressure of exams is likely to be welcomed by the whole family.

As term comes to a close, and restrictions begin to ease, we look to make summer plans with our loved ones. And just as we prepare for better times ahead, there are steps we can take to prepare for our children's financial journey too.



The financial challenge - Just like lectures and study time, student debt is now part of life for most students at university. Tuition fees and the cost of living vary across the UK but as an example, for home students English universities can charge up to £9,250[1] per year for an undergraduate degree. A typical three-year degree course could therefore cost around £27,750. Add on the costs for students living away from home and going to university has become a very expensive business.

Those university years need to be funded somehow. Most students, and their parents, aren't prepared for the cost. If money isn't available to pay for tuition and living costs in advance, then there's little choice but to take a student loan. If there are no plans put in place to cover at least part of the expense, it's not unrealistic for students to graduate with a significant amount of debt.

Thinking about student loans - Those who take a student loan will start to pay it back once they begin earning over the threshold amount. For example, students who started an undergraduate course anywhere in the UK on or after 1 September 2012 will start to pay back at a fixed rate of 9% of any earnings above £26,575 a year (the threshold amount)[2]. Repayments continue until they have repaid the loan (and accrued interest) or until 30 years has passed - whichever comes sooner.

Many parents will feel uneasy at the thought of their children taking on a large, long term debt and may be tempted to help them pay for their university education up front. But how do you go about raising that sort of money?

---

[1] Source: www.ucas.com/finance/undergraduate-tuition-fees-and-student-loans
[2] Source: www.gov.uk/repaying-your-student-loan

Planning ahead - With some forward planning, it's not impossible to ease some of the financial strain. The longer your timeframe to save, the better prepared you could be.

If you currently have young children then you're in a good position to start saving and investing now, so you're both financially prepared later.

Utilising ISAs - Using your own Individual Savings Account (ISA) allowance, which is currently £20,000, could be a good way to save. Don't forget your child's Junior ISA (JISA) allowance either. Each child can invest up to £9,000 each year in a JISA. Grandparents, relatives and friends can contribute too – so birthday and Christmas gifts could go straight into their JISA. The money will be held safely until the child turns 18 – perfect timing for university. The sooner you can get children into the saving and investment habit, the better.

Understanding investing- A good lesson for anyone is to understand the differences between saving and regular investing. While saving is a sensible approach to putting something away for a rainy day, getting - and staying - invested is the smarter way to build financially for the future.

When investing, slow and steady wins the race. An investor who adopts a consistent investment strategy may enjoy better returns than those who try guess the market to hit the highs and avoid the lows. That's also true when comparing against those that have a stop-start approach to investing. Time spent in the market is better than timing the market.

Start as soon as you can, invest regularly and for as long as possible, and you can help lighten the financial load on the next generation of university graduates.