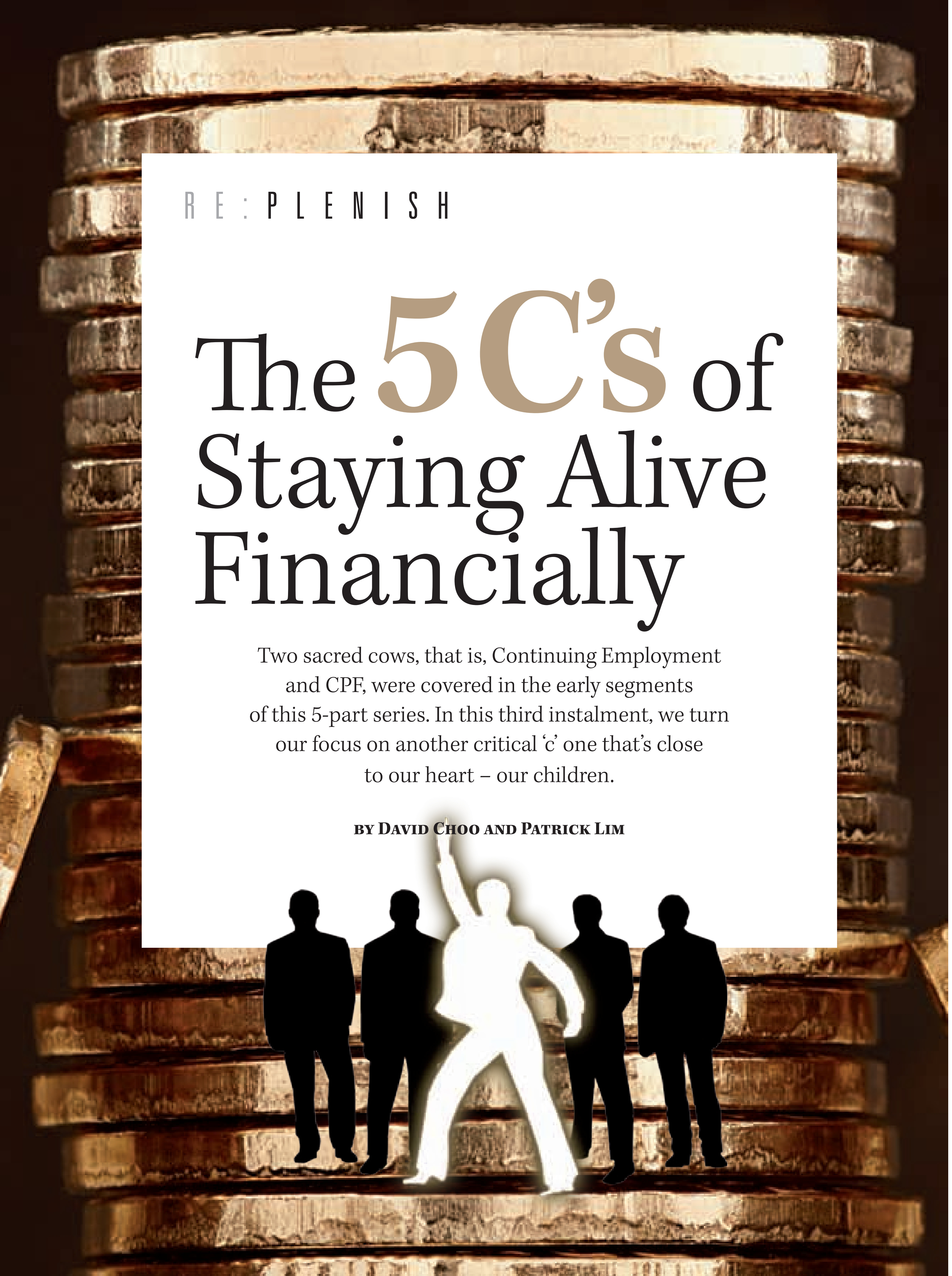
The 5C's of Staying Alive Financially

Two sacred cows, that is, Continuing Employment and CPF, were covered in the early segments of this 5-part series. In this third instalment, we turn our focus on another critical 'c' one that's close to our heart – our children.

BY DAVID CHOO AND PATRICK LIM



Children – life will be empty without them, so proclaims a government advertisement encouraging couples to have kids.

Having gone through the earlier media blitz of 'stop at two', I found this about turn amusing, but married couples who have responded to the government's new trumpet call are quickly moving from amusement to amazement at the rapid increase in the cost of raising children.

In this issue, we look at the third "C" which is becoming an increasing concern to parents, especially those over 40 – children's education.

The three main concerns over children's education are:

- High cost
- High inflation
- High competition for funds

High cost

In the early 70s, a 3-year course in the University of Singapore cost about a thousand a year. The government bursary, which was a big thing then for poor families, was a royal sum of $1,500 per year.

Today, the annual tuition fees for a non-medical course in the National University of Singapore range from $6,620 for Arts to $8,080 for Law, while a medical course costs about $18,960 a year. The comparative tuition fees for various other countries are listed below.

Country	* Average Annual Tuition Fees for a Non-medical Course (S$) (2008)
Singapore	$7,293
United Kingdom	$31,024
USA	$35,907
Australia	$25,057
New Zealand	$19,650
Canada	$23,252

** Source: Manulife (Singapore) Pte Ltd*

A 3-year course in Australia would cost about S$75,000 (average). A medical course in the UK – a popular destination for aspiring doctors – would cost S$221,911. But note these are 2008 figures. What would the projected figures be by the time your children reach university age?

High inflation

The average inflation rate of cost of education in Singapore currently hovers around 6 percent, moderated by government subsidies. It is much higher elsewhere, especially in developed countries.

For example, assuming a couple has ten more years before their son or daughter goes to university, the tuition cost for a non-medical course in Australia per year would be AU$44,873. The total cost for the three years would be AU$134,619.

Meanwhile, the annual tuition fee for a medical course in the UK in ten years' time, would be about £29,836. The total cost for six years would be £179,013.

Parents who are planning on sending their children to a university education overseas sometime in the future should work out the projected requirements for tuition fees, and living and accommodation expenses abroad.

The figure is staggering, and if parents do not plan for it, they might as well kiss goodbye to their retirement, or just leave the future to luck and hope to strike the lottery.

A couple, now in their early 60s, has an interesting story. Both their sons did a diploma course in one of the polytechnics in Singapore and the tuition fees, paid for with the parents' CPF, were easily affordable. After having gotten the diploma, the elder boy decided to do another course in a private school in Singapore. This time, the tuition fees were much higher, and although they were still affordable, the couple could not use their CPF. After this course, the boy decided it would be good to study in Australia and the supportive parents were glad to give him a parents' scholarship. The windfall was that the wife had a voluntary retrenchment and the retrenchment benefits came in handy. Meanwhile, the second son decided to do a course in Australia too, after his polytechnic. Fortunately, the husband had just retired and had received a lumpsum gratuity in lieu of pension.

Although this couple fared well in terms of being able to fund their children's education, the drawdown from what could

Providing the funds is important, but perhaps even more important is nurturing, moulding and preparing children so that they are able to appreciate the sacrifice their parents have put in.

have been their retirement fund needs to be replenished, or their retirement lifestyle would have to be scaled down.

High competition for funds

Besides the already high and rapidly increasing cost of children's education, a triple whammy is that these funds have to be forked out at a time of our life when there are so many other competing needs.

By the time the children reach university age, parents usually are around age 45 to 55. This is the time when they face at least three pressures: need to save more for retirement, increased medical costs and job uncertainty. If they have not paid up their house mortgage, this would be another big cost item. If one of the parents had stopped work to provide quality care for their children, the sole breadwinner would face an even greater challenge.

Having gone through these pressure years, the lesson we can pass on is this: save as much as you can from the start of work. Investment is a good thing, but be sure it is working *for* you and not *against* you, as many have learnt the hard way recently when their hard earned savings were substantially reduced due to poor investment performance.

Secondly, be realistic and do not raise your children's expectation of an assured overseas education. Our generation pulled through the hard way. Much as we like to give our children the best in life, if we do not have the means, our children would have to be satisfied with a local tertiary education.

All parents harbour the hope that *their* children would be super scholars and would have multiple scholarship offers. There are definitely more scholarship opportunities today, provided their children are scholastically gifted. But since genius is still the minority, it is advisable for parents to save for their children's education on the assumption that they may not get scholarships.

How then, can you save? There are basically two ways: save in your own way and bank on your own discipline; or put your savings in a children's education fund managed by another party, for example, children's education fund offered by the different insurance companies, or a regular savings plan in a unit trust or investment-linked policy.

My experience and observation tell me that very few parents have the discipline to refrain from touching the funds meant for education when they are faced with more immediate needs. If your choice is investment, go for a safer instrument.

Providing the funds is important, but perhaps even more important is nurturing, moulding and preparing children so that they are able to appreciate the sacrifice their parents have put in.

As parents, we all want our children to do well in life and so be able to care for us in our winter years. Again, there is no certainty for this and parents do well to save for their own retirement. And, unfortunately, there are the same three concerns here as well – the high cost, high inflation and high competition for funds. Welcome to the club.

The authors can be contacted at ***davidchoo@promiseland.com.sg*** *and* ***patrick.lim@promiseland.com.sg*** *respectively or telephone no. 62942466.* ***www.promiseland.com.sg***