

# Investing in the future

## SAVING FOR YOUR CHILDREN'S EDUCATION

Planning for your children's education is one of the most important, and most costly, aspects of planning for their future quality of life. That's why it's vital to start saving for education costs as soon as possible. Ideally, you should begin as soon as you have your child, to allow you adequate time to save.

If you invest when your child is an infant, you have about five years to earn interest on your investment before they start school. And the sooner you start, the less you will need to invest, because of the magic of compounding.

### RESEARCH THE COST OF SCHOOL FEES

In South Africa, education costs have historically increased by 2% to 3% above general inflation. This means that, each year, schooling becomes a bigger expense. Recent data suggests that the average annual cost of school fees in South Africa is as follows:

#### Public school

R30,000 – R60,000

#### Private school

R100,000 – R200,000

#### Tertiary institution

R30,000 – R75,000

### COVER ALL THE BASICS

Your children's education will no doubt primarily involve the paying of school fees. However, there are many other costs that you must consider when planning your investment strategy. **When making a list of all your potential expenses, remember to include:**

- ✓ School uniforms
- ✓ Textbooks
- ✓ Stationery
- ✓ Extra lessons
- ✓ Transport
- ✓ Food
- ✓ Pocket money
- ✓ Extra-curricular activities

### SPEAK TO A REGISTERED FINANCIAL ADVISOR

There are several savings vehicles that you can use to successfully save for education costs. Choosing the best one can be difficult when you are planning for the long term. This makes it key to consult with a registered financial advisor before making any big commitments, especially so you can explore savings vehicles that offer inflation-beating capabilities.

- An endowment policy commits you to saving a lump sum or regular amounts for at least five years. Your access to the money during that term is limited.
- Unit trusts and exchange traded funds are both good investments to use to save for future education costs, but you need to choose in line with your investment time horizon.
- A tax-free savings account may be a good vehicle in which to house education savings if you don't expect to use the full R500 000 lifetime limit for longer-term savings.



When you choose an investment vehicle, you must keep in mind how much time you have to invest, as your time horizon determines how much risk you can take.

"Education is the passport to the future, for tomorrow belongs to those who prepare for it today."

**Malcolm X**