How to plan for your child's education fund?

As a parent of two children currently at senior secondary school and university, the moment that I look forward to most and will be most pleased about is when they have completed their studies, and have a decent career and a loving family. Therefore, since they were small, I have been encouraging them to work hard for the future, and make good use of their time and opportunities. This is also what my parents have taught me since I was young.

Although young parents today still hold the same hope for their children to "study well, excel at work!", they don't simply encourage their children to work hard for the future, but will also take the initiative to arrange all sorts of learning opportunities for them to ensure that they "win at the starting line"! Among the numerous parents of small children that I have advised on family financial planning, saving up for future education needs has been one of the important targets.

Some people think there is no need to save if their children are going to be educated in Hong Kong. They may think so because since 2008, 12 years of free education have been made available through

Written and data source: The Money Coach, Mr. Alvin Lam

public sector schools and the Vocational Training Council. Moreover, tuition fee at the eight universities funded by the University Grants Committee (UGC) has been maintained at HKD42,100 a year and has not been raised at all in the past 20 years or so (for the latest information, please refer to JUPAS website). Excluding living expenses, it costs only HKD168,400 to complete a general four-year university degree.

Nevertheless, places offered by these eight universities are not enough to meet the demands of all eligible students. Therefore, students hoping to pursue university education in Hong Kong will also consider other options, such as self-financing full-time undergraduate programmes, or full-time undergraduate programmes under the "Study Subsidy Scheme for Designated Professions / Sectors" (for information about the subsidy scheme, please refer to JUPAS website).

Universities that offer UGC-funded full-time undergraduate programmes	Universities that offer self-financing full-time undergraduate programmes	Institutions that offer full-time undergraduate programmes under the "Study Subsidy Scheme for Designated Professions / Sectors"
• City University of Hong Kong • Hong Kong Baptist University • Lingnan University • The Chinese University of Hong Kong • The Education University of Hong Kong • The Hong Kong Polytechnic University • The Hong Kong University of Science and Technology • The University of Hong Kong	• Hong Kong Metropolitan University	• Caritas Institute of Higher Education • Chu Hai College of Higher Education • Hong Kong Shue Yan University • Technological and Higher Education Institute of Hong Kong, Vocational Training Council (VTC-THEi) • The Hang Seng University of Hong Kong • Hong Kong Metropolitan University • Tung Wah College • UOW College Hong Kong

Source: JUPAS website

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Other than the programmes offered by UGC-funded universities, tuition fees can vary significantly among undergraduate degree programmes. For example, one year's tuition of the Bachelor of Science with Honours in Physiotherapy programme offered by the Hong Kong Metropolitan University costs HKD164,600. After deduction of the highest amount of government subsidy, it will still cost HKD87,800. Compared to HKD42,100, it costs HKD180,000 more over four years. This is not a huge sum, but it's always better to have a budget in place than having none.

Some parents may also consider arranging for their children to study abroad. According to statistics, over half of the students who pursue their studies overseas complete their university degree abroad, while close to 40% attend the equivalent of Hong Kong's secondary school programme.

When they consider overseas education, parents in general will need to tackle three key questions:

1. When will the children go abroad?

2. Where will they go?

3. How much will it cost?

When will the children go abroad?

Ms Tang Oi Lam, a columnist on parenting, comes across such question from parents every now and then. She has said that while most parents let their children go overseas when they are aged 14 to 15, there is no such thing as the perfect age.

When my daughter was in the second term of Secondary 4, she decided that she would go to the United Kingdom for further studies. But since she wanted more time to get ready, even though she had been offered a place in a school in the UK, she chose to stay in Hong Kong to complete Secondary 5 and only moved to the UK when she started the Sixth Form. On the contrary, my son decided to become a radiotherapist when he was in Secondary 2, so he went to a boarding school in the UK from Secondary 3. Every child has their own thoughts. But if they are not mentally ready, as parents we should not force them into making a decision, as otherwise that may take a toll on the relationship among family members and their health.

Where will they go?

The United Kingdom, the United States, Australia and Canada are all popular destinations for secondary and university education. The education systems among countries vary, and the popular disciplines of studies are also different. Therefore, parents should start discussing with their children early and plan ahead, in order to help them plan for their ideal future.

How much will it cost?

Tuition fees and costs of living vary among countries. The following table gives an overview of the expenses in the popular destinations mentioned above. It's up to you how much you want to spend. The key is to start planning early, so you can plan properly.

Nation	Tuition fee per year (A) (Depending on the programme level and discipline, etc.) (HKD)	Accommodation and living expenses per year (B) (Actual amount varies according to individual spending habits) (HKD)	Total costs per year (A+B) (HKD)
United Kingdom (at the exchange rate GBP : HKD = 1 : 10.80)	118,800 – 626,832	131,544 – 163,944	250,344 – 790,776
Australia (at the exchange rate AUD : HKD = 1 : 5.75)	115,000 – 258,750 (Excluding professional programmes that cost higher, such as Veterinary Science and Medicine.)	26,910 – 131,560	141,910 – 390,310
Canada (at the exchange rate of CAD : HKD = 1 : 6.20)	184,227 on average	52,700 – 105,400	236,927 - 289,627
United States (at the exchange rate of USD : HKD = 1 : 7.80)	210,756 – 293,670	126,828 – 134,394	337,584 – 428,064

Source: Hok Yau Club "Prospect Guide 2021"

How to plan for an education fund?

From the moment a child goes to kindergarten, to university graduation and even Master's and Doctorate degrees – that may take 15 years or more. Planning for an education fund is like running a marathon. Do not only focus on "winning at the starting line" while neglecting the needs in the final leg and end up "losing the race right in front of the finishing line". In order to strategically conserve energy in the beginning for more power in the final sprint, we need to master the trick of savings. I would recommend the "PAGE" strategy.

"PAGE" represents the four highlights of saving for education needs. They are:

- **P**riority – set priorities for your target
- **A**ccumulation Time – the length of time for accumulating the fund
- **G**uaranteed Return – the amount of returns that are guaranteed
- **E**xpectation – set an appropriate expectation

If you want your children to be able to choose their education in the future according to their personalities, abilities and preferences, then you should set education fund as the "Priority" of your family's financial planning. Control today's spending, and save up the surplus in each month and any accumulated savings to contribute towards your children's future education fund. Although the money is still spent on the children, spending it today is mere consumption, whereas saving it up now will instead turn the money into an education fund for the future. Parents must decide which one is more important.

The "Accumulation Time" starts from the moment you decide to save up for your children's education, up to the time when they reach the age for going abroad. The earlier you start, the longer the

Accumulation Time, the better the compounding effect. If you have sufficient time, you may even make use of steady investments to achieve your goal at a lower risk. Although potentially high-returning financial tools may help you reach your target faster, returns and risks are uncertainties that co-exist. For medium- to long-term saving plans, if the asset value unfortunately dips over a period of time, you will need to spend time recovering the loss, before the value can grow again. But this is not guaranteed, so high-risk investment should not be the only financial product used in an education savings plan. Instead, put together a combination of different assets to achieve your target, such as insurance plans with savings element, and funds.

In any education fund, there must be an element of "Guaranteed Return". This is because the funds will need to be accessed as soon as the child has reached the age for that particular level of education. In case the required fund cannot be mobilised by that time because the savings strategy has been too aggressive, the child's education progress will be affected, and the efforts spent previously will all go down the drain – this is definitely what parents will not want to see. The amount of Guaranteed Return depends on how much the parents are putting into the savings and the expected costs of education. If you can start saving earlier to benefit from the compounding effect, the Guaranteed Return will naturally grow with time. The amount put into the savings plan can also be lower.

Parents will need to set appropriate "Expectation" for the chosen financial product. If the savings plan includes equities, there is a chance for potentially higher returns, but the prices are also expected to fluctuate a lot, so the trends will need to be watched closely. This may not be suitable for parents who do not have the time to manage it. On the contrary, using an insurance plan with savings element gives you more stable returns in the long run, and you will not have to worry about managing it all the time and making frequent transactions. This is more suitable for those who are after passive income and value-add.

Finally, besides getting the funds ready for their children's overseas studies, parents should also help them understand that they are not going abroad for studies just because "everyone is going". If they don't make an effort in their studies, it will just be a waste of money. Having an appropriate level of expectation and pressure will help motivate them, and help them understand that returns will come only if they make an effort.

Written and data source: The Money Coach, Mr. Alvin Lam