Financial Strategies for the "University Years"

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Many parents wrestle with the dilemma of how much financial support to provide their children attending post-secondary programs. The costs today are much greater than what the parents paid for similar schooling some thirty or more years ago.

Tuition costs alone have risen at least tenfold since the 1970's for a basic humanities degree, never mind the enormous cost increases for professional programs such as engineering, business, law and medical school.

Having children pay the entire cost of their own schooling is not a viable option for most families. There is a willingness by most parents to cover a substantial portion of these costs to reduce the post-educational debt burdens faced by many young people today.

However, the risk is that if a parent pays too much of or all of such costs they may be providing the children with a free ride.? Some parents worry that by opening up their wallets, they undermine their children's work ethic and sense of fiscal responsibility.

Reinforcing this concern are the stories about children not working very hard and even dropping out of school altogether if they have nothing personally invested in their own schooling.

Other parents take the view that since they paid for all of their own educational costs they see no reason why their children should not also do the same thing. Of course with lower tuition costs the parents were able to cover this expense with a week or two's employment during the summer. Today, the child may have to work an entire summer just to cover the tuition costs, never mind residence and other expense.

A middle ground is to assist the child with the costs but also expect them to contribute a portion of the money needed to finance their educational studies. Some parents make their support conditional upon achieving certain grades or other criteria.

But you really do have to start early teaching them about money and budgeting in their high school years. Sit down with your child and write down all of their sources of income (savings, part-time work, scholarships, loans, grants, parental contribution, etc.) and then mandatory expenses (tuition, fees, books, rent, living costs, etc.). Then have a discussion about what to do with any surplus.

Parents should also explain the role of credit and that there are consequences to having bad credit when leaving university that will have a long-term impact on them whether they want to get a car or purchase a home.

Ideally you will give them the freedom to make their own spending decisions and mistakes as they learn the valuable life skill of day to day money management.

For those who must keep an eye on their children's spending you can do a few simple things. You can open up a joint bank account with your child to give them an allowance or spending money so that you can monitor their spending; you can give them a monthly allowance or a lump sum at the start of the school year. You really do have to start early as a parent, before they go to university, informing them about saving and spending habits.

Call us today for more ideas on how to prepare for the cost of funding your children's post-secondary education program.

Questions about investment planning?

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