

Title: Can you really afford to educate your child?



**A**s parents, we want the best for our children. Providing them with a good education will certainly give them a solid foundation for success.

Unfortunately, the cost of children's education can be substantial, particularly tertiary education. To ensure that you will be able to fund your child's future education, it is essential to plan and save early for this. Some parents start planning even before their child is born!

How much exactly do you need to set aside for your child's education?

These days, sending your child to a local university can cost as much as \$50,000 for a 4-year degree. An overseas education can amount to \$200,000, excluding living expenses.

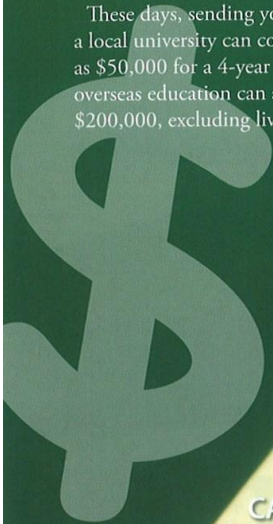
Also, bear in mind that based on a five-per-cent annual fee increase by educational institutions worldwide, the cost of education could double in 20 years' time!

Thankfully, there are many savings options you can explore. We weigh the pros and cons of different options that can help you make informed choices.

**1. PUT YOUR SAVINGS IN A BANK DEPOSIT**

This is a low-risk option that ensures a smooth saving plan over the years although the returns on your investment are limited by the low interest rates.

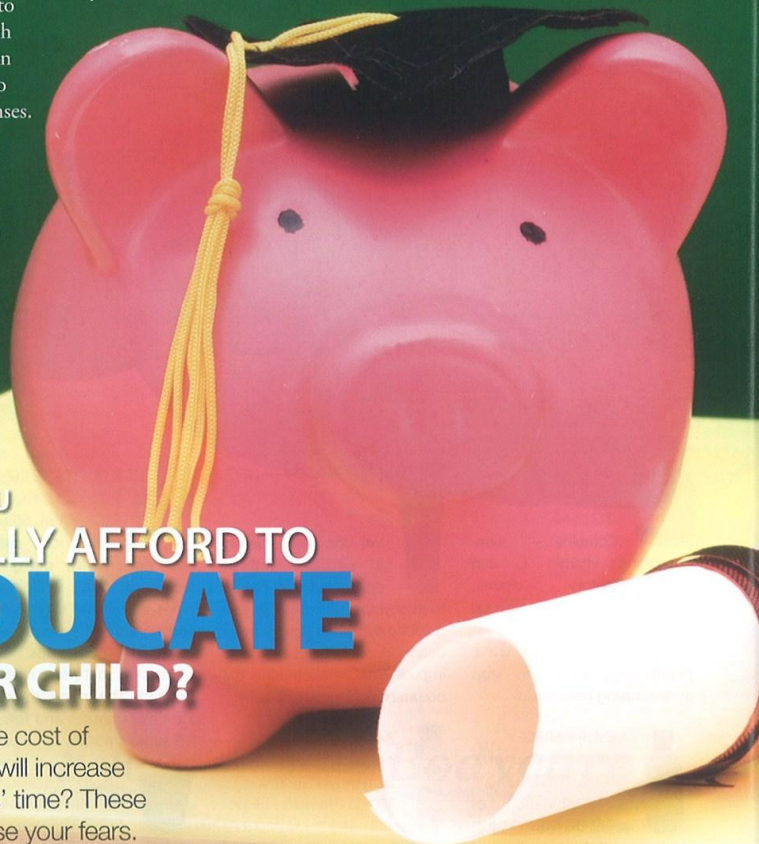
As it has the highest liquidity, your savings can be withdrawn anytime the need arises. However, this may distract from building your child's education fund.



CAN YOU  
REALLY AFFORD TO  
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Worried the cost of education will increase in 20 years' time? These tips will ease your fears.

SOURCE: LIFE INSURANCE ASSOCIATIONS



Also, in the event of death or disability of the sole breadwinner, the savings may be diverted to cover other living expenses instead.

## 2. INVEST IN LONGER-TERM INVESTMENT PRODUCT

Investments such as stocks and unit trusts are managed by professional fund managers and can potentially reap higher returns.

However, any form of investment will carry a certain degree of risk of losing some or all of your savings and is subject to market volatility. It is important to determine if the investment product suits your risk appetite and investment time horizon.

## 3. USE CPF SAVINGS

CPF allows you to use 40 per cent of your Ordinary Account funds to pay for your child's education. However, bear in mind that as you can withdraw money from your CPF for other approved purposes, your balances may not be sufficient to finance your child's education. Also, CPF savings cannot be used to fund an overseas education.

## 4. BUY AN ENDOWMENT POLICY

An endowment policy encourages longer term disciplined savings via premiums paid on a regular basis.

It is a life insurance policy with a specified maturity date. You can choose a policy term such that the policy matures at the time when your child enters university.

It gives a stable compounded return, which grows in value over the years. It also offers higher returns than bank interest rates. To benefit from the policy, you should ensure that you pay your premiums faithfully. It is not advisable to terminate the policy prematurely as the surrender value payable to you may be less than the total premiums you have contributed.

## 5. BUY AN INVESTMENT-LINKED POLICY (ILP)

Another option is an ILP which uses your premiums to buy life insurance protection and investment units in a managed fund. The advantage of an ILP is that it is for you decide how much death benefit you want and what proportion of your premiums should go into meeting your pure investment objective.

Like a unit trust, your money is pooled with that of other investors and invested in funds of your choice.

The price of your units depends on how the investments in the fund perform. What it pays out depends on the price of the units at the time you cash it in or die. Most ILPs are also sold with a death benefit.

It may be suitable for those who like a higher potential for investment return. It also provides you with much-needed protection against financial loss should you meet with an unfortunate event. **PW**

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