

This is MONEY

A daily guide to your Personal Finance

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Money Matters
with Nimi...

Plan ahead for your children's education

Try to have a fairly good idea of the financial implications and be sure that you are indeed able to make the sacrifice without jeopardizing your retirement and other needs before you embark on this journey



It is the desire of every parent or guardian to give their children the best possible start in life. A sound education is the greatest legacy of all as it opens doors to so many opportunities and gives them the best chance at attaining their full potential. Funding your children's education ranks as one of the largest expenses you will ever face and it must thus be carefully planned for. Here are some things to consider:

Start Early

The benefits of an early start cannot be stressed enough when you are saving for your long-term goals. If you start to save from the time your children are born you have a much better chance of being able to fund their education without too much difficulty as starting early doesn't put as much pressure on your finances with the smaller outflows.

Costs will continue to rise

If you are planning to educate your children privately, it is important to plan several years in advance and to take into account the fact that fees will rise each year. Where the fees are pegged in foreign exchange, there will be some degree of unpredictability regarding the exchange rate. If the currency you earn is deval-

ued against the base currency, then the increase could be staggering as so many Nigerian families are experiencing now.

Fees are only one aspect of the expenses

Don't underestimate the cost of extras. Apart from the standard needs that include school fees, books etc., there are school trips, extra curricular activities, which all add up to a tidy sum. Also bear in mind that there will be families with significant wealth; sometimes this can affect perceptions of wealth and put an enormous amount of pres-

sure as parents try to "keep up". You will need to discuss this with your child and do all you can to keep them grounded. The boarding option of course comes at greater cost unless, of course, you live close enough for your child to be a day student.

Long term Investing

If you start to invest early for your child's education there are opportunities for capital growth over the long term in the capital markets and in real estate. A savings plan invested in the money market is unlikely to keep pace with inflation and may not be adequate for funding an expensive private education. A word of caution however; while it may be attractive to place money in products that

offer higher returns, remember that the greater the potential return, the greater the risk. Whilst you need long term capital growth, be very aware of the risk you can sensibly afford to take to achieve it.

Fee discounts

If you are in a position to pay the fees upfront for the academic year or more, some schools may offer a discount for the prepayment. You do, however, need to weigh up the opportunity cost of paying early against what the funds could have reaped in other outlets. If you consider doing this, be sure that there is the possibility of obtaining a refund if for some reason your child has to withdraw from the school earlier than planned.

Don't ignore insurance

Unfortunately, many parents fail to plan ahead for their children's education and end up having to pay the fees from their monthly income; this makes them extremely vulnerable should anything happen that suddenly stops that income through job loss or illness. This is where the importance of insurance or the lack of it becomes glaring.

If the primary breadwinner becomes seriously ill or loses their job, insurance will go some way to offset the school fees expenses. Life insurance is important as you consider the worst-case scenario of the death of the main earner.

Even worse is if both parents pass on leaving their children orphaned. If it was your intention to educate your children privately, the choice of guardian must take this into account. Do your children's prospective guardians have their children enrolled in a private school? If not, it could be very awkward even if you have set aside funds for that purpose. Making your intentions absolutely clear in a will is of utmost importance.

Can you really afford it?

Some parents express concern about the impact on their child's psyche if they have to be transferred from an exclusive private school to a cheaper option, or to a public school. Do remember that the most expensive school is not necessarily the best, so focus on what will give your child a decent education and one that you can afford. Try to have a fairly good idea of the financial implications and be sure that you are indeed able to make the sacrifice without jeopardizing your retirement and other needs before you embark on this journey.

There is a huge opportunity for both government and the private sector to invest in quality education defined by the United Nations SDG no 4 "to ensure inclusive and equitable quality education and promote life-long learning."

Instagram and Twitter: @mmwithnimi, Facebook and Google+: 'Money Matters with Nimi'.

www.money matterswithnimi.com, or send us an email info@money matterswithnimi.com

Nimi Akinkugbe has extensive experience in private wealth management. She seeks to empower people regarding their finances and offers frank, practical insights to create a greater awareness and understanding of personal finance.

For more personal finance tips, contact Nimi:

Email: info@money matterswithnimi Website: www.money matterswithnimi.com

Twitter: @MMWITHNIMI

Instagram: @MMWITHNIMI

Facebook: MoneyMatterswithNimi

