



# University Costs — Are You Prepared?

With the potential costs of a university education spiralling and tuition fees typically set between £6,000 – £9,000 per annum, it has never been more important to begin a programme of savings for your children and grandchildren.

There are various ways that one can consider to help fund for university costs and one solution that is available could help to achieve this in a manner that helps to save both costs and tax.

## Facts and analysis

The economic downturn has had an important indirect impact on the finances of the younger person, typically people in the age group 18 to 25. The downturn means it is likely that more and more students will be encouraged to stay in higher education and go on to university. The decision, however, could have considerable financial implications and many who graduate from university will do so under the weight of considerable debts in the form of overdrafts, student loans and credit card bills.

Also, if their parents are suffering financially they are likely to be less able to help. Moreover, this financial burden is likely to increase.

Inevitably greater financial pressure will be placed on universities and students alike and it seems certain that the costs of funding a university education will rise in the future.

## The challenge

- The average annual cost to send a child to university (incl. tuition fees and living costs) is approximately £16,800 which equates to £50,400 over the term of a three year degree
- A child aged 11 now with an assumed rate of inflation at 3% per annum means the total cost of going to university for three years starting at the age of 18 will be approximately £61,985
- Funding these costs out of income at the income at the time could involve a gross income of up to £123,970
- Parents and grandparents want to use an investment vehicle to maximise investment potential to meet educational and living costs
- They want to minimise any tax liability during the investment and on cashing in
- They want to ensure flexible access when needed





## The offshore investment bond solution

- The parent or grandparent invests £38,601 today in an offshore investment bond with an assumed growth of 7% per annum, giving a value of £61,985 when the child starts university
- The growth of £23,384, would be accrued with no tax being levied as return within the “wrapper” of an offshore investment bond can accrue without being subject to tax
- When the money is needed, the parents/grandparents assign a portion of the bond to the student, who then encashes the portion in their own name. The tax liability is assessed on the student who is likely to be a non tax payer, meaning that no tax would be levied
- The student is assigned one third of the bond each year and the encashment process is repeated, again with no tax being levied on the student

## What are the advantages?

- By planning in advance, you are able to significantly reduce the overall cost of funding higher education costs through tax efficient investment growth
- All income and capital growth within the offshore investment bond will accrue free of taxes
- The use of assignment will ensure that no tax is levied at encashment
- Parents/grandparents retain full control and ownership at all times until the bond is assigned to the child
- Proceeds of the bond can be used for other purposes if the child does not go on to higher education, e.g. assistance with the purchase of a first house, funding the cost of a wedding

## What to do next?

To find out more about how we can help you with a review of your investment options to fund university costs, please contact Chris Harrington on **01204 414243** or email [chris.harrington@cowgills.co.uk](mailto:chris.harrington@cowgills.co.uk).



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