

# How to create a postsecondary-funding plan today



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Our oldest is heading off to university this weekend. My wife, Carolyn, is panicking.

"Tim, I've heard horror stories of the bad things students do during frosh week," she said. "Mom, relax," our son, Win, told her. "The university won't put up with crazy stuff – the punishment is pretty steep," he reassured her. Win claims that the university has "Singapore-style" rule enforcement. In Singapore, for example, a 60-year-old man is currently under investigation for lodging three toothpicks in a seat on a public bus in July. He'll face up to two years in prison if he's found guilty (the crazy thing is, I did the same thing with toothpicks when I was in first-year university). If the university is half as strict, Carolyn will be happy.

Along with the start of postsecondary school comes the cost of that education. This takes a plan. Time for a reminder of the five key ways to pay for an education. If you'll be paying for the postsecondary education of a child one day, start planning today which of these strategies you'll use. You might use one, two or all five. Each of these strategies makes certain assumptions. Here they are:

## **Begging**

I'm not talking about parking your kids on a street corner with hat in hand, asking for handouts (although this might help). No, I'm talking about looking for free money to pay for school, which can come from different sources: Scholarships, grants, bursaries, awards, fellowships and stipends. Scholarships are usually based on merit such as academic achievement, athletic skill, extracurricular activities or the like. Grants and bursaries usually take financial need into account. Many employers offer education funding for the children of employees. Have your child also check out: [scholarshipscanada.com](http://scholarshipscanada.com), [yconic.com](http://yconic.com) and [universitystudy.ca](http://universitystudy.ca). Also, the Canada Student Grants program now offers up to \$3,000 a year for students from low-income families, and middle-income students can receive up to \$1,200 a year. Check out [canlearn.ca](http://canlearn.ca). Successful "begging" assumes your child will qualify for an award, and is persistent in applying for many of them.

## **Borrowing**

Borrowing to pay for an education is one of the most common strategies. Loans can be found through the federal and provincial governments (see [canlearn.ca](http://canlearn.ca)). Last fall, the government announced that Canada Student Loans won't have to be repaid until a student graduates and is earning at least \$25,000 a year. Aside from government loans, your bank may be willing to lend money to a student heading to school. Finally, see my article from last week about borrowing the right amount – and not too much – for an education, depending on the student's course of study. Successful borrowing assumes your child will qualify, and keeps his or her borrowing to a reasonable level based on expected income following graduation.

## **Stealing**

"Stealing" for an education is the idea that parents may liquidate or take from other assets to pay for the education of a child. This could involve, for example, tapping into registered retirement savings plans (RRSPs), non-registered investments or selling off the family cottage. These approaches should be a last-resort method of paying for an education. Your retirement savings should be your top priority because there are other ways to pay for an education. Successful "stealing" assumes you have other assets to liquidate.

## **Sweating**

In the minds of most parents, there's something healthy about a child earning money to pay for all or part of his or her education. Working in the summers can help a lot. Holding a job during the school year can also make sense, but recognize that a full-time course load likely means your child will have a tough time working more than 15 hours a week without school suffering. Several schools offer co-op programs where the student goes to school for four months, then works for four months – or some similar arrangement. Co-op programs can provide valuable experience in addition to income to pay for school – a great idea. Apprenticeship programs are similar, allowing your child to earn while he or she learns. Successful "sweating" does assume your child is qualified for the work, and can find a job.

## **Saving**

Saving should be an important part of paying for an education. A registered education savings plan (RESP) should be your first method of saving, since contributions to an RESP can come with Canada Education Savings Grants (CESGs) equal to 20 per cent of your contributions, to a maximum of \$500 for each year (and \$7,200 in a lifetime for each student). The CESG can be higher in low-income family situations. Successful saving does assume you have the discipline to start early and continue with saving over time.

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