



TAX MATTERS

How to build an education plan for your child



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As our family sat around the dinner table this past week, I asked our oldest son, Win, about his university education, which he'll be continuing in September. "Win, your education last year cost us a lot of money. What did you learn that you can share with the rest of the family?" I asked.

"Dad, we learned that the importation of second-hand underwear in Zimbabwe was banned in 2011, the Pyruvate scale measures pungency in onions and garlic, and speed dating was invented by a California rabbi by the name of Yaacov Deyo in 1998."

"That's it?" I asked. "That's about all I can remember" Win replied.

I still maintain that a postsecondary education is a good idea. If you agree, I would encourage you to create an "education plan" for your child or grandchild as he or she nears postsecondary-education age.

THE PLAN

Investing in a postsecondary education should involve more than just figuring out how to pay for it – as important as that might be. There are other questions to be answered, such as: What areas of study will provide the best opportunities in the future? What is my child passionate about? Why is my child pursuing a postsecondary education in the first place? What schools have the best program for the area of study? What schools are realistic for my child to attend based on grades? And then there are the financial questions: What will an education cost? What sources are available to pay for it?

All of these questions, and more, can be answered in an education plan. There are five steps you and the student in your life should take to create one: 1) Clarify the student's goals; 2) compare and evaluate schools; 3) calculate the expected costs; 4) choose the sources of funding; and 5) write down the plan.

THE STEPS

Step 1: Clarify the student's goals. Sit down with your student and explore the reason(s) for pursuing a postsecondary education. Is it for personal fulfilment and development? To improve prospects for a higher income from a career? Or to acquire or preserve social status? Try visiting the government website canlearn.ca and click on the Career Tool link, which will provide useful information about things such as expected levels of income and graduate satisfaction in various field of study. Even if your child isn't sure what to study, try to narrow down the list of options.

Step 2: Compare and evaluate schools. Your child should evaluate different schools on the following eight factors (each factor should be scored between 1 and 5, with 1 being downright bad and 5 being outstanding): 1) field of study (Does the school have a good reputation in the chosen field?); 2) education costs (Is it affordable?); 3) financial assistance (Is any help being offered or available?); 4) job opportunities (Is there opportunity for part-time work on campus or in the community?); 5) co-operative education (Does the school offer a co-op program to gain experience and earn income?); 6) jobs after graduation (What is the track record of school graduates finding good-paying work in the field of study?); 7) student life (Are there clubs, sports or other groups to enhance the experience of attending the school?); 8) cost cutters (Can your student live at home and commute to school or does the school offer credit for past life experiences, or are there other ways to save money?).

Step 3: Calculate the expected costs. Estimate seven categories of expenses, for each year of school, when figuring out what an education will cost: Tuition and ancillary fees, books and supplies (including computer costs), accommodation (rent and utilities), food (groceries and eating out), transportation (car, insurance, parking, bus, airfare), personal care (mobile phone, laundry, gifts, subscriptions, dues, child care, medical costs) and recreation and entertainment. These costs, for 2018-19, could amount to \$20,000 to \$25,000 for a student living away from home, attending a Canadian university.

Step 4: Choose sources of funding. How will the education be paid for? I've talked before about the five methods of funding an education: help (getting free money such as scholarships or bursaries), borrowing (student loans), stealing (taking from your other assets, such as RRSPs or TFSAs to pay for school), sweating (the student works part time) and saving (using RESPs or other savings). See my article (How to create a postsecondary-funding plan today) for details on these.

Step 5: Write down the plan. I encourage you to write down the results of your conversations, research and thoughts from Steps 1 through 4. This will form your student's education plan and will lead to a more meaningful, effective and affordable education.

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