Plan early if higher education in child's future

By Andrew Mackenzie

It's your future

The cost of a university education is growing out of control. My experience at university is enough to frighten anyone with children. In my four years at university, I saw tuition grow 35%! My first year at Wilfrid Laurier cost $1,500, and my fourth year cost $2,300. If this rate of increase continues, in 20 years tuition will cost $6,300. From here you can add at least $6,000 for other costs. When all is said and done, a four year degree will cost more than $50,0000. The point is, planning during the early years is essential if your children are going to be able to attend university.

The wide variety of choices available for saving for an education makes the decision confusing. The list includes RESP's, trusts and buying Canada Savings Bonds, among others. As a financial planner, I have my opinion on the best option to choose for a savings program. The program should offer superior returns, security of capital, flexibility and no taxation.

The only option that offers all these features is a trust set up in the child's name and invested into a capital growth account. The way this works is surprisingly simple. Just save some money every month and direct your financial institution to put it into a trust in your child's name. The money should go into a mutual fund that offers capital growth as its main source of income.

Capital growth mutual funds offer superior returns over time allowing the money to work hard for your child. Mutual funds are professionally managed and well diversified, allowing security of capital. The trust allows your child to use all of the money, even if they choose not to attend university. The money can be used for anything your child needs. In other words, it is flexible. Finally, no tax will be paid on the returns. The capital gains exemption in Canada allows the money to grow tax free.

Saving for an education in this way is painless and efficient. If you put $50 away every month for 18 years, the value of the savings will be $35,500 by the time your child starts university. An education is something we all want for our children, why not plan for it?

If you have any questions about saving for an education, or other financial planning concerns, Andrew can be reached at 877-5495 or 450-1500. Or go and see him at 2 County Court Blvd. in Brampton at Investor's Group.