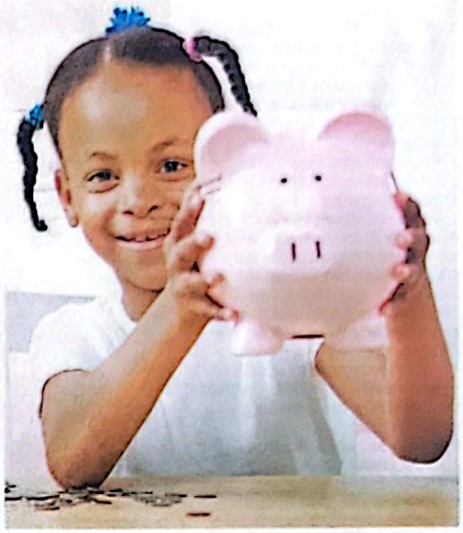
Securing your child's education

For many people finding room in the family budget for school fees is a difficult task. So, some careful, forward planning is required to ensure you have enough money to give you and your children the full array of options for education. You also need to give thought to which savings vehicle suits you best, writes **Billy Rwothungeyo**

To keep your child in school plan for their future by saving for their education



Teach your children to start saving while still young

One of the proudest moments for any parent is seeing their children wear a school uniform for the first time and going into nursery school the first day.

No parent would want their child to drop out of school for whatever reason within their control. Yet there is stark reality, today one may be able to pay for their child's fees, but tomorrow, it may be a different matter with the volatile economic situation. What about 10 years from now when you are out of that job?

Beatrice Nabbanja, the products manager for liabilities at one of the commercial banks, says the time for saving for your child should start the moment they are born. If you have not started, start right now.

"Life presents a lot of uncertainties. Children are every parent's most precious possession. Given the value attached to them, every parent or guardian will want to see their child prosper and part of this is good education," she says.

Forget about that accident that may push you out of your job, with inflation and other factors, will you be able to afford your child's education 15 years from today?

"Education in itself is expensive and yet a long term investment. It is more reason one should ensure that their child does not miss out on such exposure, planning and saving as a prerequisite to attain the goal," Nabbanja reasons.

The good news is that the power to secure your child's future is in your hands through the following vehicles.

Savings

To secure one's future, one needs to adopt a savings culture. The good news is, financial institutions, such as banks, are leading the way in changing the trend, by introducing savings products, designed for education.

"Banks offer various savings and investment options that parents can take on as they look to secure for their children's future. There are investment options through fixed and unfixed term deposit accounts to provide attractive higher interest rates on customers' savings, which can be invested for tenures ranging from one month through to 24 months," Nabbanja says.

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The value of sh10,000 today will not be the same 10 years from now. So, when your savings attract interest, you are able to beat inflation

The earlier one starts saving, the more money will be available to you in the future.

Calvin Mugume, a financial risk analyst, advises that you begin by working out how much money you will need before you start saving.

"Estimate how much you will need based on how old your children are, whether you want to send them to private or government-aided schools and whether you are saving for their primary, secondary or tertiary education or all the three," he advises.

"For example, if you send two children to a private secondary school, which costs an average of sh1m per year for each child, by the time they both complete school, you will have spent sh24m on only school fees; that is not counting extras, such as school uniform, trips and sporting clinics," he explains.

It is important to compare notes between the different products before making your choice. Look at things, such as interest rates, how easy it is for one to access their money in case they used it.

What one should have in mind

Before opening up an account specifically for saving for your child's education, Annette Rumanyika-Mulira, the managing director of a financial institution, advises that one should take a closer look at the details of the account and ensure a return on the savings.

"Your savings should attract returns, so that they (savings) do not lose value due to inflation. The value of sh10,000 today will not be the same 10 years from now So, when your savings attract interests, you are able to beat inflation," she said.

"Always compare the interests and inflation rates. Ensure that the interest your savings attract is higher than the prevailing inflation rates of the time," she adds.

Nabbanja says one should know exactly what they are signing up for.

"One should make sure to establish what the benefits of an account are, how much they will be paying for the benefits and how often they can transact at no extra charge. Customers must be open with a bank representative when looking to open a savings account so that they can be made aware of the options available that will meet their needs," she says.

Other options

Keeping money in the bank is not the only option you have when it comes to saving money for your child's education.

In fact, due to low interest rates, there are other options that could be better for saving money that is intended for use in the long run, such as taking your money to a fund manager.

The insurance industry is another key industry that one can use to save for children's education. Several players offer life insurance products.

The minimum premiums payable vary from one insurance firm to another. Monthly payments are the most common mode of payments, and they can start from as low as sh150,000, while some companies will also give you the option of paying packages along with school fees for each term.

Mugume also notes that other option is also investing in long term, and low risk businesses, such as planting trees, construction of rentals, getting into real estate businesses and so many others. Some people end up investing in high risk, but well-paying ventures.

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