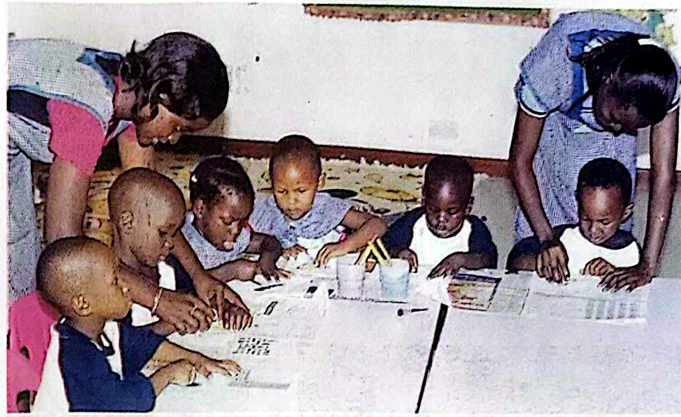




Parents can adopt various ways of saving early for their children's education

Smart ways to save for your children



BY CALVIN MUGUME

There are significant costs associated with educating your children. These include buying tools or clothes, covering the cost of changes to your own working pattern or sending your children to a school.

Historically, education inflation runs at about 3% per year above the inflation figure in Uganda. Therefore, the cost of education is generally increasing at a more rapid pace than our salaries.

The money you spend on your child's education could be one of your family's biggest expenses.

Start early

Starting early is one way you can maximise the amount of savings that is available to you.

Even if your child is older, it does not mean it is too late to start. A small amount every month adds up over time.

Starting to save early will help your children have a high-quality learning experience.

Do the calculations

It is also important to work out the calculations early. Estimate how much you will need, based on how old your children are.

Do you want to send them to a private school or a government-aided one? Are you saving for their primary, secondary or tertiary education? Or is it a combination of all?

For example, if you send two children to a private secondary school, which charges an average of sh2m per year for each child, by the time they complete school, you will have spent sh24m on only school fees.

And that is on top of extra costs, such as uniform and trips.

Investments, such as savings and fixed deposit accounts, are one way to set aside money for your children's education.

Parents should consider how accessible the funds are, the interest rates offered and the time.

Different commercial banks have packages for parents desiring to save for their children.

However, saving need not be restricted to a bank account. Cash in the bank is good for a rainy day, but it may not be the most effective vehicle for long-term goals, given that in the current low-interest rate environment, the return on cash barely matches inflation over time.

Education funds

These are funds that are set aside for children's education. If you are considering an education fund, you should ensure it fits your long-term financial plan.

Saving early will help your children have a high-quality learning experience

Life insurance

Parents or grandparents can use life insurance to fund their child's or grandchildren's post-secondary education by building up and then tapping into the excess cash value within an insurance policy.

Open an account for them

Finally, you can help your children understand the concept of saving by opening an account of their very own in their name. This will help to teach them the value of money and how regularly depositing to an account can grow their savings.

Big savings

Many parents wonder how much they should save for their children's education. They also wonder how soon they should get down to saving. But the answer is simple: Save early, earn more.

Small savings each year will translate into substantial savings later.

The writer is a senior financial risk analyst at a commercial bank