

University to cost \$125,000, bank predicts

Diploma for today's child

Eric Beauchesne

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OTTAWA - New parents who want their children to have a basic university education should be putting away \$200 to \$300 a month for the next 18 years, a major bank is advising.

The cost of sending a child born today off to university for four years in just under two decades will be close to \$125,000, TD Bank says in an analysis.

Even when adjusted for inflation, that works out to \$85,000 in today's dollars, a 37% increase from today, according to the projections by TD economist Craig Alexander. "They're pretty staggering numbers," he said.

"Tuition and academic fees have been rising at a pace far above the national rate of inflation in recent years, and, regrettably there is no reason to expect this trend to change," the analysis warns.

In its "ballpark forecast," the bank estimates tuition, fees and other costs will rise at about 4% a year over the next two decades, twice the expected rate of inflation. And it suspects there will not be additional support from governments.

"Future demands on government funds from an ageing population, particularly for additional health care spending, are likely to dampen the growth in transfers to universities," it says.

The bank speculates that some universities are likely to boost their fees to more closely link the cost of an education to the potential future income benefits that a post-secondary education provides.

It notes that universities have already taken advantage of the high demand for on-campus residences to impose price increases for food and accommodation that are greater than the inflation rate for those goods and services.

"If a household takes advantage of tax shelters, such as a registered education savings plan, and assuming a 7.5% return on a well diversified portfolio of financial assets, \$2,400 a year (including the government contribution), or \$200 a month, must be put aside from when a child is born to fully fund a four-year undergraduate degree if the student goes away to school," the analysis states.

"The big question is whether households can put aside the \$200 a month," Mr. Alexander added.

"Without the tax shelter, and assuming the household faces a 40% combined federal and provincial income tax rate, the required annual savings increases significantly, rising to close to \$3,500 a year (or \$292 a month)."

A way to keep costs down is to have a student live at home, the analysis notes. That would cut the projected \$125,200 cost by 40% or \$50,080 to \$75,120.

Some students are going to have to bear more of the financial burden, whether through their own employment income or by taking on more in student loans, Mr. Alexander suspects. And more will likely have to live at home while attending university, which will limit their choices of which institution to attend.

However, Mr. Alexander also suspects that with education costs rising and governments not increasing their

share of support for education, there will be more corporate sponsorships and scholarships, as has happened in the United States.

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