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Newsletter

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# Get time on your side - start saving today for your child's future

*To save enough, you need discipline, an appropriate plan and a suitable product.*

At the start of every new year, we feel the impact of the rising cost of our children's education on our household budgets. And with education inflation surpassing general inflation of 4.7% at 9% this year, the future is unlikely to get easier.

We all want the best for our children and this means getting them a good education to ensure that they become both financially independent and fulfilled in their careers.

Whether you are new parents, a single parent or an established family, the key is to start saving early. Parents need to be aware of the future cost of quality high school and university education. Furthermore, the later you start saving, the more you will need to save per month as you will not have benefited from compounding interest.

While a good education is one of the most valuable things a parent can give a child, 60% of South African parents are still not actively saving for their children's education.

### More about suitable investments

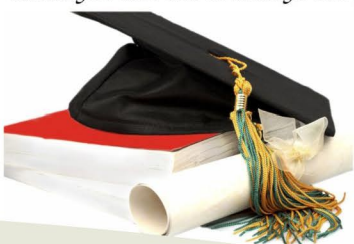
Tax-free savings accounts let you access your funds at any time and you don't pay tax on the growth of your investment. In fact, no dividend, capital gains or income tax is payable if you remain within the annual threshold amount of R30 000 and lifetime limit of R500 000. You can open a tax-free savings account for each of your children, so a family of four can save up to R120 000 annually. When contributing on behalf of your children, it is important to consider the implication of tax deductibility of donations. You can make lump sum or monthly instalments, access your funds at any time, stop or restart your payments whenever you like, and leave money invested for as long as you like.

Unit trusts are also a good option. Although exposure to market fluctuations means there's some risk involved, the advantage is that you can access your money at any stage, increase and decrease your contributions, and add lump sums without incurring penalties. Although there's no fixed term, investments should ideally be medium to long-term to get the full benefit of compound interest.

If you prefer a structured savings plan with limited access, an education savings policy is an option. There is a minimum and maximum investment period. By law, you're allowed one withdrawal within the first five years, and one annually thereafter. In the event of death or disability of a parent, many policies offer a benefit to pay the premiums on your behalf for the remaining period.

*Education is the most powerful weapon which you can use to change the world.*

Nelson Mandela



### More about the rising cost of education

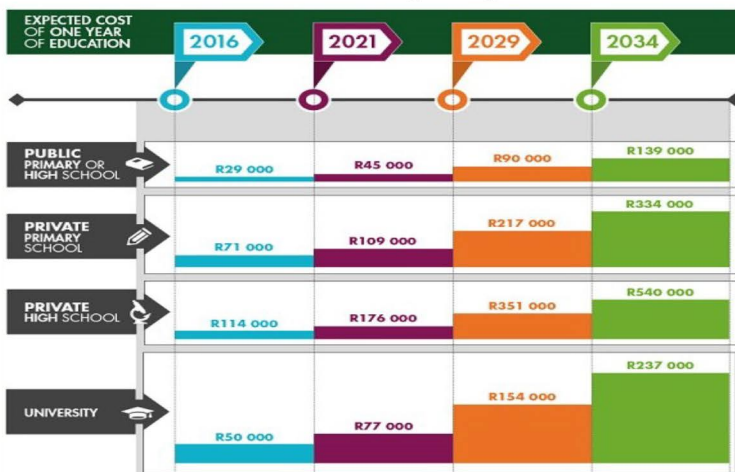
The tough reality is that in 2016, one year's education could cost between R29 000 and R114 000, depending on the level (primary school, high school, university) and type (private, public) of education. A 2021 forecast will see you spending between R45 000 and R176 000 for one year's education (see table below).

If your child is starting grade R this year, the combined cost of education is expected to be R1 057 000 for public schools and R2 406 000 for private. This includes primary school, high school and a three year university qualification.

For example, if your child is born in 2016, looking at the figures in the table and assuming 10% investment growth before fees, you need to save about R530 a month for university tuition (excluding accommodation, books and travelling costs). However, if your child is already 10 years old, this is about R1 050 (close to double)!

These monthly savings will also need to be increased by 9% a year going forward, to keep up with higher education inflation. Start early, even if it's only a small amount each month.

Source: Jean Minnaar, Investment and Savings Manager



Do not hesitate to contact us if you require any additional information or any clarity on your current portfolio :

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