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SPOTLIGHT ON:

Planning ahead for university costs

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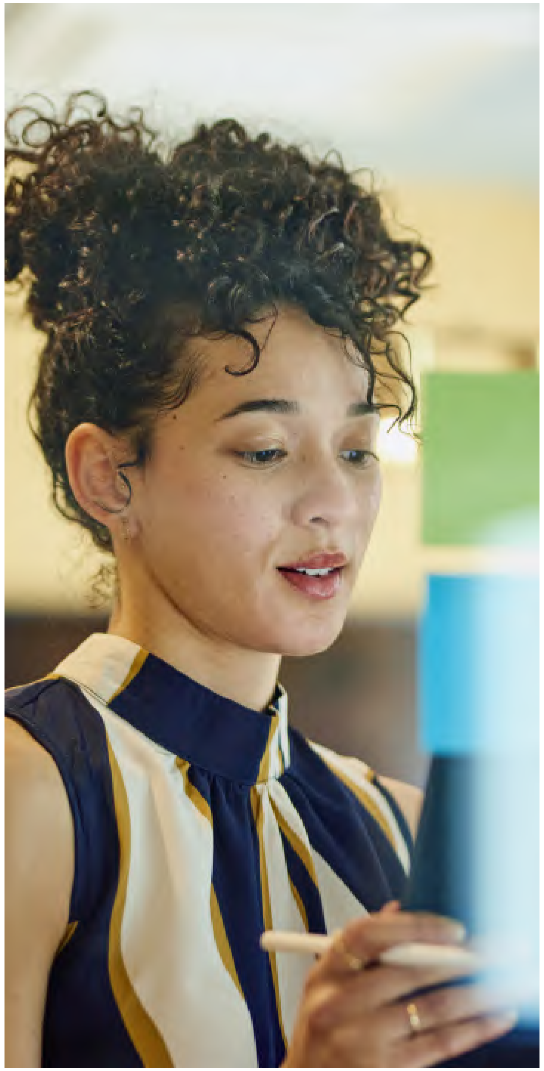
SAVINGS STRATEGIES FOR YOUR CHILD'S EDUCATION

Paying for higher education can be one of the largest financial commitments families face. By planning in advance, you can reduce the need for costly borrowing and help your child start adulthood on a strong financial footing.

This guide explains current tuition fees, student finance arrangements, and tax-efficient ways to save for university costs in the United Kingdom. The aim is to provide a resource that supports parents, guardians, and anyone involved in preparing a child for university.



INTRODUCTION

Higher education expenses include more than tuition fees. Daily living costs, learning materials, travel, and accommodation can add up quickly. The largest share of expenses usually consists of tuition fees, which remain capped at £9,250 per year for full-time undergraduate programmes in England. Wales, Scotland, and Northern Ireland have their own fee structures, although many of the general principles in this document will still apply across the UK.

While there have been calls to review the current tuition fee cap, it remains in place for the 2024/25 academic year for institutions that meet certain criteria in England. Many students pay for these costs with the help of student finance, but that might not cover all living expenses. It is, therefore, valuable to understand how you can set money aside in advance. This will support your child's financial security when they begin their studies.

OVERVIEW OF CURRENT UNIVERSITY FEES AND COSTS

The current fee limit for most full-time undergraduate programmes in England is £9,250 a year. Some universities charge less for certain courses, but parents and guardians should still assume that the maximum fee will apply to popular programmes. In Wales, for the 2024/2025 academic year, tuition fees for undergraduate students were capped at £9,250 per year. For courses starting on or after 1 August 2025, the fee cap will increase to £9,535. In Northern Ireland, tuition fees for Northern Ireland residents are approximately £4,710 a year at local universities, while those from outside Northern Ireland (including the rest of the UK) may face fees of up to £9,250. There are no tuition fees in Scotland for eligible Scottish students studying their first degree at Scottish universities, but students from other parts of the UK pay up to £9,250.

Aside from tuition, living costs can vary depending on the location of the university and personal circumstances. Some estimates place average annual living costs for full-time students between £9,000 and £12,000, including accommodation, food, and transport. Students in large cities, such as London, may find that they need a higher budget to cover rent and daily necessities.

When you add tuition fees and living costs together, total annual expenses often range from around £18,000 to £21,000 for students in England. Over a typical three-year course, that can climb to more than £60,000, and this figure can rise further if a student needs four or five years to complete a programme, such as in certain science or medical degrees.

STUDENT FINANCE: LOANS AND MAINTENANCE SUPPORT

The Student Loans Company (SLC) provides tuition fees and maintenance loans to eligible students. These loans cover tuition fees upfront and offer a means-tested living cost loan, with the amount depending on household income, university location, and if your child lives at home or away.

For students beginning their course on or after August 2023, Plan 5 sets a repayment threshold (the income level above which repayments start). The threshold and interest rates may change each academic year, so it's important to check official government or SLC sources for the latest figures. Repayments are taken at a rate of 9% of earnings over the threshold, and they begin from the April after the student finishes or leaves the course.

Even with these loans, parents and guardians often choose to save in advance. Doing so can reduce the amount your child needs to borrow and cover costs not included in maintenance loans, such as study materials or unforeseen expenses.

TAX ALLOWANCES AND BENEFITS FOR FAMILIES

In the 2024/25 tax year, the Personal Allowance remains at £12,570. Families who save for university should consider how tax allowances can shape their savings. Some families may consider transferring assets or income to the spouse or partner with a lower income to make full use of their Personal Allowance or to stay within a lower tax band. This can also help if you want to gift money directly to your child once they reach 18. However, parents must pay attention to relevant tax rules and any asset transfer implications.

If grandparents or other relatives want to contribute, they may consider their own gifting allowances. UK inheritance tax rules allow an annual gift allowance of £3,000 per individual, and this can be doubled if no gifts were made in the previous tax year. Additionally, gifts from normal expenditures out of income can be exempt from inheritance tax. Although these allowances do not directly refer to university fees, they can still help families plan for big life events such as education costs.

SAVING STRATEGIES: ACCOUNTS AND INVESTMENT VEHICLES

Different savings options can help you grow a fund for your child's future education in a tax-efficient way. Below are some popular methods used by UK families.

JUNIOR ISAS (JISAS)

A Junior ISA allows you to save or invest up to £9,000 per year for each child, with no tax on interest, dividends, or capital gains. Funds remain locked until the child turns 18, at which point they gain full access. Options include Cash JISAs (lower risk, modest returns) or Stocks & Shares JISAs (potentially higher returns, but with investment risk).

CHILD TRUST FUNDS (CTFS)

CTFs were issued to children born between 1 September 2002 and 2 January 2011. Although new CTFs are no longer set up, existing ones remain tax-free. Depending on the terms, you can transfer a CTF to a Junior ISA or keep it.

ADULT ISAS

Parents can use their own annual ISA allowance of £20,000 to build a savings pot and later contribute those funds to university costs. Gains and income remain tax-free. Unlike JISAs, you keep control until you choose to gift the money.

REGULAR SAVINGS ACCOUNTS

Many banks offer child-focused savings accounts with competitive rates, at least initially. They can encourage regular saving and avoid stock market fluctuations. However, interest may be lower than inflation, and you should keep an eye on your Personal Savings Allowance (£1,000 for basic rate taxpayers and £500 for higher rate taxpayers).

PLANNING FOR LIVING COSTS

Even if tuition fees are covered by a loan or early savings, living costs can create a challenge. Maintenance loans often do not stretch far enough in areas like London or major university towns with higher accommodation expenses.

Some parents choose to buy property near the university for their child to live in and possibly rent spare rooms to other students. This arrangement might create an additional income stream, but it also involves property purchase costs and tax obligations, such as Stamp Duty Land Tax.

Another approach is to set aside a dedicated monthly sum in a separate account, building a living cost fund that your child can access term by term. You can top it up regularly and keep an eye on how the money is spent, ensuring your child learns practical money management skills. Some families also encourage children to find part-time work during term-time or the holidays. While part-time work can help finance living expenses, students must balance employment with study commitments.

SCHOLARSHIPS AND BURSARIES

Many universities offer scholarships or bursaries based on academic achievement, financial need, or other criteria. Parents and students may overlook these opportunities, missing out on free or reduced-cost benefits.

The amounts vary and can be as modest as a few hundred pounds per year or as large as a full tuition fee waiver. It is worth checking individual university websites well before the application process. Professional bodies, charities, and some businesses also sponsor students in specific subject areas. Even if a scholarship only covers part of the living costs, it can ease the overall financial burden.

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PRACTICAL STEPS TO GET STARTED

1. **Set a clear goal**
   Estimate the likely cost of tuition and living expenses for the length of your child's course. Decide whether you want to fund all, part, or none of these costs. Setting a specific target helps you gauge how much to save each month.

2. **Review your budget**
   Look at your current household income, outgoings, and cashflow. Determine how much you can spare each month or year to put into a savings or investment vehicle.

3. **Use available tax allowances**
   Consider Junior ISAs, your own ISA allowance, or pensions if relevant. Explore whether splitting assets or income with a partner makes sense, staying within the rules set by HMRC.

4. **Compare account options**
   Check interest rates, account fees, and features. If you are considering an investment option (such as Stocks & Shares JISA), read about the underlying funds or assets to see if they match your tolerance for risk.

5. **Keep track of student finance changes**
   Monitor announcements regarding tuition fee caps, maintenance loan amounts, and loan repayment thresholds. This helps you adjust your savings plan if required.

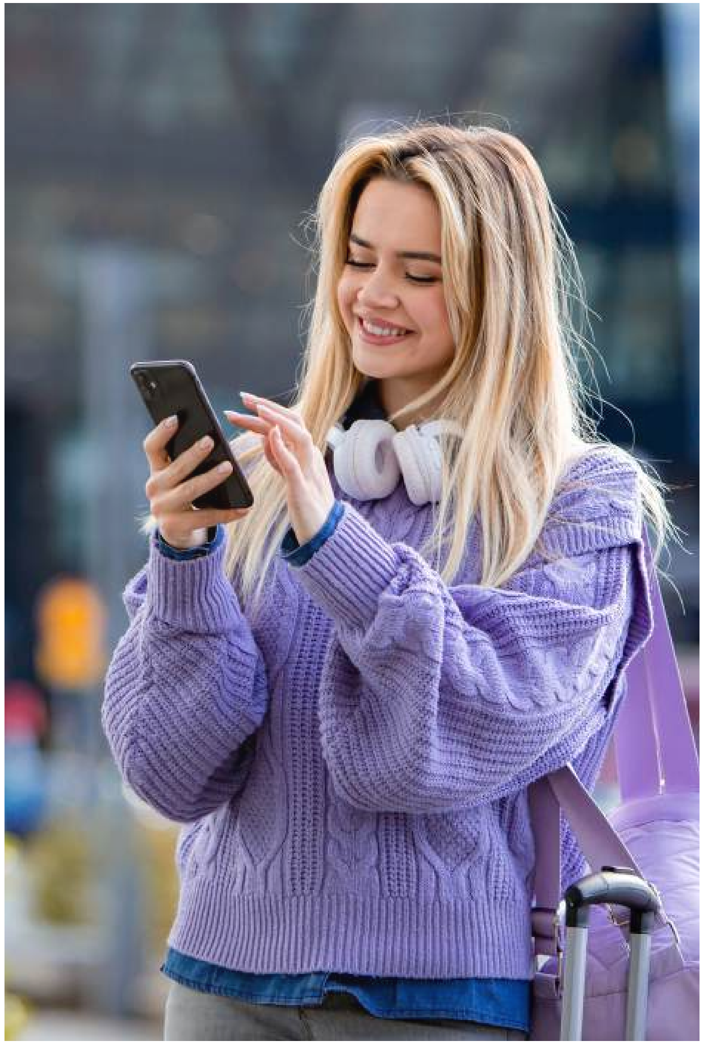
6. **Investigate scholarships and bursaries**
   Encourage your child to research these opportunities before they apply to universities. They should also check any awards offered by professional organisations or charities linked to their intended subject area.

7. **Regularly revisit your plan**
   Schedule an annual review of your savings progress, your child's changing needs, and any shifts in government rules. Adapting your plan early on can prevent shortfalls later.

CLOSING THOUGHTS

Planning for university costs takes time, but proactive steps can ease pressure on both parents and students. Tuition fees, living expenses, and other study-related costs can sum up to a significant financial commitment. By looking at your options for saving and investing, using tax allowances, and keeping track of official guidance, you will build a more secure foundation for your child's educational journey.

If you need further assistance choosing the right mix of accounts, investments, and tax strategies, consider consulting a qualified financial adviser or accountant specialising in personal taxation. They will be able to examine your individual circumstances and provide tailored guidance while ensuring you remain compliant with the latest tax regulations. Planning in advance puts you one step closer to helping your child pursue their academic goals with confidence and financial stability.



Need further guidance? We're here to help.

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