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Alexandra Posadzki Thu Sep 22 2011 14:08:00 0 Recommend

Students stress as parents struggle with tuition: survey

TORONTO Greg Evans is no quitter. This fall marks the 26-year-old's second attempt to pay his way through university while balancing classes with work.

"Something in my life is going to suffer," said Evans. "My school work is definitely going to suffer, the quality of my life is going to suffer."




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The quality of my sleep and my health I'm sure are going to suffer."

It will be difficult for Evans, who grew up in the small community of Fonthill in Ontario's Niagara Region, to finance his education. But Evans would rather struggle for a couple of years than live the rest of his life from one paycheque to the next.

Evans first enrolled in classes at Toronto's Ryerson University in 2005 but dropped out after a year because he wasn't able to work enough hours to fund the venture.

Despite the fact that Evans' parents aren't able to cover his tuition, Evans says he doesn't qualify for a loan from the Ontario Student Assistance Program.

The public administration and governance major says that this time around, he's tackling school part-time so that he can put in as many hours at work as he needs. But he's still taking a student line of credit from the bank as a safety net.

"My money's OK," said Evans. "But if I got sick for, let's say, a week or two, that would put a pretty big dent in my savings. I can't really afford to get sick if I'm going to school again. I have to have a backup of some sort."

Many students who started college or university this fall share Evans' worries.

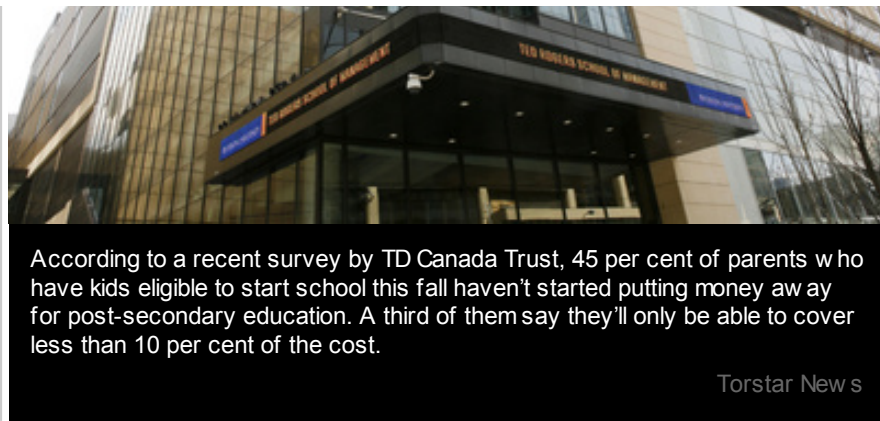
According to a recent survey by TD Canada Trust, 45 per cent of parents who have kids eligible to start school this fall haven't started putting money away for post-secondary education. A third of them say they'll only be able to cover less than 10 per cent of the cost.

The online survey, conducted in June, polled a representative sample of 640 Canadian parents who have children under the age of 18.

Another TD survey suggests that more than half — 58 per cent — of post-secondary students feel anxious or stressed when they think about how they're going to pay their way through school.

It's no surprise when you consider that, according to a 2010 Statistics Canada report, average student debt on graduation is \$18,800. And TD pegs the total cost of school for students living away from home at a hefty \$80,000.

With that kind of a price tag, a head start on saving seems crucial. Scott Plaskett, a certified financial planner from Toronto, recommends automating the transaction so that a little bit of money from every paycheque goes into a savings account.



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“If you have to think about it, it’s probably going to fall by the wayside,” said Plaskett. “So automate your life, from a financial planning perspective, so that what you want to have happen, happens.”

The good news is that it appears many new parents are already heeding this advice: the TD survey suggests that 71 per cent of parents whose kids won’t be starting college or university for at least 16 years have already started putting money away.

“Because there’s so much time on their side, it doesn’t take a lot to make a big difference,” said Plaskett.

He suggests putting money into a Registered Education Savings Plan, which attracts extra cash from the federal government in the form of the Canada Education Savings Grant.

Or, to maximize every dollar, consider putting money into a Registered Retirement Savings Plan, which can reduce the amount of income tax paid. Then put any tax refund into an RESP. By taking this kind of holistic approach, said Plaskett, parents can save for their children’s education without sacrificing their retirement plans.

But even those who haven’t started filling up the piggy bank — and need money for school pronto — have options, said Plaskett. One of them is to tap into the equity in their homes.

“With interest rates being so low, it’s a very cost-effective way of gaining access to capital,” said Plaskett.

Another is to figure out whether your RRSP contributions will generate a tax refund and then borrow that amount through a short-term loan, which can be repaid when the cheque from the Canada Revenue Agency arrives.

A line of credit should be the last resort, said Plaskett, because it transfers the debt to the student.

“Coming out of university saddled with debt is not a great way of starting your career,” said Plaskett. “It’s like dragging a bucket behind your boat. You’ll get there — it’s just going to slow you down.”

A recent report from Statistics Canada said full-time students paid an average of 4.3 per cent more in tuition this September than they did last year, when tuitions rose four per cent. Inflation was 2.7 per cent between July 2010 and July 2011.

Undergraduate students are paying an average of \$5,366 in tuition fees in 2011-12, up from \$5,146 a year ago, Statistics Canada said.

Another report by the Canadian Centre for Policy Alternatives argued recently that record high household debt and years of stagnant incomes in Ontario have made it difficult for students to afford rising tuition fees.

“If tuition fees and other compulsory fees are adjusted for inflation, Ontario students have witnessed a 244 per cent real tuition fee increase between 1990 and 2011,” said the report entitled *Under Pressure: The impact of rising tuition fees on Ontario families*.



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It said that instead of the 2009 corporate tax cut in Ontario, the province could have rolled back tuition fees to 1990 levels. Alternatively, it says if the personal tax system is a preferred vehicle, then an annual hike of \$100 per family could reduce undergraduate tuition fees to 1990 levels.

“Investing in higher education ... enhances Ontario’s economic potential rather than constraining it, and helps ensure that higher education is truly accessible to all who wish to pursue it — without having to become indebted in the process,” said the report by David Macdonald and Erika Shaker.

The Canadian Press



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