



Lana Forbes (Mrs.)
Director, Sales and Service,
Scotia Insurance

Shortchange your children's education now and you may assist them to be short of change (in their pockets) for the rest of their life.

Imagine for a moment, a future where your children have grown up to become responsible adults who are financially independent. This requires an investment in your children from birth, supporting all aspects of their development. Children lose out when parents fail to prepare, not getting the facts on available options and as a result not saving or investing. **Most parents hope that their children will attend a university or some form of tertiary institution, though many of them do not actually make a conscious effort or have a plan in place to fund their children's tertiary education.** Great futures don't just happen, they are carefully planned.

Why is tertiary education important?

The Planning Institute of Jamaica's Economic & Social Survey, 2010, shows that **only 32.8%** of the tertiary age group (20-24 years) are enrolled in both public & private tertiary institutions which will contribute to developing the skills required for the local, regional and global labour force. **Also many**

How to Finance Tertiary Education through Life Insurance Policies

Jamaicans migrate, primarily to North America and tertiary level training facilitates easier integration into overseas systems.

A recent survey conducted by Scotia Insurance showed that Individuals with tertiary education have a significantly higher chance of upward mobility and therefore have higher earnings. **85%** of the individuals surveyed with tertiary level education owned their own homes, compared to **15%** of those with only high school education. Persons with undergraduate or post-graduate degrees **earn 38% more** than typical high school graduates and those with advanced degrees earn over **two times** as much as high school graduates. In recent times, for employment to entry level positions in most companies, such as tellers and customer service reps, individuals would be required to have first degrees or its equivalent.

Other studies have also shown that college and university graduates are more likely to benefit from employer provided health and pension benefits and less likely to be unemployed, thus less likely to live in poverty. Graduates tend to be less dependent on state benefits and are better able, even as self-employed individuals, to afford their own health insurance coverage.

Education

What will Tertiary education cost?

The cost of tertiary education continues to increase steadily. Currently, tuition to the Faculty of Medical Sciences at UWI may cost up to \$2.5M (unsubsidized) per year. Tuition is but a fraction of the costs associated with university studies as other costs include books, accommodation, transportation and food. Recent research shows that average tuition costs over the next 15 years, will at least double, based on a 5% annual inflation increase.

COUNTRY	2009-2010 Annual Tuition (J\$)	2025-2026 Annual Tuition (J\$)	4 th Year Undergraduate Program Cost (J\$)
CANADA	\$433,320	945,904	\$3,783,529
USA	\$2,253,626	\$4,919,355	\$19,677,593
UK	\$444,878	\$971,089	\$3,884,528
JAMAICA	\$438,409	\$956,944	\$3,827,948

The Students' Loan Bureau (SLB) operates a revolving fund to finance tuition at both local and foreign based tertiary institutions. For Financial Year 2010, a total of 11,796 applications received, with 9,947 or **84.6%** being approved. **However**, loans disbursed (averaged \$161,000 each) could fund only **26%** of the average tuition cost. **Only 20-30%** of students on average entering tertiary level education actually graduate. **The most common reason for dropping out is the lack of funding.**

A very determined young man once told me of how he struggled through UWI on a student loan, often times without money for lunch and barely finding bus fare. When he finally graduated from UWI with top honours and got his first job, his total monthly salary was less than the monthly payment to the student loan bureau. Fortunately he was able to negotiate a reduced payment.

What are options are available?

There are many options available, such as regular savings, investments, or Life insurance policies. This article will focus on life insurance. The main type of insurance that offers the ability to save towards tertiary education, while providing protection against life's unexpected occurrences, is the Universal Life (UL) product.

Universal life insurance (UL) is a type of life insurance, where the excess of premium payments above the current cost of insurance is credited to the cash value of the policy. that is, it provides insurance coverage and allows for savings to also accumulate. The cash value is credited each month with interest, and the policy is debited each month by a cost of insurance (COI) charge, as well as any other policy charges and fees which are drawn from the cash value, even if no premium payment is made that month.

A UL policy is a flexible way to help protect your loved ones and build tax-deferred cash value, as some UL policies also allow for initial and subsequent lumpsum deposits towards the cash value. The ability to take loans or make withdrawals from the account value for your personal needs are also important features of the UL. Loans accrue interest and unpaid loans plus interest and withdrawals will reduce the death benefit and cash value. The policy continues as long as the cash value is sufficient to cover the various deductions each month. A wise parent will allow the accumulation of cash value over the years as this will ensure that the funds are adequate to cover the cost of the tertiary education for children.

It is important to note that policy payments to the UL should be maintained and kept up to date as some companies offer a long term savers bonuses. Also the value up to an annual limit will become tax-free after 5 years. Some policies also offer accidental death benefits where beneficiaries receive an additional amount to the sum insured (coverage) in the event the insured (the parent) dies by accident.

This type of policy is ideally suited to reaching your financial goals while at the same time protecting the future of your loved ones. Start saving NOW for the greatest gift your child will ever receive, his/her future education. A university or college education may be the most important advantage you ever give your children. One day they will thank you for this most important gift. Start building your child's future today!

“Education is the most powerful weapon which you can use to change the world.”
[Nelson Mandela](#)