

## How prepared are parents to plan their child's education?

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The most common question that parents face while planning for their child's education is "What is the right time to start saving?"

An early start and regular investments can save you a lot of stress in later years.

As parents, we always wish the best for our children. Apart from the basic facilities and amenities, the most important objective for a parent is to provide them world-class education so that they can achieve their career goals.

This is easier said than done given the challenges and competition in the field of education today. Apart from the challenges of education, which the child grapples with, parents have their own hurdles to overcome i.e. a tough economic environment and sharply rising cost of education.



The most common question that parents face while planning for their child's education is "What is the right time to start saving?" If they know the right time then "what is the right amount" is another challenge that they come across. Getting the child admitted in the best college or university is the only motive for every parent. But most of the times, the 'best' colleges come with a 'price tag'.

### What do parents think?

Reports and surveys in the past have shown that over 50 per cent of the parents across the world believe that to begin a successful life, a child needs to at least have a graduate degree. This leads them to the question of figuring out the amount they need to save for a college or post-graduate education.

## **Are they really aware?**

Based on a recent survey\* that was carried out, it was observed that 50% of the parents were aware of their child's academic interests that has helped them plan their funds better; however, majority of the parents tend to be a bit confused getting influenced by their friends, family and peers, leading to unstructured investments. Most of them end up taking significant amount of loans, which not only impacts their savings but also affects their personal family budget.

The parent evaluates various options of financial planning, but what they really miss out on is a scenario where the child will have to manage in their absence. That is the time when a life insurance policy would be your lifeboat. Rather than putting all eggs in one basket, the parent can allocate their funds in a planned manner which will help in better savings as well as financial security. Don't get anxious!

While it is the most talked about topic across the world, are parents really on the right track? The question still remains - are they really financially prepared to secure their child's education? Here are some things every parent needs to keep in mind.

**Futuristic planning:** Start taking decisions early. Identify key milestones for the child's education (first being when the child passes his 12th); decide some target dates/years and accordingly work towards the corpus that would be required.

**Research:** Based on the milestones set by you, explore and evaluate all the financial planning options to make an informed decision. It could be various financial instruments or a combination of them. See what is relevant to you as what may work for someone else may not work for you. The investments that you do should be linked to the child's age and his/her requirements.

**Rising inflation levels:** Map out a strategy to allocate your assets, keeping in mind the rising inflation levels. A simple calculation to estimate a certain amount for a future milestone is to double the current amount after a period of 10 years. It is recommended that you save at least 5-10% of your monthly salary towards your child's education.

**Choose the right option:** When it comes to building a corpus for your child's education, a good life insurance child plan is an ideal option that is tailored to suit your needs, which other financial products may not be able to fulfill. This also addresses the thought of securing the child's future. Most of the times parents end up selling their valuables or children end up taking education loans, which seems like the most convenient option.

## **How will life insurance help?**

Most parents invest in FDs, stocks, bonds, real estate, gold and many others, which as mentioned earlier, is a recommendation from family and friends. On the other hand, life insurance is a good investment tool, which is comparatively simpler, more affordable and most importantly caters to the different stages of the individual's lifecycle. Apart from being a protection tool, life insurance also helps a consumer save in a disciplined manner which leads to creation of a good corpus. This helps parents to not only secure their child in their absence but also help in saving for their future education.

### **Plan ahead, stay ahead**

While it may be easier said than done, planning ahead helps parents take control of their financial decisions, especially when it comes to deciding for their child's education. Before deciding on the route to take to save for your child's future, it is important for parents to first develop a solid financial plan, with an important ingredient of life insurance. Prioritising their goals will help them realise what it will take to achieve them. Remember, an early start and regular investments can save you a lot of stress in later years. So promise your child a bright future and invest in a good child plan today.

- by Pradeep Pandey, Chief Marketing Officer, Future Generali Life Insurance