

Plan systematically for your child's education



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WITH THE movie *3 Idiots* getting rave reviews from nearly everyone I had spoken to, it got me thinking about why the movie has achieved cult status. Could it be the fact that it got us thinking about the demerits of the Indian education system? Or was it the message to follow one's heart? Or was it a combination of great music, marketing and overall packaging?

Whilst I will leave the debate on some of the questions raised during this film to the educationists and film critics, the area that got me thinking was that if one really wants one's child to follow his or her heart, what role should a parent play to ensure that it is financially possible?

For example, if one's child wants to get enrolled in a professional course in India or overseas, how can a parent prepare financial support to nurture the child's dream without compromising on the other financial goals such as retirement.

Most parents are aware of children's education plans, education loans. However, the element of planning is an inherent element that seems to be missing.

■ Define the current cost

Get a fair estimation cost for the professional programme that you would like to plan for. Get an idea from other students or even better from their parents about the total amount that is needed during the programme.

These would vary depending on choice of country, type of program, duration of programme. Do remember to take all costs into consideration and not only tuition fees.

■ Find corpus required

Considering that education inflation in both India and overseas tends to be higher than regular consumer price inflation, you would need to factor in the inflated cost of education by the time you need the corpus.

To give you a perspective, a domestic education costing Rs 10 lakhs today would cost close to Rs 40 lakhs after 12 years at an inflation rate of 10 per cent

Similarly, an overseas education costing \$1,00,000 today, which is approximately Rs 45 lakhs, would cost in excess of Rs 90 lakhs after 12 years, taking into account an inflation rate of 6 per cent per annum.

■ Systematically save monthly or annually

Break up the target corpus into a monthly or yearly

saving goal, so that it can be easily measured.

For example, at a rate of return of 12 per cent per annum, one would need to save approx Rs 10,000 per month and Rs 28,000 per month to achieve the goal of planning for the domestic and international corpus respectively.

■ Choose the appropriate vehicle

The vehicle to use to reach the targeted corpus would be a function of the amount of money that you can put away.

For example, if you can invest only Rs 8,000 per month to save towards the domestic education goal, you will need to target a higher rate of return on the portfolio.

Therefore, you will need to use products that have a large equity exposure. Using traditional insurance products may not be an appropriate option.

■ Monitor progress

It is critical to monitor progress annually to ensure that the assumptions made and the actual output are in line, to avoid any nasty surprises at the finish line.

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