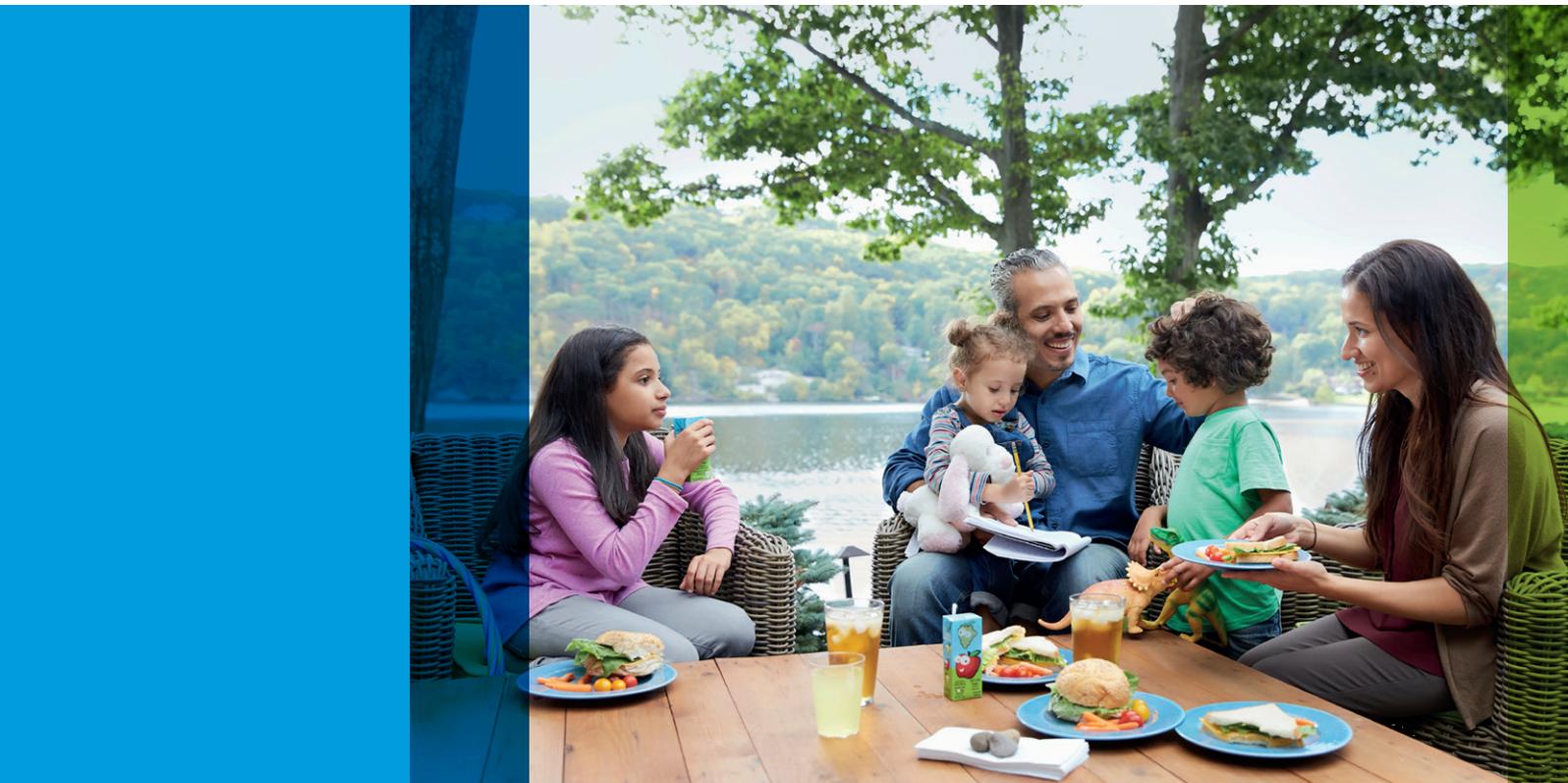


# Navigating the Changing World of Educational Finance





# Your child's university education— it's among your biggest responsibilities as a parent

**87%** of parents around the globe are helping fund their children's educations<sup>1</sup>.

**That's because education is paramount to each child's wealth prospects and future standard of living. Adults who don't have a university education forgo USD 1 million in their lifetimes, a Georgetown University study finds<sup>2</sup>.**

On average, parents spend USD 16,290 on a child's undergraduate (i.e., 'college' or 'university') education alone<sup>3</sup>. This includes families in the UAE, where the aggregate cost of education is the second highest in the world<sup>4</sup>. But while the vast majority of parents are willing to help their children get on the right professional track, many are ill prepared for the rising and unexpected costs of education. Many more are unaware of the lifelong financial burdens they or their children could face as a result.

Globally, the UAE has the second-highest proportion of parents with at least one child in paid-for education of any kind (93%), second only to India (96%); and 90% of UAE parents prioritize a postgraduate education for their children<sup>5</sup>. But countless UAE families are not sufficiently prepared for their children's undergraduate education expenses; they are not aware of how complex higher education financing has become.

And while children certainly need education savings and protection for the upfront costs of their undergraduate education—such as tuition and the cost of supplies—they also need to prepare for less-predictable expenses, such as the regional costs of living near their universities, and expenses associated with inflation. This is especially problematic for students who study abroad, where education inflation and exchange rate depreciation can become financial burdens. The most desirable universities in the US, UK, and Canada are often in the most expensive regions to live, for example; education inflation in these countries can reach as high as 7% YoY as well, much higher than general inflation<sup>6</sup>.

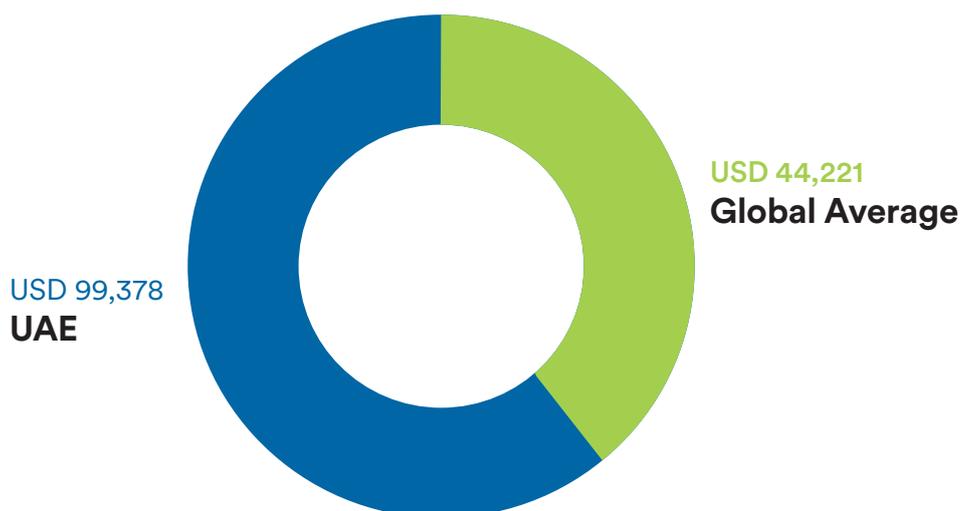
The sooner you start saving for your child's undergraduate education, the more time your money has to grow. Ideally, you will start planning for your child's education and development from when your child is born and invest alongside the everyday expenses of caring for your child. But you also need to plan for financial difficulties beyond your control—such as job loss, illnesses, and untimely deaths—which could jeopardize your child's academic future. If you have children approaching university age, or you're preparing to start a family, MetLife and its partners can help you ensure your dream of providing the education they deserve.

## **Finance their future—finance their dreams.**

Navigating the Changing World of Educational Finance is a resource that will help you and your family come to terms with the implications of educational planning, and find a successful path forward based on your children's unique requirements and goals. With it, you will learn the importance of planning for your children's education and identify the financial solutions that will open up new opportunities, no matter the path of learning your children take.

# Coming to Terms with the Real Costs of Education

Let's take a look at overall education spending trends among UAE families. UAE parents spend over twice the global average on educational costs per child—USD 99,378, compared to the global average of USD 44,221, from primary through university. UAE parents were also the second-highest spenders across 15 countries and territories, behind only Hong Kong<sup>7</sup>. These figures represent average economic spending, no matter what level of education a given child achieves.



There are several contextual factors to this trend that parents must consider in the early stages of financial planning. Since there is no public-school option in Dubai to fall back on, school is an out-of-pocket expense that cannot be avoided. But also, prices are rising across the UAE as a whole, and so are schools' and institutions' operating costs. Schools must increase fees to maintain margins, balance their books, or simply avoid going into debt.

In fact, the average annual fee for schools in Dubai has increased by 45% percent over the last seven years—significantly above the Educational Cost Index<sup>8</sup>. This reflects a broader trend in the UAE, where MetLife identified an average increase of USD 26,450 in total education costs for KG, Primary, and Secondary schooling from 2017 to 2019.

In 2019, UAE undergraduate tuition typically fell between USD 10,000 to 19,000 annually<sup>9</sup>. (As points of comparison, the average annual cost of university tuition in Canada is USD 6,653; state university tuition in the U.S. is USD 9,716, and as much as USD 35,676 in U.S. private universities<sup>10</sup>.) Tuition costs may vary depending on whether a school is public private, where the school is located, and what courses the school offers, but each UAE university determines its own fees.

Today, most UAE residents claim that saving towards a child's long-term education plays a major role in their financial planning: 72% of UAE residents who save for long-term costs in general, and 52% of UAE residents as a whole, factor in savings for their children's education<sup>11</sup>. But despite this 'culture of savings,' 74% of parents must use day-to-day income to fund their children's education costs. Many have made personal sacrifices for their child's education as well, including working longer hours (21%), taking on a second job (18%), and contributing less to their own long-term savings or investments (20%<sup>12</sup>).

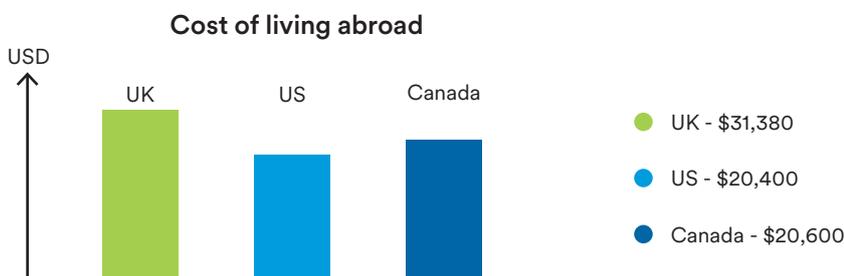
These drastic measures are often responses to unexpected life events, but also to the indirect costs associated with education—inflation, living costs, extracurricular costs, and the myriad expenses associated with sending students abroad. When parents are supporting multiple university-age children, these indirect costs can raise the overall cost of education to unmanageable levels. For some parents, failing to plan financially is pushing lifestyle, retirement, and other financial goals to the wayside.



# Achieving Your Child's Dream of an Education Abroad

In today's global economy, an education abroad is an investment that pays dividends. Employers increasingly look for workers with cross-cultural experience and advanced language skills<sup>13</sup>. They may also seek out graduates based on the prestige of foreign degrees. As a result, more than four million students enroll in higher education outside of their home countries.

While the cost of university locally can be daunting, it is even more so for UAE families with students pursuing their undergraduate or post-graduate education abroad. The US, UK, and Canada—three of the most popular foreign destinations for UAE university students—rank the highest globally in terms of program costs, above the UAE<sup>14</sup>. All three of these countries register 2% inflation YoY on average as well, according to Statista data; and experts foresee a decrease in educational allowance benefits in these regions, such as government benefits provided based on merit or country of origin.



The cost of living in these countries is equally concerning; even students seeking more affordable, non-general degrees may incur unwieldy costs associated with living expenses in these regions. For example, the average annual cost of living in the UK is USD 16,850, contributing to a total cost of studying of at least USD 31,380<sup>15</sup>. UAE undergraduates studying in New York can expect to spend at least USD 20,400 each year on living expenses alone<sup>16</sup>. In Canada, the average annual university tuition fee is USD 20,600 for international students; The Université de Montréal estimates the annual cost of living for international students is USD 11,327 while studying in the country as well<sup>17</sup>.

Other ancillary expenses associated with studying abroad, such as air travel and long-distance communication, must also be factored in. Parents must create a clear plan that covers these inevitable expenses in addition to the standard costs of education in both the near-and the long-term.



## Strategies You Can Use—Starting Today

Most parents (71%) start making plans for their child's higher education, and 60% start making funding decisions, before their child has begun primary education<sup>18</sup>. Families are advised to start planning as early as possible, but it is never too late to begin saving for your child's education. Starting to save early also reduces the chances your child's education will be jeopardized by unexpected financial hardship, such as the loss of a primary household earner.

If you can, begin by considering all stages of your child's education and factor in costs at each stage. Begin by asking key questions that will help guide your decision making throughout the financial planning process:

- How many children will I support throughout their studies?
- What will be the out-of-pocket costs for my children's K – 12 education?
- Where would I like those children to study as undergraduates, and where would they like to go? A typical undergraduate degree takes four years to complete.
- In which fields do my children show the greatest interest, and in which are they most likely to succeed? Consider the extended education costs for advanced degrees in medicine and law.
- How many years do the programs we are considering last—3, 4, 5 years, or more?

You must also consider the inevitable, unpredictable factors that could put your educational finances at risk:

- How can I protect my children's education, even after an expensive crisis—such as a critical illness or an involuntary loss of employment?
- How can I ensure my children get the financing they need, even if I'm no longer in the picture?
- What personal and financial risks should I consider if my children choose to study abroad?

Don't compromise later for what you fail to prepare for today. Consult with a Bank Relationship Manager to work with you on a particular plan.

Managing and optimizing your savings can be a complex exercise. At MetLife, we understand the financial pressure parents face as they contemplate the cost of education and the financial solutions available to them during early planning. Our banking partners provide families with financial expertise to create a realistic strategy, with simple steps towards achieving their financial goals.

A **Bank Relationship Manager** will help you:

1. Understand and forecast the future cost of education, based on your child's academic goals.
2. Determine a contribution period that works for you, based on your child's academic progress.
3. Create a strategy that factors in uncertainties, potential crises, and other insecurities.
4. Identify the optimal solution—one that mitigates major risk factors and helps you meet your long-term goals, such as education and retirement.



### **Save More by Starting Early—and Finance a Dream.**

The education you provide your child will be the largest contributor to his or her professional success. That's because when your child follows the path of learning he or she is passionate about, that child will be equipped to accomplish any goal. Whether your child chooses to attend university near home or abroad, MetLife aligns your finances with that goal. With hard work and the right support from you, your child can secure his or her future, no matter what life has in store.



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### **Citations**

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