

EDUCATION PLANNING

GIVE THE GIFT OF EDUCATION TO YOUR CHILDREN



PUBLIC MUTUAL
WHOLLY-OWNED SUBSIDIARY OF PUBLIC BANK



One of the many responsibilities of a parent is to provide their children with quality education to realise their full potential as education is the key to one’s future in today’s competitive society. Escalating education costs, coupled with high inflation, makes it crucial for parents to start planning as early as possible.

Start Planning as Early as Primary School

In the past, parents often relate education planning to the attainment of tertiary education. But nowadays, primary and secondary education might be included as part of the education planning process too!

This is because many parents enrol their children in private/international schools from the primary or secondary level for early exposure to the international curriculum before sending them overseas for tertiary education.

Let’s take a look at the estimated tuition fees for private/international schools in Malaysia if you are also exploring private schooling:

	ESTIMATED TUITION FEES PER YEAR ¹ (RM)	TOTAL COST (RM)
Private Schools		
Primary (6 years)	40,000	240,000
Secondary (5 years)	40,000	200,000
Total Tuition Fees		440,000
International Schools		
Primary (6 years)	50,000	300,000
Secondary (5 years)	50,000	250,000
Total Tuition Fees		550,000

¹ The estimated tuition fees are computed based on the average fees charged by renowned private/international schools in Klang Valley; exclusive of other costs such as registration fees, deposits, uniforms & books, extra-curricular activities, etc.

Plan for Tertiary Education

As for your children's tertiary education, you should take both tuition fees and living costs into consideration. The table below outlines the estimated average annual tuition fees and living costs for international students, as well as the inflation rates of education costs in selected countries:

COUNTRY	AVERAGE ANNUAL TUITION FEES ²	AVERAGE ANNUAL LIVING COSTS	EDUCATION INFLATION ³
Australia	AUD30,240 – AUD48,000	AUD20,000 – AUD27,000	5.6%
Canada	CAD23,066 – CAD60,490	CAD15,000 – CAD20,000	4.6%
Malaysia	MYR12,000 – MYR45,000	MYR12,720 – MYR27,000	1.8%
New Zealand	NZD29,700 – NZD39,790	NZD15,000 – NZD18,000	1.7%
Singapore	SGD32,250 – SGD44,770	SGD10,800 – SGD24,000	3.0%
Taiwan	NTD91,702 – NTD114,960	NTD96,000 – NTD180,000	1.8%
United Kingdom	GBP21,100 – GBP35,517	GBP12,000 – GBP19,200	4.5%
USA	USD48,502 – USD60,532	USD12,000 – USD36,000	4.6%

Source: University Cost Guide 2022

² Non-medical courses.

³ Education inflation rates shown are only based on estimates.

Here are the Top 10 Destination Countries for Malaysian Students Studying Abroad:

RANK	DESTINATION
1	Australia
2	United Kingdom
3	Egypt
4	United States of America
5	Indonesia
6	Taiwan
7	China
8	Russia
9	New Zealand
10	India

Source: Project Atlas, supplied by the Malaysian Ministry of Education



Illustration⁴:

Assuming that your child will be pursuing his/her tertiary education in 10 years' time in Australia:

STEP 1

Identify the estimated total living costs and tuition fees today for a common degree.

Assuming:

- Annual tuition fees: \$30,240
- Annual living costs: \$20,000

Annual Tuition Fees

$$\$30,240 \times 3.14^{\wedge} = \text{RM}94,954$$

Annual Living Costs

$$\$20,000 \times 3.14^{\wedge} = \text{RM}62,800$$

Total Annual Costs

$$\text{RM}94,954 + \text{RM}62,800 \\ = \text{RM}157,754$$

[^] Exchange rate: AUD1 is RM3.14

STEP 2

Calculate the estimated total cost 10 years from now.

Assuming:

Attending college for 3 years and inflation rate of 5.6% per annum

(Reference made to University Cost Guide 2022)

RM816,018

STEP 3

Calculate the monthly amount to be invested for the next 10 years.

Assuming:

A constant rate of return of 8% per annum compounded on a monthly basis.

RM4,431

⁴ The calculations in the illustration are derived from the Education Planning Calculator, while the education costs are based on our University Cost Guide; both of which are available on Public Mutual's website. The calculations are based on the liquidation method. You may repeat the same planning process for your other children or should there be a need to plan for primary/secondary schools.

Education Planning: Frequently Asked Questions

1. When is the best time to plan for my children's education?

NOW! By starting early, you will be better prepared to support your children in pursuing their higher education. You can also capitalise on the power of compounding to grow your fund by investing early.

2. Should I purchase an investment-linked policy or invest in unit trust funds to accumulate the education fund?

The main objective of purchasing an insurance is to protect yourself against risks. Therefore, from a financial planning perspective, it is advisable that you purchase insurance for protection purposes, and invest in unit trust funds for wealth accumulation purposes. In fact, you may be entitled to free insurance/Takaful coverage by investing in selected unit trust funds offered by Public Mutual.

3. What do I need to know before I plan for my children's education?

You need to consider factors such as pursuing the tertiary education locally or overseas so that you invest in that country or region to gain exposure to its currency, as well as the type and length of course to gauge the targeted education fund amount. Besides that, it is also important to identify your risk tolerance and investment time horizon before you start investing.

4. What should I do when it is close to the withdrawal time, let's say 2 to 3 years before my child enters university?

You should review your target amount, risk tolerance level and rebalance your investment portfolio accordingly.

For example, when your education fund has grown to the amount that you need over the years and wealth preservation is your main concern, you may take a more conservative approach by rebalancing your unit trust portfolio to increase the weightage towards balanced, fixed income or money market funds.

5. How do I select my unit trust fund investments to take into consideration the required foreign currency exposure?

You may consider investing in a country or regional fund that has exposure to the country your child will pursue their tertiary education in. By doing so, you gain exposure to the currency of the country or region of interest to potentially hedge against foreign currency exchange fluctuations over the long term.

Investing for Your Children's Higher Education

Public Mutual offers a variety of funds that are focused on particular countries or regions. You may consider investing in such funds to gain exposure to the currency of the country or region that you plan to send your children to in pursuit of their higher education.

CONVENTIONAL SERIES	SHARIAH-BASED SERIES
Public Australia Equity Fund	Public China Ittikal Fund
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Investors are advised to read and understand the contents of the relevant Prospectuses, Supplemental Prospectuses, and Product Highlights Sheet (PHS) before investing. Investors should understand the risks of the fund(s), compare and consider the fees, charges and costs involved in investing in the fund(s). A copy of the Prospectus, Supplemental Prospectus and PHS of Public Series of Funds and Public Series of Shariah-Based Funds can be viewed at our website www.publicmutual.com.my. Investors should make their own assessment of the merits and risks of the investment. If in doubt, investors should seek professional advice. Please refer to www.publicmutual.com.my for our investment disclaimer.

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