



CESTNICK

TAX MATTERS

Five ways to pay for a postsecondary education

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One of my daughter's good friends is studying veterinary medicine at Guelph University and is looking forward to starting classes next week. I was asking her which subjects she's taking this year, and she mentioned that she's studying to be a vet, with a minor in taxidermy. "Interesting," I said. "So, if I bring you my sick dog after you graduate, you'll add value and make sure that I get him back – one way or another." One-stop shopping – great idea.

Then we spoke about the cost of an education (especially for eight years, which is how long she'll be in school). I mentioned that there are actually five ways to pay for an education: begging, borrowing, stealing, sweating and saving. Last week, [I shared some thinking around borrowing](#) to pay for an education. Today, I want to briefly chat about the other four methods.

Begging

No, this isn't about standing on a street corner asking for handouts. It's all about applying for scholarships, bursaries, awards, grants, fellowships or stipends. That is, looking for free money to help pay for an education. Start with the

Canada Student Grants Program, which offers up to \$4,200 a year for full-time and \$2,520 for part-time studies (potentially more for students with dependants).

Check out www.canada.ca and type "student grants" in the search field; also try the term "training."

But free money may be available elsewhere, too. Applications for these awards should start up to one year in advance. Take a look at the following websites with opportunities that could be helpful: www.scholarshipscanada.com and www.yconic.com. If you want to get the help of an education consultant, visit www.grantme.ca, and for international scholarships (either international students looking to study in Canada or Canadians wanting to study abroad) take a look at www.educanada.ca.

Stealing

Some parents will help cover the costs of a postsecondary education by stealing from their retirement savings or other assets. While this can make it easier to pay for an education, don't forget that saving for retirement should also be a top

priority for most folks. So, particularly when it comes to taking assets from a registered retirement savings plan, this should be a last resort and something to avoid if possible.

If it's going to be necessary to borrow to help pay for an education, and if you happen to have non-registered investments available, it makes sense to use some of your non-registered investments to help cover the costs of school, then borrow to replace those investments. This way, you can deduct the interest on the loan used for investment purposes.

Sweating

It can make good sense for a student to earn income during their postsecondary years by working in the summer or through co-op work placements. I call this "sweating" to pay for an education. My kids have all participated in co-op work terms. Some college and university programs offer students the opportunity to work during certain semesters and may even help them find jobs by bringing potential employers to the campus.

These co-op programs are fantastic because they allow students to experience, or "test-drive," certain industries to see if they enjoy them. It also allows them to earn as much as \$10,000 or more in each work term. This can go a long way to covering the cost of an education.

Finally, a great place to start if you're looking for a job is the government's job bank. Visit www.jobbank.gc.ca to find opportunities for work in the summer or even during the school year.

Saving

If you're a parent or grandparent, give a thought to saving for your kid's or grandkid's postsecondary education. Start when they are young if you can because, when it comes to the power of compounding returns on your investments, time is your friend.

The place to start is a registered education savings plan. Setting up a family plan for all the kids in a family makes sense for maximum flexibility and so the funds can help more than one child. You can contribute up to \$50,000 a student in a lifetime, and the contributions will attract Canada Education Savings Grants (CESGs), generally equal to 20 per cent of your contributions, to a maximum of \$500 each year and \$7,200 in a student's lifetime. To maximize the CESGs, it's best to contribute \$2,500 a year for each beneficiary as opposed to, say, contributing the full \$50,000 in a single year. The reason, again, is that the government will only pay a maximum of \$500 a year in CESG for each student.

Tim Cestnick, FCPA, FCA, CPA(IL), CFP, TEP, is an author, and co-founder and CEO of Our Family Office Inc. He can be reached at tim@ourfamilyoffice.ca