UNIVERSITY COSTS & HOW BEST TO MANAGE THEM

COOPER PARRY WEALTH

Being a student at university is usually the first opportunity for young adults to learn how to manage their money. Everyone has different financial personalities – some naturally frugal, others more spendthrift – so it can be an eye-opening experience.

Whilst the ultimate responsibility lies with the student, you may want to help them navigate the options and set them up for a valuable learning experience.

SELF-FUNDING UNIVERSITY COSTS

Student loans are available to everyone, to a certain degree, but some families prefer to pay the costs upfront. Even when a student loan is used, additional money from the family to cover living costs will often be needed.

The source of this money could be:

- Parental/family **spare income** and/or **savings & investments**, either as a **gift** or **loan**
- The **student's own investments**, which you may have built up for them (e.g. JISA/ISA)
- Income **distributions from a trust** set up for this purpose, which can be tax advantageous
- The **student's own earnings** from a job they take, alongside studying.

Spending money from their own investments, using their earnings or taking on a loan from the family, may help create an incentive to spend sensibly. You can always replenish their investments or write off the loan further down the line.

Alternatively, you could consider utilising student loans.

MECHANICS OF STUDENT LOANS

For students starting university in Autumn 2025, the loans system is Plan 5[1]. Some details have changed[2], but the overall approach is mostly the same as previous systems.

The key points to note are:

- Any student[3] loan balance that is not repaid **after 40 years is 'wiped'**. Previous government analysis indicated that only 45% of students repay their loans in full[4]. Under Plan 5 the estimates are slightly higher at 52%.
- The **interest on the loan** is levied from the moment the loan is taken, and, under the Plan 5 scheme, the rate of interest is set at RPI[5]. This means that, despite the addition of interest each year, what the graduate owes **does not increase in real terms**.
- Student loans are more like a **graduate tax** than a loan in the normal sense. **Repayment** of the loan only starts from the April after a student graduates and is **earning over £25k pa**[6]. It is usually collected automatically via PAYE[7]. The loan can be overpaid or redeemed at any time.

1 The Plan 5 Scheme was introduced for students starting university from Autumn 2023.
2 Notably the period until a loan is written off has increased from 30 years to 40 years and the interest rate is now set at RPI (was RPI + 3%).
3 This loan information is for English students.
4 House of Commons Library Student Loan Statistics, Paul Bolton 23 June 2021.
5 The interest rate is updated in September each year, based upon RPI in the previous March. It adjusts, post graduation, depending upon earnings.
6 Frozen until 2027 and then it is planned to increase with inflation.
7 For the self employed repayments are made via the tax self-assessment process.

WHAT STUDENT LOANS ARE AVAILABLE?

Students can apply for a **tuition fee loan** to cover their university fees. They can also apply for a **maintenance loan** to help cover **accommodation** and **living costs**. The amount available to a student depends on household income, tapered for wealthy families, as well as where they are studying. The table below shows examples for English students studying in/out of London and living away from home for the 2025/26 academic year.

Loan type	Used for	Studying in London	Studying outside London	Paid to
Tuition Fee	Cost of the course	£9,535pa		University directly
Maintenance	Accommodation & living costs	£6,853pa – £13,762pa	£4,915pa – £10,544pa	Applicant

There is a simple online calculator here: **Student finance calculator - GOV.UK (www.gov.uk)** so you can see what loans would be available.

SHOULD YOU APPLY FOR A STUDENT LOAN?

If you have the choice of self-funding or applying for a Student Loan, the below factors may help with the decision.

1. Future earnings

To make an assessment about whether to apply for the loans on a purely financial basis requires a judgement about the student's **future earnings**, but in most cases, this is hard to predict.

- Taking out a student loan **might be considered 'good value'** if they are expected over the long term to have earnings below or around the repayment starting point of £25k pa, e.g. if a child is not academic/motivated to pursue a highly remunerated career and/or likely to have significant career breaks.
- If they are more ambitious and focused on earning good money, then they may well end up repaying a large proportion/all of their student debt (together with the accumulated interest). In this scenario, having a student loan **may be a more expensive approach** than the family providing the money up front, depending on where this is taken from.

2. Being in the majority

The **vast majority of students have loans** (96% according to a government report[8]). Not having loans at all will put the student in a privileged minority, which you may consider a good or bad thing! That minority may be relatively large at some universities with a high proportion of private school and overseas students, but small at other universities.

3. Appreciation of cost & motivation

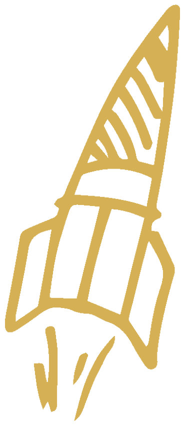
It's important to have discussions about the cost of a degree course to help the student understand and appreciate the costs involved, however it's funded.

Some families may feel that a student having loans and/or using their 'own' money **may help motivate them with their studies**. Others may be impacted negatively, with their financial position creating additional stress/anxiety.

[8] House of Commons Library, Student Loan Statistics Paul Bolton, 23 June 2021. Data is for the 2018/19 academic year.

4. Flexibility

If a student loan is taken out there is full flexibility to **repay early with no penalty**. Some families may offer this as a reward at graduation, conditional upon satisfactory results!



Student loans can be a good option for some families if you want to cover the student's costs, but delaying that short-term cash outflow is beneficial for your own finances.

5. Student experience

Universities usually have a **range of accommodation options,** along with a range of costs – from more basic rooms on corridors with shared bathrooms to spacious rooms with ensuite bathrooms, and even studios. The student loan, especially if tapered, **may only be sufficient to cover the cheapest accommodation option** and little by way of living costs, so it's worth looking into the options and costs before making a decision.

It is also worth considering the **impact of working** whilst at university. Any work experience, even in menial jobs, is likely to be beneficial but draws time away from studies.

- Some students **work during term time** to help cover living costs – in a student bar, supermarket etc. This might be difficult to fit in with studying for some more intensive degrees, but perhaps a good option for those taking degrees with lower contact hours/work submission requirements.
- Alternatively, **working in the holidays** could be an option, to build up some funds for the next term/year, or travel and adventures in the summer.

MANAGING MONEY AT UNIVERSITY

Managing their own money and learning to live within their means is an essential life skill for young adults and university gives them a great opportunity to develop this. Here's how you can help get them started.

1. Create a budget

Think about:

- **Set-up costs** – e.g. bed linen, kitchen kit, laptop
- **Term-time costs** – e.g. accommodation, utility bills, course materials
- **Weekly living costs** – food, travel to/from lectures, nights out, washing clothes
- **Non-term time** – less money will be required if living at home in the holidays, but some accommodation options may need to be paid throughout the summer
- **Ad hoc costs** – trips home or further afield, especially during summer months.

2. Monitoring spending

It is good for the student to get into the habit of **monitoring their weekly spend**, particularly in the first year. How they do this is up to them, whether by a list, spreadsheet or app. Getting into the habit of reviewing expenditure at the end of a term and setting a budget for the next, perhaps with your assistance, is a **good routine that will set them up well for life**.

How much money students require and/or spend varies widely but this process will hopefully avoid the phone calls home in the 7th week of a 10-week term for an emergency top up!

CPW ARE HERE TO SUPPORT

Our Relationship Managers have lots of experience in guiding parents through funding university costs and would be happy to help you with this. If you'd like some advice, please get in touch with your normal CPW contact or message us at:

E: theteam@cooperparry.com

DISCLAIMER

The loan information provided in this guide is for English students.

This information is based upon current UK law and will be affected by changes in law and your residency/domicile status.

Cashflow planning is not regulated by the FCA.

Past performance can't guarantee what investments will do in the future. The value of a portfolio can go down as well as up, so there's a chance you'd get back less than you put in.

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