

Families Will Struggle if Tuition Fee Cap Removed

David White, Chief Executive at The Children's Mutual comments on Lord Patten of Barnes, Chancellor of Oxford University, request to scrap the cap on University Fees:

"Removing the cap of £3,225 on annual fees could prove financially ruinous for many parents who are already striving heroically to provide for their children, not only in childhood but also as they move into adulthood.

"Our research suggests that 57%¹ of parents already have no choice but to retire later because of the cost of supporting their adult children. The reality is that if tuition fees doubled the total cost of attending university for three years could reach £52,248², with this figure rising to £63,167 if tuition fees trebled³. Any parent thinking about sending their child to university in the future will ideally start planning early for how they are going to help fund it.

"By formulating a plan early, parents of young children could avoid having to find significant lump sums for university fees and expenses in the future. This is why we're urging families of small children to plan early and start saving now.

"With three in 10 (28 per cent) parents either remortgaging or planning to remortgage to fund their adult child and more than half of all parents having to borrow money⁴ there is a very real concern that parents could be jeopardising their own financial security to help their children avoid university debt, and an increase in fees will only make this worse.

"We believe the Child Trust Fund offers a ray of hope to parents of younger children. According to our calculations, if families were to save £24 a month into a CTF, it could result in a fund worth nearly £10,000⁵ which could potentially be used to help with the costs of university. However, parents, other family members and friends can all contribute to a child's CTF account up to £100 a month and if this were paid into a CTF every month for 18 years, it could result in £37,100⁶ when the child is ready to go to University.

For more info see thechildrensmutual.co.uk or contact us . . .

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Notes to editors

- The Children's Mutual has a large database of case studies available.
- David White, Chief Executive, The Children's Mutual is available for interviews.

About The Children's Mutual – Home of the Child Trust Fund

- The Children's Mutual's mission is to help parents, grandparents, family and friends fulfil their hopes for today's children.
- The Children's Mutual specialises exclusively in family-focused finance products and is now the choice of more than 1 in 4 parents for their child's Child Trust Fund, with nearly 775,000 accounts.
- The Children's Mutual has won The Moneyfacts Award for Best Child Trust Fund Provider every year since its 2006 launch.
- The Children's Mutual, as experts in savings for children, made a significant contribution to the Government's Child Trust Fund consultation process.
- This expertise has led several financial institutions and family-focused high street retailers to choose The Children's Mutual as their CTF partner including ASDA, Boots, The Co-operative, Lloyds TSB, Mothercare and regional bank and building societies across the UK.

About the Child Trust Fund

- The Child Trust Fund is designed to provide a tax efficient, long term savings vehicle for all eligible young children.
- Each eligible newborn child (born on or after 1 September 2002) receives £250 (£500 for low income families) from the Government when their parents register for Child Benefit. The Government will make a second contribution of £250 (£500 for low income families) when the child is seven and is considering a third in the child's teenage years. Parents, family and friends can all then add to this account up to a maximum value of £1,200 each year.
- The Government's preferred option is a Stakeholder Child Trust Fund Account. All Stakeholder CTF accounts are subject to strict guidelines governing investment type and charges.
- The CTF provider manages the account until it matures or can be rolled into an ISA when the child turns 18.

¹ The Children's Mutual Cost of Children research – Q3 survey by 72 Point of 1484 parents Jan 2010

² TCM figures based on NUS stats. Based on the National Union of Students estimate of the average expenditure for the academic year 2009/2010 of £14,088 including tuition fees of £3,225, adjusted for inflation at an assumed rate of 2.5% a year for each of the second and third years of the course. This amount applies to students resident in England and Wales who are studying outside London. Welsh students may be eligible for a grant (October '09).

³ ibid

⁴ The Children's Mutual Cost of Children Research –Q18 survey by 72 Point of 1484 parents Jan 2010

⁵ This future projected value is based on money being invested every month plus the Government's initial £250 voucher and another £250 at age 7 for 18 years in a Stakeholder Child Trust Fund Account. We're assuming an investment return of 7% a year, and charges of 1.5% of the CTF account value each year. The projected values aren't guaranteed because the value of shares goes up and down. So the final payout could be more or less than this.

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