A SIMPLE GUIDE TO STUDENT FINANCE

It's natural for parents, carers and students themselves to worry about the rise in student debt in the UK, especially when the national average of student loan debt is around £40,000 per student. That's the size of a typical deposit on a first home! Good, well paid jobs for graduates aren't easy to find and the cost of living continues to rise. What is a parent supposed to do?! Encourage their child to sign up to a lifetime of debt, knowing that it may hang around their necks like an albatross for many years to come?

Well, take a deep breath and stay calm, as dig a little deeper into the situation (and put a pair of differently tinted glasses on) and you'll be able to see things in a much more positive light. It may not make you jump for joy but it'll certainly take away a great deal of the panic and worry you might have regarding your son or daughter's student debt levels in the future.

What student loans are available?

There are two types of student loan available: the **tuition fee loan** and a **maintenance loan.** Both will start to be repaid once your child has graduated and started earning over a certain amount..

As the name suggests, the tuition fee loan is there to cover your child's tuition fees. Most universities charge £9,250 per year, so you are looking at a cost of just under £28,000 for a three year course.

The maintenance loan is there to help with living costs, such as accommodation, food, travel, going out etc. The amount your child is eligible to borrow in maintenance loans depends on several factors, including where they will be studying and your family's household income.

To give you a rough idea, if your child will be living away from home (and outside of London), a maintenance loan of up to £8,430 per year is available for households earning £25,000 per year or less.

If you're earning more than this, the amount your child is eligible for will be lower. This means **you or your child will need to make up any financial shortfall to cover these living costs.** Many students, for example, work part-time at university.

If your child is **going to university in London,** the maximum loan amount available is slightly higher (£11,002) to account for the higher cost of living in the capital.

Are bursaries or scholarships available?

Most universities offer various forms of financial support too, particularly (though not exclusively) to students from lower income families. Your child's eligibility for these can also be based on academic ability or if they have a disability.

And the best thing about these? Unlike the loans above, these don't need to be paid back!

Your child should enquire directly to their university of choice to find out what extra support they offer. In fact, this could be something to **ask at an open day,** and might even be a factor when **choosing a university.**

How much will my child have to repay?

It depends...

The tuition fee loan and the maintenance loan are added together to give the total amount they will have to repay (plus interest). The variations mean it's difficult to calculate the exact level of debt your child will graduate with.

However, a typical English student on a three-year course outside of London might expect to graduate with around £35,000-£40,000 of student loans.

There are calculators available online that can give you a closer estimate based on your child's individual circumstances.

When will my child start paying back their loan?

Your child only starts paying their loan back if they're earning above a certain amount.

Loan repayments aren't based on how much your child borrowed, but on how much they earn later.

For full-time students in England, their repayments will only begin once they have left university and are earning £25,000 or more a year (as of April 2018).

If after leaving university, they're not working or they're earning less than this, they don't have to pay anything back until they are doing so. And if they are earning above this threshold, they'll only repay an amount based on what they're earning over this threshold.

Repayments in Wales are the same, but a little different in Scotland and Northern Ireland where the threshold is £18,330.

English and Welsh part-time students may start to repay after the fourth year of study, but only if they are earning more than the repayment threshold.

So the key message here is that students don't start paying anything back until they are earning at least £25,000. They then pay a modest sliding scale % fee per month. In many ways, you may wish to see this as paying a 'student tax 'whilst they are earning, rather than 'paying off a huge debt'. If they have to

stop work for any reason (e.g. to look after children for a few years) , then their payments stop. After thirty years, any outstanding debt is written off. Although the figure isn't formally published, it is understood that only 13% of the student population actually pay their loan back in full. The ones that do pay it all back generally are amongst the top earners in the UK.

The Repayment Plan

Your income per year	Monthly repayments
£25,000 and under	£0
£30,000	£37
£35,000	£75
£50,000	£187

So you can see that if your son/daughter is earning £25,000 or over (up to £34,000) they will have £37 per month automatically deducted from their monthly salary.

Is it worth taking out a loan yourself and giving your child the money for their university education?

Absolutely not! The Student Finance Loan is specifically designed to offer a fair and straightforward way of funding a student through university and then providing a simply scheme that allows them to re-pay the loan over a long period of time. As the majority of students don't actually pay off the full amount of the loan, it's far more cost effective/cheaper for students themselves to pay the loan off, not you!

If you do have any spare cash around, you may need it to help subsidise your son/daughter's living (maintenance) costs. Depending on your total household income, the government

However, if you do happen to have a significant nest egg tucked away, it would be far more prudent to earn interest on it whilst your child is at university, then perhaps help pay towards the cost of a deposit on a home in the future.