

How to avoid falling into education-related debt

Back to school in 2023 dealt many parents a hard financial blow as governing bodies at South African schools estimated fee hikes between 4% and 6% for 2023. With the current state of the economy, many parents were faced with the conundrum of whether or not they will be able to afford their children's education at the start of the year.



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According to a [new survey](#) conducted by the credit bureau, TPN, at the end of 2022, only 62.57% of school fee accounts were settled compared to the 63.75% at the end of 2021, This percentage is increasingly low when compared to the pre-pandemic levels of about 68% in 2018 and 2019.

According to CEO at National Debt Advisors (NDA), Charnel Collins, education-related debt is generally considered a good investment because education can lead to higher paying jobs and a better standard of living. “However, if not managed properly, education-related debt can become a burden, as it must be repaid with interest.”



The rising cost of tertiary education will impact the future of SA's workforce

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To reiterate this point, Collins, made an example where some schools offer a discount if the full yearly cost of school fees is paid upfront. Since the thought of a discount is tempting, parents are likely to borrow this money from elsewhere which in turn could lead to its own financial repercussions which ultimately create a debt trap. “The reality is going into debt to pay for school fees can have serious consequences for your financial well-being,” says Collins.

Collins also referred to another example in the form of student loans. “Many student loans come with high interest rates, which means that the total amount you'll have to pay back will be significantly more than the amount you borrowed.”

Collins says this can make it difficult to get out of debt in a reasonable amount of time. “Additionally, missing loan payments or defaulting on a loan can have a negative impact on your credit score, which can make it more difficult to get approved for other loans or credit cards in the future.”

Once a loan is taken out, it must start being paid back almost immediately, regardless of the financial situation. Collins says this can make it difficult to change careers or take time off work due to continuously making loan payments.

The financial strain that can result from repaying education-related debt can be extremely difficult to deal with for some individuals, especially if they have high monthly payments or are struggling to find a job after graduation. This can eventually affect an individual's ability to make ends meet, save for the future, or make other major purchases.



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Charnel Collins, CEO at National Debt Advisors (NDA)

“It is a much more worthwhile option to consider the long-term consequences of taking on debt to pay for school fees, and to explore other options, such as scholarships, grants, or increasing your income streams, to help cover the costs of your education,” says Collins. She offers some tips as to how parents can avoid falling into debt over their children’s education.

- **Choose an affordable school:** Research and compare the costs of different schools to find one that fits your budget Collins advises. “Consider in-state public colleges or universities, which tend to be less expensive than private schools.”
- **Apply for financial aid:** Financial aid comes in different forms, and can be provided by the government, private organisations, or the school itself. “Your child’s school might have a financial aid system in place, such as scholarships or bursaries, which are designed to help families who are unable to afford the full cost of tuition,” says Collins. There are also many private organisations that offer scholarships or bursaries to help families pay for primary school education. These scholarships may be based on financial need, academic achievement, or other criteria.
- **Earn a passive income:** Given the current economic climate, it may be great idea to have more than one income stream (if one can help it). “There are several ways that you can do this including investing in dividend-paying stocks, renting out property, or using your car as an Uber in your free time,” Collins suggests.
- **Consider alternative education options:** “Consider taking online courses or homeschooling your children. Tertiary students can also consider attending a community college for the first two years before transferring to a four-year institution. Technical Vocational Education and Training (TVET) colleges are typically less expensive than four-year colleges and universities.”

“Education related debt can also delay major life events, such as buying a home or starting a family, as individuals may need to prioritise paying off their loans over saving for these goals. Therefore, it is crucial that even in these tough economic times, to try and make sure you plan your payments properly in order to pay it off as soon as possible,” concludes Collins.