

A degree could cost \$125,000 in 10 years

This amount includes assumed living expenses of about \$83,000 here. In a new six-part series, we look at types of education, costs and investment plans

► Wilfred Ling

TWELVE years ago, Mr Lee Eng Kiat paid about \$80,000 to fund his studies for a Bachelor of Arts degree from a university in Canada.

After adjusting for Canada's inflation and foreign-exchange fluctuation, that figure is equivalent to about \$110,800 today, or nearly 40 per cent more.

The cost of university education has been marching up — and can be expected to continue to do so. In Singapore, the cost will rise with inflation, government subsidy and university policy. These are, more or less, the same factors that drive cost increases overseas. For the three Singapore universities, the government subsidises an average of about 70 per cent of the tuition fees. As a result, studying locally is the most economical option for Singapore citizens and permanent residents.

With little or no subsidy for Singaporeans, an overseas education will require deep pockets.

Not only that, the cost of living in many of the popular destinations of Singaporean students is higher compared with the annual average of \$11,600, or \$967 a month, in Singapore. For example, in Australia, the cost of living averages \$21,600 a year, in part because of accommodation costs.

The cost of an overseas education varies with the type of course and the duration.

The average total cost (tuition fee plus cost of living) for a classroom-based honours degree in Britain, which requires three years of study, is about \$143,000. A similar degree here takes four years to complete.

The reputation and quality of a university make a difference, too. At the Imperial College of London, which is well-known for its engineering courses, the tuition fee for an electrical and electronics engineering undergraduate course is 47 per cent higher than the average cost of a laboratory-based degree course in Britain.

But an overseas education has its benefits, according to Mr Lee, 39, a polytechnic lecturer.

"Having benefited from an exposure to different cultures and education systems, I will definitely encourage my two children to study abroad. With increasing globalisation, such an experience is important for their career and personal development," he says.

Predicting the future cost of education is a complicated affair. The subsidies for Singapore tertiary education depend largely on government policy.

In 1992, Singaporeans and permanent residents (PRs) received 80 per cent of government subsidy for non-laboratory-based undergraduate studies in the National University of Singapore (NUS). Today, the subsidy is 70 per cent.

By my estimates, the reduction in subsidy almost entirely accounts for the increase in tuition fees paid by Singaporeans and PRs over the past 14 years.

The future cost of education also depends on inflation. In Singapore, the inflation rate has been 1.34 per cent a year for the past 20 years.

What this means is that every \$100 of purchasing power in 2004 is equivalent to \$114.25 in 10 years' time and \$130.55 in 20 years' time, assuming an inflation rate of 1.34 per cent.

Unfortunately, university tuition fees could increase faster than inflation. Tuition fees for the past decade at private four-year colleges in the United States rose by an average of 5.7 per cent, or 3.2 per cent a year, after adjusting for inflation.

The cost of overseas education also depends on foreign-currency rates.

Take the Australian dollar, for example. From 1990 to 2000, it depreciated against the Singapore dollar by 27.46 per cent. This was good news for parents whose children were studying there. But to the dismay of many other parents, during the past five years the currency appreciated by 14.85 per cent against the Singapore dollar.

A rule of thumb in forecasting is to add a few percentage points to the historical inflation rate. If the cost of an education is assumed to increase by 6 per cent per year, a four-year local degree could cost more than \$125,000 in 10 years' time — including assumed living expenses of about \$83,000.

This is the first article in a six-part series. Wilfred Ling is a freelance financial writer.



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