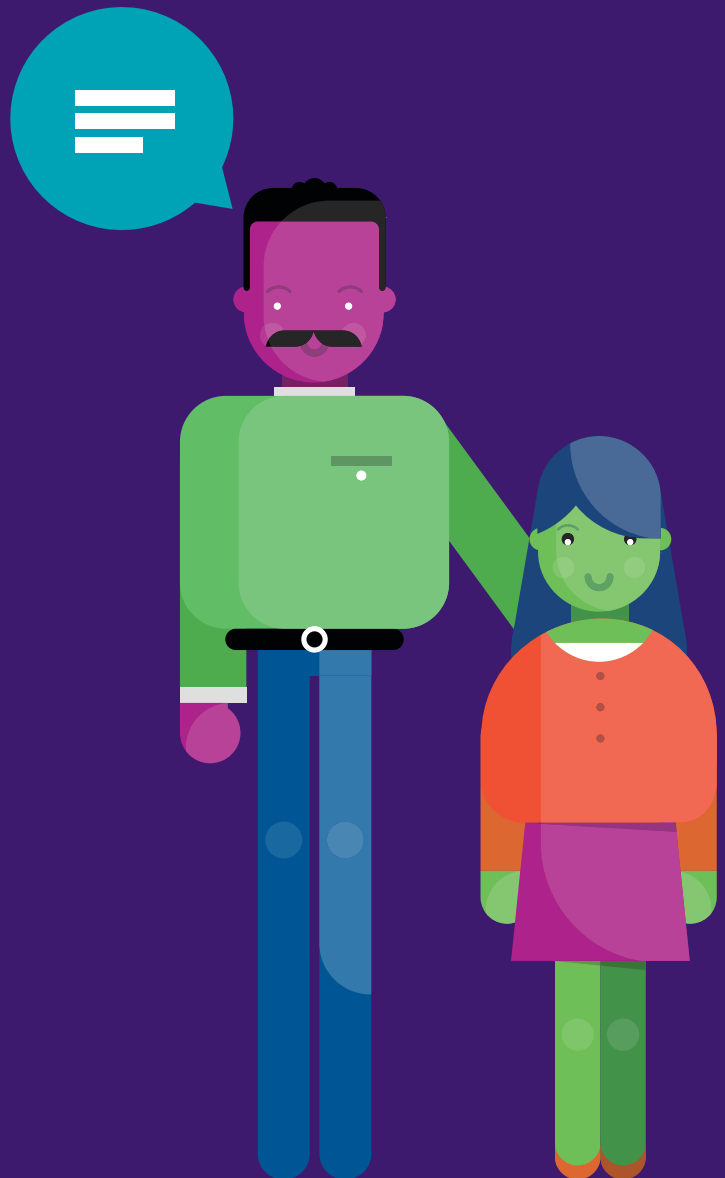


# Aviva Ireland Cost of Education Report







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# Introduction & overview

As the start of the school year approaches and the graduates of Leaving Certificate 2017 make choices about their future education and training, the issue of the cost of funding education is top of mind in households all over Ireland.

The increase in the costs associated with sending children to school and college has been the focus of media attention this summer. But how prepared are parents for this major item of expenditure in the family budget? At Aviva, we have been conducting extensive nationwide research of households for our bi-annual Family Finances Survey. As part of that research, we recently surveyed households about their current spending on education and their plans for funding future costs.

Our findings show that about 1 million households in Ireland incur an average of €700 in educational costs each year. While families are largely prepared for the costs of sending their children to primary and secondary school, third-level education is a financially daunting prospect for the majority of parents.

This is particularly the case for parents of students who must leave home to go to college. These families face an annual bill of

over €10,000 and rising, given the ever upward trend in the cost of renting, especially for those studying in Dublin.

The scale of this financial burden now seems a long way from the free third-level education promised in 1995 when the then government abolished annual fees<sup>1</sup>. The question of how third-level education is funded remains unsettled and with the economic recovery well underway, it is now firmly back on the national agenda as a major public policy issue. The idea of a student loan system was one of three options put forward by the Report of the Expert Group on the Future Funding of Higher Education in July 2016, which was chaired by Peter Cassells<sup>2</sup>.

In our survey, we asked respondents what they thought about the possible introduction of a national student loan system. The results show strong openness to the idea: almost 30% thought it was a great idea while 43% felt it was worth exploring as a funding option.

Our research was conducted by Red C, who polled 1,280 adults in a controlled representative sample between April 26 and May 3, 2017.

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1. In 1995, Niamh Breathnach, the then Minister for Education, announced the government was to abolish annual fees for third level education, stating that 'education will be seen as a right, not a privilege'.
  2. Department of Education, 'Investing in National Ambition – A Strategy for Funding Higher Education', The Expert Group on Future Funding of Higher Education on 11 July 2016.

# Education costs breakdown

Almost 1 million households nationwide spend an average of €690 on education each year. This rises to €838 in Dublin which has the country's highest concentration of fee-paying schools.



Tuition fees are the single largest cost at €617 nationally, accounting for over one-third of annual spend. Average tuition costs in Dublin are double the cost in the rest of the country. The bill for books and learning materials is €226, accounting for one-quarter of total spend. Households expect to spend €151 on school trips, while the cost of laptops and technology is €141.

**46%** of households are **currently spending on education**

## Tuition costs

**37%** of total spend

**€617.93** Average amount (National)  
 Dublin - €940 (7% of HH)  
 Ex Dublin €484 (4% HH)

The **average** annual spend is;

**National** €690  
**Dublin** €838  
**Outside** €632





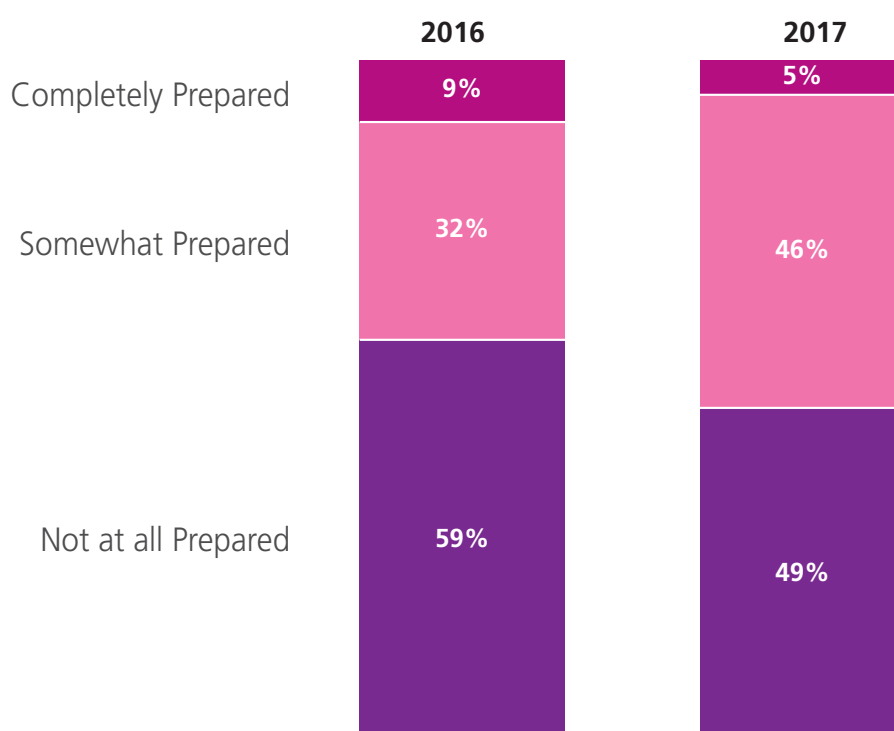
# How **prepared** are families for education costs?

Last October, we asked families how prepared they were to meet education costs. While they were well prepared to fund primary and secondary schooling, 59% said they were not at all financially prepared for the costs of third-level education even though providing their children with a college education was a priority for them in their lives<sup>3</sup>.

Our latest research shows families are now more optimistic on this front with a ten percentage

point drop in the numbers saying they are not prepared to fund third level costs. This improvement in sentiment might in part be due to the timing of the survey (October 2016 and April 2017) but it is also likely to be reflective of the pick-up in the wider economy and in consumer confidence in the interim period<sup>4</sup>.

Our survey found that over a quarter of parents (27%) are currently saving for the cost of educating their children.



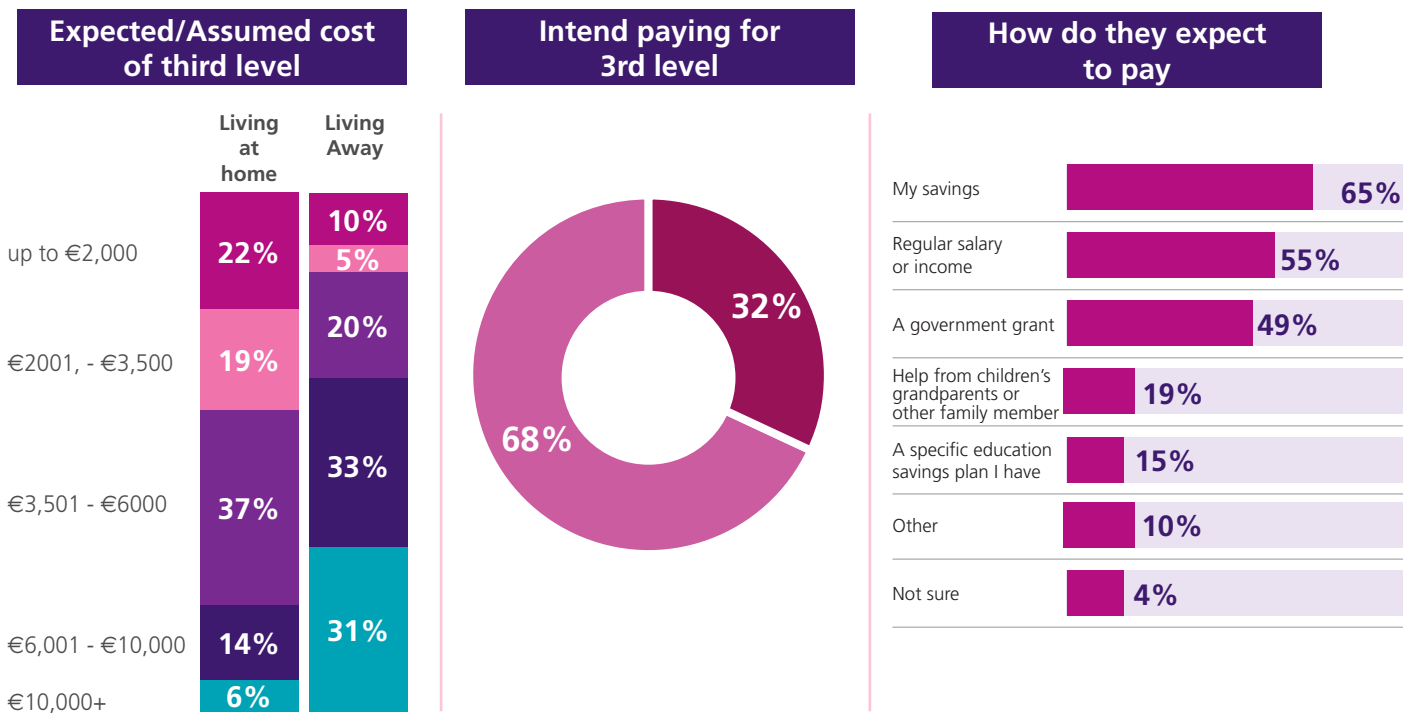
3. Aviva Family Finances Report 2016: Asked how prepared they were to fund third level education, 41% said they were either prepared or somewhat prepared, while 59% said they were not at all prepared.

4. Aviva Family Finances Report 2017: Confidence in the economic recovery was up 8 percentage points. The percentage who said they were in control of their own finances was up 11 points to 64%.

# Education costs: Third Level

The expected cost of financing a third-level student living at home is now just over €5,000 and almost double, at €10,000 if a student is living away from home. The rising costs are undoubtedly impacted by the acute rent inflation nationally and particularly in Dublin<sup>5</sup>. Our research shows that parents are well informed and realistic about the level of expenditure involved in putting a child through college.

Our survey found that 32% of parents intend to pay the cost of their children’s third level education. Of those, 35% have a savings account earmarked for that purpose. The majority expect to cover the cost from a combination of regular savings, salary and other income. One in two families expect to get a student grant, while 18% expect to get help from their children’s grandparents or other family members.



5. Daft.ie 'Irish Rental Price Report Q1 2017': Rents rose nationally by 13.4% and by 13.8% in Dublin in Q1 2017 versus the same period in 2016.

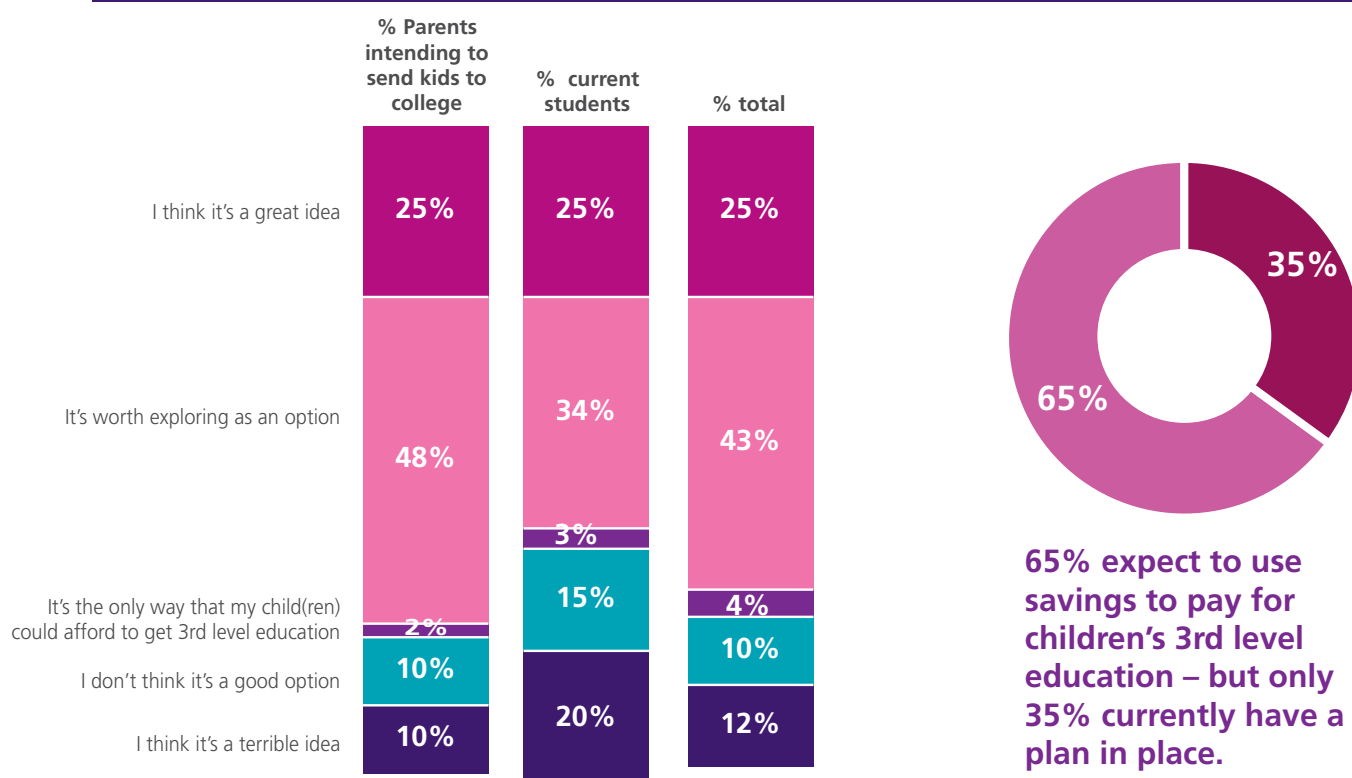


# Savings & Student Loans

Who should foot the bill for the future cost of higher education in Ireland? Three years ago, an expert group chaired by Peter Cassells was tasked with coming up with some answers to this thorny political question. Their report, known as the Cassells Report was published just a year ago. It included the option of a student loan system with repayments by graduates to be contingent on their earned income. The Oireachtas Joint Committee on Education and Skills has been considering the options presented in the Report and over the last year, it has been holding public hearing but has yet to reach a conclusion on a future funding model<sup>6</sup>.

In light of the possible introduction of income contingent student loans, we asked parents intending to send their children to college for their views on the proposal. Three out of four said it was either a great idea or an idea worth exploring. A quarter thought it was a great idea and 2% said it was the only way their children could afford to get a third-level education. While there was greater resistance among students, with 35% against the student loan option - a clear majority (59%) felt it was a concept at least worth exploring. One in four students said it was a great idea.

## Attitudes to Student Loan



6. Oireachtas Joint Committee on Education and Skills discussion, 'Higher Education Funding' on 2 May 2017.

# Summary & Conclusions

In the 1960's, a third of Irish children went no further in the education system than primary level. When he introduced free secondary education in 1966, the late Donogh O'Malley described this as a "dark stain on our national conscience".

This most reforming Minister for Education would surely be proud that 58% of school leavers today progress to third-level education. But while the State continues to provide free education for all, all parents know that the ancillary costs of putting a child through school can be significant. The Aviva 'Cost of Education' Report 2017 sets out to measure these costs and establish how families plan for them. Based on statistically robust polling, our research tells us that for the 46% of families with education expenses, the average annual bill is just shy of €700 but as high as €838 in Dublin.

Our survey found that while most parents had made some provision for primary and secondary education, half of those surveyed admitted they were "not at all prepared" to meet the substantial financial commitment of sending their children to colleges or universities. It is clear that while further education is a high priority for Irish parents, many of them do not have a specific financial

plan to meet this major investment in their children's future.

Meanwhile, five decades on from Donogh O'Malley's transformational reforms, the need for reforming measures is firmly back on the political agenda. All the political parties recognise the need to put the future funding of our third-level system on a sustainable footing. One option under consideration is the introduction of a student loan system. Our research found strong acceptance of the need to examine this idea as a possible solution to the rising cost of third-level education. Almost 30% of all those surveyed thought it was a great idea.

In the meantime, parents sending children to college this September are entering what is arguably the most expensive time in their lives. Our research shows that parents are realistic about the costs they face; it also found that the majority are ill prepared to cope with those costs. The openness our survey found among parents and students to the idea of a student loan system may give our politicians pause for thought and embolden them to make decisions on this important matter of public policy.



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- We are one of Ireland's largest insurers and part of Aviva Group, which has to 33 million customers, across 16 markets in Europe, Asia and Canada.
- Aviva's asset management business, Aviva Investors, provides asset management services to both Aviva and external clients, and currently manages over €403,606 billion in assets.
- Aviva helps people save for the future and manage the risks of everyday life; across the Group we paid out £34.4 billion in benefits and claims in 2016.
- By serving our customers well, we are building a business which is strong and sustainable, which our people are proud to work for, and which makes a positive contribution to society.



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