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Cutting university costs: I lived in a tin shack to curb my student debt

By Stephen Womack

Flying off to Africa to stay in a slum for 20p a night may seem an extreme way to cut your student debt - but Craig Smith reckons it was worth it. The 22-year-old is in the final year of a media studies degree at the University of Westminster.

Hard graft, business sponsorship and thinking creatively means that so far he has covered almost all his course costs and living expenses. His total debt is just over £2,500, a tiny sum compared with most third-year students.

Craig, of Lewes, East Sussex, spent a year working for BT before starting his course. This allowed him to build savings and get sponsorship from the telecoms giant. In return, he has continued to work one day a week for BT, helping it to understand social media.

Work experience with a broadcaster was a vital part of Craig's course. Last summer, rather than fight it out with other students for work in Britain, where living costs are high, Craig took a cheap flight to Kenya's capital, Nairobi, and spent a month working for the BBC's East Africa Bureau.

He says: 'I was staying in the Nairobi slums paying 20p a night in a tin shack staying with friends I had met on an earlier trip.'

Craig's latest plan is to earn extra money by selling his final course dissertation, turning the work into a research project for a company that is willing to pay. ting tougher for those following in Craig's footsteps. The higher new tuition fees of up to £9,000 a year for those starting in September 2012 will mean that, including living costs, students can expect to pay between £30,000 and £50,000 for a three-year degree.

Fiona Sharp, chartered financial planner with Almary Green in Cambridge, says: 'Families are starting to realise that coping with higher education is going to be a major part of their future financial life.' Applications for 2012

courses open this September. Would-be students and their families need to start weighing up options now. Key questions include:

Is university necessary?

For careers such as medicine, architecture and the law, the answer is a resounding yes. But for other jobs, a degree is optional.

The Government says that graduates earn an average of £100,000 more over their careers than non-graduates. But there are signs that the 'graduate premium' has been declining as a growing proportion of the workforce gains degrees.

Once course costs are added, the financial argument for a degree is not so clear-cut. In 2007, after taking A-levels, Emma Young, from Sutton Coldfield, West Midlands, decided university was not for her and joined the local office of accountancy firm KPMG.

Emma, 21, says: 'I had applied to read Spanish and maths, but after a spell in the offices that summer I felt I was ready for some real commercial experience.' She is already qualified as an accounting technician and says:

'By July, I should finish my exams and be fully qualified as a Chartered Accountant.'

By living at home, Emma has been able to build up her savings, and combined with the salary rise for qualifying she will soon be able to afford her own place. She does not feel the lack of a degree will hamper her chances. 'The head of my department also joined direct from school,' she says.

And Emma has found herself supervising some people who left school at the same time as she did but who went to university and who joined last September as graduate recruits.

KPMG has recently unveiled a plan to recruit more school-leavers and pay for them to get a degree.

Where is it best to study?

Tuition fees and living costs vary widely between courses and institutions. It is likely that in time, universities will develop cheaper and shorter courses.

Craig, for example, chose his course partly on cost grounds. It is based at Westminster's campus in Harrow, north-west London. 'Renting a room here costs about £150 a month less than if I was in central London,' says Craig.

He also says the university has a reputation for generous scholarships and Craig successfully applied for £6,000 of financial assistance.

The university applications body UCAS has details of scholarships and bursaries available from each university, alongside course information on ucas.ac.uk.

Should you rely on the Government's study loans?

The revamped student loan system will play a part in most students' calculations (see below). Those starting in 2012 will have to repay their loan at a rate equivalent to nine per cent of earnings above £21,000.

Add tax, National Insurance and contributions to the forthcoming Nest pension scheme, and that means an effective 'tax rate' of 44 per cent on some slices of their earnings.

Sharp says: 'Taking these loans could affect your financial life for 20 or more years and will have a direct impact on the ability to borrow for a mortgage.'

So students and their families might prefer the flexibility to borrow elsewhere. At the moment, it is still uncertain if early repayment of the official student loans will be allowed.

Is it worth saving?

Putting money aside in advance is another way to help tame university bills. Roy Robson, 39, a mechanical engineer, and his wife, Karen, 48, of Rearsby, Leicestershire, are determined to ease the burden of any future

university fees by saving each month on behalf of their son, Jamie, 12.

Karen, a personal assistant in the NHS, says: 'I've been working with a couple of recent graduates and you see them starting their working life drowning in debt. I don't want that for my child.'

She pays £25 a month into a Jump savings plan, which buys shares in Witan Investment Trust. She started about eight years ago and has already built up a holding worth more than £2,000.

Can you get someone else to pay?

Sponsorship and bursaries from employers and charitable bodies will become increasingly prized. But payments are usually linked to study in specific subjects, for example engineering. The Armed Forces have a range of bursaries and grants, conditional on a minimum period of service after graduation.

KPMG will from September hire school-leavers and pay for them to get an accountancy degree. The students will combine paid on-the-job training with spells of residential study at Durham University. All tuition fees will be covered as part of the package, which includes a starting salary of up to £20,000. The six year programme will lead to both a degree and a professional accountancy qualification.

Is it worth moving to Scotland or Wales?

Those with big families living in England could consider becoming permanently resident in one of the other home nations.

The Welsh Assembly has ruled that students from Wales will get extra grants to pay the bulk of their tuition fee costs for study at universities throughout Britain. Students will be able to claim the difference between the current fees of £3,290 (plus any rise in inflation) and the new higher annual fees.

The Scottish government is still discussing options for how it will finance universities in 2012. But it has pledged that Scottish students will continue to pay no tuition fees to study on approved courses in Scotland.

CRASH COURSE IN FEES: How a loan of £24,972 is cleared after 25 years at a cost of £46,700

The new rules will see tuition fees rise to between £6,000 and £9,000 a year, depending on course and institution. These upper limits will increase in line with inflation.

Students can borrow the entire cost of their fees from the Government and can take out loans of at least £2,763 a year for living costs.

There will also be grants towards living costs - students from families where the household income is below £25,000 will be eligible to a maximum of £3,250 a year.

All loans, whether for fees or living costs, are repaid in the same way after university. Money has to be repaid whether a student graduates or not.

Interest on the loans will accrue from day one of the first academic year. But repayments begin only once someone starts work and is earning more than £21,000 a year. The repayment will be 9p in the pound on all income above £21,000.

The interest rate on the loan will depend on how much someone earns. While they are still studying or earning less than £21,000, the outstanding debt will grow in line with the Retail Prices Index. At £21,000, the interest rate starts to increase. It will gradually grow from RPI to RPI plus three percentage points between £21,000 and £42,000.

This means that the more someone earns, the more they will repay but the faster their debt will grow. Debts will also roll up if you take a career break, for example to bring up a family.

Take a simplified example of someone who borrows £8,000 a year at university. Assuming inflation is constant at two per cent, they will graduate with a £24,972 debt.

Say they start work on £18,000, increasing by £2,000 each year in employment. After ten years, their salary will have climbed to £36,000, the outstanding debt will be £27,052 and they will have paid back a total of £5,760. After another five years, our worker's salary has grown to £46,000, meaning yearly repayments are £2,250. The total repaid is

£15,210 but the outstanding debt is still £23,905.

The debt is cleared 25 years after our employee starts work, with total repayments of £46,700. Outstanding loans are written off after 30 years.