Finances

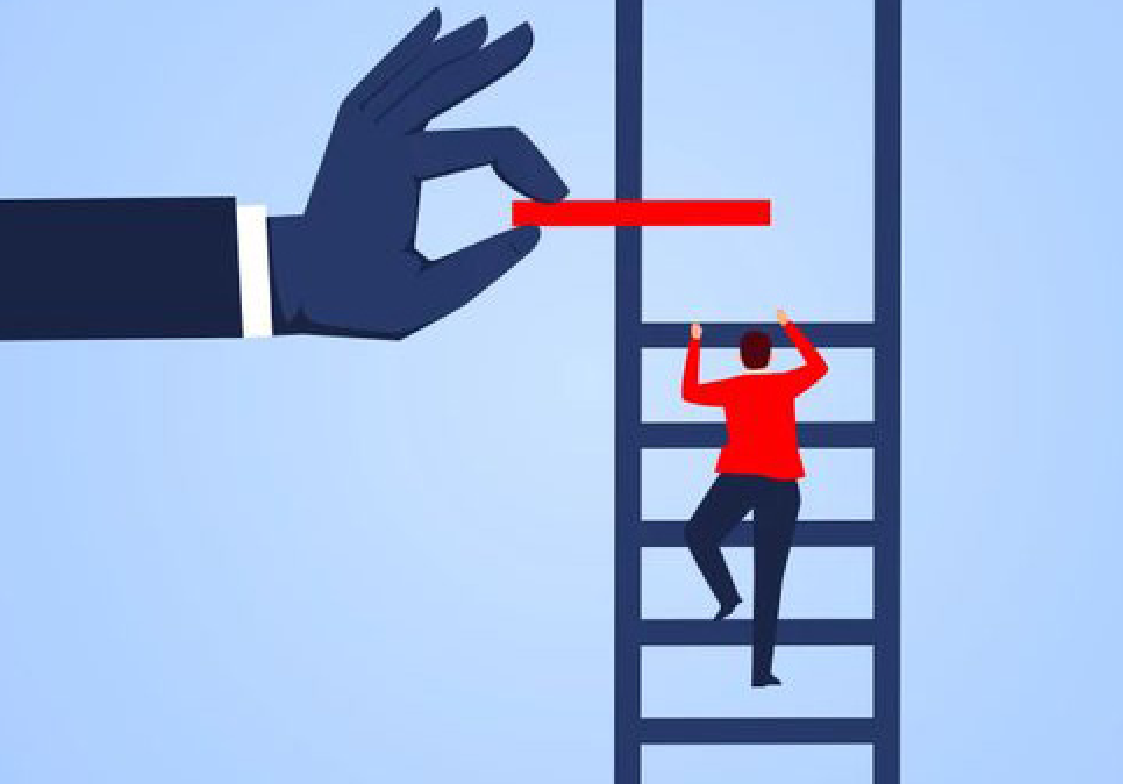
2023-2024

ME SPEDE

STAMFORD

School Fees Funding Guide

ME SPEDE



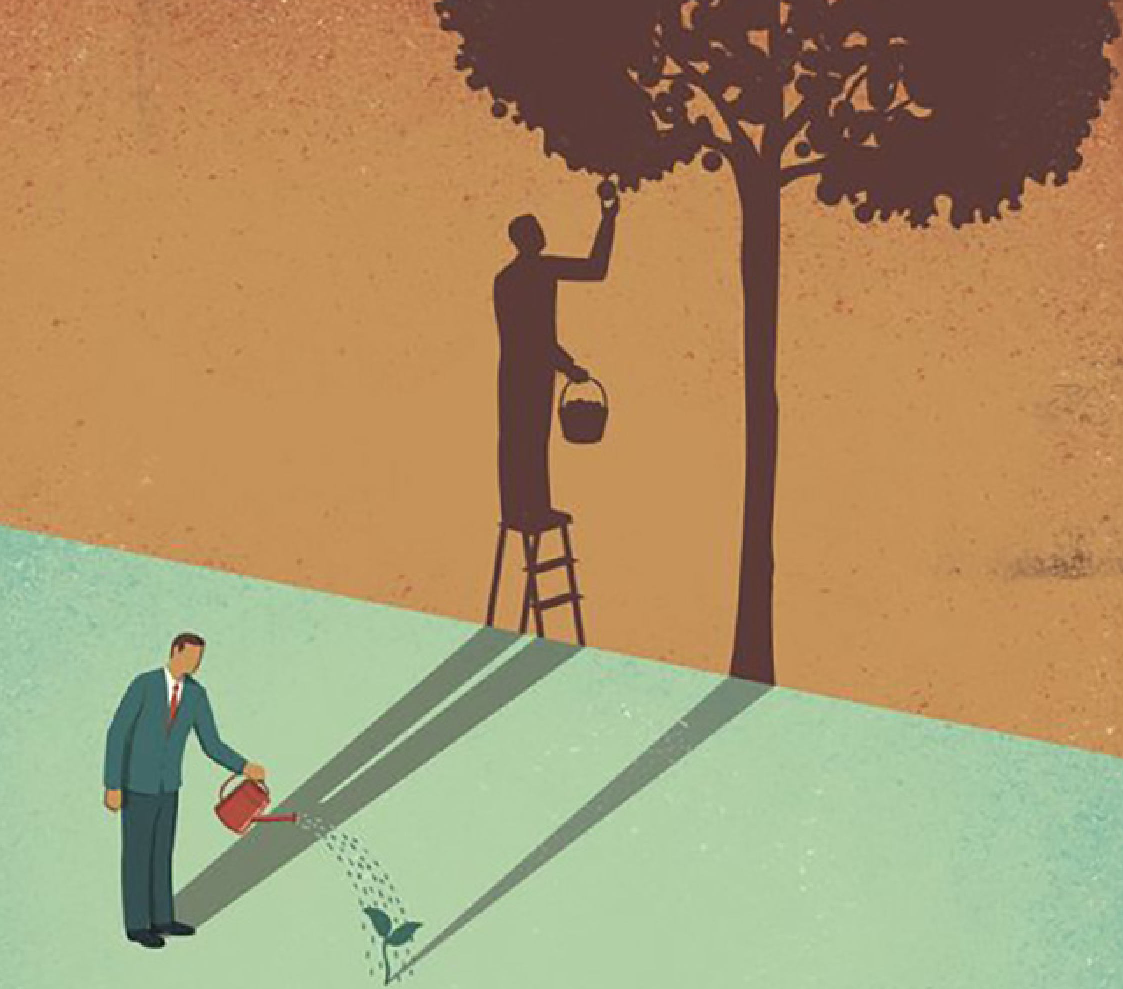
Welcome to Stamford Schools

While we do everything we can at Stamford to keep our fees as affordable as possible, while also offering the educational experience that parents and students expect, we are very mindful that school fees are a significant commitment for families. Unfortunately, there is no magic bullet that makes fees cheaper, but there are some options that can help spread the cost, or allow families to manage the payment of fees in a tax efficient manner.

The School is not able to give parents financial advice, but in this leaflet we have partnered with Landmark IFA Ltd to provide some guidance on funding options. Then in the second section, the Bursar explains the schemes that the School offers to help with fees.

We hope you find the information helpful.

Will Phelan
Principal



School Fees Planning

Neal Ince - *Landmark IFA Ltd.*

After the purchase of a home, school fees can be the largest financial commitment that parents make. The funding of school fees should be considered in relation to the overall financial situation of the person paying them and just as everyone's situation will differ, so will the most appropriate solution.

Like the old proverb about the best time to plant an apple tree being 20 years ago, I am afraid that, bluntly, the best time to start thinking about paying school fees was a number of years ago. Paying for school fees from income is the least efficient way of doing so, as tax relief is not available. It's better to save and invest well in advance and/or, if possible, get support from family members.

INVESTMENTS

Investing early allows the funds to benefit from compound growth before they start to be used, so the sooner one starts saving the better. That way, more of the fees are paid from the growth and less from the amount you invest. Making regular contributions to investments means that you can use the effects of pound-cost averaging, buying into the investment at different prices throughout the term, to help offset any stock market volatility.

Creating a financial plan can help achieve your goals and overcome issues such as having overlapping fees when more than one child is at school at the same time. When planning, also consider that school fees may rise by more than inflation and your income each year.

There are many different types of assets that one can invest in as part of a financial plan to support the payment of school fees, such as shares, funds and structured products.

Historically, investments in the stock market have grown by more than investments in cash, which struggles to beat inflation. Always consider that stock market investments should be made with at least a five-year time horizon, preferably longer. When making any investments, you should always consider the level of risk and volatility that you are able to accept and an IFA would be able to help you define the level of risk you would find acceptable.

If investing in the stock market, consider converting the next year's school fees into cash in advance, so that any drop in the markets doesn't have an immediate effect on your investments. Please be aware that the value of your investments can fall as well as rise and that you may not get back the full amount invested.

As important a consideration as the type of asset is the investment vehicle, or wrapper, in which it is held. Tax-efficient wrappers allow the investments held within them to grow more, as they are not subject to the same taxes as an investment that is held outside of one.

Individual Savings Accounts (ISAs) are probably the best known tax-efficient wrapper. Adults can save up to £20,000 a year and receive any growth, dividends or interest free of tax. Children can have a Junior ISA and save up to £9,000 a year. Stocks and Shares ISAs and Cash ISAs are the two most common types.

Not as tax-efficient as an ISA but capable of having more invested within it in one year, an onshore investment bond offers a straightforward, tax-efficient investment solution for those looking to invest a lump sum for school fees planning. Grandparents can invest a lump sum into an investment bond and place it in trust, naming themselves (and possibly the parents) as the trustees and the children as the beneficiaries. Bonds are usually split into a number of policy segments. Individual policy segments could then be assigned to the child and encashed to pay for the school fees each term.

Venture Capital Trusts (VCTs) are very high-risk investments but carry significant benefits such as tax-free dividends and growth, along with an income tax rebate of up to 30%. They may be worth considering once other options such as ISAs have been exhausted, according to individual circumstances.

Where you have not been able to build up an investment pot before your child starts at school, there are some options that you may wish to consider.

ACCESSING YOUR PENSION

Depending on your age, it is now possible to access your pension from either age 55 or age 57. One can normally take up to 25% of the value of your pension as a tax-free lump sum, up to the limit of the lifetime allowance. The rest of the pension could remain invested to provide an income in retirement. Whilst this might seem an attractive option, it's recommended that using a pension to pay for school fees is one of the last options to consider. This is because pensions have other advantages, such as normally sitting outside of your estate for the purposes of Inheritance Tax (IHT).

TRUSTS

If you are fortunate enough to have relatives who can help fund fees you may wish to consider doing this through a trust. Family members could set up a trust fund for a child, from which the trustees could realize funds to pay school fees. This should result in there being no tax to pay, so long as the income generated by the investment is within the child's personal allowance (£12,570 for this tax year) and any gains are within the child's Capital Gains Tax allowance (£6,000 for this tax year 2023/24, reducing to £3,000 from next tax year 2024/25). There are different types of trust to consider, so advice should be taken before making any decision. Trusts can also be used to assist IHT planning.

GIFTING

The payment of school fees can be used to reduce IHT liability. Everyone has an annual gift allowance of £3,000 which can be used to reduce the value of your estate. Four grand-parents could therefore each gift £3,000 a year to contribute £12,000 to school fees. The amount given away would then no longer count towards their estate.

Grandparents could make lump sum gifts to help with school fees and provided they live for at least seven years after making the gift, the amount will not be included as part of their estate for the purposes of calculating IHT. The amount they can give is unlimited.

Those fortunate enough to have an IHT liability and surplus income could also use the 'gifts from surplus income' provision to fund school fees and mitigate their IHT exposure.

Always clarify in writing if sums are gifts or loans and keep records of this, in order to be able to satisfy HMRC and also to avoid any potential for family disputes. Records should be kept with the donor's Will.

REMORTGAGING

Parents might also consider remortgaging part of the value of a property to fund school fees, which would have the benefit of providing the funds when required, whilst potentially spreading their cost over a much longer period. Equity release schemes are also available. This could be combined with either investing the released funds until they are needed to pay the fees, or by taking advantage of the School's fees in advance scheme that is explained below. An IFA will be able to assist with remortgaging or equity release advice.

PROTECTION

Having made a robust financial plan that covers payment of the school fees, it would be wise to consider what would happen in the event that the person paying them were to contract a serious illness or to die. Would payment of the fees be affected? It's possible to take out Life and Critical Illness insurance policies that pay a lump sum, or Income Protection and Family Income Benefit policies that pay out a regular monthly income, in the event of serious illness or death. Redundancy is another life event that could derail a financial plan and whilst limited, there are options to insure against this.

DIVIDEND DIVERSION SCHEMES

Finally, you may have heard of Dividend Diversion Schemes being used to fund school fees by owners of managed companies. HMRC advises against using these schemes as it does not believe they work from a tax avoidance perspective when the owner of the company is a parent. They may work where an existing company is owned by a grandparent, as any shares gifted would be a genuine gift rather than an indirect gift by a parent. Anyone considering a scheme such as this should take independent tax advice. Note that tax-planning is not regulated by the Financial Conduct Authority (FCA).

Finally, Landmark IFA Ltd is a multi-disciplinary independent financial adviser and discretionary fund manager, managing in excess of £750m of clients' assets. Established in 2003, we have been advising clients in Stamford and the surrounding areas for more than twenty years. If you'd like to discuss anything regarding your financial situation, and payment of school fees in particular, I'd be happy to meet you for a no-obligation conversation.

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Independent Financial Adviser

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LANDMARK
IFA LIMITED

How The School Can Help

Dr. Dean White - *Bursar, Stamford Endowed Schools*

There are three main ways that the School is able to assist with fees. The first is *bursaries*, the second *hardship awards*, and the third is the *fees in advance scheme*.

BURSARIES

Bursaries are discounts against school fees that the School offers to families who otherwise would not be able to access a Stamford education. Despite the "Endowed" in our name, the School unfortunately has limited funds available to support bursaries and therefore we are only able to offer a few into each year group.

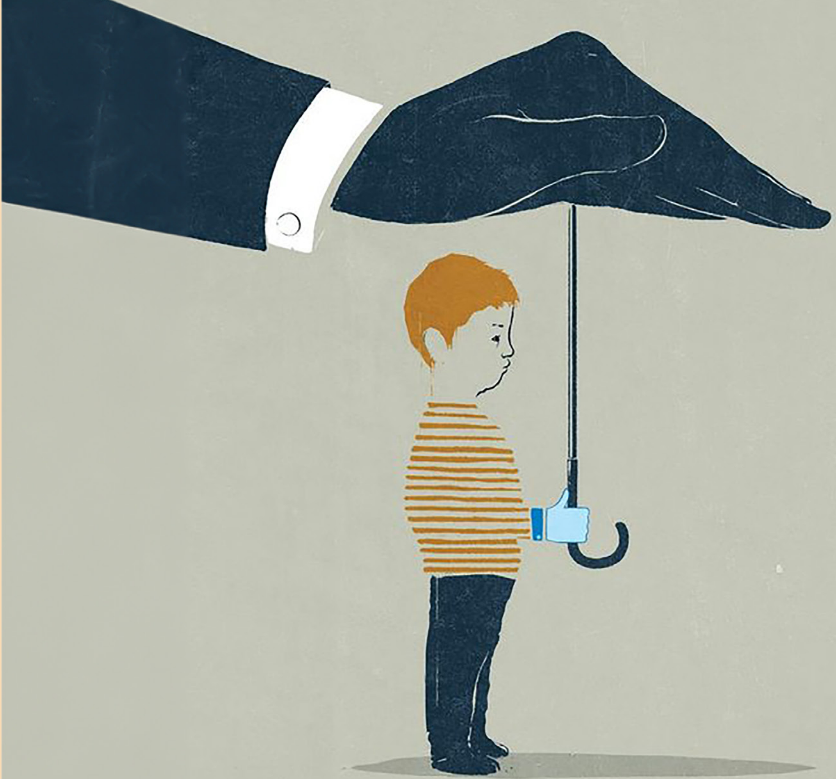
Families typically apply for a bursary when they enter the senior school in Year 7, Year 10 or Year 12. The process is fairly simple, in that we ask a family to provide details of their financial position using an on-line application form; we'll also request copies of bank statements, pay slips etc to confirm the details you've provided. The bursary applications are then reviewed; often we will not have to ask further questions, but in some cases we will appoint an independent accountant to visit you at home to further understand your financial circumstances.

Once the reviews are completed we contact successful families and make the formal bursary offer. Bursaries can range from 20% up to 105% of fees (in which case we also support families with some expenses such as uniform).

It is not possible to give hard and fast rules on who qualifies for bursaries, as every family has unique circumstances. But generally, we are not able to offer bursary support to families with household income of £70,000 or more.

Bursaries should not be confused with scholarships. Scholarships are awarded to students who show strong academic potential or have a particular talent for sport, music, drama or art. A number of years ago we moved to the position where scholarships do not have a financial discount for students joining Year 7. A bursary student can be awarded a scholarship and vice versa.

Details on how to apply for a bursary are available from the admissions department at the time of application.



HARDSHIP AWARDS

Each year the School puts aside a pot of money to provide temporary support to existing families who experience life changing events while their children are at the school. Very regrettably each year we have families who suffer a bereavement, who have to stop work due to ill health, that are made redundant, or who divorce. These sudden and unexpected changes very often impact the ability to pay fees.

If we can the School does look to help in these circumstances, however our ability to cover all these eventualities is limited. The School will focus its hardship awards on students in key year groups, and the awards are only ever temporary (often only for long enough to arrange a transfer to another school). In some cases, it is possible to consider offering a longer term bursary to these families, but that cannot be guaranteed.

The School very strongly recommends parents consider how they would pay fees if something dreadful were to happen. This might be by building up a separate pot of savings, or by having insurance to cover death, critical illness or redundancy. We cannot recommend any particular product, but there are plenty available online, or an IFA would be able to help you.

As a connected aside, the School also recommends that parents arrange contents insurance for expensive items that children bring into school, such as musical instruments, sport equipment or computer equipment. This can easily, and fairly cheaply, be added to your house insurance.

Families that are experiencing hardship should contact the Bursar or the Head as soon as possible.

FEES IN ADVANCE SCHEME

The fees in advance scheme is available to families at any stage in the School. Briefly the scheme works by you buying credits upfront against future invoices. By paying up front we are able to offer a discount; which is currently 3%. So as a very simple example, by paying £30,280 up front, a family could benefit from a £3,500 credit each term for the next three years – a total discount of £31,500 for £30,280 paid up front.

Unfortunately, the fees in advance scheme does not protect you against fee inflation. So for example, you cannot pay say £100,000 now and guarantee that is all of the fees covered from Year 7 to Year 11. But estimating how fees might increase over your child's remaining time at Stamford we can try to calculate a fees in advance payment that should roughly cover the total fees. If fees then increase by more or less than we've estimated you might have an amount to pay at the end or may even be due a refund.

But the fees in advance scheme does not require parents to cover fees in total. We are able to accept advance fee payments of £30,000 or more; so the scheme might be worth considering if you have some spare cash available. As the discount we pass on is not liable to tax, paying up front could be a more attractive option than holding cash in high street savings accounts for higher rate tax payers.

Details on the Fees in Advance Scheme are available from the Finance Department at finance@ses.lincs.sch.uk.

OTHER SOURCES OF FUNDING

For some families there are other sources of funding that you may wish to explore.

The most obvious one is the Continuity of Education Allowance ('CEA') that is available to military families in certain circumstances. The CEA covers the majority of the fees for children in boarding, leaving parents to fund just 10% of the headline fees. A similar scheme is also available for some families who work at the Foreign Office.

There are also a number of bursary scheme that support families with fees, in quite particular circumstances. For example, there are funds that help support families of soldiers, seamen, doctors, or people working in the motor industry. These funds are often temporary and for small amounts, but they may help.

Here is a link to a list of funds: Find a Charity - ETF (educational-grants.org).

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