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Parents' eye-watering education bills don't end with school

With university costs on the rise and tuition debt smashing the borrowing capacity of first-home buyers, helping kids get started in life has arguably never been more expensive. Plan and save early, experts say. We've also found the most generous scholarships available.

For Bridget Johns, 41, it was her parents' decision to pay for her to attend university that shaped her plan to follow the same path with her own kids.

Her parents paid for her board, living expenses and her tuition fees for the first two years of her four-year degree, while Johns paid for the rest of her tuition fees upfront using savings from a part-time job, rather than using a government loan, which allowed her to leave university without any debt.

Johns says it gave her a financial head start in life. "Not having a HECS debt has been really beneficial for me," says Johns, who runs her own business as a grant writer and professional organiser.

Not having a HECS debt gave Bridget Johns a financial leg up. **Adam Meyer**

She and her husband plan to adopt the same strategy for their two children, who are aged 12 and 10.

Parents have always gone to great lengths to ensure their kids get a good education. Studies suggest that private school fees are often the last to go in any cut to the family budgets.

Aside from school fees, university has become a far greater financial burden than in the past, and not just because degrees are more expensive. The return of inflation has added thousands of dollars to tuition loans and the decision by banks to factor outstanding tuition debt into mortgage lending is feeding into the already dire situation for first-home buyers.

In the US, where student debts are eye-wateringly high, Democratic vice presidential nominee Tim Walz notably removed $135,000 from his retirement savings last year to pay for his daughter's college education.

Financial advisers say Australian parents are increasingly contemplating financial support beyond high school.

Watson Wealth managing partner Elliot Watson says he's having more conversations with parents about the cost of university and whether the bank of mum and dad ought to step in. "In most cases, they're willing to help support the financial security of their child now and into the future," he says.

How the numbers stack up

Tuition fees today are a far cry from what they were when Johns graduated from university in 2004. Twenty years on, students starting a three-year bachelor of arts or commerce in 2025 will pay $50,976, while a five-year law degree comes in at $84,960.

If your child moves away to attend university, on-campus accommodation fees also vary, with costs at the Australian National University (ANU), University of Sydney and the University of Melbourne ranging from $276 to $1075 a week.

The most expensive options include all meals, and terms typically run for 40 to 44 weeks a year, equating to an annual cost of $11,592 to $45,150.

Of course, for many parents helping kids through uni will follow years of paying private school fees. Data from education bonds provider Futurity Investment Group puts the average cost of 13 years of private school in Australia for a five-year-old student who started school this year at $316,944 – or $24,380 a year.

Based on these estimates and averages, parents with two kids could be looking at a bill of over $850,000 for:

- 13 years of an averagely priced private school ($633,888)
- Tuition fees for two bachelor of commerce degrees ($101,952)
- Living at a fully catered ANU residence for three years ($131,520)

But while junior school fees for elite private schools in Sydney may start close to the $24,380 a year average, senior year fees are typically north of $40,000, with fees for top Melbourne schools not far behind.

Parents paying for two kids to attend an elite Sydney private school for 13 years ($977,408), two five-year law degrees ($169,920) and five years of on-campus accommodation at a storied University of Sydney private college for two ($451,500) will be facing a total outlay closer to $1.6 million.

Of course there are cost savings to be had, such as opting for a public primary school, which reduces the private school outlay to six years, or spending money on tutoring to help your child secure a place at a high-performing selective government high school.

Another option is attending an institution close to home and, while university tuition fees can't really be avoided, they can be deferred through the Higher Education Loans Program (HELP), also known as HECS (the Higher Education Contribution Scheme).

Best debt?

Because HELP loans have historically been indexed to inflation rather than attracting interest they earned a reputation – especially among older Australians – as some of the best debt you can get.

But that was before tuition fees increased and inflation soared.

Changes introduced by the Morrison government in 2021 more than doubled tuition for some popular degrees while cutting the cost of others.

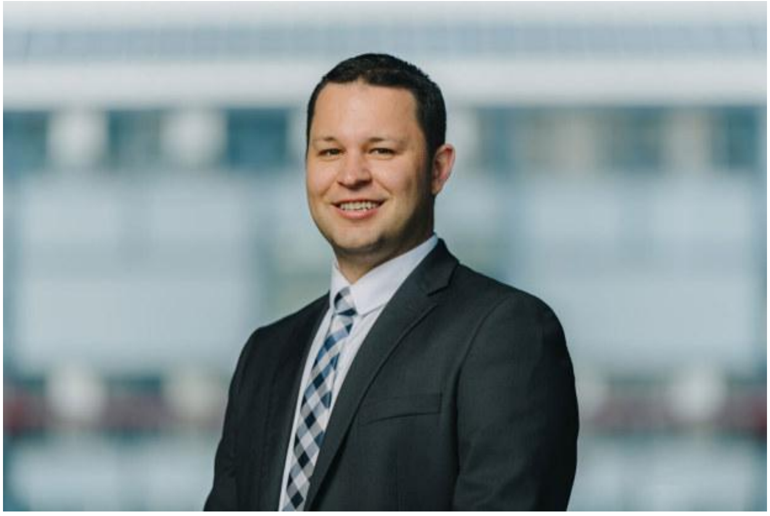
But the bid to use cost to encourage students into fields of study with skill shortages has failed – research subsequently found that degree cost only influenced 1.5 per cent of students when they were deciding what to study.

The reality of this change means that kids studying commerce or arts degrees are paying significantly more than in the past.

Rising inflation also hit HELP hard – in 2022-23 HELP loans were indexed by 7.1 per cent and by a further 4.7 per cent in 2023-24. Watson says these rapid increases led to an uptick in questions from clients concerned about their children's debts.

"That definitely got people's attention, as it appeared as more of a compounding interest snowball rolling down the hill where HECS was becoming a big burden on their children," Watson says.

HECS indexing was subsequently cut to 3.2 per cent and 4 per cent for 2022-23 and 2023-24, respectively, after the retrospective application of a change that will now mean uni loans are indexed based on whichever is lower of the consumer price index or the wage price index in the future.



Financial adviser Elliot Watson says parents are increasing paying off uni debts or providing home deposits for adult kids.

Watson tells concerned clients that HELP is still one of the cheapest loans available. But even if they are not looking to help out with tuition fees, many parents are looking to foot the bill for uni in other ways, such as buying a car or helping with the cost of a share house or on-campus accommodation.

If they paid their tuition upfront rather than using HECS, students previously received a 10 per cent discount. But that concession was canned by the government from January 1, 2023.

As a result, First Financial principal James Wrigley says other than saving on the indexing, there isn't much in the way of incentives for students (or their parents) to pay as they go, and he is noticing more parents getting their kids to use HELP, but then paying off the debt for them later.

This trend is undoubtedly driven by the impact that rising HELP debts are having on the ability of young people to buy their first home.

While the average HELP debt sits at $27,640, the number of students with debts of more than $50,000 increased from 23,664 in the 2010-11 financial year to 480,470 in 2023-24.

HELP debts need to be repaid once someone is earning taxable income of $54,435, a figure that includes employer superannuation contributions.

With the average graduate starting salary in the mid-$70,000s, this means many young workers begin repaying their HELP debt as soon as they start full-time work.

HELP repayments are taking a toll on the ability of graduates to save for a home loan deposit, while the outstanding debt also impacts the amount they can borrow.

“Lenders consider all liabilities, including HECS. So when you're assessing a person or a couple's ability to service a loan, the less debt and the more income they have, the greater their borrowing power,” Watson says.

“Like any loan, it's a liability, and it weakens your position and makes it harder to borrow money.”

Watson has also noticed an uptick in conversations with parents wanting to either give their children the money for a home loan deposit to negate the HELP debt burden, or pay off a HELP debt to increase their borrowing power.

A spokesperson for mortgage broker Lendi says the company has also seen an increase in parents paying off HELP debts for first home buyers to enable them to borrow more.

Lendi calculates that a graduate with a $30,000 HELP debt earning $1499 a week would be repaying $57.50 a week towards the debt. This would reduce their borrowing power by $27,000.

“This buyer’s borrowing power would be $88,000 to $102,000, but without the HECS debt it would be $116,000 to $129,000,” the Lendi spokesperson says.

How to cover the costs

To fund university expenses for her and her brother, Johns’ parents chose to send them to a public rather than private school in Adelaide.

Her parents were both high school teachers – one in the public system and one at a private school – and she says they decided that while there are “differences in networks and connections, they noted the actual education level and the teacher skills were no different between the schools”.

Johns now lives with her family on a farm on the Yorke Peninsula in rural South Australia and after considering private boarding school in Adelaide, they instead opted for the local public school, a saving that will be put towards university costs.

To finance her kids’ future uni studies – which she says could run at more than $100,000 each once tuition and living away from home costs are factored in – Johns also encourages family and friends to gift her kids money for celebrations, which is invested by their grandparents on their behalf.

Johns and her husband have also bought a share portfolio in each of their children’s names, the proceeds of which will be put towards university.

Following her parents’ model, she says paying for uni will be conditional on her children passing their subjects, and they will be encouraged to work, save and budget to enhance the financial springboard their parents are providing.

Another option available to students are university scholarships. All universities offer a range of scholarships, varying in value and criteria, including those for academic achievement, leadership, sporting success, disadvantaged students, Indigenous students and those from rural and regional Australia.

Tribeca Financial chief executive Ryan Watson says clients saving for education costs – be they school fees or uni – typically fund them by saving, buying tax-effective education bonds, or building up equity in their home and drawing down on this using an offset account.

He adds that if parents choose to pay for uni rather than private school, it gives them a longer timeline over which to accumulate the funds.

Watson recommends clients wanting to cover costs for their kids – or grandkids – consider establishing tax-effective future funds, which can be used to assist with purchasing a first car, funding a home deposit or for educational purposes.

Investment bonds (which include education bonds) are a popular option among Watson Wealth clients, while some choose to establish tax-effective investment accounts supported by regular savings plans, invested from the child's birth.

But Watson warns parents not to sacrifice their own financial wellbeing to assist their kids. A common example he sees is clients that buy an investment property, but let their children live in it rent-free while they're at uni.

"Most, if not nearly all, clients, have limited funds, so you're always looking at the trade-offs of what else you can do with that money," he says.

"We have some challenging conversations where parents will self-sabotage themselves in order to help give their children what they believe might be a better start."

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Elliot Watson

Elliot Watson is the founder and Managing Partner of Watson Wealth, a family-owned comprehensive wealth management business designed to support clients through every stage of life. A Certified Financial Planner (CFP®), Elliot combines deep technical expertise with a genuine passion for helping people build wealth, protect their future, and make confident financial decisions. Known for his personalised approach, he takes the time to understand each client's unique goals and tailors' strategies to fit their journey. Beyond his professional work, Elliot is committed to lifelong learning and giving back—whether through teaching financial literacy, community support, or contributing to policy discussions that shape the financial wellbeing of Australians.

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