



# SCHOOL FEES AND HOW PARENTS PAY THEM

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September 2010

## Why ask the question?

- There is no more vital question for every independent school
- School fees the second most expensive purchase most parents ever make
- Financial circumstances have changed dramatically since the 2007 **mtm**consulting/HTC survey
- Need to update/amplify the 2007 results
- No-one else is asking!

## The survey and who took part

- Conducted online securely and confidentially
- 31 schools of all kinds participated
- More than 2,500 responses received
- Average response rate: 21%
- Individual response rates varied from 5% to 45%
- 9% of respondent's children were boarders

## Sampling: 2010 & 2007

The 2010 sample was

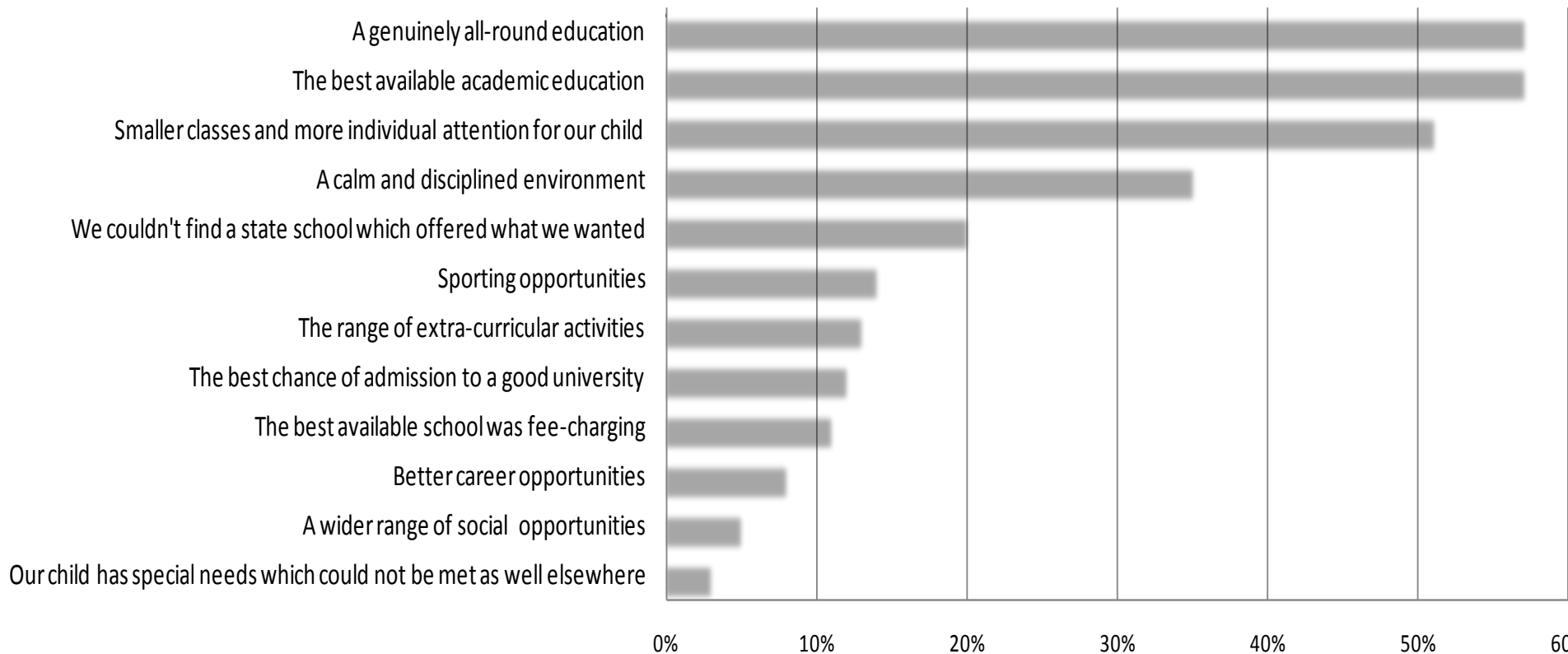
- Much larger than 2007: 2,500 vs 900
- Bigger by factor of x2.5 than the surveys conducted by ISIS/MORI from 1989-2001
- Uninfluenced by HTC clients, who constituted about 20% of the 2007 survey.

## The parents and their children

- Nearly half (48%) had only one child of school age
- Four out of ten (39%) had two; 12% had three or more
- Almost all children of school age were in fee-charging schools
- A third had been paying fees for 10 years or more
- A quarter expected to be paying fees for a further 10 years or more

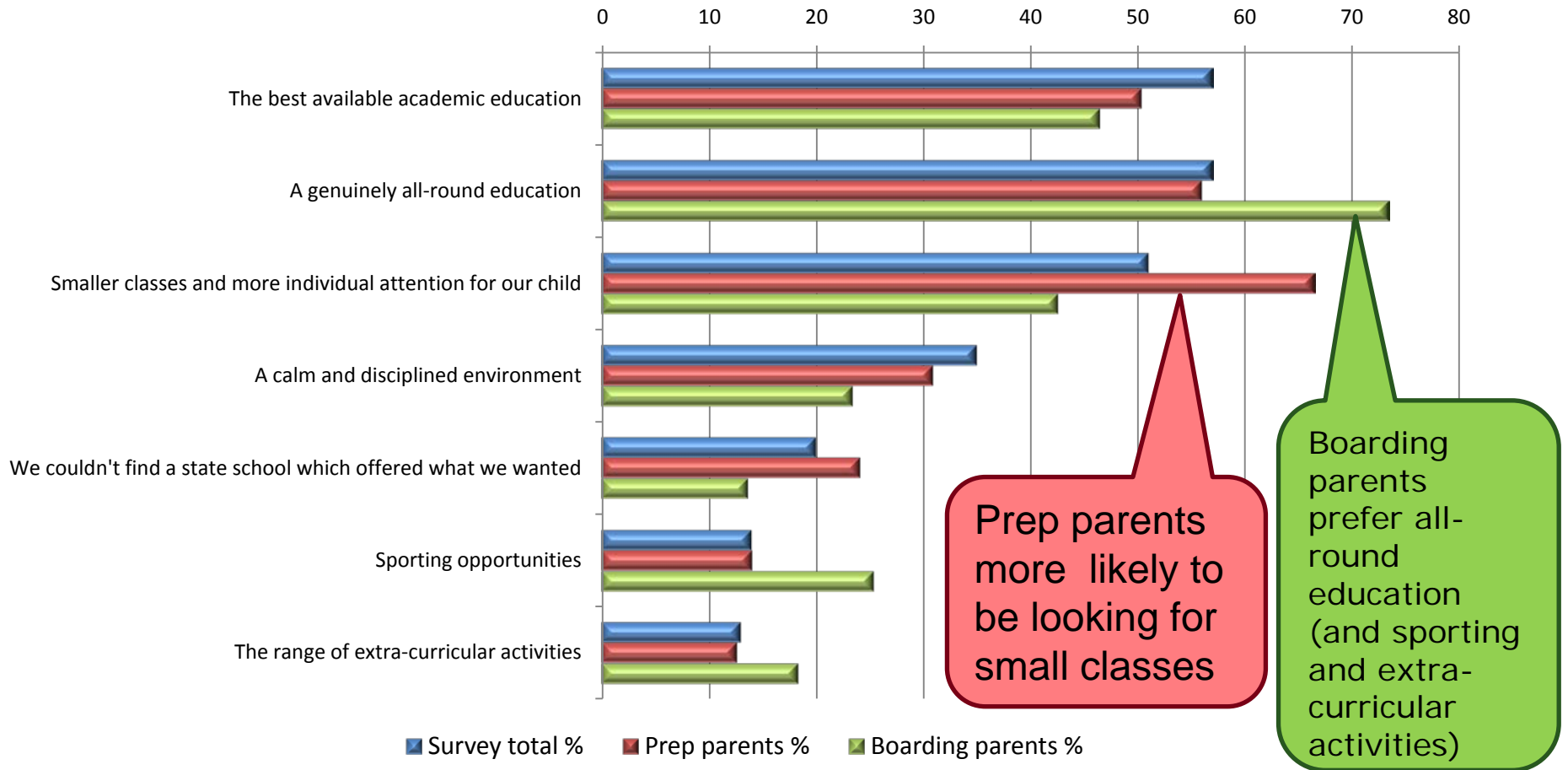
# Why pay for your children's education?

## Reasons for choosing fee-paying school

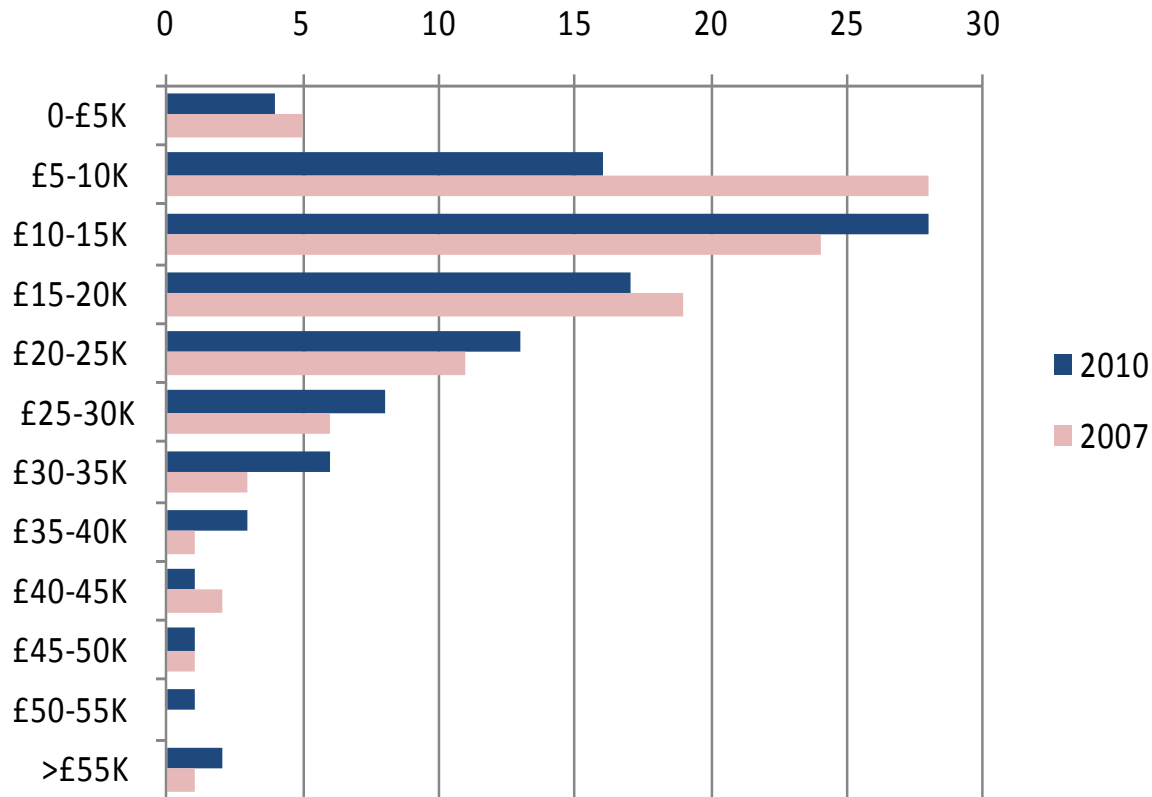


# Why pay for your children's education?

- Prep and boarding parents differed



# How much paid in fees?



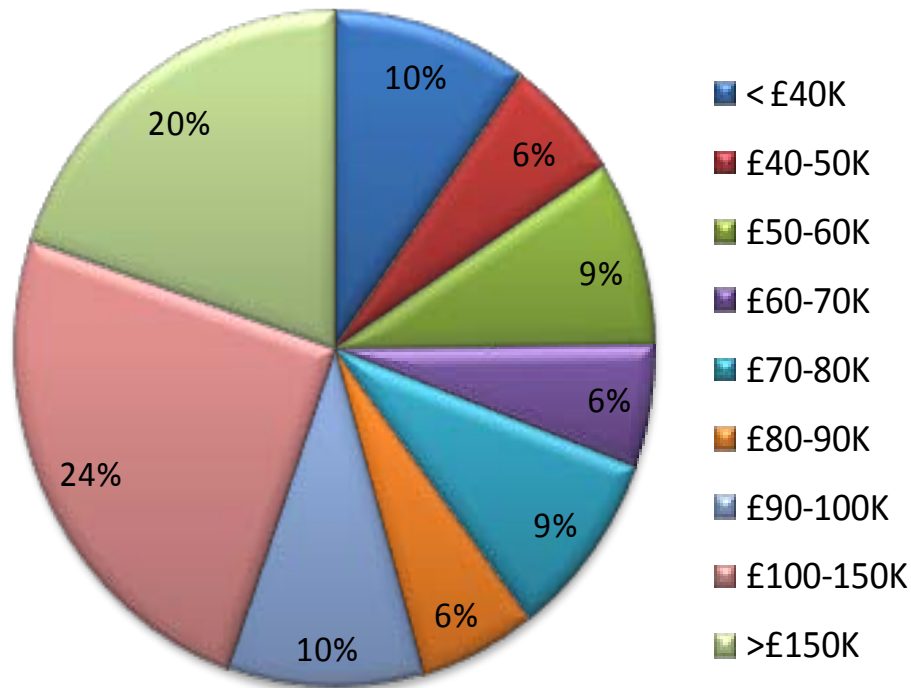
- Just over half (52%) paid more than £15K p.a.
- Three-quarters (78%) of two-children families pay more than £15K p.a.
- Nearly a quarter (23%) are paying more than £25K pa

## Employment status

- Parent 1: 73% employed, 23% self-employed
- Parent 2: 52% employed, 21% self-employed
- Note high proportion of self-employed - national average: 13.6%
- Two-thirds (65%) rely on two incomes in the household
- 12% either do overtime or have a second job in order to afford school fees.

# Gross household income

11b. Gross household income pa



- NB Gross figures – take no account of outgoings
- Wide spread of family incomes
- 25% have a gross income of £60K or less (ie twice average income)
- Majority (56%) have incomes below £100K

## Financial sacrifices

### Reductions in other expenditure to afford school fees

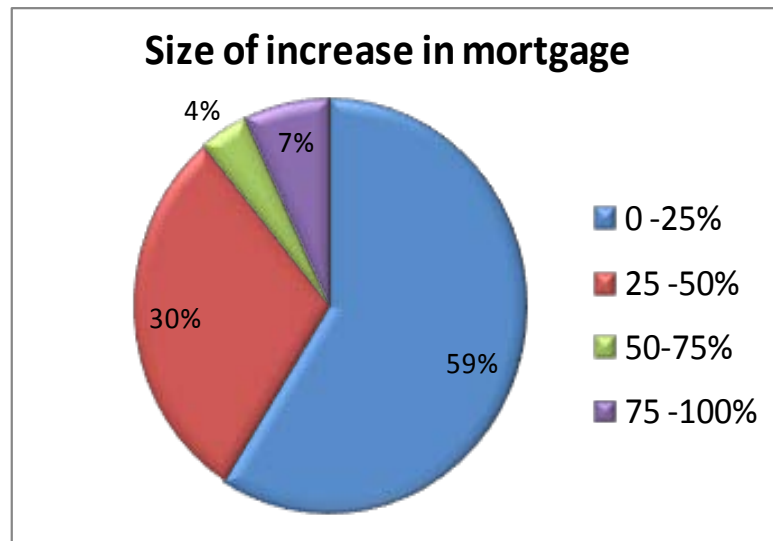
- Three-quarters (73%) have reduced other expenditure to be able to afford fees
- Identical proportions to 2007 survey (72%)
- Most reductions on
  - Holidays (55%)
  - general expenditure (51%)
  - home improvements (45%)

But also

- Pension contributions (22%) and
- mortgage repayments (14%)

## Borrowing to pay the fees: Mortgage

- Nearly one in eight (13%) have increased their mortgages to help pay fees
- Most have increased size of mortgage by less than 25% BUT
- 30% of these have increased by between 25-30%
- 11% increased by 50% or more

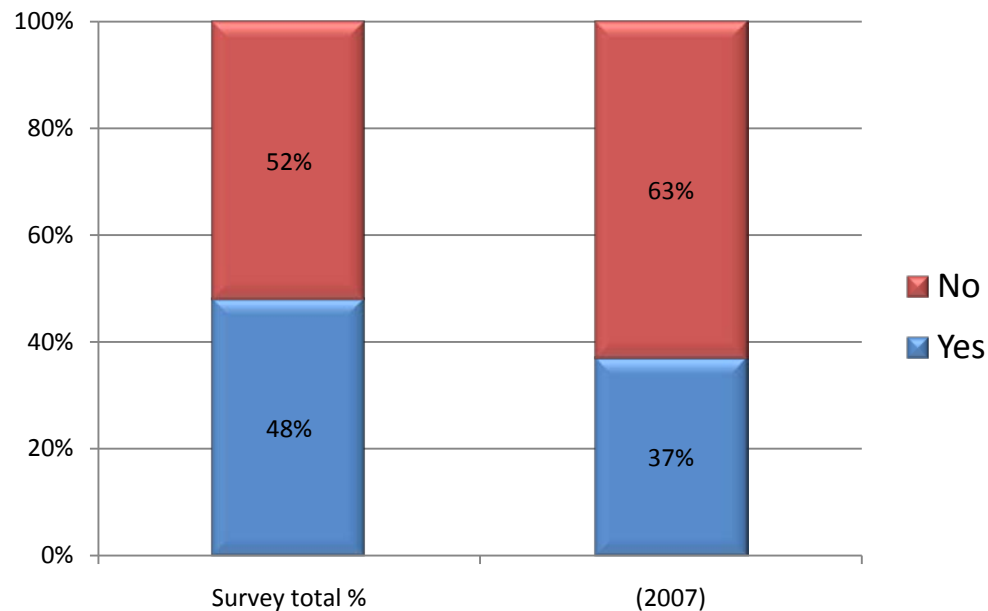


## Other borrowing to pay the fees

- 14% have borrowed in other ways to pay fees; slightly up on 2007 (12%)
- But some changes in types of borrowing:
- Relatives/friends remain most likely source of loan assistance (42% of those borrowing; 46% in 2007)
- Much less borrowing from
  - Banks – personal loans down from 45% to 22%
  - Credit cards – down from 33% to 19%
  - Secured loans – down from 16% to 7%

## Using savings and investments

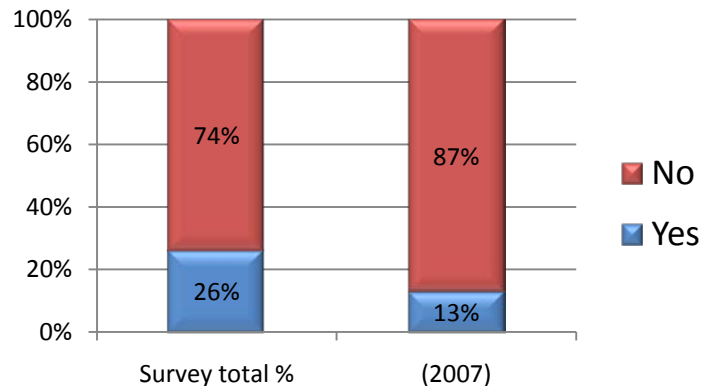
- Significant increase, from 37% to 48%, in parents using savings and investments



- 40% of these planned to do so, suggesting that more parents are making advance financial plans

## Assistance with fees

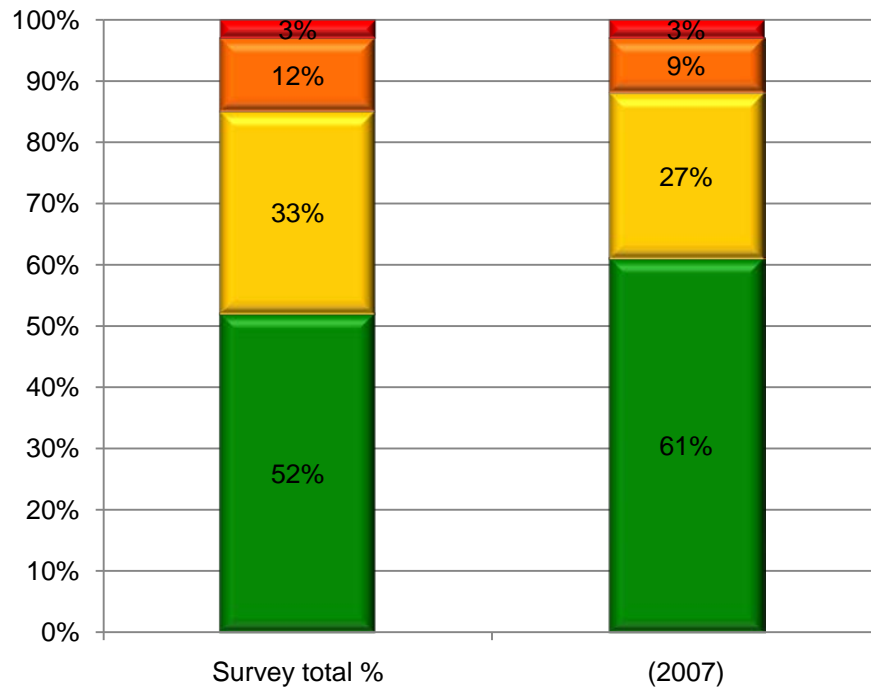
Receipt of non-refundable assistance from third parties



- Big increase (13% - 26%) since 2007 (but may be sampling error in 2007)
- Relatives the major source of assistance for 15% of all parents
- School assistance next: more from scholarships (8% of parents) than means-tested bursaries (6%)
- Employers help only 3% of families
- Other charitable assistance negligible

## Confident in the future?

Will you be able to go on paying fees to the end of your child(ren)'s education?



- Unequivocal “yes” down from 61% to 52%
- “No/possibly not” up from 12% to 15%
- Considering scale of the economic reversal, this could be much worse

- Those who doubt their ability to continue are much more likely to have reduced other expenditure , to be using equity, and to have borrowed in other ways.

## Threats to future fee payment

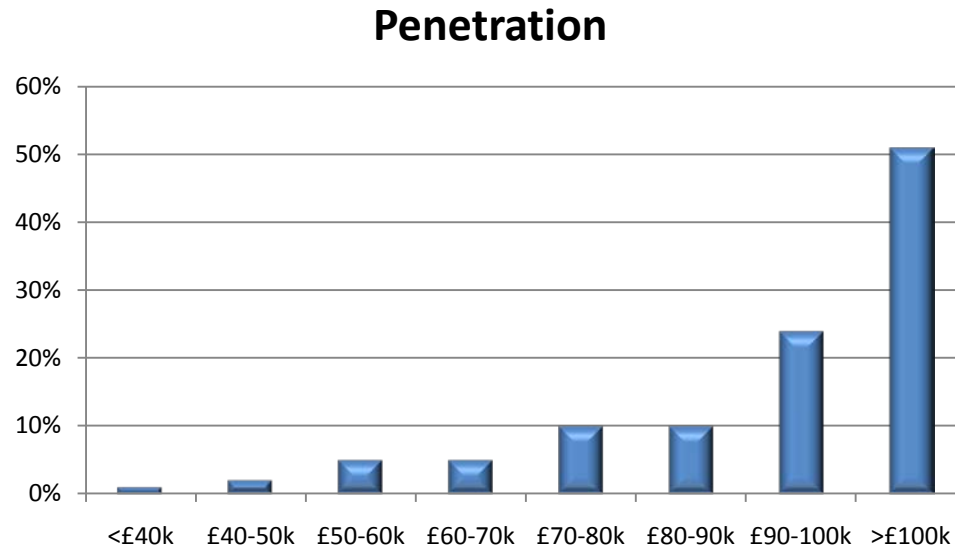
- Concern about falling earnings almost doubled (30%-56%) since 2007
- Job insecurity worries also up (40%-53%)
- Increased taxation still a major concern (53%)
- Cost of university education worries nearly a quarter (23%) – but unchanged since 2007

## Conclusions

- Much wider spread of family incomes than media stereotype, with 25% below £60K p.a.
- Heavy reliance on second incomes
- Average fee-paying family is paying between £15-£20K p.a.
- Most parents make significant financial sacrifices
- Relatives the commonest source of financial assistance (for 15%)
- Slight decline since 2007 in parents' confidence in continued ability to pay
- Parents most worried about:
  - Falling earnings
  - Job insecurity
  - Rising taxation

## How we will use the findings

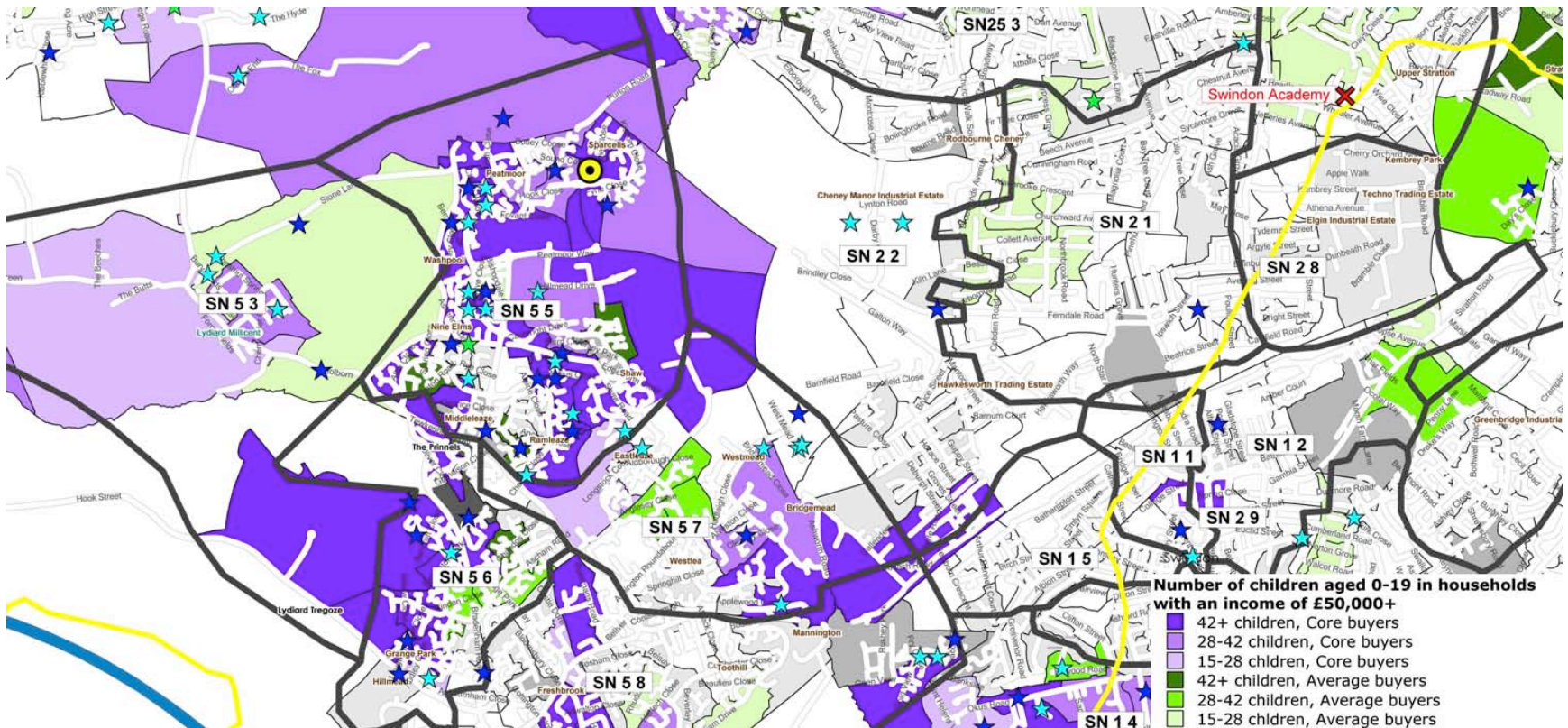
- It is now possible to estimate confidently the sector's penetration of specific income bands



- Applying this to the latest 21-band income scales in Mandarin, we can now give much more accurate estimates of the true size of the target market for individual schools.

# How we will use the findings

- And we can now tell you precisely where that market is



**Read the full report at**

**[www.mtmconsulting.co.uk](http://www.mtmconsulting.co.uk)**