



# How to navigate the financial repercussions of moving kids to private school

ALISON MACALPINE

SPECIAL TO THE GLOBE AND MAIL

PUBLISHED SEPTEMBER 5, 2023

This fall, some new students at private schools across the country will be children of parents who never considered or planned financially for anything other than public school.

Whether they're changing course because of concerns about learning loss, mental health or physical safety after three difficult years navigating the pandemic, the fact remains that an unexpected hit of many thousands of dollars a year can wreak havoc on a financial plan.

Private school costs vary widely depending on location, school, and grade.

Laura Southall, senior wealth advisor at Assante Financial Management Ltd. in Kingston, Ont., has clients paying about \$16,000 a year to send children to Lehurst College, and clients paying \$70,000 annually for children to board at Lakefield College School.

She always runs the numbers and shows them how much they have to earn to pay the after-tax tuition. But she recognizes the decision is more emotional than mathematical.

"Nobody changed their plans because of what I said," she says.

Ms. Southall adds that, initially, clients choosing private school for pandemic-related reasons tended to think of it as a temporary measure – and household costs were often down anyway with people travelling less. So, affluent clients had room in their budgets to absorb the tuition costs.

However, in her experience, no one who made the move has returned to public school. So, now these clients are facing a longer-term change in expenses with spending back to normal levels. As a result, some clients are trimming regular contributions to their retirement savings despite understanding the long-term effects on their projected retirement income.

Ms. Southall empathizes with parents whose children are having a hard time in the public system and understands the appeal of private school.

"There was so much instability, and private schools were just offering better and more," she says.

"I thought about it for my own kids because I didn't want them to be at home and the private schools were smaller and had the ability to pivot so much more easily."

Everyone has their own reasons, she adds.

“I’m just going to show them the impact so they’re making that choice in an informed way,” Ms. Soutall says.

### ***Looking for one-on-one attention and consistency***

Lianne Di Rocco, senior investment advisor and portfolio manager with The Di Rocco Keenan Wealth Advisory Group at BMO Nesbitt Burns Inc. in Toronto, noticed clients becoming more interested in private schools in the spring of 2021. They told her their children were struggling with online school and experiencing the physical manifestations of anxiety, including headaches and stomach problems.

“They were looking to private schools to have more one-on-one contact,” she says. “And private schools seemed to be a little bit more consistent with in-class [instruction].”

Ms. Di Rocco builds wealth plans with clients knowing that life doesn’t always go as planned and that pivots and detours may be necessary. With clients moving children to private school, she helped identify trade-offs, changing the name of goals like a kitchen renovation, bigger home or family vacation to tuition.

Tax-free savings accounts were a good source of additional funds. But if only registered assets were available, she presented the option of borrowing with a plan in place to pay back the debt.

“The big question I always ask, first off ... is for how long?” Ms. Di Rocco says. “Are we trying to solve for a child who has fallen behind academically and perhaps, it’s a couple of years to get back up to speed and then enter high school? Or is it a situation in which the client is looking at this as the big solution and the child will be there until the end of high school?”

She’s found that the “wait and see” approach reduces stress and means clients stay more open-minded about the future. That said, like Ms. Southall, Ms. Di Rocco has found children who move into private school tend not to move back.

“It’s as though we were planning for today or [getting] through the next couple of years, but [then] you see that you can manage it,” she says.

Her children went to private school, and she sees it as an investment and upfront inheritance.

“Their happiness is priceless,” she adds.

### ***Almost on the scale of a second property***

“One of the biggest challenges with private school is it’s an ongoing commitment [and] it’s almost like buying a second property,” says Jason Heath, managing director of Objective Financial Partners Inc. in Markham, Ont.

“In some cases, it’s as much or more than a mortgage payment to enroll a child.”

However, like Ms. Southall, Mr. Heath doesn’t see it as his role to convince clients not to go this route. Instead, he presents the repercussions. For example, paying private school tuition may decrease a client’s ability to pay down debt, push back their retirement date, or reduce their potential retirement income.

Mr. Heath also probes to understand the reasons why someone is considering moving to private school because that can affect planning. For example, if a child has a learning disability, there’s a possibility tuition may qualify as a medical expense worth about 20 per cent of the tuition cost.

In addition, some children with learning disabilities may qualify for the disability tax credit, which provides additional tax savings and opens the door to a registered disability savings plan with tax-deferred growth, grants and bonds.

Other tax savings may result if a component of tuition qualifies as a deductible child care expense or, in the case of a school offering religious instruction, a charitable donation.

In addition, Mr. Heath explores alternatives to private school and has had some clients opt for tutoring instead. One of the most difficult scenarios is when one parent is determined to help children at all costs and the other parent prioritizes the family's financial stability.

“There's only so much you can do looking at the psychological, emotional and mental health toll that a decision like this could take,” he says. “But with math, at least as financial planners we can help people understand the implications of their choices.”

<https://www.theglobeandmail.com/investing/globe-advisor/advisor-news/article-how-to-navigate-the-financial-repercussions-of-moving-kids-to-private/>

**© Copyright 2023 The Globe and Mail Inc. All Rights Reserved. globeandmail.com and The Globe and Mail are divisions of The Globe and Mail Inc., The Globe and Mail Centre 351 King Street East, Suite 1600 Toronto, ON M5A 0N19 Phillip Crawley, Publisher**