

Knowledge guarantees possibilities

WINTER 2011

THE LEGACY OF LEARNING

There is no doubt that the lessons of learning can last a lifetime. Education, particularly post-secondary education, helps create careers, helps stimulate our economy and helps build community. We explore the enduring benefits of education in this issue of *Possibilities*.

Of course you're building your own education legacy through your USC Plan, one that can help create a lifetime of possibilities for your child. You can track the progress of that plan in your annual Statement of Account enclosed with this newsletter. If you have any questions about the statement, please call Customer Service toll-free at 1-800-363-7377. You can also review your account anytime by visiting our secure website, www.usc.ca and selecting 'Customers' from the 'Login to' menu.

If you know someone who you think would be interested in giving a child the legacy of education, or if you would like to review your own education savings goal, please feel free to call or email me at your convenience.



IN THIS ISSUE

- **Funding education: what's our obligation?**
- **Who benefits most from education?**
- **How debt can hold students back**
- **Postgraduate award: a family's story**
- **Money matters to children**

The Legacy of

A GENERATION: WHAT'S OUR OBLIGATION?

Since their parents saved the world during World War II, the least that Baby Boomers should do is pay off the nation's debt. That's the legacy writer Michael Kinsley suggests for the boomer generation in the October issue of *The Atlantic* – give the next generation a clean slate.

While the article has broad political and economic implications, it raises questions about our individual responsibilities to our children and whether parents have an obligation to reach retirement debt-free and financially independent.

It's not an easy goal to reach. In addition to saving for retirement, many parents have a mortgage to pay, car loans plus the cost of raising a child – over \$166,000 according to the Canadian Council on Social Development. Other sources place the costs even higher and that doesn't include paying for post-secondary education.

Recent national surveys revealed that almost two-thirds of Canadians believe the cost of a post-secondary education is too expensive and, although 87% of parents plan to cover all or part of their children's education, barely a quarter of them have begun putting money aside. Almost a third of students say they expect to be in debt for years to come; an even greater number of them wish they were more confident about making financial decisions.

One of the best ways to provide for the higher education that can lead to financial independence is by saving in an RESP. Beyond that, giving children guidance on how to make sound financial decisions will help them become independent citizens in their own right.

EDUCATION: WHO BENEFITS MOST?

The personal financial benefit of a post-secondary education is clear. The Canada Millennium Scholarship Foundation reports that over the course of 40 years, a college graduate will earn \$394,000 more than someone with only a high school diploma while a bachelor's degree holder will earn \$745,800 more.

In fact, the wage gap between post-secondary and high school graduates has nearly doubled over 20 years, according to the Higher Education Quality Council of Ontario.

But society also stands to benefit from a highly educated workforce. Studies have found that all workers, regardless of education level, earn more when more college graduates are in the labour force.

In its report, *Education At A Glance 2010*, the Organisation for Economic Co-operation and Development (OECD) outlines other ways society benefits from education:

- Education can help people choose healthier lifestyles, better manage illnesses and avoid conditions that could damage their health.
- Education provides information and experiences, develops competencies, values and beliefs that encourage civic and social engagement.
- Education helps individuals better understand and embrace the values of social cohesion and diversity.
- Although the social outcomes of learning are more difficult to measure, it's clear that education affects people's lives in ways that go beyond their personal financial rewards.

POSTGRADUATE AWARD: THE LEGACY OF USC PLANS



Noel Anderson (right) receives a postgraduate scholarship of \$10,000 from USC I President and CEO, R. George Hopkinson.

A USC Plan helped Noel Anderson graduate from U of T. Now it's helping him pursue a degree at MIT.

Every year, The International Scholarship Foundation (ISF) offers postgraduate scholarships to students who, having received all three Education Assistance Payments from their USC Plan, have achieved academic excellence in their undergraduate program and have made a contribution to their community.

After obtaining his undergraduate degree from the University of Toronto, Noel is using his postgraduate award for further studies at the Massachusetts Institute of Technology.

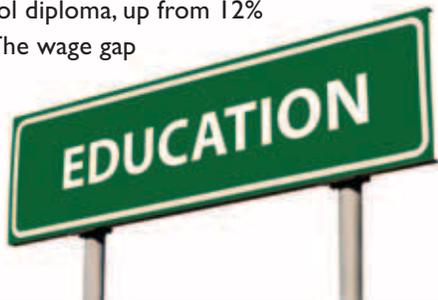
STUDENTS AND DEBT: WHAT'S HOLDING THEM BACK?

Between 1989 and 2009, tuition fees in Canada more than doubled in constant dollars. It's one reason more students are borrowing for post-secondary education, and borrowing more. Although the costs may not deter most students from pursuing a post-secondary education, the accumulation of debt may have lasting effects for some graduates, according to Statistics Canada.

Student loan borrowers are less likely to have savings and investments than non-borrowers, less likely to be homeowners or have resources to pay down their mortgages. And their overall net worth is significantly lower than that of their non-borrowing counterparts.

Although student debt can affect finances for years after graduation, borrowers and non-borrowers alike fare much better in the labour market compared to those with less education. According to the Organisation for Economic Co-operation and Development, university graduates in Canada have a much greater chance of finding jobs than individuals with lower levels of education.

The wage gap between the two groups is also growing according to Statistics Canada census data. In 2006, college graduates earned 25% more on average than those with only a high school diploma, up from 12% two decades earlier. The wage gap between university and high school graduates rose from 30% to 50% over the same period.



Noel is the first of the Anderson boys to graduate university. His brother Conor has completed three years of his undergraduate degree; younger brothers Eoin and Cameron plan to follow their examples.

All this was made possible because Gerry and Ian Anderson started a USC Plan in 1989. "We did not have a lot of money to spare," says Gerry, "but our USC representative helped to put a plan in place we could manage." She describes taking out the plan as "one of the wisest decisions we ever made" adding, "Our USC Plan was everything that was promised to us and more."

Over the past six years, The ISF has awarded more than \$600,000 in postgraduate scholarships to deserving students. You can find application details about the awards on our website, www.usc.ca. Deadline for submissions is June 8, 2011.

KIDS & CASH

There are a lot of fun and engaging ways to make kids money savvy. The lights and sounds of an interactive cash register can help children learn about money and basic math skills. Both Ekomini, a web-enabled piggy bank with an educational game, and the online program Threejars.com help children learn how to save, share, invest and spend their allowances. And classic board games like Monopoly make it fun to learn how to handle money.

You can ease a child into personal finance as early as age five, according to Stacy DeBroff, author of *A Parent's Guide to Raising Fiscally Responsible Children*. She recommends connecting a child's allowance to chores so the child learns the value of work, and introducing them to budgeting by setting up a savings account (something as simple as a journal), with parents as bankers.

Kids can withdraw money whenever they want but all transactions are recorded. Children quickly learn to think seriously before spending when they watch their bank balance go down. Parents can also encourage saving by paying generous interest rates.



FUND MANAGEMENT UPDATE

USC Education Savings Plans Inc. (USCI) has taken over the role as Investment Fund Manager for the USC Plans from The International Scholarship Foundation (ISF). This is an expansion of USCI's previous role as plan administrator and distributor, and is a result of new regulatory requirements introduced by the Canadian Securities Administrators as part of National Instrument 31-103. The ISF will continue to act as sponsor and promoter of the USC Plans and provide governance to USCI. This change will not impact current USC Plans.

THE COSTS OF EDUCATION: WHO SHOULD PAY?

According to the *Education Action Plan* published by the Canadian Federation of Students, investing in education and research is a top priority for Canadians and an important way to stimulate the economy. Lower tuition fees and reduced student debt also rank high in the survey, as a majority of Canadians believe qualified people are denied opportunities for post-secondary education due to the high costs.

Tuition fees represent an increasing source of funds for post-secondary institutions, rising from 10% to 21% of revenue between 1989 and 2009, while government funding dropped from 72% to 55% over the same period.

The debate about how to fund post-secondary education will continue, but the President of Carleton University warns of the danger of not getting the balance right. Writing in *The Globe and Mail*, Dr. Roseann O'Reilly Runte says, "When the contribution of the individual...results in overburdening debt and inaccessibility for those without significant financial means...the resulting inequities will reduce both the effectiveness of civil society and the consequent economic benefits."

"The only way to maintain our competitive advantage is to provide access to excellent education," Dr. O'Reilly Runte concludes, "It is our responsibility as Canadians and our duty to our children."

CAREER POSSIBILITIES WITH USCI

As more Canadian families recognize the need to start saving for their children's higher education, more opportunities open up for new USCI sales representatives. You already know how important a USC plan is, so if you or someone you know is interested in helping other families start theirs, visit our Career Section at www.usc.ca. We have openings across the country.

CUSTOMER ACCESS ACCOUNT

Get secure online access to all of your information – anytime, from anywhere – to check on your savings or edit your personal information. Register today at www.usc.ca and select "Customer" from the 'Login to' menu.

Share your knowledge

You realize how important a USC plan is for your children's future education; so if you know someone who would be interested in starting a plan of their own, consider referring them to your USCI Sales Representative.



PART-TIME JOBS EARN POOR MARKS

With rising tuition fees and fewer summer employment opportunities, many students take part-time work to bridge the gap. However, a majority of Ontario university professors believe part-time jobs hinder students' academic success. An informal survey by the Ontario Confederation of University Faculty Associations also suggests that students are working more than they were a year ago.

If true, that could spell trouble according to Jorgen Hansen, an associate professor of economics at Montreal's Concordia University. Using data from Statistics Canada's *Youth in Transition Survey*, he concludes that the more students work part-time, the greater the harm to their grades. On the other hand, the survey showed that students who participated in school-related activities, benefited from the experience regardless of how much time they spent on them.

For teens however, a part-time job can be a good idea if done in moderation – no more than 12 hours a week. An Australian survey found that teens learned about teamwork, time management and how to work for other people – skills they didn't necessarily acquire in school – and developed greater confidence in their ability to make decisions. Working also helped teens become more aware of the benefits of staying in school.

About Us

A Canadian company, USC Education Savings Plans Inc. is a wholly owned subsidiary of The International Scholarship Foundation. It is the administrator, distributor and Investment Fund Manager of USC Education Savings Plans.