Stay debt-free while paying school fees

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The festive season will soon be over, and the election frenzy will disappear. But the day-to-day reality of life will continue to be part of the routine fixture.

It is at this point that it quickly dawns on many that children must return to school, yet financial situations remain tight. This often leads to considering borrowing, which can pave the way to a debt trap. But is this the only way forward?

According to a seasoned personal career development and personal financial literacy coach, Mr Charles Ocici, also the director general of Enterprise Uganda, the country's premier enterprise and business management institution, you can avoid the school fees debt trap if you choose to.

But it will require discipline and thick skin.

"Don't worry about being called a fool for thinking differently! You can navigate the path of education without falling into the school fees debt trap. You have choices, and you are in the best position to pick the one that fits your budget. Think of schools in three categories: high-end, average, and budget-friendly.

"Start with the low-income option for now and use that as a base to climb your way up the ladder," says Mr Ocici.

He continues: "Do not be under pressure to take your child or children to a school that you cannot afford, even if some people think there is something wrong with you.

"Endure that initial sacrifice while you invest some of the money in income-generating activities. As that business picks up, your standard of living and ability to afford a debt-free lifestyle—including paying fees without strain—will also improve," Ocici says.

No two ways about it

The idea of saving part of your salary exclusively for school fees is exciting, but not a solution for the school fees debt trap.

According to Mr Ocici, not even having an investment portfolio such as unit trusts, can solve the school fees headache for many.

The most sustainable way to solve this problem is by having a supplementary income from a routine income-generating activity.

Traders sell Christmas goods downtown in the city centre last week. Parents should manage their money to meet both immediate needs, like school fees in the first term early next year. PHOTO/MICHAEL KAKUMIRIZI

Important numbers

10 years

The current annual cost of education may almost double in 10 years.

You cannot rely on your monthly pay cheque and expect to meet your bills without going into debt.

"To deal with school fees pressures and related challenges, you must have a supplementary income from an investment – whether it's a poultry farm or mobile money outlet or shop – you need an extra income to support your pay cheque or else you will constantly be under pressure to supplement your budget with debt," he says.

Beware of December...

Savings made during the year tend to be exhausted in December, which is the peak of the festive season in Uganda. The new year often begins with an empty kitty.

Shortly thereafter, the school term begins with many parents and guardians badly short of money after the festive season spending drift.

As for Ms Flavia Nabukwasi, a financial advisor and financial literacy trainer, you don't have to spend money during the festive season.

"We are going into the Christmas season where people feel they have to spend on entertainment, traveling, shopping and all sorts of expenditures - you don't have to do that.

"If you can save some money by celebrating Christmas here, so be it. You don't have to travel to the village where you will spend more," Nabukwasi says.

Additionally, when children are on holiday, teach them how to be responsible and save money. For example, they must know that lights should only be switched when on in the house for a purpose and not for a sake of it.

They must learn to sparingly use water. They must not waste food. All these put together bring down the cost of utilities and essential items, leaving you with some saving for school fees.

Ms Nabukwesi advises that investment in unit trusts is ideal for salaried employees, primarily due to the potentially attractive returns these portfolios offer over time."

"Imagine you wake up one morning and you lose all your birds to coccidiosis - a poultry disease. How do you pay fees?" She says before, adding, "Invest in a portfolio that will guarantee you a return instead of putting money in the piggy bank where it yields nothing.

Unlike Ms Nabukwasi, Mr Ocici believes investment in a business or income generating activities are much more solid and sustainable than many other investment portfolios.

"Even if diseases claim your birds, Mr Ocici points out that your network and suppliers provide a foundation, ensuring you can always bounce back stronger."

Ms Susan Khainza, a chartered financial analyst, and investment strategist, says money will never be enough, no matter how much you earn.

She says, "Increased income comes with increased responsibilities. The financial stress that comes with bills, school fees, emergencies, demands from dependents and society's expectations can break you."

"Without financial control, saving always seems impossible, regardless of how much you make. Prioritise saving before spending. Even small regular savings grow over time.

She continues: "Paying school fees is every parent's nightmare. Banks and mobile money companies present loans as an easy, quick way out, choking parents under the pressure of high interest rates that consume half their income.

"What if, instead of paying these high interest rates, we earned those rates on our savings?"

She advises that we should first set and rank our financial goals in order of priority.

If a parent has three children, we can assume that paying school fees is likely a top priority.