

Commonwealth Bank

Commonwealth Bank of Australia
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COMMONWEALTH BANK LAUNCHES INNOVATIVE EDUCATION SAVINGS PLAN AS SURVEY SHOWS COST OF EDUCATION

14 February 2005: With the cost of education on the rise, the Commonwealth Bank has launched the Education Savings Plan, designed specifically to help and encourage people to save for longer-term education costs and access potential tax benefits.

The move comes after a Commonwealth Bank "Saving for the Education of Children" Survey¹, found that parents of school aged children estimated that 9 per cent of their gross household income was being spent on education expenses for their children.

However, while most parents are feeling confident about paying for their children's education the survey found when it comes to private or tertiary education 60 per cent haven't started saving in advance.

The Saving for Education survey also found that almost half of parents are not sure of the total costs of education, indicating they may not be aware of the unnecessary pressure it can place on the family if they are not financially prepared.

Geoff Austin, Executive General Manager, Retail Products for the Commonwealth Bank, said that with the latest figures indicating the cost of private school education per child is as high as \$17,000 each year for secondary education and up to a total \$270,000² for primary and secondary education combined, parents need to plan ahead.

"The Education Savings Plan operates as a 'scholarship plan' under Federal tax law. It is an effective way to provide for a quality education for a child or adult", Mr Austin said.

"Designed for a lifetime of education, the Education Savings Plan's benefits reach beyond primary and secondary education to include tertiary education. With the survey indicating that almost 80 per cent of parents and 30 per cent of grandparents plan to pay for their child and grandchild's tertiary education, an Education Savings Plan could be a smart investment.

"Parents should consider saving early for education as even government schooling incurs the additional costs of stationery, text books, uniforms, excursions, travel, music and sporting equipment, and that's before the costs of a University education.

"We realise young families are often under financial pressure but saving some money each month can make a big difference in coping with education costs when the time comes.

"All parents want the best for their children when it comes to education — planning ahead can widen the choices, as educating a child may be one of the biggest expenses families will face."

The Education Savings Plan is designed to be more accessible than other similar offerings as it can be accessed through any Commonwealth Bank branch Australia-wide. The Plan is issued by Lifeplan Australia Friendly Society Limited specifically for distribution by the Bank.

¹ This survey was conducted on behalf of the Commonwealth Bank by Newspoll in December 2004 by telephone among 700 parents and grandparents of children aged 0 to 17. The study was conducted nationally and respondents were aged 18 years or over.

² "Buying an education: Where are the returns highest?" – Report by The Australia Institute Jan 2004

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The survey indicated that parents are prepared to make big sacrifices for private and tertiary education, with 60 per cent putting education costs before other saving priorities and nearly 25 per cent considering taking on part-time work to help meet the costs.

Grandparents are also prepared to pitch in, with half of those surveyed considering helping to finance their grandchild's education.

Mr Austin said the Education Savings Plan offers a benefit which is not available in most managed funds. "When a withdrawal is made for education expenses, there is a special tax benefit credited to your plan account which means your investment returns go further", he said.

"Unlike other similar products on the market, the Education Savings Plan can be used for any of primary, secondary and tertiary education expenses, and provides a choice of 'capital secure' or 'balanced' investment options. Also, while tax benefits are only available for education expenses, withdrawals can be made at any time for any purpose, and there is no minimum investment timeframe".

"The Education Savings Plan also offers more flexibility than other similar products, including no entry fees, freedom to exit the plan or change the nominated student at any time, and the ability to alter or stop contribution amounts at any time", Mr Austin said.

This initiative further reflects the Commonwealth Bank's commitment to improving the financial literacy of everyday Australians - preparing them to more comfortably meet future expenses for their families. The Bank has been involved with financial literacy education and student banking since 1931 and conducts regular research with parents and children. The Bank strengthened its commitment to financial literacy education with the establishment of the Commonwealth Bank Foundation. The Commonwealth Bank Foundation seeks to encourage developments in education, particularly the financial literacy skills of all young Australians, and aims to create awareness, skill and understanding of the benefits of a more financially literate community.

Consumers who would like information on the Education Savings Plan should call **1800 888 411**, visit the Commonwealth Bank website, www.commbank.com.au/educationsavings, or ask at the nearest Commonwealth Bank branch for a Product Disclosure Statement. However, as everyone's financial situation is different consumers should consider talking to an adviser about whether the Education Savings Plan is appropriate for them.

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Note to Editors: A range of supporting materials is available on request:

- Technical illustration and case study of how the Education Savings Plan works
- Highlights of relevant ABS statistics on Youth, Education and Family Income
- Detailed 'Frequently Asked Questions' about the Education Savings Plan
- Access to case study participants
- Product Disclosure Statement

For further media information please contact:

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