capital gains ltd
Financial management

Guide to

School Fees and University Fees Planning

How parents and grandparents can help while keeping wider financial goals on track

September 2026

Capital Gains Ltd
PO Box 555, Sevenoaks,TN13 9QS
Tel: (01732) 462 884 **Email:** joe.murphy@capitalgains.co.uk **Web:** www.capitalgains.co.uk

Capital Gains Ltd are authorised and regulated by the Financial Conduct Authority

A Guide to School Fees and University Fees Planning

How parents and grandparents can help while keeping wider financial goals on track

Education can be one of the most rewarding investments a family makes, but it can also be one of its largest financial commitments. Whether you are considering independent school fees, university costs or both, starting early can give you more choices and ease the pressure on household finances later.

This guide explores the key issues UK families should consider for the 2026/27 tax year. It covers budgeting, saving and investing, tax-efficient wrappers, school fees and VAT, university funding and the ways parents and grandparents can contribute.

"The earlier you turn an education goal into a financial plan, the more options you are likely to have."

The aim is not simply to accumulate a pot of money. Good planning considers when the money will be needed, how much risk can reasonably be taken, how taxation may affect the strategy and whether funding education could compromise retirement, emergency savings or other family priorities.

Tax rules and allowances can change, and the right approach depends on individual circumstances. Professional financial advice should always be sought before making significant decisions about investments, pensions, trusts or gifting.

Start with the full cost

The first step is to establish what you are actually trying to fund. For school-age children, look beyond the headline fee and consider registration fees, deposits, uniforms, transport, meals, trips, music or sports, technology, examinations and other extras. If boarding is involved, the total commitment may be considerably higher.

Private school fees have also been affected by the introduction of VAT. Since 1 January 2025, education and boarding services provided by private schools for a charge have generally been subject to VAT at the standard 20% rate. This remains relevant for budgeting in the 2026/27 tax year.

Think beyond today's bill

A useful education plan should therefore project future costs rather than simply multiplying today's fee by the number of years remaining. Fees may rise, and investment returns are not guaranteed. Inflation can also affect university accommodation, travel and living costs.

Create a year-by-year estimate of when each major payment is expected. Then consider how much you already have, how much you can save regularly and how much flexibility you have if circumstances change.

"A good plan should answer two questions: what will education cost, and how will we pay for it without jeopardising the rest of our financial future?"

Build your education funding strategy

Once the target is clear, consider the time horizon. Money needed within the next few years generally requires a different approach to money that will not be needed for a decade or more. Cash can provide certainty for near-term spending, while investments may offer greater long-term growth potential but carry the risk of losses.

It can be helpful to divide the overall target into time horizons, for example, immediate school fees, medium-term costs and longer-term university funding. As a payment date approaches, reviewing the level of investment risk can become increasingly important.

Balance saving with investing

There is no single investment strategy suitable for every

family. Your approach should reflect affordability, investment experience, capacity for loss, tax position and the date when the money is likely to be required.

Parents should also avoid viewing education funding in isolation. Before committing substantial sums, consider emergency savings, mortgage commitments, retirement provision, protection needs and other children who may require financial support.

Make the most of tax-efficient savings

Tax-efficient accounts can be an important part of an education strategy. For the current 2026/27 tax year, the annual Individual Savings Account (ISA) subscription limit is £20,000. A Junior ISA has a separate £9,000 annual limit, and anyone can contribute to a child's Junior ISA, subject to that overall limit.

A Junior ISA can be useful for genuinely long-term savings, but families need to understand an important distinction: the money belongs to the child. The child can take control of the account at 16 but generally cannot withdraw funds until 18.

Choose the wrapper carefully

That ownership issue means a Junior ISA is not necessarily the best place for funds that parents want to retain control over for a specific education expense. An adult ISA, ordinary savings or investment arrangement, or another structure may be more appropriate, depending on the objective.

There is also an important rule when parents give money to children. If the interest on money gifted by a parent exceeds £100 in a tax year, the interest can be treated as the parent's income for tax purposes, subject to the rules. The £100 rule does not apply to money given by grandparents or other relatives, nor to Junior ISAs or Child Trust Funds.

"Tax efficiency is valuable, but control and ownership matter just as much as the tax wrapper."

Understand school fees and VAT

For families paying private-school fees, the 2026/27 budget should start with the school's current fee schedule and clearly set out what is included. VAT is generally charged at 20% on private-school education and boarding services, although the final increase in a family's bill will depend on the school's own pricing and VAT recovery position.

Do not assume that paying fees early is automatically tax-efficient. VAT rules include specific provisions on payments and terms, and a school's arrangements may affect the position. Before making a substantial prepayment, ask the school for a clear explanation of the amount payable, the VAT treatment and the refund or cancellation terms.

Consider the funding route

Families may use salary income, bonuses, savings, investments, gifts from relatives, or a combination of these. The most appropriate route depends on personal circumstances. For example, selling investments may create a Capital Gains Tax liability if gains exceed the available exemption. For 2026/27, the individual Capital Gains Tax annual exempt amount is £3,000. Rates for most chargeable gains are generally 18% for basic rate taxpayers (if the full taxable gain sits within the basic rate band when added to income) and 24% for higher rate taxpayers.

Obtaining professional advice will help assess whether assets should be sold, retained or gradually repositioned as fees approach.

How parents can help

Parents are usually the natural starting point for an education funding plan, but the best strategy is rarely simply 'save as much as possible'. The aim is to create a sustainable funding pattern that fits around the family's overall financial life.

One option is to save regularly each month. Automating contributions can turn an uncertain future expense into a predictable household commitment. Parents may also choose to use annual

A balanced strategy may therefore involve funding education from several sources while maintaining an appropriate level of pension saving.

bonuses, inheritances or other one-off amounts to accelerate progress towards the education target.

Keep retirement in the picture

One of the most important principles is not to sacrifice retirement planning unnecessarily. A parent who uses every available pound to fund schooling may later face a retirement shortfall.

Pensions can be particularly valuable because contributions may receive tax relief, but pension funds are designed primarily for retirement and are not general-purpose education funds. For 2026/27, the standard annual pension allowance is £60,000. For high earners, this can be reduced by £1 for every £2 of adjusted income above £260,000, subject to the applicable thresholds and the minimum allowance. There is also a separate limit of 100% of earnings for a person's own tax-relievable contributions.

"Helping your children should not mean leaving your future self without a plan."

A balanced strategy may therefore involve funding education from several sources while maintaining an appropriate level of pension saving.

How grandparents can help

Grandparents can play a valuable role, particularly when they have surplus income or capital and wish to help fund education as part of wider family wealth planning.

They can make direct payments towards costs, contribute to a child's savings or investment arrangements, or consider regular gifts. The tax treatment depends largely on how the gift is made and the grandparent's wider circumstances.

Gifts and Inheritance Tax

For 2026/27, the standard annual Inheritance Tax gift exemption is £3,000 per tax year, with any unused exemption potentially carried forward for one tax year as long as the current year's allowance is fully used. There are also other exemptions, including small gifts and qualifying wedding or registered civil partnership gifts.

A particularly relevant provision for some grandparents is the 'normal expenditure out of income' exemption. Regular gifts may be exempt from Inheritance Tax without a fixed monetary limit if they form part of the donor's normal expenditure, are made from income and leave the donor with sufficient income to maintain their usual standard of living. HM Revenue & Customs emphasises that these conditions must be demonstrated and documented.

"A regular contribution can be more than a gift with the right planning; it can form part of a wider family wealth strategy."

Grandparents should keep records of gifts, dates, amounts and the source of funds. Where significant sums are involved, specialist advice should be taken before money changes hands.

Planning for university

University planning requires a broader definition of 'fees'. Depending on the course and location, families may need to budget for tuition, accommodation, food, transport, books, equipment, social spending and travel home.

For eligible new full-time undergraduate students in England, the maximum Tuition Fee Loan for the 2026/27 academic year is £9,790[1]. Maintenance Loan support varies by household income and living arrangements. For example, the maximum Maintenance Loan for 2026/27 for students living away from home in London and not eligible for benefits is £14,135[2].

Understand the changing system

Student finance is not identical across England, Scotland, Wales and Northern Ireland, so families should check the rules applicable to where the student normally lives and where they will study.

There is also an important change for courses starting on or after 1 January 2027. In England, the Lifelong Learning Entitlement is being introduced as the new system for eligible higher and further education courses, with tuition and maintenance finance rules changing accordingly.

Parents should therefore avoid assuming that a university funding strategy created several years ago will remain appropriate indefinitely.

Protect the wider family plan

Education planning works best when it sits inside a wider financial plan. Families should consider what would happen if income stopped, a parent became seriously ill, investment markets fell, or school fees increased faster than expected.

Protection planning can therefore be relevant. Life cover, income protection and critical illness cover may all warrant consideration depending on circumstances and existing arrangements. The purpose is not to insure every possible outcome but to assess whether the family's education commitment could still be met if something unexpected happened.

Review the plan regularly

Tax rules are also subject to change. For 2026/27, England, Wales and Northern Ireland have a standard Personal Allowance of £12,570, with the allowance reduced once adjusted net income exceeds £100,000. Income tax rates and bands differ in Scotland for non-savings, non-dividend income.

These rules can affect the value of different funding approaches, particularly for higher earners. Dividend tax rates also changed from 6 April 2026, making it important to review strategies involving dividend-producing investments. Savings tax rates are increasing by 2 percentage points in April 2027.

Bring everything together

A practical education plan should bring together four things: the target, the timescale, the funding sources and the risks.

Start by listing the expected school and university costs. Add a realistic allowance for fee increases and associated expenses. Then identify existing savings and investments, regular contributions, potential family gifts and any expected student finance. Finally, stress-test the plan: what happens if investment returns are lower than expected, fees rise faster than planned or a parent needs to reduce their working hours?

Make the plan a family conversation

Parents and grandparents should also agree what financial support actually means. Will grandparents pay the school directly? Will they make regular gifts? Is support intended for tuition, accommodation or general living costs? If more than one child is involved, how will contributions be balanced fairly?

Clear conversations can prevent misunderstandings and help ensure that gifts, investments and other arrangements achieve the intended outcome.

"The strongest education plans are not just about finding the money. They are about creating clarity, flexibility and confidence."

Review the strategy at least annually, and whenever there is a major change in family circumstances, tax rules, school fees, university plans, income or investment values.

Your next steps

Education costs can feel daunting, but a structured plan will make them far more manageable.

Start by:

1. Establishing the likely cost of school and university.
2. Mapping when each payment will be required.
3. Reviewing existing savings, investments and ISAs.
4. Considering whether a Junior ISA is appropriate for money intended for the child.
5. Assessing how parents can contribute without compromising retirement planning.
6. Discussing whether grandparents could provide gifts or regular financial support.
7. Reviewing the potential Inheritance Tax implications of significant gifts.
8. Checking the latest student finance arrangements for the relevant part of the UK.
9. Reviewing protection and emergency savings.
10. Taking professional financial advice before implementing a complex or significant strategy.

Tax treatment depends on individual circumstances and may change in future. The information in this guide is based on UK rules and allowances applicable to the 2026/27 tax year at the time of publication. It is intended as general consumer information and should not be treated as personalised financial, tax or legal advice.

Give their future a financial head start

School and university costs can represent a significant commitment, but thoughtful planning can help families meet those costs while protecting their own financial future.

Whether you are a parent starting from scratch, a grandparent considering a significant gift or a family reviewing an existing education fund, the right advice can help you understand your options and make informed decisions. ■

Source data:

[1] Student Loans Company (UK. GOV) – SLC opens application service for 26/27 academic year. Published 23 March 2026.

[2] Student Loans Company (UK. GOV) Student Finance: How you're assessed and paid 2026 to 2027. Published 23 March 2026.

Need further information?

Talk to us about your circumstances, your education funding objectives, and the most appropriate strategy for your family.

Contact us to discuss your requirements and find out how professional financial planning could help you prepare for the education costs ahead.

Plan early. Review regularly. Keep the whole family's financial future in view.

How can you plan ahead for the cost of your child's or grandchild's education?

Understanding your options is the first step towards developing a clear, flexible funding strategy for your child's or grandchild's education.

Speak to us about putting a plan in place while keeping your wider financial goals and long-term financial security on track.

This guide is for your general information and use only and is not intended to address your particular requirements. The content should not be relied upon in its entirety and shall not be deemed to be or constitute advice. Although every effort has been made to provide accurate and timely information, there is no guarantee that it is accurate as of the date it is received or that it will remain accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation.
We cannot accept responsibility for any loss arising from acts or omissions taken in respect of the content. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of taxation, and the relief from it, are subject to change, and their value depends on the investor's individual circumstances. The Financial Conduct Authority does not regulate estate planning or tax advice.

Published by Goldmine Media Limited, 124 City Road, London EC1V 2NX. Content copyright © Goldmine Media Limited 2026. Unauthorised duplication or distribution is strictly forbidden – 09/2026.