Financial Advice
Commonwealth Supported Place (CSP)

HECS - HELP: Discount or Loan?

“Should I pay my student contribution up-front with a discount or defer payment until after I graduate?”

This is a question asked by many new students and their families when considering a university place.

CSP places and HECS-HELP loans

CSP stands for Commonwealth Supported Place. These places are partially funded by the Commonwealth Government, whilst the student pays the remainder of the cost. The following are the options available for payment of the student contribution:

• **Defer payment** of the entire amount of the student contribution by taking out a “HECS-HELP loan”. This loan can be repaid through the taxation system (usually after graduation) once personal income reaches the compulsory repayment threshold (set at $49,096 in the 2012-13 financial year). The amount of the loan is indexed to reflect changes in the Consumer Price Index (CPI), but interest is not compounded. Early repayment after graduation attracts a 5% discount.

• **Pay the entire Student contribution amount upfront** at the beginning of each semester and receive a 10% discount on the entire amount.

• **Pay $500 or more of the student contribution amount upfront** at the beginning of each semester, receive a 10% discount on the amount paid and defer the remainder.

**Note:** Permanent Residents and New Zealand students must pay the cost of HECS upfront, with no discount.

**Why defer payment of the student contribution?**

If the payment of the student contribution upfront would place a financial strain on the student and/or their family, deferral is strongly recommended.

Many students live on a tight budget while studying at university. This is a time when any additional funds may be needed to help meet living expenses, particularly if the student is living away from home.

The original developer of the student contribution system, Bruce Chapman, recommended deferral of the HECS amount, as the real rate of interest on the HECS-HELP loan is 0%. (It is linked with inflation, as are future wages and salaries). The longer the loan repayment period, the better the deal is for the student.
A number of studies have also found that students are better off in the long run putting their fees into an interest earning account and paying after graduation. Money put into a competitive compound-interest earning account is likely to grow faster than the CPI and overtake the benefit of the discount by the end of a three year degree, with the added benefit of funds being available for emergencies during the course.

Deferring payment is likely to be even more beneficial for graduates who may spend time away from full-time paid work after graduation. For example: parenting, volunteer work, working part-time, or working / travelling overseas for extended periods. If you have a reduced capacity to work full-time, deferring payment of the charges is likely to be a better option.

**Why pay the student contribution upfront and receive the discount?**

If payment of the student contribution upfront is not a strain on student or family finances, then payment upfront to receive the discount may be preferable.

If the student is studying part-time and earning significantly above the repayment threshold, and is therefore expected to start paying the amount back to the government in the current year, an upfront payment with the discount may be beneficial.

**The simplest advice is:**

*Use a calculator to compare the advantage of claiming the discount to what your money would earn in a bank account earning compound interest over time.*

*If you can clearly afford to pay the charges upfront and your studies will not be affected, and you don’t believe other investment or repayment methods are as good value as the discount, then you may wish to pay upfront and claim the discount.*

*But if paying upfront is likely to place any pressures on you or your family’s financial situation, repaying the charges after your studies via the tax system is likely to be the better option.*

**More information about the student contribution and HECS-HELP loans**

Full details about CSP, student contribution and HECS-HELP loans are available at the following website:


Information is also available via Student Administration at this University.

The following websites provide additional information about fees and student finances:

[www.futurestudents.unimelb.edu.au/](http://www.futurestudents.unimelb.edu.au/)


**Student Financial Aid**
Financial Aid provides advice and information on student loans and bursaries, government student assistance, budgeting, tax, and on a range of other matters related to student finances.

Student Financial Aid  
Ground Floor, Baldwin Spencer Building  
University of Melbourne  
Tel: 03 8344 6550  

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