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Undeclared Income from the Bank of Mum and Dad Leads to Huge Overfunding of Private Schools

Trevor Cobbold, National Convenor, SOS

KEY POINTS

- New surveys show that families receive billions in undeclared income from grandparents – the so-called Bank of Mum and Dad.
- This income is not included in taxable family income which is the measure used to calculate Commonwealth Government funding for private schools.
- Failure to account for this income results in huge overfunding of private schools. SOS estimates the overfunding due to grandparents paying school fees at about $1.5 billion. This is the tip of the overfunding iceberg given the size of the Bank of Mum and Dad.
- An independent public review of the system of funding private schools should be established to eliminate overfunding and the waste of taxpayer resources.

New information in recent months has further exposed a fundamental flaw in private schools are funding arrangements. The flaw is that Commonwealth Government funding is based on the capacity of families to contribute financially as measure by family taxable income which ignores income provided by grandparents – the so-called "Bank of Mum and Dad". The failure to include this income as part of the capacity to contribute means that private schools are vastly overfunded by taxpayers. It demands a complete overhaul of how private schools are funded.

The new information comes from several recent surveys of income and in-kind services provided to families by grandparents.

A survey by the Special Broadcasting Service (SBS) estimates older Australians provide more than $140 billion worth of everyday financial support to younger family members each year.

Over 12 million Australians were found to support younger adult family members. Many private school families are benefitting from such support. It comes in a variety of ways:

- 34% buy groceries for younger family members;
- 33% pay for restaurant meals;
- 30% purchase clothes;
- 42% provide general cash support;
- 19% help pay off debts;
- 18% fund travel;
- 18% buy toys;
- 14% help purchase cars, appliances, or electronics.

The survey also points to in-kind services provided by grandparents that serve as indirect financial support for families. The most obvious is childcare for young children and for school-aged children. Looking after grandchildren

saves families thousands of dollars a year, money that can then be spent on other things, such as school fees.

Other recent surveys have highlighted substantial financial support provided by the Bank of Mum and Dad.

A survey by Australian Unity found that the Bank of Mum and Dad gifted an average of $75,800 towards a first home purchase by their adult children. This increases to $100,000 by those in the 75th wealth percentile and in the 95th percentile it is $500,000.

It also provided financial assistance to buy cars, support education and to reduce or pay off debts, according to the survey.

> *The Australian Financial Review* recently reported an instance of a grandparent setting up a trust for each of his grandchildren to pay for their school fees. This has the double advantage that payments to charities such as schools are tax exempt.

A survey by the financial services company Finder found that 30% of homeowners had received family assistance to purchase property. Contributions towards a deposit were the most common form of support, while 8% said their family had paid for their home outright. The author of Finder's Home Loan Report 2026 said: "The Bank of Mum and Dad has become a major player in Australia's housing market".

Another survey by Money.com found that 46% of Australians got help from the Bank of Mum and Dad to buy their first home in the last 12 months with 78% of Gen Z buyers saying they received parental help. Among those who received a cash gift, the average value was $53,451and 23% of recipients were gifted more than $100,000.

While these surveys do not provide information on payments of private school fees by grandparents there is extensive evidence that such payments are common practice.

The Australian Unity survey found that the Bank of Mum and Dad typically pay over half of family education expenses.

A report on the cost of education in Australia in 2026 by the education bonds company Futurity Investment Group found that 57% of parents received financial support to meet the cost of education of their children from other family members, mainly grandparents. *The Age reported* research by Resolve Strategic commissioned by the Futurity Investment Group that grandparents of children in Victorian Catholic primary and secondary schools contribute an average of $1,676 a year towards education costs and those with grandchildren in Independent schools contributed $5,593 per year.

In May, Independent Schools Australia (ISA) revealed that 20% of families in Independent schools receive financial support from other family members to pay school fees. In July, the principal of Xavier College in Melbourne said that the school is aware that grandparents in the school community assist with fees: "We are very grateful for the support of grandparents in supporting the ongoing education of their grandsons at the college", he said.

Two Sydney elite private schools have admitted that many grandparents paid the school fees for students. A spokesman for St Joseph's College said: "...we have seen an increase in recent years in grandparents wishing to support their grandchildren through high school by providing financial assistance with school fees."

The headmaster at Knox Grammar said: "Anecdotally, Knox has always had a number of grandparents paying fees, and that number is probably increasing with changes in how people invest". He also said that grandparents also paid for other items such as excursions.

At another Sydney Independent school half of all fee invoices are sent directly to grandparents.

The Australian Financial Review recently

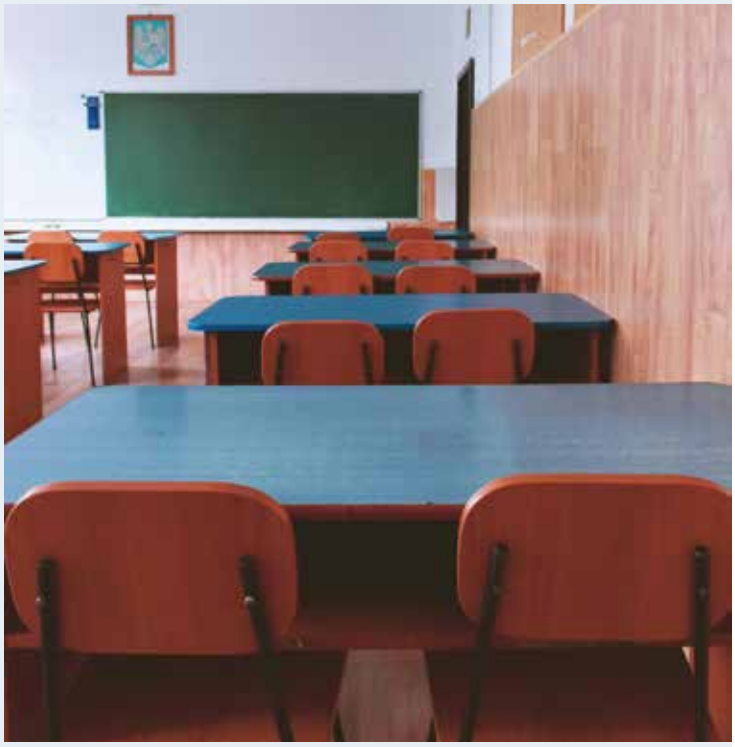
reported an instance of a grandparent setting up a trust for each of his grandchildren to pay for their school fees. This has the double advantage that payments to charities such as schools are tax exempt.

All this evidence exposes a basic flaw in the current system of Commonwealth Government funding of private schools. The amount of funding is determined by the capacity to contribute (CTC) score of a school which is based on the median adjusted taxable income of families with children in a private school. However, this income does not include gifts of income or payments of school fees and other goods and services by grandparents. Based on SBS research, this may amount to billions of dollars per year for private school families.

It is impossible to determine the extent of such additional family income because it is not declared in income reported to the Australian Taxation Office. However, its existence is undeniable, and it results in overfunding of private schools. It means that the capacity to contribute financially to private schools is underestimated and, hence, schools are overfunded.

A practical example can illustrate the potential overfunding. Assume a private secondary school has the mean CTC score of 100 in 2025. This would entitle it to base rate government funding of $13,119 per student. Figures published in Senate 2026-27 Budget Estimates (AQON SQ26-000656w) show that several schools with a CTC score of 100 had a median family income of about $170,000 in 2025, although some have less and some more. Further assume an average financial contribution to school fees by grandparents of $4,000 per student – by comparison, average income from fees and charges in private schools was $8,975 in 2024 according to the National Report on Schooling in Australia. The average for private secondary schools will be much higher than this.

If this income from grandparents were taken into account in family income estimates, it could increase the CTC score of the school to 101 or 102 or higher according to the Senate Estimates figures on family income. In 2025, the base SRS funding of a secondary



> According to the Australian Bureau of Statistics ... the total overfunding of private secondary schools because of grandparents' contributions to fee payments could be of the order of $1.5 billion

school with a CTC score of 102 was $12,350 per student, that is, its funding entitlement would be $769 less per student. In this case, a secondary school of 2,000 students would be overfunded by $1.5 million a year while a school of 1000 students would be overfunded by $769,000.

These overfunding estimates enable a rough estimate of the total overfunding due to grandparent fee payment contributions.

According to the Australian Bureau of Statistics there were 1,080 private secondary schools in Australia in 2025 and 508 combined primary and secondary schools giving a total of 2,533. Assuming an average enrolment of 1,000, the total overfunding of private secondary schools because of grandparents' contributions to fee payments could be of the order of $1.5 billion (2533 x $769.000).

Trevor Cobbold, National Convenor, SOS

This is the first analysis to estimate the impact of undeclared income provided to private school families by the Bank of Mum and Dad on the overfunding of private schools. The estimates are likely to be only the tip of the overfunding iceberg because they relate only to the fee contributions made by grandparents.



This is obviously a ballpark estimate, but it shows that the inability of the current funding arrangements to take into account income provided to families by grandparents to pay school fees is likely to result in significant overfunding of private schools. Private school funding is not fully based on need.

The overfunding is likely to be more for schools where grandparents make larger fee contributions than the figure used here. This is likely for schools with higher CTC scores where fees are generally greater than for schools with lower CTC scores.

For example, consider a school with a CTC score of 115 and a median family income of about $250,000. Its base funding entitlement would have been $7,350 per student. A grandparent fee contribution of $10,000 would likely push the school's CTC score up to 118. In this case, its funding entitlement would drop to $6,202 per student, a reduction of $1,148 per student. The overfunding of a school of 2,000 students would amount to $2.3 million and $1.15 million for a school of 1,000 students.

These examples are contingent on the assumption that grandparents contribute $4,000 per student towards the payment of school fees in private secondary schools. This is reasonable for two reasons. First, the Resolve Strategic figures for payments by grandparents cited above are averages for primary and secondary schools and are likely to be significantly higher for secondary schools. Second, the average income per student from fees for private schools cited above from the National Report on Schooling in Australia are also for primary and secondary schools and are likely to be much higher for secondary schools alone.

This is the first analysis to estimate the impact of undeclared income provided to private school families by the Bank of Mum and Dad on the overfunding of private schools. The estimates are likely to be only the tip of the overfunding iceberg because they relate only to the fee contributions made by grandparents. They do not include the impact of other income provided to families by grandparents identified by recent surveys. The inability to account for this additional income for families of students in private schools suggests that the overfunding of private schools is immense.

There is also another basic flaw in the private school funding model that exacerbates the overfunding. The model also ignores billions in income received by private schools in the form of donations, dividends from financial investments, income received from the

Trevor Cobbold, National Convenor, SOS



hire of facilities such as swimming pools and theatres as well as rental income from properties owned by schools. This income of hundreds of millions ignored in determining Commonwealth funding of private schools.

The Productivity Commission estimated that donations to school building funds alone were almost $800 million in 2021. The donations were heavily concentrated in a small number of elite private schools with 10% of schools receiving about 80% of total donations. This makes nonsense of any claim that high fee private schools are funded according to need. Moreover, there is an incentive for families to arrange to provide donations in lieu of paying fees because donations to schools with charitable status are tax deductible.

These flaws in the current system of funding private schools result in a huge waste of taxpayer resources. Funding is not fully based on need. It presents a challenge to the Albanese Government to acknowledge these flaws It presents a compelling case for an independent public review of the system of funding private schools to eliminate this waste.

The basic principle behind government funding of private schools should only be to fill any gap between the base schooling resource standard and income from fees and other private sources. This funding should be conditional on private schools meeting the same social obligations and standards as public schools.

Schools with private income above the base national resource standard should not be entitled to baseline government funding because it extends their resource advantage over public schools. There is no inherent entitlement to taxpayer funding of private schools. The only responsibility of government is to ensure that children are not deprived of an adequate education because they attend a private school whose total resources are less than the community resource standard.

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Trevor Cobbold
National Convenor
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