Retiring solo

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In Canada, single retirees account for 43% of people aged 65 and over.[1] Whether they are single by choice or as a result of a separation or the death of a spouse, retirement is more precarious than for a couple. This makes prudent financial planning an even greater necessity.

Singles run a bigger financial risk since they need to cover all their expenses by themselves: housing, car ownership, and utilities, to name but a few. With couples, these expenses are often shared between spouses, and that's a major advantage. The cost of living for singles amounts to 70% of that of couples; so singles need to accumulate more wealth to achieve an equivalent lifestyle.

As life expectancy increases, the number of years we spend in retirement goes up. As shown in the table below, life expectancy at age 65 has increased significantly since the beginning of the 20th century. From 1981 to 2012, the average female's life expectancy has increased from 19 year to 22 years (by 15.8%) and from 14.7 to 19.2 years for males (by 30.6%).

High-net-worth individuals (those with a college degree and upper-middle class couples), tend to live longer than the national average. As a result, retirement can easily last up to 30 years. You need to build sufficient assets to pay for your desired lifestyle for the duration of this period, so as not to outlive your accumulated savings. Singles need to plan much more carefully for retirement, and may want to seek advice from a professional to help them do so.

Life Expectancies at Age 65 (Canada)		
Year	Males	Females
1901	11	12
1931	13.3	14.2
1951	13.4	15
1966	13.6	16.9
1981	**14.7**	**19**
1991	15.6	19.7
2001	17	20.4
2012	**19.2**	**22**

Source: http://www.osfi-bsif.gc.ca/Eng/oca-bac/as-ea/Pages/mpsspc.aspx#TBL1

Here are some tips on how to prepare for retirement if you're single:

1. Start saving early!

Saving early on helps build your assets, as your investments will benefit from compound growth. Investment vehicles that defer tax such as Registered Retirement Savings Plans (RRSPs), or tax shelters such as Tax-Free Savings Accounts (TFSAs) become even more powerful investment tools if you start early. The earlier you invest, the more you'll increase the potential to generate income from savings.

2. Reassess your housing needs

People often plan to finish paying off their mortgage before they retire, but that doesn't always work out. It may be a good decision to sell and buy a less expensive home, or to simply rent. The proceeds from the sale of the property when you retire could be added to your savings, which will boost your retirement assets.

3. Optimize your tax savings

Reducing the amount of tax you pay creates opportunities for increasing your retirement savings. There are several tax rules and credits that benefit couples and families, but here are a few ways that singles can lower their tax bill.

1. RRSP: this long-term investment vehicle not only takes advantage of short-term tax deductions (which can be re-invested), but also lets your assets grow in a tax-sheltered environment. Max out your RRSP contributions in order to maximize tax deductions during your working life, and enjoy a higher income in retirement. This strategy is particularly useful when you expect your income in retirement to be lower than when you were working.

2. TFSA: invest in a TFSA and max out your annual contributions, and you'll earn tax-free investment income. If you've never contributed to a TFSA, your accumulated contribution room for 2016 is $46,500 (if you were 18 or older in 2009). This limit increases by $5,500 per calendar year.

3. Tax credits: be on the lookout for what is available for you. For example, right now you can get an "age amount" when you're 65 or older. As you get older, you may also run into health issues. If you qualify, remember to claim your disability tax credit.

4. Adjust your lifestyle

Adjust your short-term lifestyle to improve your long-term lifestyle. When we are single, we tend to spend more, since we have no dependents. Perhaps you can't live without your daily Starbucks shot, or two or three vacations every year. A good way to adjust your lifestyle without compromising your retirement goals is to establish a budget. To do this, first determine what you earn: salary, rental or professional income, dividends, etc. Then identify how much you spend, and on what. This number can be subdivided into three categories – and how much you allocate to each is critical:

– Fixed expenses (e.g. housing, car, utilities)
– Variable expenses (e.g. entertainment, travel, clothes, groceries)
– Savings (e.g. RRSP, emergency fund, non-registered savings)

By determining what percentage of your income goes into each of these categories, you will be able to make any necessary adjustments. For example, your variable expenses can sometimes outweigh your savings, which will have a major impact on your retirement assets. Or, your total expenses may exceed your total income, which means that you live on debt and are unlikely to meet your long-term goals.

5. Protect yourself

Disability protection: as a single, you are more at risk financially and would do well to talk to a professional to determine your insurance needs in case of disability.

If you're already covered by private insurance, you need to know what percentage of your income will be covered. For example, is 70% of your current monthly income sufficient to maintain your current lifestyle without compromising your retirement goals? In other words, will you continue to save, or will you have to dip into your savings to offset the drop in income?

You also need to make sure the payouts will last long enough to cover your period of disability. Some insurance packages are less expensive but will pay out for just two years, while others may cover you up to age 65. And what is the qualifying period? Some insurers will commence payouts 30 days after the onset of disability, while others may take 90 days. You'll need cash to cover this period without an income.

Living Will: make sure you have an up-to-date Living Will and Power of Attorney. In the absence of such documents, a physical or mental disability will set in motion the public system of protection (curatorship), and you won't have the choice of the person responsible for your personal and financial well-being. A Living Will allows you to choose a family member or someone you trust, allowing you to keep indirect control over your retirement goals. This document is especially important given that life expectancy is increasing and that, with age, mental abilities may decline.

6. Set up an emergency fund

Do you have enough cash set aside for emergencies? To find out, start by determining your cost of living. What are your annual expenses? For example, if you spend $ 70,000 per year, your emergency fund should be minimum $17,500 (3 months of expenses). This fund should consist mainly of liquid savings that are easily accessible in case of need, but you could also use a line of credit. Why is an emergency fund such a no-brainer? Before you retire it helps you bridge periods of uncertainty, such as losing your job, without having to draw on your retirement savings. Once you're retired, it will help absorb the impact of emergencies such as medical expenses.

7. Talk to your advisor

Use the services of a professional such as a financial planner. A planner is like the "GP of your finances," who will assess your overall personal situation and give you tailor-made recommendations. This will simplify the management of your retirement plan and give you an accurate picture of your situation. Your financial planner can also determine if you need other professionals including investment advisors, financial security advisors, notaries or lawyers, identifying the topics that would be useful to bring up with them.

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