Planning for Retirement When You Are Single

If you aren't married, you should consider these potential expenses & needs.

How does retirement planning differ for single people? At a glance, there would seem to be no difference in the retirement saving effort of an individual versus the retirement saving effort of a couple: start early, save consistently, and use vehicles that allow tax-advantaged growth and compounding of invested assets.

On closer inspection, differences do appear – factors that single adults should pay attention to while planning for the future.

Retirement savings must be built off one income. Unmarried adults should save for retirement early and avidly. Most couples have the luxury of creating retirement nest eggs from either or both of two incomes. They can plan to build wealth with a degree of flexibility and synchronization that is unavailable to a single saver. So when it comes to building retirement assets, a single adult has to start early, save big and never let up, as there is no spouse around to help in the effort and only one income from which savings can emerge.

The Social Security claiming decision takes on more importance. An unmarried person's Social Security benefits are calculated off his or her lifetime earnings record. Simple, cut and dried.[1]

Married people, however, have an option that the unmarried lack. Once their spouses begin to collect Social Security, they have a chance to claim a spousal benefit as early as age 62 rather than wait for benefits based solely on their own earnings. In fact, they may be able to claim this spousal benefit at age 62 even if they are widowed or divorced. If they are caring for a son or daughter from that marriage who is also receiving some form of Social Security benefits, they may be eligible for a spousal benefit *before* age 62.[2,3]

All this means that a couple can potentially rely on two Social Security incomes before both spouses reach what the program deems full retirement age. An unmarried person cannot exploit that opportunity, so the decision to claim Social Security early at reduced monthly benefits or postpone claiming to receive greater benefits becomes critical.

An unmarried person may someday have a huge need for long term care insurance. If there are no adult children or spouse around to serve as caretakers in the event of a debilitating mental or physical breakdown, an unmarried individual may eventually become destitute from costs linked to that sad consequence. LTC coverage is growing more expensive and fewer carriers are offering it these days, so many married baby boomers are wondering if it is really worth the expense; in the case of a single, unmarried baby boomer retiring solo, it may be.

Housing is often the largest expense for the unmarried. In an ideal world, a single adult could pay half of the monthly housing expense of a married couple. That seldom happens. Relatively speaking, housing costs usually consume much more of a sole individual's income than the income of a couple. This is true even early in life: according to Bureau of Labor Statistics data, married folks in their late twenties spend $7,200 per person less on housing expenses annually. So a single person would do well to find ways to cut down housing expenses, as this frees up more money that can be potentially assigned to retirement saving.[1]

Saving when single presents distinct challenges. In fact, saving for retirement (or any other financial goal) as a single, unmarried person is often more challenging than it is for a married couple – especially in light of the fact that spouses are given some distinct federal tax advantages. Still, the effort must be made. Start as early as you can, and save consistently.

Citations.

1 - mainstreet.com/article/retirement-planning-for-singles-how-going-it-alone-makes-saving-different [9/17/15]
2 - oregonlive.com/business/index.ssf/2015/09/dont_miss_out_on_spousal_socia.html [9/21/15]
3 - ssa.gov/planners/retire/applying6.html [9/24/15]