



## THE GLOBE AND MAIL

August 2, 2017

# The financial disadvantages of living alone

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Globe and Mail Update

## *Census 2016 data shows singles now account for the biggest slice of Canadian households*

Living alone is bad for your personal finances.

From a basic sharing of expenses to the availability of tax breaks, you're better off financially if you have a spouse, partner or roommate. But as 2016 census data shows, singles now account for the biggest slice of Canadian households. Possible trend of the future: The relationship of financial convenience, where people of all ages live together to save money.

As chair of the Ottawa chapter of CARP, a group representing retired people, Janet Gray hears from a lot of senior women about discrimination against singles. "They say there's an injustice – almost a penalty – for being single," said Ms. Gray, who is a financial planner with Money Coaches Canada.

### **Read more: Census 2016: More Canadians than ever are living alone, and other takeaways<sup>1</sup>**

Retired couples can take advantage of pension-income splitting, where a higher-income spouse or common-law partner shares up to half of his or her pension with the lower-income spouse/partner to reduce taxes. Payments from a registered pension plan can be split before age 65 or later, while payments from a registered retirement income fund or registered retirement savings plan can be split at 65 and older. There's no similar opportunity to save when you're a single retiree.

The financial disadvantages of being single are especially noticeable in retirement, but they're significant even for millennials. Ms. Gray said a single person would typically qualify for a smaller mortgage than a couple, which limits the ability to buy in expensive housing markets such as Vancouver or Toronto.

"At 35, you could find yourself buying a first house and having to go to mom and dad to ask, can you co-sign for me?" she said. "It's kind of demoralizing."

The old cliché about two living as cheaply as one may be exaggerated, but Ms. Gray figures that singles pay 75 to 80 per cent of the costs incurred by a couple. Whether one or two adults live in a home, major costs like mortgage payments, property taxes, utilities and maintenance are the same.

There are some additional tax breaks beyond pension-income splitting that benefit couples, not singles. Here are a few highlighted by Mark Goodfield, a partner at the accounting firm BDO Canada LLP:

- The spouse or common-law partner amount: This tax credit is claimable if you support a spouse or common-law partner with income of less than \$11,635 for 2017.
- Medical expenses: Partners can combine their medical expenses to get the most benefit from this tax credit.

- Charitable donations: Donations by spouses can be combined so that they qualify for the enhanced tax credit available to charitable giving of amounts above \$200 ( a lesser credit applies for smaller donations).

Adam Morke, an accountant with Stern Cohen, said there aren't as many tax breaks for couples as people think. "Canada's income tax system is, generally speaking, designed around taxing individuals as opposed to couples," he said in an e-mail. The idea that couples are hugely advantaged may come from the United States, where there's more opportunity for them to save on tax.

It was Ms. Gray, the financial planner, who floated the idea of the relationship of financial convenience. It's a concept that may be particularly well suited to expensive cities where both houses and rental accommodations are expensive. Achieving financial independence as a young adult in these locations may depend on some kind of sharing of expenses.

The 2016 census data found that almost 35 per cent of people between the ages of 20 and 34 lived with at least one parent, up from 30.6 per cent in 2001. Between a challenging job market and pricey housing, young adults are increasingly having to rely on family for financial support.

Having a roommate seems like a university or college thing, but maybe it's time to consider it as an option at all ages. Pension-income splitting isn't available to roommates, but they can pool their financial resources to afford the high cost of housing and enjoy the emotional benefits of companionship. Don't they say that one is the loneliest number?

## References

1. <https://beta.theglobeandmail.com/news/national/census-2016-statscan/article35861448/?ref=http://www.theglobeandmail.com&>

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