How one-income couples can stay on course for retirement

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With money being one of the most common sources of stress among couples, it's no wonder that financial advisors sometimes take on the role of a pseudo counsellor. In unions where only one individual is earning an income, it's even more important that both parties be at the table when it comes to money matters.

Christine White, a money coach in the Toronto East-Durham region with Money Coaches Canada, urges clients to schedule regular money talks.

"Sometimes I say that, and I must sound like a sex therapist – you know how they say you should schedule in sex? People should schedule in their money time – and not on the day the Visa bill comes in, and there's fighting about what's on it, but more from a planning and vision and goals perspective.

"With all my clients I try to create that space, that conversation, for everyone to have an equal vote," she adds. "Each spouse always brings something good to the table. But in order for people to save, they have to know their why. They have to have a purpose."

Technology can play a big part in helping one-income couples keep their retirement plans on track.

Apps can help identify spending habits and patterns. Automated savings, where money is regularly withdrawn from one account and put in a registered retirement savings plan or a tax-free savings account, can keep people moving toward their retirement goals.

"The best thing to do to make retirement saving happen is the good, old, boring 'pay yourself first,'" Ms. White says. "Automate regular recurring contributions, aligned with your payday. Then forget about it. When it's aligned with your payday, it's out of your account before you see it, and then you can live on the rest."

Online banking also allows people to compartmentalize money for different purposes, which, in a budgeting sense, Ms. White calls "virtual envelopes."

"With most banks now, you can even nickname the accounts for visual clarity," she says. "Then use your real-time, actual money balances in those accounts – checking on your phone before you go shopping, for example – to guide you to make good spending choices you can afford going forward. If the accounts are joint, then the money is transparent and very visual, and both spouses can see balances and be empowered to make decisions."

For one-income couples, transparency is crucial for saving and investing. According to a 2014 poll for the Financial Planning Standards Council, four in 10 people in relationships with shared finances argue regularly about finances. It found that couples who share details about their personal finances argue significantly less about money than those who are less transparent (58 per cent versus 30 per cent). Yet the study found that only about 54 per cent of Canadians talk to their partners about personal finances, with another 7 per cent admitting to lying to a partner about money.

When only one person is drawing a salary, discord and distrust can be even more intense, creating the potential for poor financial decisions. Some straightforward measures can sidestep all of that, though, to ensure a comfortable retirement for both.

Ms. White suggests a weekly "FFF meeting." The acronym stands for family, food and finances – subjects that couples should take half an hour to review when things are quiet and calm at home. She has seen the way miscommunication or lack of communication can negatively play out, pointing to an example of a couple where one was putting a money down on their line of credit to pay for their basement renos, while the other was going into overdraft to buy kids' rainboots.

"They were not communicating," Ms. White says. "That's why I'll suggest a FFF meeting about every payday for couples to grab a cup of tea on a Sunday night and sit down, not in a reactive sense when the Visa bill comes in, but in an proactive, planning sense. That's what helps keep the big picture in mind."

Janine Purves, senior financial advisor with Assante Capital Management Ltd. in Richmond Hill, Ont., says she often helps one-income couples (and other clients) by having them delve into their "money personalities." One may be a spender and the other a saver; one may enjoy handling investments, while the other pays the bills. By understanding what motivates each other and how each person reacts to money, people can find common ground and work together to save for retirement.

"Psychology of money really comes into play and can be a huge factor in these situations. The income earner may be very controlling if he or she feels that they have the right to control the money because they earn it," says Ms. Purves, who is a certified financial planner as well as a certified cash-flow specialist.

"There can be challenges from a logistics scenario, and also from a psychological scenario of the non-income earner not being valued. This can obviously affect the relationship in many ways. But just because they're not earning an income doesn't mean they're not earning their keep."

Ms. Purves suggests couples set monthly, quarterly and annual goals and check in on progress regularly so that smaller-scale stresses – say, spending too much money on groceries one week – don't sidetrack them. Doing so helps people stay focused on a secure retirement and not who is contributing what.

One-income couples are especially vulnerable to the impact of job loss, illness, divorce, or death on retirement savings. It's common for people in such relationships to overlook the importance of life or critical-illness insurance for both people, not just the income earner.

People tend to underestimate how much insurance they need, Ms. Purves says. She recalls a client whose husband had been a stay-at-home dad for about a decade before he became ill and died. Although they had insurance in place at an amount that seemed reasonable, it turned out they had low-balled their estimate. In such cases, retirement savings can be wiped out quickly, with people living paycheque to paycheque rather than maxing out their RRSPs.

Another practical consideration for single-income couples who are saving for retirement is tax planning, says Rose Raimondo, certified financial planner and coach and founder of Edmonton's Raimondo and Associates. She says it's crucial that they take advantage of all the tax strategies available to them, such as spousal RRSPs, income-splitting, and, in some cases, pension-splitting.

"It's about getting the conversation broader in terms of retirement planning, to minimize over a lifetime the tax burden of that household," she says.

However, like the other financial experts, Ms. Raimondo says the priority for couples with one income involves dealing with money in a proactive way, rather than a reactive one.

"The starting point of all future financial and retirement planning is to have control of your cash flow, and to be intentional about spending and saving and investing," she says.