

Single retirees: The power of one

Meet three sixty-something singles who breezed past those obstacles and made it work

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If you're single, you know that retirement planning is tougher for you than it is for couples. You have no one to rely on but yourself, and you can't share expenses or split income. As a result, you can't just take the cost of retirement for couples and divide it by two. Situations vary, but a single person will need to spend roughly 70% as much as a couple to enjoy an equivalent lifestyle in retirement.

The cost of singlehood

To help make things easier, in this issue I'll review what it costs for singles to fund their retirement and discuss the special challenges they face. I'll describe the experiences of three retired singles—one with a modest middle-class budget and two with more affluent means. While their budgets vary, all three have achieved a comfortable lifestyle that meets their aspirations.

First, let's look at the cost of a middle-class retirement lifestyle. In my view, a single retiree should count on spending about \$30,000 to \$50,000 a year including taxes, assuming you own your home and have no debt. The lifestyle you can expect will vary by locale: your money will go farther in small towns than in big cities, with their high property taxes and high cost of living, points out **Annie Kwick**, a certified financial planner with Money Coaches Canada in North Vancouver.

This compares with my spending estimate of \$42,000 to \$72,000 for retired couples living a comparable middle-class lifestyle (described in "The Cost of Happiness" in the December 2014 issue). The figure for couples isn't twice the figure for singles—it's only about 40% higher because spouses are able to share costs for things like housing and cars. The higher per-person income singles need also results in higher taxes. Based on B.C. rates, for example, a single senior with \$50,000 in taxable income can expect to pay more tax than a senior couple with \$70,000 in income that is equally split.

All this makes it harder for a single to save for a comfortable retirement compared with two-career couples. (The gap is narrower when compared to families with one breadwinner and one stay-at-home spouse.) But singles do have one financial factor in their favour: if they don't have kids they're spared the hefty child-rearing costs that couples with families have chosen to bear. That should allow them a head start on saving for retirement while friends with kids are

knee-deep in diapers and daycare. “For singles, it’s extra important to start to attend to your finances early,” advises Kvick.

As with retired couples, it makes sense to carefully manage how much you spend on the basics so you have plenty left for the non-essential but fulfilling extras. That’s particularly important if your budget is tight. Kvick advises that you’ll need to allow at least \$20,000 to \$25,000 a year for the basics (including shelter, groceries, transportation and clothing) and at least \$5,000 for the extras like entertainment and travel. Then you’ll have to estimate what you’ll pay in income taxes. If you have \$30,000 in taxable income, expect to pay about \$2,000 to \$3,200 a year in income taxes if you’re 65 or older (depending on your province), and about \$3,800 to \$5,100 if you’re younger.

Small-town modesty

Let’s look at how Ellen Spencer uses this approach to get the most out of her \$38,000 budget. Spencer is in her early 60s and stopped working at her physically demanding public sector job over a year ago due to a repetitive stress injury. (Names and some identifying details for our retirees have been changed to protect their privacy.) She is hoping to return to work in some role, but even if she’s unable to work again she feels she can live comfortably and sustainably on what she has now in savings, as well as government and employer pensions. She spends \$33,000 on herself and pays about \$5,000 in income taxes. “I have found I can live very well on that,” she says.

Ellen spends almost \$23,000 a year on the basics, which leaves just over \$10,000 for the extras. She recently moved to a small B.C. town from Vancouver. Although she moved mainly for the small-town lifestyle, the lower cost of living helps as well. “I can live a little bit easier here, with more money for the things I want to do,” she says. “People here are amazing. Everybody talks to you. They’re so friendly, so nice.” She is currently renting, but has money set aside to purchase a modest home. (We’ve estimated her budget based on what she expects to spend after her home purchase.)

Ellen makes careful choices about how she spends her money. “I don’t feel I scrimp at all. I think about what benefit I’m going to derive out of spending the money and then make a conscious choice.” She didn’t always live so modestly: at one time, she was a “clothes horse” who often went out to dinner with friends spending an “extraordinary amount of money with the best bottle of wine.” And she went on plenty of expensive vacations. “I used to like those visits to the beach in the wintertime. When you’re working that’s regenerative and I understand why that’s important. But I have developed a different focus.”

Now Ellen finds that spending money doesn’t equate with enjoyment. “A lot of the things I do are free. I love walking and hiking. The freedom of being outside with fresh air is a wonderful benefit for my health.” Now that she has plenty of free

time, she spends less on conveniences. “I used to go to Starbucks when I worked. Now I’d just as soon make coffee at home.”

Ellen does spend about \$1,800 a year on exercise and activities such as yoga and tai chi. She travels, but mostly makes car trips to visit family. She has \$4,500 budgeted for travel, but won’t necessarily spend it all in any one year. “Some years I don’t use it and I re-assign it to something else.”

Ellen makes purposeful choices about her budget, but doesn’t feel constrained. “I don’t limit myself with the things I enjoy, but what I enjoy has changed.”

An active mind and body

Prioritizing your spending is still a good idea even if you’re affluent. Angela Reynolds, a Vancouver woman in her early 60s, is intent on making the most of her retirement and has above-average means to do so. Angela, recently retired after a career in the public sector, has a budget of \$73,000 a year, including about \$33,000 for the basics, and a sizeable \$26,000 for the extras.

“I’ve still got lots of really good living for the next, say, 10 years, and that’s where I’m going to spend a lot of my money,” she says. “If somebody said let’s go to Vietnam and eat pho, I’d say I’m on it.” On the other hand, she buys modest used cars and keeps them until they’re 10 years old.

Angela likes to travel and has \$6,000 a year allocated to it. While she likes clean sheets and isn’t into “roughing it,” she’s not into opulent travel either. Earlier this year she spent a moderate \$5,000 for a month of travel overseas with a friend. In the early years of her career she was fixated on saving, which helped provide her the ample nest egg she has today, including a group RRSP. She began taking a more balanced approach after splitting up with her partner about 10 years ago. “That opened me up to saying, ‘Hey, there’s a happy medium here. It’s not that you have to deny yourself everything.’”

Like many people in their 60s, she’s doing what she can to stay active. Her budget of \$10,000 for recreation and entertainment covers the services of a personal trainer, as well as a physical therapist she has hired to help with muscle strains. “I go to the gym. I do my yoga. I do physio. My body is getting in shape. I probably wasn’t in good shape when I was working. I didn’t have the time to take care of myself the way I am now.” She is also taking courses in art and philosophy. “That kind of self-improvement is huge because it keeps my brain active.”

Angela has so many activities on the go that time seems to be “galloping,” she says. But her busy lifestyle has nothing to do with the rat race anymore. “I’m waking up and living this part of my life consciously.”

Money for others, too

Ted McDonald is a widower in his late 60s who lives in the Okanagan Valley. He too has an above-average budget: about \$81,000, including \$41,000 for the basics and \$21,000 for the extras. He uses his money to support hobbies, travel and spending on his two grown children and their families. He's trying to find a balance between spending his money and leaving a large legacy.

Ted exercises daily, is learning Italian and is interested in taking up the piano. With a sizeable travel budget of \$10,000, he takes two or three trips a year. He likes to go overseas and experience local culture. His budget also covers some travel for his children and relatives.

He has high shelter costs because he's renovating his house. He spends quite a bit on groceries and restaurants, including paying for meals with extended family. He helps out at his church and is looking for other volunteer opportunities that make use of the skills and experience he developed over a long career in the non-profit sector.

Ted happily spends less than his ample means would allow. He says if he won the lottery tomorrow, he probably wouldn't change a thing about the way he spends money—except to figure out how to leave more to his kids and charitable causes.

As our three retirees demonstrate, there's no reason why most singles can't enjoy a comfortable and fulfilling retirement despite the challenges. Whatever your budget, the key is to prioritize your time and spending on the things that are most important to you. "We should all be able to create a wonderful retirement on less or more," says Kwick. "If you're creative enough, you can usually make it work."

The cost of retiring well: What three singles spend

How much will a single retiree need to cover the basics, the extras, and income taxes? The budgets of these three B.C. retirees—all in their early to late 60s—offer a range of spending patterns from modest to affluent.

	MODEST	AFFLUENT	MORE AFFLUENT
What they spend on the basics each year ⁽¹⁾	Elen Spencer	Angela Reynolds	Ted McDonald
Shelter ⁽²⁾	\$6,000	\$6,280	\$11,620
Vehicle ⁽³⁾	\$6,300	\$5,490	\$7,640
Groceries	\$3,000	\$3,000	\$8,000
Health and dental	\$1,500	\$6,840	\$6,770
Home and garden ⁽⁴⁾	\$500	\$1,200	\$1,200
Clothing and personal care	\$2,600	\$2,400	\$1,140
Phone and communication	\$2,000	\$1,670	\$2,760
Personal insurance and financial services	\$0	\$5,630	\$1,680
Local transportation	\$670	\$240	\$360
SUBTOTAL	\$22,570	\$32,750	\$41,170
What they spend on the extras each year			
Recreation, entertainment, reading ⁽⁵⁾	\$3,180	\$10,000	\$1,800
Restaurants, alcohol, tobacco	\$1,920	\$5,280	\$5,400
Travel	\$4,500	\$6,000	\$10,000
Pets	\$0	\$1,200	\$0
Charitable and personal gifts	\$550	\$1,800	\$2,110
Miscellaneous	\$250	\$1,400	\$1,740
SUBTOTAL	\$10,400	\$25,680	\$21,050
TOTAL (EXCLUDING TAX)	\$32,970	\$58,430	\$62,220
Income taxes	\$5,000	\$14,500	\$19,000
TOTAL (INCLUDING TAX)	\$37,970	\$72,930	\$81,220

(1) Annie Kvick of Money Coaches Canada helped estimate these budgets. (2) Includes property taxes, utilities, maintenance, home insurance, rent and mortgage payments. (3) We've added \$2,000 a year for depreciation. (4) Includes cleaning supplies, furnishings, appliances, garden supplies and services. (5) Includes computer equipment and supplies, recreation vehicles, games of chance, educational costs.

A single's guide to coupling

The money part of a relationship is simple when you're young and don't have any. However, if you're a single person contemplating a serious relationship later in life, it can get a whole lot more complicated.

"The first thing I would do is have a conversation about money," says Barbara Garbens, a financial planner with B. L. Garbens Associates Inc. in Toronto. "Money can be a real stress factor in a relationship, so get a sense of what the person is about financially." Problems can arise if partners have dramatically different net worths or one is a saver and the other a spender.

But differences by themselves don't mean the relationship won't work. "It's so individual," says Annie Kvick, a certified financial planner with Money Coaches Canada in North Vancouver. "I have some client couples where there are big differences, but everything works out anyway."

A prenuptial agreement (in the case of marriage) or a cohabitation agreement (in the case of living together) can clarify and provide legal recognition for how assets, debts and possibly spousal support will get treated if the relationship should end. Without such agreements, you may be in for surprises if the relationship dissolves. Many people don't realize that living together for one to three years (depending on the province) can result in the couple being treated as married partners for family law purposes.

It's usually a good idea for people entering relationships at this stage to keep their investments, debts and bank accounts separate. "To merge everything doesn't make sense to me," says Garbens. However, a joint account can be used for shared household expenses, groceries, operating a car, and vacations. Each partner funds the account equally, or in whatever other proportion is agreed.

At some point wills need to be updated and beneficiaries changed on pensions, workplace benefits, life insurance, and registered investments like RRSPs. You probably want to make some changes immediately if you're getting married, but otherwise Garbens recommends waiting awhile to "see how the relationship goes."