

Two single women, two different budgets: What do their retirements look like?

DAVID ASTON
SPECIAL TO THE GLOBE AND MAIL
PUBLISHED FEB 28 2018

If you're like most people nearing retirement, you're probably hoping for an active post-work life filled with travel, hobbies and memorable moments with family and friends. But since affordability usually has limits, you're also probably wondering what it will cost.

For single Canadians, living well in retirement is often more expensive than it is for couples due to fewer shared costs such as housing and travel. In what follows, we describe how single retirees can live well at two different budget levels, one modest and the other reasonably ample.

(The names of our two retirees have been changed to preserve their privacy.)

A 70-year-old Burnaby, B.C., resident who we'll call Susan enjoys an appealingly active lifestyle while spending a relatively modest \$42,000 a year, including taxes. She has to pick and choose carefully how she spends her money, but she also benefits from short-term budgetary "wiggle room."

Linda, also from the Vancouver-area and in her mid-60s, has a more ample budget of \$76,100 a year, including taxes, and is able to do more things. But the same overall approach applies to Linda and Susan; both make the most of their spending by economizing on basics that don't add particular value, so they have money to spend purposefully on whatever is important to them. Their budget details are provided in the accompanying table, "The Cost of a Fulfilling Retirement: What Two Singles Spend."

"They're creating the life they want to live within what they have," says Annie Kwick, a fee-for-service certified financial planner with Money Coaches Canada in North Vancouver, B.C., who helped prepare financial plans for both.

How you allocate money beyond the necessities is up to you, but ideally it should help keep you socially engaged with family and friends, physically fit and mentally stimulated. That typically includes spending money on non-essential extras like travel, entertainment, and recreation, but it could include a higher level of spending on basic needs such as clothing and personal care, if enhancing your appearance is a priority.

In setting a single's retirement budget, it is important to realize that you can't just take a couple's budget and divide by two. Couples generally economize by sharing things like living expenses and hotel costs, and they may save on transportation by sharing a car. There's also seniors' pension income splitting, which can help reduce taxes. As a result, singles will generally need to spend more than half of what couples spend to enjoy an equivalent retirement, but the precise proportion will vary.

Zip-lining grandma

One of the things that retirees of modest means have going for them is that many fun, social, active pursuits are inexpensive. This fact has helped Susan pack a lot in to a modest budget since retiring three years ago.

In the last few years, Susan has transformed herself from "basically a couch potato" to a highly social fitness buff who exercises with friends five days a week. Typical weekly group activities include 1-1/4 hour walks "at a good clip," 25-kilometer bike rides and fitness classes.

Susan was divorced many years ago when her two daughters were young, and so she raised them largely as a single parent, a financial stress which contributed to her relatively modest retirement nest egg. These days she loves doing active things with her adult daughters and two grandkids, now ages 11 and 13. "Two summers ago, I took (the grandkids) bike riding around Stanley Park and zip-lining and I'm like the 'hero grandma' now." Many of Susan's activities are cheap, like walks followed by coffee, but others are pricier, like following up a workout with a restaurant meal.

Susan budgets \$26,590 on the basics, not counting payments on a small mortgage, or \$31,320, with mortgage payments included. Her spending on basics is at a fairly reasonable level, although she chooses to spend relatively ample amounts on clothing and personal care, as well as phone and communications.

Susan's budget allows \$7,500 for extras. That includes \$1,800 for travel, sufficient to pay airfare for several trips to visit her daughters in the U.S. However, she wanted flexibility in the first few years of retirement. As a result, as part of her financial plan, she set \$30,000 aside in what Ms. Kwick describes as "an extra bucket of money to give her a little wiggle room in the first few years."

In 2017, Susan spent about \$10,000 from this separate bucket for travel with friends, including a "once in a lifetime" cruise from Mumbai, India through the Suez Canal to Athens, Greece. "With travel, you've got to do it when you're young enough and fit enough," Susan says.

Planning for the long run

If you have an ample budget, you can afford to do more, and you don't have to prioritize as carefully, as Linda has found out. Linda retired four years ago and spends \$43,400 on the basics, \$18,000 on the extras, and a total of \$76,000 overall, including taxes. She spends a lot of time working with siblings to look after an ailing parent and recently went through a divorce, so she is still figuring out and adapting her retirement plans.

"(Divorce) changes everything in life," she says. "You have to rethink your future." Fortunately for Linda, she was left with ample finances after the split and could afford a larger budget than she has now, if she wanted it.

Linda is fairly frugal with much of her day-to-day spending, but also allows for many nice-to-haves. She loves spacious surroundings and gardening, so after the divorce she bought a three-bedroom house even though it is "far more than I need." The house purchase is mortgage-free but comes with a hefty amount of repair and refurbishment expenses (reflected in her "shelter" and "home and garden" budget items).

She enjoys having her two grown children over for family meals. She drives a recent-vintage mid-level car, but also keeps an old BMW for summer jaunts. She runs regularly to stay fit, but also engages a personal trainer and coach. She has run several recent half-marathons and a full marathon four years ago.

Linda enjoys the freedom of being able to pay for fun activities when they come up without worrying about money. While she budgets \$5,500 for travel, she knows she can adjust the budget upwards if the right opportunity arises. "It is nice to know that if my sisters and I wanted to go on one of those \$10,000 cruises, I could say, 'let's go'. That's pretty neat."

THE COST OF A FULFILLING RETIREMENT: WHAT TWO SINGLES SPEND*

	SUSAN'S MODEST LIFESTYLE	LINDA'S MODERATELY AFFLUENT LIFESTYLE
THE BASICS		
Shelter (Excl. mortgage payments) **	\$5,170	\$13,400
Mortgage payments	\$4,730	\$0
Vehicle transportation	\$4,680	\$8,000
Groceries	\$3,600	\$4,800
Health and dental	\$2,580	\$2,300
Home and garden	\$960	\$8,600
Clothing and personal care	\$3,480	\$1,200
Phone and communication	\$4,320	\$2,400
Personal insurance and financial services	\$1,560	\$2,600
Local transportation	\$240	\$100
Subtotal	\$31,320	\$43,400
THE EXTRAS		
Recreation and entertainment	\$1,620	\$6,000
Restaurants, alcohol, tobacco	\$2,520	\$2,000
Travel	\$1,800	\$5,500
Charitable and personal gifts	\$1,260	\$3,000
Miscellaneous	\$300	\$1,500
Subtotal	\$7,500	\$18,000
TOTAL (Excluding tax)	\$38,820	\$61,400
Income taxes	\$3,200	\$14,700
TOTAL (Including tax)	\$42,020	\$76,100

Notes:

* Annual budgeted spending. Annie Kwick of Money Coaches Canada prepared financial plans for Susan and Linda and helped estimate these figures. Names have been changed to preserve privacy.

** "Shelter" includes property taxes, utilities, maintenance, repairs, home insurance. "Home and garden" includes the cost of furnishings, appliances, cleaning supplies, garden supplies and garden services.