



Making the single life richer: financial planning for the unmarried

A column published by CNN/Money on May 10, 2004, says that being unmarried may have some advantages, but financially you have to work at it to make it a plus.

Love it or hate it, you've got to admit the single life has its advantages. You keep your house the way you like it, you date whomever you want and you don't have to justify why you blew \$500 on something frivolous. Okay, maybe that last one isn't that much of an advantage.

Some studies show married couples accumulate more assets per person than singles. And it's not just because society showers them with gifts, cash, tax breaks and family discounts just for getting hitched.

It's also because in healthy marriages couples have a financial checks-and-balance system and a long-term perspective, according to the book "You Paid How Much for That?" Translation: You're forced to think twice before throwing money to the wind.

But if you're single, you're solely responsible for keeping yourself afloat. That's why you should take your financial welfare even more seriously than your married peers.

"There's no Plan B. So you're a little more exposed," said certified financial planner Mari Adam.

Given that, here are four smart moves to make:

Save as if you're all you've got. There's no second-income backstop in your life, so make sure you have an emergency fund. And set money aside regularly -- even small amounts -- for short- and long-term goals.

If you're having trouble staying on track, you might ask a trusted family member, friend or financial adviser to serve as a sounding board for a financial decision, Adam suggested.

But if you do, please pick someone who a) won't consider your finances fodder for cocktail chatter; b) takes you seriously as an adult; and c) doesn't pity or belittle those without spouses. Otherwise, they'll be of limited use to you or just plain annoying.

Reduce your taxable income. A married couple with kids, even if they don't itemize, typically has more exemptions than a single person, said enrolled agent David Mellem of Green Bay, Wis.

That's why he and Evan Snapper, a CPA in New York, strongly advise singles without kids who expect to marry at some point to set aside as much as they can now in tax-deferred accounts such as your 401(k) because there are fewer demands placed on your wallet than when you start a family. You'll boost your retirement savings and reduce your taxes.

If you can afford to and if it's the right move for you for non-tax reasons, buying a house also may reduce your taxable income, since the standard deduction for single filers is half that of married filers and the deductible mortgage interest may allow you to itemize on your tax return.

Singles with dependents (be they kids or aging relatives) should take full advantage of any dependent-care spending plans at work, Mellem said. The plans allow you to pay in up to \$5,000 of your income pre-tax so long as it is used to pay for your dependents' care.

Insure yourself well, not blindly. If you have no dependents, you really don't need life insurance, Adam said, unless you have debts you'd like paid off in case you die. Take what your employers give you for free. Just don't pay extra for it.

But if you have dependents, live with a life partner or own property with someone (say a house or business), you should have life insurance and probably need to supplement what your employer gives you to meet the needs of your loved ones or co-signers, Adam said.

Disability: Definitely get it. In fact, you may want to supplement what employers offer, since typically they only provide enough to replace 60 percent of your income if you're unable to work for awhile.

Auto and home: Marital status is one of many factors insurers consider to determine premiums. Since singles tend to file more claims than married policyholders, you may pay a higher premium than someone who's married, all else being equal.

So ask about spouse-free ways to get discounts. Among them: take a defensive driving course, use the same insurer for your car and home, or install good security systems.

Plan for what comes after: You may think because you don't have a spouse and kids, you don't need an estate plan. Wrong. Everyone should have a will and living will.

Your will tells the courts just who you want to receive your assets. Otherwise, the courts decide. A living will tells doctors what measures you want taken (or avoided) if you become terminally ill and unable to communicate.

You also want to name a healthcare proxy -- someone you trust to handle medical decisions for you if you become unable. And likewise, assign power of attorney to someone you trust to handle your financial affairs if you can't.

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