

Looking out for numero uno: financial planning for singles

A front page story in the business section of the Los Angeles Daily News on March 14, 2004, focuses on the special needs that single people have to plan for their financial future. The story is written by staff writer Barbara Correa. Here is what she has to say.



Being single has its pros and cons -- not just socially, but financially as well.

While people unencumbered by children or a spouse may have more disposable income to spend, they also gener-

ally pay a higher tax rate and don't have a second income to fall back on should disaster strike.

Both situations call for singles to pay even more attention to financial planning in a corporate and legal world set up for married couples.

"Oftentimes (singles) have a little more disposable income, so you want to beef up your savings," said Michele Steinberg, a financial planner and founder of Financegrl.com, a Los Angeles financial counseling network that serves mostly young singles.

"Singles tend to spend more so you need to focus on creating a budget."

Another key is defining goals, such as saving for a house, probably the surest way to guarantee long-term financial security.

"It's going to be more difficult but it can be done," said Steinberg.

She said her clients spend more than couples do on going out and on the clothes, manicures and luxuries that go with dating. "That's OK, but you just need to plan for it," she said.

Steinberg said most of her clients think of their single status as temporary, so financial planning isn't as focused on the long term but on getting current debt levels down and setting goals for the future.

But not all singles are young and temporarily unattached.

For more mature singles -- whether widowed, divorced or committed to bachelorhood -- the planning becomes a bit more complex.

One of the areas in which financial preparation for singles and couples really differs is in tax planning.

Traditionally, singles have been at a disadvantage when it comes to tax burdens.

The argument says that married couples in which one spouse earns much more than the other actually get a marriage bonus, because the low income brings down the overall tax bracket for the couple.

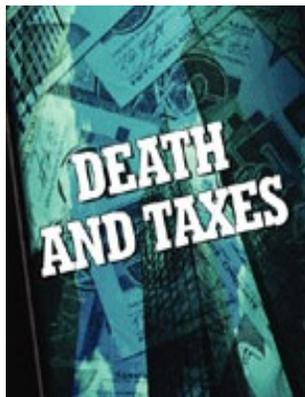
As of last year, the standard deduction is the same for two married people filing jointly as for individuals, adding fuel to the theory that singles lose out at tax time.

"People with kids get all these deductions taxwise. A lot of single people don't itemize because they don't have a reason to -- they have no deductions," said Thomas Coleman, executive director of the American Association for Single People, a Glendale-based advocacy group with about 3,500 members. The group's membership is working men and women between 30 and 60 years old. Around 80 percent are heterosexual and don't have a domestic partner or kids.

For that reason, he said, it's even more crucial for single people to buy a home or condo so the mortgage interest pushes them past the standard deduction so they can take advantage of itemizing things like gifts to charities.

But Phil Cook, a certified financial planner in Torrance, said buying real estate isn't the right solution for all singles. "It could work in some situations but it's not a blanket statement for all singles," he said.

Indeed, singles' portfolios and financial needs vary as much as couples' do.



For example, a wealthy single person needs to be particularly concerned about estate planning because of differences in how inheritance taxes are levied.

Under federal law, a married person can leave an unlimited amount to a spouse without incurring inheritance taxes, whereas for an unmarried person, that cutoff is \$1 million, said Coleman.

He argues that singles also suffer in overall compensation, because they don't earn the same level of benefits as a married person doing the same job. He suggests that single people approach their employers and ask whether they can restructure that compensation in a more fair way.

For instance, one American Association for Single People member, a single flight attendant, found out she could not pass on her pension contributions if she died before retirement. If she were married, the money would go to her husband.

So she asked whether her sister could get it.

"Why not ask?" said Coleman, adding that the debate over gay marriage and civil unions will probably force more employers to begin grappling with such benefits issues.



"We saw a shift from family-friendly programs in the mid-'90s to work/life programs due to some backlash from single people," he said. Those programs are more flexible in terms of giving benefits to domestic partners or other beneficiaries, or in some cases give employees a lump sum for benefits to use however they want.

What he'd really like to see is employers allowing workers to redirect lost benefits compensation to other places, like a 401(k) account. But that seems unlikely in an era when companies are cutting back on benefits, not expanding them.

For now, there are still plenty of areas where singlehood means paying a higher price.

Singles pay more for vacations, as travel packages typically tack on a single supplement charge to people traveling alone. And they can't take advantage of superior health or life insurance offered by a spouse's employer.

"One is a lonely number. You're the only one contributing to the plan," said Cook.

But there are advantages, too.

A single person generally wouldn't have to spend as much on life insurance. "If you don't have any dependents, why would you buy much life insurance?" said Cook.



Coleman agrees, but adds that living on one income means disability insurance might be even more important for a single. Along those lines, singles need to be sure they spell out in a will who they want their assets to go to, because they don't have the obvious spouse as beneficiary.

Another plus for singles is that they don't have to share their planning philosophy with anyone else. "The good part is there's only one money personality involved so you don't have spending and saving conflicts," Cook said. Perhaps best of all for Southern California singles, he says: "You don't need as much house."