Singles should think about money matters

Times Picayune / November 21, 2004

Just as there is specific financial advice aimed at women or couples or students, there is specific advice for those who are single.

Whether you are young and single, have always been single or find yourself suddenly single, the full responsibility for managing and planning your financial future rests with you.

And you are not in a small group. The Census Bureau reports that unmarried people head 49.5 percent of U.S. households.

Not only are your numbers great but you bear an added tax burden, according to the National Endowment for Financial Education. About 80% of single-filer income tax returns do not itemize, which means filers miss out on the tax deductions that tend to reduce tax bills.

Even though many single taxpayers do not realize the breaks of itemizing, they can reap some tax savings by taking advantage of employer-sponsored programs including a 401(k) deferred savings plan to finance retirement, or flex accounts, which allow employees to pay medical expenses not covered by insurance with pre-tax income.

If you are young and single, this is one of the best times to save. Time is on your side, and any money socked away in deferred accounts in your early 20s will compound, allowing you to amass more savings than you thought possible.

If you are able to invest in a retirement savings account, such as an individual retirement account, you may find that part, if not all, of your contributions are deductible. If your taxable income is less than $34,000, the entire contribution up to $3,000 is deductible. For those who earn between $34,000 and $44,000, a partial deduction can be claimed.

Building good credit is important because a high credit score can help you qualify for better credit card rates, insurance premiums and mortgages, and will even qualify you for the best bank accounts.

You need adequate insurance so you are not financially devastated by illness or disability, because you do not have a second income to pull you through these crises.

And you need an emergency fund to tide you over if you lose a job or face a financial disaster.

Because there is no spouse to pass on assets to at your death, you need to draw up a will and make sure your beneficiaries are named for retirement plans and insurance policies.

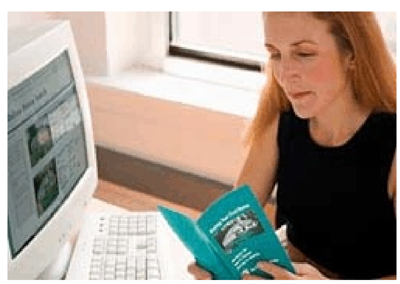
Further, make sure your beneficiaries named in your will are the ones named on the accounts.

And you need to give someone the health care power of attorney and a more general power of attorney to make decisions for you if you are incapacitated.

If you find yourself suddenly single, either by death or divorce, experts say, you should assess your financial situation before making major decisions, such as moving or making radical changes in your lifestyle.

You will probably want to find an adviser with whom you can discuss financial matters, one who appreciates your situation.

Carolyn Stolz, a certified financial planner at American Express Financial Advisors, says that in a divorce, women need to get good advice. The average divorced woman's standard of living drops by at least 25 percent, because divorced women often need to maintain their household with much less income and run through their cash quickly.



It is particularly important for the woman to know where the family documents are located, and to know about retirement savings and eligibility for her ex-spouse's retirement and Social Security benefits.

This is an opportunity to become educated so you can begin to make decisions about your future.