When its up to you: financial planning for singles

A story published in the business section of the Times Reporter on March 28, 2004, gives advice to single people about their special needs for saving, investing, and financial planning.

The story warns: "If you're single, you have to look out for yourself – especially when it comes to financial planning."

Collin Fawcett, an investment representative with Edward Jones at New Philadelphia, said about 15 to 20 percent of his clients are single.

"Most of the time with a single investor, they're focused more on retirement," Fawcett said. "A married couple is usually focused on retirement, some life insurance needs and education planning, if they have children."

Primarily, younger single investors take the dollar cost averaging approach of investing a certain amount of money every month. Doing so allows an investor to buy more shares with the set amount when prices are low, although fewer when prices are high. It means the average cost per share tends to be lower, but – like any stock purchase — it does not guarantee positive results.

"Mainly, they're worried about their future and whether Social Security will still be around," Fawcett said. "So, they're focusing now on building up some retirement funds."

He said the youngest single client he has is a 16-year-old who opened a Roth IRA at the direction of his parents. Fawcett said he has a few young clients whose parents match their investments from a summer job or other part-time work.

The majority of single investors are referrals, "but once in a while we do get somebody who comes in out of the blue," he said.

Fawcett said it's a pretty good mix of single men and women who are investing.

"Women are taking more control today of their financial future," he said. "They're living longer lives. It's not just people who have never married. Often, it's a widow who will come in and realize she needs to focus more on her future."

Depending on their goals, most single investors are in for the long haul.

"If you're not going to be investing for more than five years, we really don't recommend getting into the stock market," Fawcett said. "If you're looking to save to buy a house in five or 10 years, there are other approaches you should take."

Michele Engstrom, a financial adviser with Raymond James Financial Services at Dover, also said about 15 percent of her clients are single.

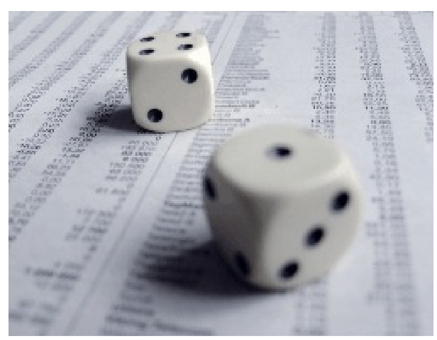
"They're not really any different than any other investor, except maybe children aren't a consideration," she said. "Otherwise, they're concerned with the same things — being able to retire, do what you want, live where you want, go where you want. Some are saving for a home, if it's a young, single person.

"One client is concerned about her nieces and nephews. She doesn't have children, so she's providing for college and future family and naming them as beneficiaries to her IRAs and annuities."

Engstrom said singles are often viewed as having more disposable income because they don't have a spouse or children they're providing for.

"You still have to be careful not to just spend it all," she said.

Chrysanthe Vassiles, 32, of Dover is a law clerk for a federal bankruptcy judge and has been investing since 1997 for retirement.



"I think as a single person I can take more risks, especially being a young single person," she said. "I can invest in areas like the international market that are more risky than American Blue Chip stocks. Because I don't have to save for a child's college funds, I can think more long term."

She said she's "always been pretty conservative in my spending. So I tend to keep a pretty close eye on my finances."

Vassiles also isn't worried about her job because she feels that her skills could easily apply elsewhere, or she could research and write from home.

Thomas Coleman is the executive director of the American Assn. for Single People, an advocacy group with about 3,500 members based at Glendale, Calif. The majority of members are men and women from 30 to 60 years old, but membership is open to all ages. About 80 percent are heterosexual and don't have a domestic partner or children.

Coleman said that a lot of singles, especially renters, don't have any deductions like real estate taxes or interest on their tax returns.

"Home ownership is really a big issue," he said, adding that a single person could join with a close friend or family member to co-own some property.

He said he read a new study that this year will be the turning point that the majority of home buyers will be unmarried. It's a big trend, especially now while the interest rates are low.

"I think that will help singles because it's a tremendous advantage to itemize," Coleman said. "Then you itemize charitable deductions, or donations to your church that you can't do under the standard deduction.
"Pension and retirement planning are important, especially if you think you'll be going solo for the rest of your life or to take care for retirement."

Coleman said that people need to start speaking up about employee benefits.

"They should ask their employers to give them something if they're (singles) going to be subsidizing paying for spouses and children," Coleman said. "A single person is doing the same job and being paid thousands of dollars less per year. You can ask your employer to give you the same amount of subsidy that married people receive, either by earmarking it to your pension, 401(k) or long-term disability plan.

"If you're a one-income household you've got a real problem if you're sick or for long-term care in a facility when you're older."

However, increased options seem unlikely when most companies are reducing benefits.

He said it's also important to think about a will and disposition of an estate.

"You should also plan in advance to have a financial power of attorney to conduct your affairs in case you're incapacitated," he said.

"A lot of the people who come in are single or divorced and they have the same needs for retirement and estate planning as a married individual does," said Mike Noretto, a partner with Rea & Associates Inc. at New Philadelphia. "Many people who are in that category certainly are looking to acquire the financial assets they're going to need in their retirement years.

"I think the biggest difference is that typically they don't have children involved and therefore their planning is more focused on their individual needs. A lot of married couples not only plan for retirement, but plan to leave something for their children. That factor is not there with a single individual."

Also, singles buying insurance, especially long-term health care policies, are providing for their own future instead of a family.

"So, their thinking is going to be different in the types of financial products they're going to purchase and utilize, but I don't think it's different in terms of planning for their future," Noretto said. "They should plan because everyone hopes to retire some day and live a comfortable lifestyle."

Brent Baumberger, 24, of Uhrichsville began investing about 1 1/2 years ago and is in it for the long term, tending to go with mutual funds for their stability.

"I started after seeing some figures on how money could multiply by the time you reach retirement age, and also the bleak picture of the government" input toward Social Security, he said. "I saw that I was the only one who could control my destiny and I wanted to make sure I will be taken care of. I didn't want to have to depend on anyone else."

Baumberger started with "a very small portion of my income. Since then, I've tried to put every possible penny into it because I realize how beneficial it is to me over time."

He's dramatically increased his investment, partly after hearing about "more and more people talk about being cheated out of their pension. I have a pension at work and feel it's stable, but I feel that people should count on themselves and only themselves and not anyone else."

Baumberger, who will be married in May, plans to never touch the investments, wanting to retire with financial freedom.

"It's a sacrifice now that will pay off later," he said. "I try to stress that to my friends, and a couple do save, but it's not very common. I don't find that many people my age are thinking responsibly about the future. A lot think that someone else will take care of them, or just don't think that much about it. Once you do without the money each month, it just becomes habit.