SAVE (FOR) YOURSELF: INVESTING WHILE SINGLE

By SoFi General | Oct 12, 2016 | invest, Money | No Comments

Let's get the ugly truth out of the way up front: A lot of Americans don't have great financial planning skills. More than half (56%) have saved less than $10,000 for retirement, according to a March 2016 GoBankingRates survey. And 49% of U.S. adults with a self-directed retirement account, such as an IRA or 401(k), lack the confidence to invest iwt properly, according to a Federal Reserve Board report published in May. To add insult to injury, that same report reveals that 46% couldn't cover an unexpected $400 emergency expense with ready cash or savings.

While there's plenty of saving and investment advice available to help us all increase our financial smarts, the lion's share of it is built around the idea that we should invest and save for other people in our lives. We're told to save up for a wedding, a down payment on a house to enjoy with a life partner, a couple of cars, and for children and their educations. But where's the financial planning advice for singles? It's unfair to be left out just because your life milestones differ from those of others.

Advice hasn't quite caught up with reality. "For many, the traditional 'American dream' of a spouse and 2.4 kids doesn't exist, yet few are advising them," says Matt Taylor, a SoFi investment advisor.

And with greater freedom comes greater individual responsibility. Without a spouse or partner, and with no kids to plan for, it's all on you—and for you. "Single people need more financial planning because they're saving for retirement on one income," says Christina Kramlich, Senior Director of SoFi Invest.

To help you succeed financially when you're single and plan to stay that way, follow these strategies:

1. Be your own boss.

Being single and childless is liberating. You can pack a bag and be on a plane to Costa Rica, the South of France, or anywhere you want in no time, without having to make an excuse or apologize. You can spend a weekend canvassing for your candidate without having to worry about childcare, can change jobs without apprehension, move without regrets, and design your best self around the life you want to lead.

The data supports the notion that single people enjoy their freedom in various ways, spending money not just on themselves, but also to benefit others. A recent Consumer Expenditure Survey shows that singles spent an average of $1,711 in 2015 on entertainment, compared to $1,066 per person for an average non-single household of 3.1 individuals. Singles are also more generous on a per-person basis as well, giving an average of $876 in gifts, compared to $452 per person for the non-single average. What's more, they spend more per person on things like reading and education.

But there's a catch to that autonomy: with no one to help budget and balance the household books, the buck stops with you. Kramlich believes that living within a financial plan is critical for those with no relationship ties. "It's a hard position to be in, because you don't have a well-meaning partner to keep you accountable," she says. "Learning to control impulsive purchase decisions is imperative, because everything is riding on you."

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2. Don't rule out buying a home.

Just because you're not interested in marrying and having kids doesn't mean you can't buy your own home. Ownership has some negatives (mortgage payments and repairs are left solely up to you), but it also gives you complete control over your living space.

Single people do buy homes. According to 2016 National Association of Realtors data, 24% of homebuyers are single, and single women buy nearly as many homes as single men and unmarried couples combined.

Owning also has another benefit: It takes you out of the cycle of rising rents. Rents have climbed while the number of available rentals has fallen steadily in the last six years, according to a 2016 housing report from the Joint Center for Housing Studies of Harvard University. More people rent now than at any time after 1970. In fact, 36.4% of American households opted to rent in 2015, according to the Harvard report. More renters means higher rents.

3. Retirement plans are still free money.

The Employee Benefit Research Institute's 2016 Retirement Confidence Survey found that only 37% of unmarried workers think about how much money they will need in retirement, compared to 56% of married workers. So as a single, you've got some work to do.

Even if you don't have a conventional view of retirement and are still managing student debt or personal loans, you should be taking advantage of employer-matching retirement benefits. "If the company you work for matches your 401(k) contributions and you're not taking advantage of that, you're throwing away free money," Taylor says.

According to a 2014 Plan Sponsor Council of America (PSCA) report, employers contributed 4.7% of employee pay, on average, to profit sharing and 401(k) plans. For a professional earning $100,000 per year, missing out on employer-matching benefits could mean giving up $4,700 in retirement assets each year. "Why would you not do it, when it's so damn easy?" Taylor says.

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4. No one works forever.

The median retirement age for American workers —married and unmarried— is 65. However, single people are more likely than married people to see themselves working to age 70 and beyond, or to say they will never retire. Couples tend to make retirement decisions together, but for singles, it's often hard to know when to say when. To get an idea of where you are at in your retirement goals use SoFi's retirement calculator to see if you are on track.

To complicate matters, for single professionals in the legal, medical, and academic fields, it's not uncommon to work part-time long after reaching age 65. A veteran lawyer might step away from his or her day-to-day practice but still bill a few hours here and there for select clients, for example. So, if you work in a field where that's possible, you might be temped to save less for retirement, simply because you think you'll always be able to work. But think again.

According to the Social Security Administration, more than 25% of workers will become disabled before retiring. "If you're lucky, you have an insurance plan that includes disability, but you still won't be able to live at the same standard you're accustomed to," Kramlich says. And even if you like your odds of staying perfectly healthy, it's even harder to predict all of your wants and needs. "You never know when you'll be faced with sudden, big expense, whether it's emergency health care or just a chance-of-a-lifetime purchase," Taylor says. "Even with amazing earning capacity, you can't instantly create a lump sum."

So save. Even if you think you can work forever, you won't.

5. Don't ignore your financial life after death.

Even though you're single, you still have an estate. And many single people get a lot of satisfaction out of planning bequests to favorite causes and charities, knowing that their gifts after death will support what they believed in life. This is true for everyone, but especially true for singles: If you leave anything behind, spell out exactly how you want it used.

One of Taylor's clients left to a charitable organization a large gift, which he expected would be spent on psychiatric care for the homeless. But his money went to build a worship center instead. His surviving sister tried to advocate on his behalf, knowing that he was not a religious person, but the foundation held firm because the gift came with no strings. "Despite my efforts and those of his sister, there was nothing we could do," Taylor says.

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Clearly, living single offers amazing opportunities to decide how to spend, save and invest your money, on your terms. But with that independence, comes an even greater need to plan ahead wisely. It's not just about planning the life you want to live today, but also for the one you'll have well into retirement. Not to mention, the lasting impact you'll make on all those you touch and inspire throughout the journey.

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