



Living solo

How to manage finances on a single income.

In 2016, one-person households became the most common living arrangement in Canada for the first time, accounting for 28 per cent of all households and representing 4 million Canadians.^[1] The number of people living alone between 35 and 64 has increased faster than other age groups, so the trend is not limited to the younger or older ends of the adult spectrum.^[2]

The shift to one person households can largely be attributed to Canadians marrying later in life, divorcing more often and living longer.^[3]

Singles are feeling the squeeze

People who live alone have a unique set of financial challenges. Most single Canadians are on the hook for 100 per cent of their living expenses and have no partner to fall back on financially should they lose their job or become ill or injured. They often have fewer tax planning opportunities, such as income splitting or family tax deductions, and may delay saving for retirement because they spend their money on more immediate financial needs.

Understandably, some solo dwellers feel their paycheques are stretched to the limit. Housing affordability is a major concern. According to the 2016 Census, 41 per cent of one-person households spent 30 per cent or more of their average monthly household income on rent or mortgage payments.^[4] A recent survey found that 46 per cent of those living alone said they struggle to save for retirement while managing day-to-day bills, since they have to cover all their expenses on a single income.^[5]

Financial basics for solo living

With careful planning, Canadians who live alone can support themselves financially – and still be able to save for their financial goals. Here are some tips.

Set up an emergency fund

One of the first things to consider is starting a fund to cover you in case of a financial setback. A small amount put aside with a weekly or monthly automated payment on payday will grow to a healthy balance quickly (aim for three to six months of expenses), and you'll barely notice the reduction on your paycheque. A non-registered savings account that pays high interest without locking in your money is a good option. And while you don't want to have to rely on credit cards in an emergency, you could consider opening a line of credit, which would typically charge a lower interest rate.

Create a budget

It's tempting to travel and dine out, or indulge in other social activities, when there's just one set of needs and wants to consider. A budget helps avoid the pitfalls of overspending and can show you how you might be able to reallocate funds towards savings. An array of budgeting apps, tools and worksheets is available to help you get closer to your financial goals – not to mention your advisor.

Consider insurance

Because singles depend so heavily on their ability to earn a paycheque, income protection such as critical illness, disability or supplemental health and dental insurance could be more beneficial than life insurance. Should an unexpected illness or disability arise, income replacement protection could help provide an income to someone who is unable to work, so they can manage their expenses with less worry and focus on getting better. An advisor can help you determine which type of insurance is most suitable for your situation.

Plan for retirement

Start as early as you can and keep investing – even if it seems difficult. Longer-term investing gives you a longer period of potential investment growth, and even small deposits can add up quickly. Contributions toward your Registered Retirement Savings Plan (RRSP) and/or Tax-Free Savings Account (TSFA) can help with tax efficiency and should be included in your budget.

Unique financial needs

If you are a single Canadian, speak to your advisor. You likely have different tax considerations than a dual-income household, and significantly different estate planning objectives. Your advisor can help you create a financial plan that fits your situation.

SPECIALIZING IN SINGLES

As solo living continues its upward trend, more businesses are catering to singles. Here's how some industries are tapping into this market:

Grocery stores

More products are now available in smaller packages, such as meats, fish and fresh produce, along with an expanded offering of ready-made meal options for one.

Travel companies

Some waive the single supplement fee or allow singles to pair up in rooms, others offer all-inclusive trips or cruises priced for single travellers. Companies also organize opportunities for singles to meet, such as happy hour receptions or pre-voyage meet-ups.

Condo developers

The increase in condo construction has coincided with the rise of the single demographic. Suited for the single lifestyle, condos can be a more affordable option.

Source: www.cbc.ca/news/business/solo-living-business-opportunities-1.5046913

appropriate to their specific situation. E & O E. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Any amount that is allocated to a segregated fund is invested at the risk of the contractholder and may increase or decrease in value.

[1] Statistics Canada, "Study: Living alone in Canada," March 6, 2019, www150.statcan.gc.ca/n1/daily-quotidien/190306/dq190306b-eng.htm (accessed May 6, 2019).

[2] www.cbc.ca/news/business/canadians-livingalone-single-statistics-canada-1.5045116

[3] Ibid.

[4] Statistics Canada, "Study: Living alone in Canada," March 6, 2019, www150.statcan.gc.ca/n1/daily-quotidien/190306/dq190306b-eng.htm (accessed May 6, 2019).

[5] www.advisor.ca/news/industry-news/help-single-clients-plan-for-retirement

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