Not Being Prepared to Be Single in Retirement

So what's wrong with planning a joint retirement? Statistics show that there is a very good chance you will be single in retirement, and your retirement income may be much lower than expected.

If you are part of a couple right now, your retirement plans likely include both you and your partner. There may be two distinct retirement dates, and two sets of pensions and retirement savings. Still, most of your discussions and plans are based on being together during the retirement years.

So you might be surprised to hear that 43% of Canadians aged 65 and older are single. Some never married, but 88% of those singles are widowed, separated, or divorced. Being single at some point in retirement is a new reality that few Canadians have planned for. Whether as a result of a divorce, or the death of a partner, becoming suddenly single at some point during retirement is a reality for many people, and will result in a new set of challenges for the survivor — from both a financial and an emotional perspective.

Grey Divorce

Divorce is not new. According to a 2006 Statistics Canada survey, a third of marriages in Canada will end in divorce before a couple's 30th anniversary. However, the general belief has been that if a marriage survived the early years and the middle years (dealing with financial stress and children), the later years were pretty much guaranteed. The assumption was that couples weren't likely to divorce later on in life. How many of us can recall grandparents divorcing? That was then. In Canada, the only age group that is seeing a rise in divorce is people over the age of 50. So it's not a surprise to see the term *grey divorce* beginning to surface around the world. There are many reasons for this. Imagine a couple who spends most of their married life separate and apart from their spouse for 8 to 12 hours a day due to working or managing children's or grandchildren's activities. Then suddenly, during retirement, they find themselves spending the entire day together, day after day, and they realize that they are no longer compatible and have grown apart. Having to face a division of property at a point in time when there are few years to recoup can result in a very different retirement than originally planned. It is much more costly to manage two households than one.

Will you be a survivor?

Although we're living longer, many will face retirement alone. There's a 50% chance that at least one member of a couple aged 65 today will live to celebrate a 90th birthday, and a one in four chance that one will live to age 94. The odds are that that person will be a woman. What's more, the loss of a spouse doesn't only happen in old age — the average age for widowhood in Canada is 56.

There are many implications around not being prepared to be single during retirement. The results can be devastating for the survivor, who will need to live on less money than they were living on before the death of the spouse.

Impact on women

Although the average total income for a Canadian woman has increased over the years, women typically continue to earn less than men during their working years. Part of the reason for this is that women simply earn less. But that's not all. Women are more likely to work part time and thus not have access to company pension plans. They are also more likely to take extended leaves from work to care for children or aging family members.

Taken together, these result in lower savings capacity during working years, and lower government and company pensions during retirement. What's more, since women have a longer life expectancy than men, a few years of funding a man's ill health can quickly erode accumulated savings, leaving much less for a woman to live on during her much longer retirement years.

Loss of income

For couples, retirement planning factors in combined savings and dual pensions. However, when the couple are no longer a couple because of either a divorce or death, there can be a substantial loss of retirement income without much decline in expenses.

A survivor will end up with less total income than when they were in a couple, but more than someone who becomes divorced. Without any advanced planning, the survivor will face having to make big changes in lifestyle to deal with the loss of income. Even couples who feel they have saved enough for their retirement, or at least have managed to make do with what they have accumulated, need to consider how a death will affect the survivor. Part of retirement planning that cannot be overlooked is an analysis of survivor income. It's essential to consider investment, insurance, and pension options that will provide maximum income for survivors.

Lack of investment knowledge worsens the situation

Many of us think financial matters are just too complicated and happily relegate financial decisions, such as saving and investing, to a spouse who is more knowledgeable and confident. While this may seem to some as a viable solution, in reality it's a disaster waiting to happen. Not knowing how your money is invested, how much income you are receiving, or how your expenses are impacting your total savings can cause you to be totally unprepared to take on this responsibility later in life should you suddenly become single. This is more often an issue with women, who are more likely to lack confidence in their own financial knowledge, and to take a back seat when it comes to making financial decisions. When such a woman is forced into financial decision making in the early stages of grief, whether after a death or after a divorce, she may find herself having to make decisions that she is not entirely sure about and that end up doing more harm than good. When preparing for retirement, both members in the couple should take an active role and understand the family finances to ensure a successful retirement.

Source: *52 Ways to Wreck Your Retirement…and How to Rescue it*, by Tina Di Vito, CA, CFP, TEP.

Tina leads the BMO Retirement Institute. The BMO Retirement Institute was established in 2008 to bring together the latest in retirement research and take the lead on providing thought-provoking insight and financial strategies to boomers, either approaching or in retirement - explores different topics, such as lifestyle issues, health, and finance.

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