

Financial management for single seniors

Facts of life: Most retirees will be single for some period of time, and most of those singles will be women. Throughout the life cycle, financial planning for singles differs from planning for couples. Obviously, there is only a single set of assets to work with, and no surviving spouse to plan for. Less obviously, taxes are higher for singles, and they have no partner to fall back upon in case of adversity.

These differences become especially acute for single seniors, as they have less room for error in their financial management. When the single senior is a widow or widower, it often is the case that the deceased spouse was the financial manager for the couple, making singlehood doubly difficult.

Be organized

Getting one's financial house in order is generally the first item of business. One must determine financial needs for the balance of retirement and assess the resources available to meet those needs. Tax planning and investment strategies will need to be reviewed and monitored.

Some experts counsel seniors to consolidate their financial accounts when possible. Fewer accounts will mean less paperwork, freeing up time to monitor each remaining account more closely. Making the paperwork more manageable will make it easier to stay on top of bills, avoiding late fees and reducing interest charges. One may also notice a discrepancy or be able to take advantage of an opportunity, given more time for review.

A net worth statement may tell you where you stand and help to create organization for your financial management. Your net worth is the sum of your assets minus your liabilities. If it's a negative number, you will need to face reality and develop a plan to get out of debt. A net worth statement will also help you to determine the insurance coverage that you need to protect your assets.

Financial planners generally recommend having an emergency fund sufficient to cover nine to 12 months of your expenses. Keep your debt and your recurring expenses as low as possible, and try to have living quarters that fit you.

Delegated powers

For single seniors, the most vexing problems are associated with incapacity. Should you become incapacitated, temporarily by illness or permanently through aging:

- Who will pay the bills?
- Who will track the investments?
- Who will make decisions about real estate?
- Who will make certain that the taxes are paid?
- Who will balance the checkbook?

The first solution that comes to mind for these questions is the *financial durable power of attorney*. This document allows another person to step into your shoes, financially speaking, and make binding decisions on your behalf. A durable power of attorney may be as broad or as limited in scope as needed to make you comfortable. You'll need to see your lawyer to have the power of attorney drafted and executed.

Another axis of anxiety concerns health care. In this area, you may need:

- a health care power of attorney, with medical instructions to be followed if you are incapacitated;
- a Health Information Portability and Accountability Act (HIPAA) authorization, so that your agent has full rights to your medical records;
- a health care proxy that may give someone decision-making power at the end of your life;
- a living will that outlines your expectations for medical care near the end of your life.

Living trusts

Affluent individuals often rely upon a living trust for financial management in retirement. A living trust can provide financial protection in the event of disability or incapacity, as a durable power of attorney does. However, a living trust offers additional advantages, such as financial privacy at death and probate avoidance. If a corporate trustee, such as us, is named as the trustee, there will be the advantages that come with working with an institution compared to an individual. We don't get sick or go on vacation. Trust management is our business, and we attend to it every day.

As the table below shows, the living trust is not a panacea; it doesn't solve every financial or investment problem. Still, a trust can be the cornerstone for successful financial and estate planning. If you are a single senior, or if you know one, please make an appointment to meet with one of our officers to learn more about this important service.

Will and won't of the living trust

A living trust can:	But a living trust won't:
Help manage your financial life in case you become ill or incapacitated	Reduce or avoid taxes
Transfer assets to your beneficiary	Affect jointly owned property or accounts payable to a beneficiary
Protect your privacy	Protect assets from creditors
Avoid probate	Make a will unnecessary

© 2014 M.A. Co. All rights reserved.

Any developments occurring after January 1, 2014, are not reflected in this article.