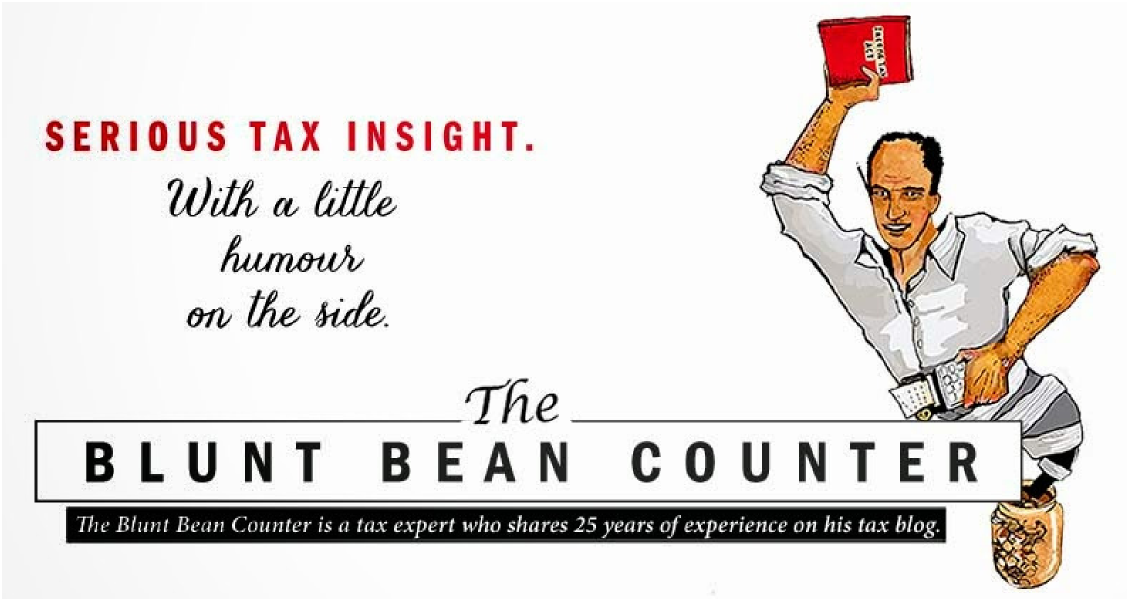

My name is Mark Goodfield and I am a tax partner and the managing partner of Cunningham LLP in Toronto. This blog is about income tax, business, the psychology of money and investing topics and is meant for taxpayers no matter their income bracket, but in particular for high net worth individuals and entrepreneurs who own private corporations. I also blog about whatever else crosses my mind; I have to entertain myself. This is my personal blog and the views and opinions expressed in this blog do not reflect the position of Cunningham LLP. I am blunt and opinionated (at least for a Chartered Professional Accountant). You've been warned.

The blogs posted on The Blunt Bean Counter provide information of a general nature and should not be considered specific advice, as each reader's personal financial situation is unique and fact specific. Please contact a professional advisor prior to implementing or acting upon any of the information contained in one of the blogs.

Monday, May 5, 2014

The Burden of Singledom

I started writing The Blunt Bean Counter for 3 reasons:

1. I thought it would provide an interesting diversion from my usual daily professional life (little did I know a blog is like having a part-time job).

2. As a marketing tool, to my target audience of private corporation owners. As my header says "This blog is about income tax, business, the psychology of money and investing topics and is meant for taxpayers no matter their income bracket, but in particular for high net worth individuals and entrepreneurs who own private corporations".

3. To improve financial literacy from an income tax perspective. I felt there was lots of tax and financial advice coming from people who really had no idea what they were talking about.

I have balanced my intent to market to my target audience with the reality that most Canadians and many of my readers are not necessarily corporate business owners or high net worth individuals. While my underlying posts are written for entrepreneurs and will continue to be so; I try where possible to provide information that can be of assistance to readers of all income levels.

When I write about topics such as clients who have $100,000 capital gain misreporting issues on their flow-through shares or whether you should bonus your corporations income when the corporations income exceeds $500,000; I often think to myself "the average person must think I live in a different world". The reality is I do. Many of the people I deal with are very wealthy. However, I am always cognizant that some of these posts may be almost insulting to some people.

When I wrote my 6 Part series on retirement, I really struggled with the numbers I would

About Me

The Blunt Bean Counter

I'm a sports fan, avid traveler, epicurean and accountant. I hope my blog can teach you a couple of things you didn't know about building wealth and that you'll indulge me as I wander into topics close to my heart/stomach. Twitter: @bluntbeancountr

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use in my examples. I had started using huge retirement incomes and then settled on a range of $71k to $131k. For some of my clients, $131k is less than their annual spending; however, I wanted the series to be applicable to the broadest range of people. I thought I had somewhat accomplished this goal when I received an email from a reader thanking me for writing the series, but basically saying that the retirement nest egg numbers I

came to were not only depressing but obscene to her. She suggested that my series like most retirement articles had not considered single people. She also noted that there are substantial numbers of single women who after paying for rent, their kids and maybe even caring for their parents have no money left to save for retirement and I should consider such people.

I wrote back to her that as per my header, she was not my target market and that the series was not written for lower income Canadians. However, I told her that I understood her frustration with the fact most financial articles did not consider single people and moderate to lower income Canadians and I would see what I could do.

I then emailed Rona Birenbaum, a well known and often quoted financial planner whom I have worked with in the past and who, like me typically deals with high net worth clients. I asked Rona if she would be willing to write a post of financial considerations for single people and whether she would be willing to write a second post for single people who make moderate to average salaries and have a hard time meeting daily expenses, let alone saving for retirement. Rona accepted my offer and today she writes about "The Burden of Singledom" and on Wednesday in part two of her series writes about the additional burden of being single when you earn an average salary.

I thank Rona for her contributions and without further ado, here is part one of her series.

The Burden of Singledom

By Rona Birenbaum

Whether single by choice or circumstance, singles bear full responsibility for their financial well-being. The financial media most often focuses on financial planning for couples, although more and more there are case studies highlighting the financial concerns of those who go it alone.

This blog post attempts to highlight the special financial planning considerations for single men and women.

The main differences and related planning considerations are discussed below:

One income engine

- Financial security is as much about income generation as it is about expense control and saving. Singles cannot rely on a partner to supplement their own earning ability. They also don't have an income back-stop during times of unemployment, due to career transition, maternity/paternity leave, disability and the like.
- Insure, insure, insure. Disability insurance is essential for singles, with critical illness insurance being a secondary consideration. Life insurance makes sense if there financially dependent children and/or parents. Also, make sure that you have an emergency fund representing 3 months of cash flow for the unexpected or a period of unemployment.

Limited time off for family needs

- Many employees use family days and vacation days to take children to doctor's appointments and to support aging parents. Single people only have one pool of days off to draw on, potentially leaving them with little or no time for actual vacation.
- Invest in your physical and mental health. It may not be possible to eliminate

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the need to take time off to support children and parents, however, minimize personal sick days by taking care of yourself. Self-care is also an excellent stress management strategy for those with complete responsibility for themselves and their family.

No income splitting

- One of the most generous tax breaks established in recent memory is the ability for married retirees to split pension income (pensions, RRIF payments, annuities, CPP, OAS). Singles miss out on this entirely.

- Take advantage of all available tax breaks. RRSPs for retirement, RESPs for education savings, and TFSAs for emergency savings. Other eligible tax credits include: children's fitness tax credit, children's art tax credit, first time homebuyer's tax credit, public transit tax credit, first time donor's super credit. For details on all of these credits and to confirm eligibility to go this CRA website. Don't forget to deduct child care expenses up to $7,000, and moving expenses if the distance from your new home to your place of work or school is at least 40 kilometres closer than from your old home to your work or school. The 40 kilometres is measured by the shortest normal route open to the travelling public.

Solo retirement funding

- Singles are entirely responsible for securing their retirement cash flow. It's also almost universally true that two can live cheaper than one.
- Participate fully in group retirement savings plans that include a component of employer matching. Also, a financial plan will assist in determining the amount of savings necessary to fund a secure retirement. The sooner a plan is done and adhered to, the better the chance of achieving financial security in retirement.

Managing finances on your own can feel overwhelming at times. Solid financial planning can give singles a feeling of confidence and control over their current finances and future security.

Rona Birenbaum is the founder of Toronto fee for service financial planning firm, Caring for Clients. Rona is frequently contacted by the media as a resource on a wide range of financial planning subjects. This information is general in nature and is not intended to constitute specific tax advice for any individual. It is best to speak to your tax professionals for specific advice.

Labels: Caring for Clients, disability insurance, expenses, financial planning, life insurance, retirement, Rona Birenbaum, single, single parent

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