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# Retirement Planning Strategies for Couples

**Communication is one of the foundations of a successful relationship. It also can help you and your partner structure a solid retirement planning strategy.**

Planning for two can be more complex than planning for one. It's not unusual for two individuals to have very different plans and financial resources – for example, one may have more money set aside or may be eligible to collect retirement benefits significantly earlier than the other. If you're part of a dual-income couple, be sure to review the following considerations.

## Talk About the Future

You and your partner may need to negotiate priorities regarding how you'll spend time and money during retirement. It's important to start talking about the future now. Among the considerations:

- Make sure your planned retirement dates are realistic
- Discuss what you want to do when you retire
- Estimate the assets you're expecting to have accumulated come retirement, as well as your retirement income needs
- Try to contribute as much as possible to your employer-sponsored retirement plan and/or IRA while you still can
- Assess your insurance needs, including life insurance and long-term care insurance
- Start drafting an estate plan if you are in your 30s or 40s. Update your estate plan if you are 50 and older

## Are You Properly Diversified?

Within a single portfolio, diversification involves spreading your money among different types of investment options so that any losses in one area may be offset by potential gains elsewhere.[1] With two or more retirement accounts, the same theory applies. It's important for you and your partner to evaluate all of your portfolios at the same time to see whether the overall investment mix is well diversified. For example, if you and your spouse have similar investment portfolios, your overall level of risk could be higher than you realize, since a decline in one portfolio would likely be accompanied by a similar decline in the other. If that's the case, you might want to rebalance your asset allocation by shifting money that's already in your accounts to different asset classes or by directing future contributions to the under-represented asset classes.[1]

## Get on the Same Page

When laying the groundwork for a financial future that includes your significant other, ask yourselves the following questions:

- **Do you understand each other's "financial personality"?**
  It's never too late to have an honest discussion about financial habits and objectives. Try to look past your differences and focus on shared goals.
- **Have you calculated how much money you are likely to need to fund a financially secure retirement?**
  Do both of you think this amount is realistic? It's tough to work together toward a shared goal if the two of you have different ideas about what exactly that goal is.
- **Have you consulted a financial professional?**
  Making a date to discuss your entire range of goals may put you in a stronger position financially to survive unforeseen circumstances.

**Regardless of your particular situation, a little advance planning can make the transition to retirement much more pleasant for both you and your better half.**

[1]Diversification and asset allocation do not ensure a profit or protect against a loss in a declining market.

# Financial Planning Tips for Singles

**Living the single life no longer is an anomaly: According to the U.S. Census Bureau, nearly 40% of households nationwide are maintained by a single person.[1] Being single affects many areas of financial planning, including retirement, financing health care later in life, and other key issues.**

If you are single, or expect to be as a result of a pending divorce, consider the following as you plan your finances.

### Retirement

An increasing percentage of preretirees are planning for retirement on their own. What steps should solo planners take to shore up their finances for a comfortable retirement?

- **Set long-term retirement savings goals.** If you have access to an employer-sponsored retirement plan, contribute as much as you can afford. For 2014, the maximum employee contribution is $17,500, and workers aged 50 and older can contribute an additional $5,500 catch-up contribution.

- **Consider funding an IRA.** For 2014, the maximum contribution is $5,500, and investors aged 50 and older can contribute an additional $1,000.

- **Invest as much as you can.** Investing as much as you can afford for retirement over the long term can be beneficial because you may not have the luxury of falling back on a partner's pension. In addition, your household will have one Social Security check to fund retirement expenses.

### Parenting

- **Fund for your children, but don't forget yourself.** If you have children, your financial planning could be especially challenging because you may be required to fund tuition, child care, and other costs on one salary. As you raise your family, be sure not to shortchange your needs. Put away something for retirement, even if it is only a small amount each week. Over time, this amount may compound and serve as the basis of your retirement nest egg. Be sure to appoint a guardian for your children in the event that you are not able to care for them.

### Insurance and Health Care

- **Review your options for disability insurance and long-term care insurance.** It is critical to purchase these types of insurance while you are healthy and the premiums are affordable. These insurance purchases increase the chances that you will have adequate cash flow if you are not able to work because of a disability, or if you require assistance with activities of daily living later in life.

- **Prepare for health care expenses.** You may need to direct a lawyer to draft a health care proxy in which you designate a loved one to make medical decisions on your behalf if you are not able to do so yourself.

### Housing

- **Think carefully about the type of housing situation that suits your needs.** Carrying a single-family home, especially in an expensive housing market, frequently is difficult on one income. Be sure that your home is affordable enough to permit you to invest for retirement and other financial goals.

**Your situation may present additional considerations, but the suggestions mentioned here may help you manage your finances successfully.**

[1]Source: U.S. Census Bureau, *America's Families and Living Arrangements*, August 2013.



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