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Retirement Planning for Single Parents

It is a challenge – and it must be met.

Provided by Chris Eller

How does a single parent plan for retirement? Diligently. Regularly. Rigorously. Here are some steps that may help, whether you are just beginning to do this or well on your way.

Setting a household budget can be a wise first step. Most households live without budgets – and because of that financial inattention, some of the money they could save and invest routinely disappears. When you set and live by a budget, you discipline yourself to spend only so much and save (or invest) some of the rest. You need not track every single expense, but try and track your expenses by category. You may find money to save as a result.

Save first, invest next. If you are starting from scratch, creating an emergency fund should be the first priority. It should grow large enough to meet 6-9 months of living expenses. If no financial emergency transpires, then you will end up with a cash reserve for retirement as well as investments.

You may want to invest less aggressively than you once did. Young, married couples can take on a lot of risk as they invest. Divorcees or widowers may not want to – there can be too much on the line, and too little time left to try and recoup portfolio losses. To understand the level of risk that may be appropriate for you at this point in life, chat with a financial professional.

There may be great wisdom in "setting it and forgetting it." Life will hand you all manner of distractions, including financial pressures to distract you from the necessity of retirement saving. You cannot be distracted away from this. So, to ward off such a hazard, use retirement savings vehicles that let you make automatic, regular contributions. Your workplace retirement plan, for example, or other investment accounts that allow them. This way, you don't have to think about whether or not to make retirement account contributions; you just do.

Do you have life insurance, or an estate plan? Both of these become hugely important when you are a single parent. Any kind of life insurance is better than none. If you have minor children, you have the option of creating a trust and naming the trust as the beneficiary of whatever policy you choose. Disability insurance is also a good idea if you work in a physically taxing career. Name a guardian for your children in case the worst happens.[1]

Have you reviewed the beneficiary names on your accounts & policies? If you are divorced or widowed, your former spouse may still be the primary beneficiary of your IRA, your life insurance policy, or your investment account. If beneficiary forms are not updated, problems may result.

College planning should take a backseat to retirement planning. Your child(ren) will need to recognize that when it comes to higher education, they will likely be on their own. When they are 18 or 20, you may be 50 or 55 – and the average retirement age in this country is currently 63. Drawing down your retirement accounts in your fifties is a serious mistake, and you should not entertain that idea. Any attempt to build a college fund should be secondary to building and growing your retirement fund.[2]

Realize that your cash flow situation might change as retirement nears. Your household may be receiving child support, alimony, insurance payments, and, perhaps, even Social Security income. In time, some of these income streams may dry up. Can you replace them with new ones? Are you prepared to ask for a raise or look for a higher-paying job if they dry up in the years preceding your retirement? Are you willing to work part-time in retirement to offset that lost income?

Consult a financial professional who has worked with single parents. Ask another single parent whom he or she turns to for such consulting, or seek out someone who has written about the topic. You want to plan your future with someone who has some familiarity with the experience, either personally or through helping others in your shoes.

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Citations.
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2 - aol.com/article/2016/05/03/the-average-retirement-age-in-all-50-states/21369583/ [5/3/16]