

Money Unscripted | Financial planning for singles

RACHEL DANIEL: I am Dr. Rachel Jessica Daniel. I'm a writer and an educator.

ALLY DONNELLY: How do you feel about the term "solo ager?"

RACHEL DANIEL: [LAUGHS] It's horrible. Why can't we just say single, happily single, in the same way that we're happily married?

ALEX ROCA: If you're planning solo, financial planning is crucial. We want to make sure that our money is working just as hard as we are.

RACHEL: The biggest challenge is that there's only me and whatever income that I bring in. And I am planning for a juicy, joyful life all the way until I'm 115 years old.

[MUSIC PLAYING]

ALLY: Being single can mean a lot of freedom, but it also means that every financial decision-- saving, investing, planning for retirement-- is on your shoulders. Hi, I'm Ally Donnelly, and this is Fidelity's Money Unscripted. Today we're talking financial planning for singles, like Rachel, who is, as she says, happily single. But she realized she needed to start taking charge of a financial future on her own.

[MUSIC PLAYING]

You're a writer.

RACHEL: I am.

ALLY: Is this the story you thought you'd have in your 40s?

RACHEL: [LAUGHS] No. [LAUGHS] I am really happy in the life that I have. But when I was younger, I really thought that I'd have a successful career, and that Prince Charming would just come along and see me and fall in love. We'd get married, and he would pay for my existence.

[LAUGHTER]

ALLY: And when did your thinking start to shift?

RACHEL: Well, I'll say this. In my 30s, it was like, where will I live, and who will I marry? And I didn't want money to be the factor that made me decide to partner with someone. So rent was going up, and the dating scene was going down, and I needed to figure something out fast.

ALLY: To plan for her future, Rachel had to tackle her biggest pain point-- that rising rent. So she used a first-time home buyer loan to buy her condo and stabilize her housing costs. That's freed her up to focus on emergency savings, investing, and making more money to protect her future self.

RACHEL: One of the reasons why I do consulting work is not only because I love it, but because I also would like an extra stream of income that I don't have to touch, that goes directly into those accounts.

ALLY: When you look at your friends who are partnered, who have that extra level of support, what's different?

RACHEL: Oh. [LAUGHS] Well, I think that some friends have been able to take financial risks. If someone gets laid off from a job, or if someone gets sick, you have a double income, and it really does make a difference. And so I find that I take less risks professionally because I need to make sure that I am safe and secure in my income.

ALLY: You are your backup plan.

RACHEL: Yes, I absolutely am. So I feel like you have someone to talk to about the future together. You have someone to say, hey, listen, we're not going to go out because we have this particular goal. When

you're a single woman, and your avenue of community is going out, my budget for that has to be a little bit higher, which means that I'm paying for food. I'm paying for parking. I'm paying to look good.

[LAUGHTER]

ALLY: You got it. You got it.

RACHEL: But if you're partnered and you need to buckle down and save, at least you have one another.

ALLY: As you think about retirement, how do you think about planning for that on a single income?

RACHEL: [LAUGHS] Oh, sorry.

[LAUGHTER]

I don't know how to answer that, Ally.

ALLY: Yeah.

RACHEL: I really do believe I will be writing until the day I die. But in terms of going into an office, I don't want to do that forever. [LAUGHS] So I want to maximize every single dollar that I have. It's hard having multiple financial goals at one time.

ALLY: Is it? Is it, Rachel?

[LAUGHTER]

RACHEL: Because you know your check is only so big, and you're like, it's got to do 15 things.

ALLY: That's so weird.

[LAUGHTER]

Excellent. As you think about the next not three years, but three decades, how are you preparing for that as you plan without a partner, as you plan solo?

RACHEL: It is so scary. Because to plan for the future also means you're thinking a little bit about what it would look like to be completely alone. [LAUGHS] And I think what I've done is I sat down and I made a list of things that I would like to do so that I can plan. One of them is making sure that I do estate planning. I have started to think about long-term care insurance as well.

ALLY: She's also looking to her employer benefits for help. Once she's vested, she'll have the guaranteed income of a pension as she ages.

RACHEL: I'm also really curious about what it might look like to retire in another country where the costs are of living might be lower, and my dollar could stretch further.

ALLY: Aging is not just a financial equation. As you think about aging without a partner or children, what do you think of in terms of the people aspect?

RACHEL: I think regardless of whether or not you're partnered or you have children, it's just important to make sure that you are intentional about building a community that can support you and that can help you.

Hey, sis.

SPEAKER: [INAUDIBLE]

RACHEL: How are you doing?

SPEAKER: [INAUDIBLE]

RACHEL: I'm excited to be an older woman who's always making new friendships, who's always engaged, who's always interested in the world around her. Just being able to wake up each day, being able to walk outside, go see the water, read a good book, go to a play-- these are the things that make my life joyful.

ALLY: You're writing a fabulous story.

RACHEL: I am. And right now, I'm in my happily ever after.

[MUSIC PLAYING]

ALLY: There are millions of people out there like Rachel, solo agers who are either single by choice or by circumstance. So let's keep the conversation going. I want to introduce the host of Fidelity's Women Talk Money, Alex Roca. Alex, welcome.

ALEX ROCA: Thank you for having me.

ALLY: I know you hear from singles all the time looking for advice that speaks specifically to them and not just to couples. So talk to me about some of the key things singles need to think about when it comes to their finances.

ALEX: I'm actually so happy that you asked this because we do get this question all the time. And we get it. It can be so overwhelming to just go through the financial planning process, even more so when you're having to go at it alone.

There are things that we can do to lessen that gap of the cost of being a solo planner. And the first thing you're going to want to think about is your own budget. Are you aware of the money coming in and out of your home? Because this will help you figure out where you stand today.

ALLY: Yeah.

ALEX: There could be a little more flexibility when there's two people planning together, and there is that dual income. But when we're single planners, we do need to make sure that we have a plan and that we lock in those finances so that we can avoid those bumps in the road later on.

ALLY: Yeah, it's a really good point. And, too, you think if something does go wrong, singles are their own backup plan. Largely, they're relying on themselves. So how should they think about things like emergency savings?

ALEX: So one of my favorite quotes is actually "life happens," and it happens to everybody, because it's so true. Whether it's that unexpected vet bill, your kids needing braces all of a sudden, or your check engine light comes on in the middle of the holidays. It happens. That's why we recommend having an emergency savings account in place so that you can, in fact, cover yourself when the unexpected happens.

The standard recommendation is to have about three to six months worth of your expenses. So what does that look like? If I spend about \$2,000 a month, then I'm going to need anywhere from \$6,000 to \$12,000 in that emergency savings account.

But don't let us tell you what the cap is. If you're a solo saver, and you're wanting to maybe have a bigger savings account, absolutely. If nine months to 12 months makes you feel more secure, absolutely get to that number.

ALLY: OK. So once I have that emergency savings in place to a place that I am comfortable, how do I think about any wiggle room to save for my future self?

ALEX: We go right back to the budget. It's such an important piece because the budget is what's going to let you know what your wiggle room is. Once you look at your income, you subtract your expenses. What's left? That's your wiggle room. That's what you can decide where it's going to go-- if you're going to save it, if you're going to invest it.

The other thing is, as solo savers, we have to think about our retirement because it is completely on us. Our recommendation is to save 15% pre-tax of your annual salary.

ALLY: OK. So talk to me about how singles should be thinking about or planning for retirement.

ALEX: So the first thing is you want to take advantage of any accounts that are already in place to help you reach your goals. So if you're working with an employer that has a workplace plan, like a 401(k) or a 403(b), check to see if they have a company match. If they do, make sure that you start by taking advantage of that contribution at 100%.

So what does that mean? If your company matches you at 5%, make sure that you're putting in that 5%.

ALLY: At least that much, right?

ALEX: At least that much. Exactly. And then go back to the budget. Look at that wiggle room. If one of your priorities is to save more for retirement, consider increasing that 5% to 7% or 8%, and keep doing that until you get to that 15%.

ALLY: Why 15%? Why that number?

ALEX: Love that question. Actually, I want you to know that it's probably one of the most common questions that Fidelity is, how much money do I need in my account to retire? It's almost an impossible question because everybody defines retirement a little differently.

Now, Fidelity has already done the math. And we figured out that if you save 15% throughout your life, you are thus more likely to be able to maintain your lifestyle in retirement. If you're maybe a little later in life, and you are just starting now, you're going to want to work the math to make sure that it makes sense for you.

ALLY: So like you said, I mean, for so many of us, it's that question of, am I going to have enough in retirement? So if I don't have a partner or other support, how do I focus on making sure I can make my money last?

ALEX: Such a good question, because this is absolutely one of those concepts that is crucial for our community, to your point, especially if we're saving by ourselves. And this comes back to this idea of having a retirement income plan.

So right now, you're receiving a paycheck, and you know exactly where it's going. Before it even gets to your account, you know exactly what bills it's going to pay, what fun it's going to cover. In retirement, we give up that paycheck. So that retirement income plan is going to help us figure out where that next dollar is going to come from, so that we keep paying our bills, so that we keep having our fun. The retirement income plan is the paycheck you create to be able to maintain your bills, your fun, and all the things that that paycheck used to cover.

ALLY: Yeah.

ALEX: So going back to the budget and looking at your essential expenses, this is the stuff you can't choose whether or not you want to pay. That's housing. That's your electric bill. You got to pay it, right? And you want to make sure that in retirement you're able to pay it.

So you're going to want to start thinking about your guaranteed sources of income. These are going to be things like Social Security, pensions, annuities, if you were in the military, VA disability. You want to make sure that you're guaranteed sources of income can cover those essential expenses.

ALLY: Right. OK.

ALEX: And I know that a lot of people don't have pensions anymore. So an annuity could be a way that you could create that guaranteed source of income.

ALLY: OK. OK. Let's talk about investing. Is it different for singles?

ALEX: There really is no difference in how we invest when we're solo versus when we're partnered. What you really want to think about is the potential of saving a little bit more. So how we invest isn't necessarily different, but the motivation behind it is.

If we're solo planning, we may want to actually save a little bit more. We may want to invest a little bit more to make sure that that money has the potential to make us more money. Because if we only save, then we're going to have to save every dollar that we're going to need. Investing can be a crucial piece of your overall financial plan because we want to make sure that our money is working just as hard as we are.

ALLY: One of the biggest expenses in retirement is health care. How could singles be thinking about that?

ALEX: I think it's really important to see whether or not you are eligible for an account called a health savings account. Now, you do have to be eligible for that account.

ALLY: Meaning you have to have a high-deductible health plan?

ALEX: That's the one. Yeah, that's exactly right. You have to be enrolled in a high-deductible health care plan in order to be eligible for a health savings account. And if you're not, that's OK, too. Just remember that there are going to be bigger expenses or larger expenses in health care once you retire. So again, you're going to want to make sure that you're saving for that specific goal.

ALLY: Why? Why do I want the HSA?

ALEX: Well, the health savings account is a triple tax advantaged account. So when you put money into it, you can deduct it from your overall income for the year. It grows tax-deferred, so you don't pay taxes on it while it's growing. And when you take it out, if you use it for a qualified health care expense, you also don't have to pay taxes on it. It's the only account that works that way.

ALLY: As I think about health care, I also think not just about the money, but the relationships.

ALEX: Absolutely. It's not just about the health care account and the money. To your point, it's who's going to take care of us? If we're no longer able to take care of ourselves or speak up for ourselves, who's going to do it for us? So if you don't have anybody to take care of you, it's important to have a plan.

ALLY: Yeah. I want to dig in a little bit deeper there for estate planning because, again, like you said, if I don't have a partner, if I don't have children to take care of me, I need a plan. So what are some things to think about, particularly if I'm single?

ALEX: You'll want to make sure that you have a really strong estate plan in place. You'll want to reach out to an attorney and get some of the more important legal documents that you're going to need, like a power of attorney, a health care proxy, a living will, and your last will and testament. It's important to know who's going to be appointed to represent your interests medically or financially if you no longer can speak for yourself.

Another thing to think about is, who's going to inherit these accounts-- your heirs or your beneficiaries. If you don't have children or other family members, or even friends that you want to leave your assets to, have you thought about charitable giving? Not only can you give money to a charity that you feel passionate about, you could also be leaving a legacy with the assets that you leave behind.

ALLY: Yeah. What about-- I know we always use this word "beneficiaries." How important is that?

ALEX: Oh, I couldn't stress it enough. If you want this money to go to a cause that's important to you or a person that is important to you, you want to make sure that you add beneficiaries, and make sure that you add beneficiaries to all of your accounts-- life insurance, your workplace retirement account, your

personal accounts, all of them. Because if you want the money to go to the people that you intended or the charities that you intended to, you want to get it in writing.

ALLY: Because otherwise, the courts would decide.

ALEX: Exactly.

ALLY: We have talked about so much important information. If I'm listening to this conversation and I'm single, what are some key things you really hope I walk away with?

ALEX: So if you're planning solo, the first thing is that financial planning is crucial. Going back to the budget and having a plan for yourself is so important. Then it's the estate plan and your legal documents, just like we were talking about a second ago. Then it's about retirement and being able to save for the unexpected. And lastly, make sure that you don't forget to live your life and enjoy your life.

ALLY: Words to live by. Alex, thank you so much.

ALEX: Thanks for having me.

ALLY: If you're looking for more financial planning resources, head to our website. It's [Fidelity.com/MoneyUnscripted](https://www.fidelity.com/MoneyUnscripted). You'll also find all of our other episodes there, from strategies to build your wealth, to boosting your investing confidence, to saving for retirement. We'll see you next time on Money Unscripted. It's your life. Get your money's worth.

[MUSIC PLAYING]

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