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*compliments of:*



# On Your Own

## Welcome to the Majority

In 1970, married couples made up over 70% of households. No longer. According to the U.S. Census Bureau, that number has slipped to just over 50%, with single-person households poised to become the majority. Divorce rates have risen, and more and more people are deciding to marry later, or not at all.

Marital Status of the Population in 1970 and 2007		
	Percent Never Married	
Age	1970	2007
20 – 24	44.5	81.7
25 – 29	14.7	50.5
30 – 34	7.8	28.2
35 – 44	5.9	16.9

Source: U.S. Census Bureau

Yet despite the growing prevalence of single-person households, many financial breaks still only apply to married couples. This is just one of many reasons singles need to be extra vigilant about their finances.

### Costs and Benefits of Independence

There are many financial benefits to being single. You have the freedom to change jobs, move and make other major decisions that could benefit your financial standing—without having to consult with someone else. You don't have to worry about a spouse's debt or spending habits bringing down your credit score. You and only you have an impact on your financial decisions, which can be very liberating.

On the other hand, depending on someone else isn't always a bad thing. When it comes to housing and other major purchases, a single person has just one income to rely on. If you lose your job or become disabled, you can't fall back on a spouse's earning power. When it comes to preparing for your retirement and tackling other major financial issues, you may feel quite alone. The good news is you don't have to figure it all out on your own. A financial professional, such as a First Investors Financial Services Representative, can help.

### Don't Wait

In addition to consulting with a professional, the most beneficial thing you can do is to begin saving and investing right away, as soon as you start earning income. Many young people make the mistake of putting off preparing for the future because they see it as part of a package deal: get married, accumulate savings, have a child, purchase life insurance—and so on.

Perhaps that was how your parents did it, but it's important to remember that these are different times. Your parents may have married and started families at a young age, and were not overly concerned about saving for their retirement, as they likely had a pension to rely on. However, the number of defined benefit pension plans has dropped dramatically in recent years and it appears that this trend will continue. According to a survey conducted by the Employee Benefit Research Institute and Mercer Human Resources Consulting, many companies have or are planning to reduce such benefits. About 40% of pension sponsors have closed or expect to close their plans to new hires, while an additional 27%

said they will “freeze” defined pension benefits for current employees—meaning they cannot accrue additional benefits. Bottom line: if you want to have enough stashed away for a comfortable retirement, it’s imperative that you begin saving right away.

### **Build Your Savings**

At First Investors, we believe that building up your liquid savings is the first step to financial success. “Liquid” means that these funds are easily accessible and placed in a relatively secure investment vehicle, such as a savings account or money market mutual fund. A family is generally advised to save enough to cover three to six months worth of expenses in case of an emergency. That calculation assumes that there are two income-earners; therefore, single people should aim to save about twice that amount, enough to cover six months to a year of living expenses. Why should a single person save more? Simple. Your earning ability is your number one asset. If you were to lose your job or become sick or disabled, you need that cushion of savings to fall back on. These savings would help you cover your rent or mortgage, buy groceries and pay for other necessities while you recover or look for a new job.

### **The Next Step**

The second step to personal financial success is life insurance. It’s all too easy for single people to shrug off the idea of purchasing life insurance, especially if they don’t have children. However, a beneficiary does not need to be a child or a spouse. Many single people have others who depend on them, such as an aging parent or relative. In addition, singles may also want to consider taking out a policy if they have significant debt that they would not want passed on to their families. Also, young people should consider purchasing life insurance if they have an inkling of marrying or starting a family down the road. Premiums are generally more affordable the younger and healthier you are. By purchasing a policy now, you won’t have to worry about future uninsurability and can save yourself a significant sum in the future.

### **Invest in Yourself**

Once you have a cushion of savings in place and have obtained a suitable amount of life insurance coverage, the next step is investments. A good starting point is to contribute as much as you can

to a retirement-specific investment vehicle, since they offer many tax advantages to investors. At the workplace, you may be eligible for a 401(k), 403(b) or 457 plan. Outside of work, you may choose to open a Traditional or Roth IRA.

You may also want to establish investment accounts for other medium- to long-term goals as well, such as buying a home or car, or funding higher education. If taxes are a concern, you may want to consider investing in a municipal bond fund or other tax-advantaged vehicle to reduce your income tax burden.

### **Other Factors to Consider**

It is imperative that single people designate beneficiaries for their investments, especially their retirement accounts. You may choose to designate a parent, sibling or partner as a beneficiary, or leave it to a trust for a niece or nephew. Philanthropic individuals may also choose to leave their 401(k)s or IRAs to their favorite charities.

While finding the money to save and invest is the difficult part for many, having a significant income or estate pose their own challenges for singles too. For example, single people cannot pass on their estates tax-free, like spouses can do for one another. Therefore someone in this position may want to consider “gifting” their relatives; an individual can gift up to \$12,000 per year without incurring taxes.

### **On Your Own—But Not Alone!**

Being fiscally independent doesn’t mean you have to go it alone. A financial professional, such as a First Investors Financial Services Representative, can help you navigate the often-complicated world of personal finance. By sitting down with you one-on-one and discussing your means, needs and goals, a representative can custom-tailor a portfolio that’s right for you. You’ll be in touch with your representative on a regular basis, periodically adjusting your investments as necessary. This highly personalized service is what our clients have come to expect from First Investors—and you can rest assured, knowing that when it comes to preparing for your financial future, you’re not alone.

Neither First Investors nor its representatives offer tax, legal or estate planning services. Clients should contact their personal tax and legal advisers for any advice about tax-related investment decisions, estate planning or gifting.

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## **Financial Services With A Personal Touch**

*First Investors has been serving the needs of investors since 1930. Through the Great Depression, World War II, numerous recessions and bull and bear markets alike, we have remained committed to our mission—helping our clients reach their financial goals. Today, we offer a wide range of financial products and services, including mutual funds, annuities, and life insurance. We pride ourselves on delivering financial services with a “personal touch.” Your First Investors Financial Services Representative is a licensed professional who will take the time to learn about your current financial situation and future goals in order to assist you with your financial needs.*