6 Ways to Bounce Back After Being Forced into Retirement

Many folks leave their careers before they had planned, and this type of sudden retirement can be a financial shock. Here are six strategies to help get you back on solid ground moving forward.

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When it comes to retirement, expectations and reality may collide, resulting in what might seem unthinkable – sudden retirement. Unexpected retirement can throw a wrench in the best laid plans, or worse, force a need for fast planning if none exists.

- **Help! I'm Afraid to Retire, Even Though I Can Afford to**

While Americans anticipate, on average, to retire at age 66, the average retirement age is actually **65 for men and 63 for women**. Half of retired

Americans **surveyed by financial services firm Allianz** reported that they retired earlier than they planned. Why? Just over one-third of those surveyed reported unanticipated job losses, while one-quarter reported health care issues.

What those reasons have in common is this: a lack of choice. In other words, working Americans faced factors beyond their control that forced them to retire.

Fortunately, if you're on the wrong end of an unexpected event that forces you to retire — or if you have to retire for your own reasons — there are approaches you can follow to get organized financially, including these six strategies.

Strategy #1: Avoid reactive decisions

Because sudden retirement is, well, sudden, you may be tempted to make a big change, such as selling your house or moving away from your longtime home. In situations out of your control, it may feel better to do something rather than nothing.

However, it is much better to take your time and assess the situation before taking action. You may end up regretting a quick decision, especially if it is a major one.

Strategy #2: Determine your sources of income

Your sources of income likely include Social Security and income from your retirement savings. They may also include a defined benefit pension or rental property income.

You can **claim Social Security as early as age 62**. While taking Social Security early will reduce your overall benefit over waiting until you are older by up to as much as 30%, you may not have a choice if you need the income. If you have a spouse or partner, it's important to **coordinate claiming approaches**.

To receive your full Social Security benefit, you'd need to wait until **your full retirement age** to claim it. For anyone born in 1960 or later, full retirement age is 67. For those born between 1943-1954, full retirement age is 66. If you were born between 1954 and 1960, retirement phases up in two-month increments between ages 66 and 67.

If you claim Social Security before your full retirement age and continue working, your benefit will be reduced if you exceed a certain income threshold. In 2021, Social Security deducts **$1 from your benefit for each $2 earned above $18,960**.

- **The First Few Years of Retirement Can Make or Break Your Portfolio**

Your retirement savings are a significant source of retirement income. The more income you can squeeze out of those savings, the less you will have to tap the actual principal. Spending principal now means you won't have it later to generate income.

If you have a defined benefit pension, you'll have to decide whether to take a lower payout to provide for your spouse after you're gone and whether to get a lump sum that you can manage yourself or opt for annuity payments on a monthly basis.

Strategy #3: Balance expenses and income

In sudden retirement, there's not much luxury or time to optimize your sources of income. That means you need to ensure that your expenses match your available income. This is where creating a budget comes in handy.

Then move on to your discretionary expenses, such as eating out or takeout, entertainment, such as streaming services, vacations, etc. Use your online banking app or checkbook register to get a handle on your monthly spending.

Once you've got a handle on your monthly expenses, you'll have increased insights into how your money is spent. Budget-tracking apps such as **Clarity**

Money, **PocketGuard** or **YNAB** can collect spending information going forward so that you can refine your budgeting numbers over time.

Once you've gathered data about your expenses, match it up with the income sources that you've already identified to locate any gaps. If you prefer to work by hand, get a pad of paper and create two columns — one for expenses and the other for income. If you prefer to work on the computer, create a Google Sheets or Microsoft Excel worksheet.

If you identify an imbalance between expenses and income, you'll either have to decrease your expenses or increase your income or some combination of the two to create the right balance.

It's vital to achieve a balance between expenses and income because retirement can last a long time. The Social Security Administration estimates that a woman turning 65 in 2020 will live to 86.6, and a man will live to 84. In addition, one out of every four 65-year-olds will live past age 90, and one in 10 will live past 95.

Strategy #4: Assess health insurance options

Many sudden retirees are younger than 65, which is the age when you qualify for Medicare. That means you need to **find insurance coverage**. If you get an exit package from your former employer, you may be able to negotiate health insurance coverage until you turn 65.

Some employers offer short-term cash payments to help toward the cost of insurance coverage. You might be able to access COBRA coverage from your former employer, which is available for up to 18 months after separation from employment. However, COBRA can be quite expensive.

An option for anyone seeking health insurance is the **U.S. Healthcare Exchange**, aka Obamacare. Several individual states — including New Jersey, Pennsylvania, Maryland, California, Colorado, Connecticut, Idaho, Massachusetts, Nevada, Minnesota, New York, Rhode Island, Vermont and Washington — as well as the District of Columbia have their own exchanges. If you live in a state that doesn't have its own exchange, use the federal exchange.

Federal and state exchanges offer income-based subsidies for coverage. That means if you have a significant amount of assets, but not a lot of income, you may receive a significant subsidy. Those websites facilitate exploring and comparing plans, finding out costs and determining whether you are eligible for a subsidy on a state or federal exchange.

Strategy #5: Consider a part-time job

If you're short of income or have too much time on your hands, a part-time job may work for you. Retail offers many part-time opportunities. If you're handy, a part-time job at Lowe's or Home Depot will bring in some income, offer you some socialization opportunities and may earn you an employee discount on tools and home improvement items.

You may not need to work part-time for very long. Even $10,000 or $15,000 a year in part-time wages can give you some breathing room in your budget and allow you to postpone taking distributions from your retirement account or defined benefit pension or claiming Social Security.

Waiting to cash in on those income sources means they will have more time to grow, potentially providing you with a bigger source of income later in your retirement, even if it is three or five years down the road.

Strategy #6: Create or adjust your retirement plan

If you already have a retirement plan, it probably needs to be adjusted because it's likely that your plan didn't include a sudden early retirement.
If you don't have a plan, now is an excellent time to create one.

Why? Because retirement isn't an event, it's a journey. To successfully navigate through the decades that are involved in retirement, you need a road map. That plan may not always be exactly on target, but it can be adjusted as circumstances warrant.

A final word

Unexpected retirement can be a shock. With some careful planning and a long-term outlook, it’s not only possible to survive a sudden retirement, but thrive and enjoy your golden years.

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Paul Humphrey specializes in helping union members and their families plan for their future. He has been in the financial services industry since 1999. He holds FINRA Series 7 and 66 licenses, as well as life and health insurance licenses. Paul is a Certified Financial Educator through the Heartland Institute of Financial Education. Humphrey Financial LLC is an independent financial services firm built on a stable foundation of consideration, care and knowledge.