

Getting Ready for a Surprise Retirement

Work often stops unexpectedly. You'd better be prepared with a financial plan

by Emily Brandon

Paulette Geller thought she had her retirement all figured out. Geller, 64, planned to work until 66 or 67 to boost her Social Security check. Then, after successful foot surgery last year, she was in the hospital being wheeled to her car to go home when she had a stroke.

The stroke caused Geller to lose some technical skills and vision, keeping her from continuing to work as program director for older adults at the Winter Park (Fla.) Health Foundation. "I honestly thought I wasn't going to ever stop working. I was going to cut back to half time or quarter time because I loved my job," Geller says. Suddenly, "I couldn't do my job anymore, but it wasn't on my time line and I wasn't in control." Now Geller gets disability payments that amount to 60 percent of her former salary and pays for COBRA health insurance coverage.

The vast majority of baby boomers want or plan to work in some capacity as long as they can. Eighty-four percent of people between the ages of 51 and 70 expect to work after they formally retire, and nearly two thirds say they can't see themselves ever retiring completely, according to a survey by management consulting firm McKinsey Global Institute. The McKinsey analysis also indicated that 60 percent of boomers will need to work in order to maintain something like their current lifestyle.

But retirement is something that can happen while you're making other plans. "It's far more commonplace for retirement to come earlier than expected than for it to happen according to some plan," says Marc Freedman, founder and CEO of the think tank Civic Ventures and author of *Encore: Finding Work That Matters in the Second Half of Life*. "It's important for people to begin saving to anticipate a period of a year or two, or sometimes longer, where their income is going to drop and they need to retool for another phase of their working lives."

An Urban Institute analysis offers a sobering look at what can go awry with your retirement plans. It looked at people who were 51 to 61 years old in 1992. A decade later, over three quarters of them had lost their jobs, become widowed or divorced, developed new health problems, or were confronted with frail parents or in-laws. Any of those circumstances can take a bite out of retirement plans, if not force workers to scrap them altogether.

A third of the participants had a health condition that limited their work, and 19 percent went through a layoff or business closing, the study found. And laid-off employees who managed to get a new job were less likely to get health insurance and earned about 25 percent less per hour, says Richard Johnson, a coauthor of the study.

Retirement, especially when unplanned, is a major life adjustment. "All of a sudden I felt useless," Geller, who is also twice widowed, says of her unexpected retirement. "I wasn't ready. The part that was the hardest was figuring out who am I without my work, because I had been working for so long." People who retire when they choose to are much happier in retirement than those who retire unexpectedly, according to research by Keith Bender of the University of Wisconsin-Milwaukee. "If you're forced to retire and you haven't hit your saving goal or you separate from your job before you can get Medicare," he says, "[unhappiness can] persist at least through 10 years, if not more."

Here are tips for regaining control of your retirement:

Organize your finances. "You've got to start thinking at any point I could be retired," Bender says. "Take a good snapshot of where you are financially and think, 'If I am forced to retire in the next year or two, what does that mean for me personally or financially?'" Building up an emergency fund can help. Also, consider

disability payments, health insurance until Medicare eligibility kicks in at age 65, life insurance to support any dependents, and long-term-care insurance.

Research the job market. Many people forced or enticed into early retirement have to find a new job to “cheer up your 401(k),” as Susanne Johnson of Long Grove, Ill., put it. When she was 56 in 2002, Johnson decided to retire early from United Airlines. Her retirement package included inexpensive health insurance until she became eligible for Medicare, free or low-cost flights when space was available, and a reduced pension. She then got another job with a bank but was laid off in a merger when she balked at relocating. Johnson would like to work until 66, her full Social Security age, but for now she’s networking and job hunting. “I [would] bring a lot of knowledge to the company that a lot of people in their 20s don’t have,” Johnson says.

Keeping one eye on the job market even while happily employed can help to insulate you from long periods of unemployment. “It certainly doesn’t hurt to have your résumé polished up and available in case another job turns up,” says Olivia Mitchell, director of the Boettner Center for Pensions and Retirement Research at the University of Pennsylvania’s Wharton School. “Everyone I know is constantly networking.”

Educate yourself. Keeping your skills current or developing new ones by taking classes can help keep you employed at any age. That way, “even if you get downsized, someone will want to hire you,” Mitchell says. About a third of people over 50 end up back in the workforce after having considered themselves retired, according to research by Sewin Chan of New York University. “We hypothesize that they are returning because, once retiring, it’s not what they thought it would be and they take a dent to their asset portfolios,” she says. But employers don’t always want older workers, who are often more expensive than their younger counterparts and tend to have more health problems. “When firms are laying off workers, it tends to be the case that older workers tend to be paid more and so in some ways they are the most attractive ones to let go,” Chan says.

Make a new plan. Ideally, you will find a new job or activity that gives you the control you had over your finances while you were working. Fran Doll, a former small-business owner in Akron, Ohio, found herself suddenly retired at age 56, when a routine mammogram found a tumor. Within a year, Doll endured two rounds of chemotherapy, radiation treatment that burned her lung by mistake (a rare complication), a partial mastectomy, and a nearly monthlong hospital stay. She hit bottom when she was transferred to a nursing home.

But Doll, now 67, took back control of her retirement. “Most important is having a succession plan and being proactive if you are diagnosed with a serious illness,” she says. She sold her employment service, Superior Staffing, to two of her six children, and the care of her family helped her recover and move back home. It even allowed boredom to creep into her formerly busy life—that is, until she saw a news report about Jessica Lunsford, a Florida girl abducted from her grandmother’s home and held captive before being buried alive.

In 2006, Doll, a grandmother of 10, launched Grandparents Against Sex Predators, a group of civilians trained to go out and search when a child is abducted, in partnership with the Summit County, Ohio, sheriff’s office. The group eventually attracted the interest of the Fox TV show *America’s Most Wanted*. “Expect that anything could happen to anyone at any moment,” counsels Doll. That advice applies equally to preventing crime and planning for retirement.