



## Correcting Your Retirement Course

*Plan B can turn into something beautiful.*

On the road to retirement, having spent decades working, saving and planning for your desired lifestyle, imagine approaching the one sign you didn't see coming: Detour ahead. Suddenly, your journey looks to be taking you out of the workforce years before you expected.

Thankfully you're not alone. According to the Employee Benefit Research Institute's 2021 Retirement Confidence Survey, nearly half of American workers retire earlier than planned. The reasons include job loss, health issues and other circumstances. Being in the same boat as others may not exactly be comforting, but knowing there are steps to take and adjustments to be made could help.

### What now?

The retirement transition can be stressful for those who feel unprepared. It's important to pause and take stock before making rash decisions. Consider these steps:

**Breathe.** Don't panic and do something you might regret, like immediately taking Social Security or putting everything on credit, if you can avoid it. Both could jeopardize your future financial security. It may even help to re-frame your situation as a fresh start.

**Get health insurance.** If you're under 65 when you leave your job, you're likely not yet eligible for Medicare. You may be able to join COBRA or a spouse's plan or find coverage through the healthcare exchange. Keep in mind, COBRA lasts for 18 months. So, if you're still too young for Medicare after that time, you'll need to fill the gap. If you're in relatively good health, ask your advisor if a less expensive, high-deductible plan could make sense.

**Evaluate your savings and income sources.** Determine if those sources can cover your current living expenses. If there's a gap, work to reduce your expenses and/or tap into alternative sources of income. Try to avoid using your 401(k). Depending on your age, there could be tax consequences and potential penalties that would outweigh short-term relief.

**Think twice about Social Security.** Deferring these benefits typically increases your payments, so it may make sense to spend from other savings accounts first. But if you really need Social Security benefits sooner rather than later, talk to your advisor to determine the best withdrawal and filing strategy. If you can't work because of a health issue, then Social Security disability benefits may be the answer.

**Capitalize on other government benefits.** You may qualify for unemployment or other assistance at the state and local level.

## Embrace a new normal

If you can stick to a retirement plan for as long as you have, then you can likely handle the effort of correcting your course. Adjustments like these could help:

**Revise your spending strategy.** Look carefully at each essential and discretionary expense to determine what you can eliminate and create a new budget to match your income.

**Coordinate.** Meet with your financial and tax advisors to structure your retirement income in a way that maximizes expected cash flow while minimizing taxes.

**Put it in writing.** Consider drafting a spending policy statement (SPS) with the help of your advisor. Similar to an investment policy statement, an SPS documents long-term spending goals and reminds you to avoid actions that could thwart your plans.

**Rethink your asset allocation.** Talk to your advisor about alternative sources of secure income that meet your particular risk profile. Be careful not to invest more aggressively than you normally would to make up for perceived shortfalls.

## Next Steps

Once you've laid the groundwork for your new life in retirement, consider what's next for you and your family. You could:

**Job hunt.** Despite being in the later stages of life, it's not impossible to find a part-time or contractor position that can bridge income gaps. Even \$10,000 a year can help significantly. That's the same as a 4% annual withdrawal on a \$250,000 portfolio.

**Consider big changes.** You may have to forgo the vacation home or new car, or even downsize. But moving to a less expensive locale, like one without an income tax, could allow you the freedom to live the retirement lifestyle you had originally planned.

**Make updates.** Once you've come to terms with your new life, revisit your financial plan to make sure it reflects your current needs and wants. And, as with any major life event, revisit your estate plan to see if adjustments need to be made in light of your earlier-than-expected retirement.

*Asset allocation does not guarantee a profit nor protect against loss.*

Sources: [genworth.com](http://genworth.com); [marketwatch.com](http://marketwatch.com); [fool.com](http://fool.com); [money.usnews.com](http://money.usnews.com); [kiplinger.com](http://kiplinger.com)

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