Can You Plan For an Unplanned Retirement?

Many people plan to take an early retirement, so when that day arrives, they're ready for it. But what if you were to face an *unplanned* retirement? Would you be prepared to deal with the financial issues?

It's something worth thinking about, because any number of factors — illness, a spouse's illness, downsizing, other issues — could lead to an abrupt departure from the workforce. But taking action while you're still working may help you make the transition easier on yourself.

Your first move, of course, should be to at least consider the possibility of having to retire earlier than you planned. You can then move on to some concrete steps, possibly including the following.

• *Build an emergency fund*. Under any circumstances, it's a good idea to build an emergency fund — but it's especially important if you want to prepare for an unforeseen retirement. Generally speaking, your emergency fund should contain three to six months' worth of living expenses, with the money kept in a liquid, low-risk account. But if you suspect an earlier-than-anticipated retirement may be in your future, and you have some time to prepare for it, you should consider an emergency fund that contains a full year's worth of expenses.

• Consider your portfolio's asset allocation. If you're concerned about an unexpected retirement, you may want to consider the equities allocation in your portfolio. If you think you may need to tap into your portfolio sooner than you expected, you may not want to be over-exposed to investments most vulnerable to market volatility. However, these are the same investments that offer you the most growth potential — which you'll need to help stay ahead of inflation. So, look for an investment balance that's appropriate for your needs. As part of this positioning, you may want to shift some assets into income-producing vehicles, while also adding to the "cash" portion of your portfolio to boost your liquidity.

• *Evaluate your Social Security options*. An unplanned retirement may cause you to consider taking Social Security earlier than you had planned. You can start taking Social Security when you're 62, but your monthly benefits will be up to 30% lower than if you had waited until your full retirement age, which is likely between 66 and 67. If you have sufficient income through other sources, you may be able to delay taking Social Security until your checks will be bigger — but of course, if you need the money, waiting may not be an option.

• *Address your health care needs*. If you take an unplanned retirement, and you have employer-sponsored health insurance, you'll have to look for alternatives. You might be able to get extended coverage from your employer, but this could be quite expensive. Of course, if you're already 65, you can get on Medicare, but if you're younger, you might be able to get coverage under your spouse's plan. If that's not an option, you may want to explore one of the health care exchanges created by the Affordable Care Act. To learn more about these exchanges, visit healthcare.gov.

Taking an unexpected retirement can certainly be challenging – but the more prepared you are, the better your outcomes are likely to be.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.

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