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# Lost Your Job?
## Here's How to Save Your Retirement

BY DAN RAFTER

Imagine: You've been saving for your retirement since you entered the workforce, and you've built up a solid nest egg by the time you reach your 50s.

Then you lose your job.

Would that job loss derail your retirement goals? Losing a job late in life is not a rare experience, and the older unemployed may find more challenges than their younger counterparts in trying to rejoin the workforce.

"I have seen an alarming number of my friends' parents being laid off," says Kelley Long, a spokeswoman for the National CPA Financial Literacy Commission, certified financial planner and director of communications and marketing for Chicago-based accounting firm Shepard Schwartz & Harris. "For younger people who are laid off, it's not as traumatic. They have more time to save. When you are in your 50s, your skills are more specialized. You are cruising on the retirement path. Then you have to walk into a job interview and you feel that your gray hair is going to be held against you."

The good news? Losing a job after you turn 50 doesn't have to ruin your retirement plans. It might force you to alter them, but you do have options. The key is to treat raiding your savings accounts as an absolute last resort.

### Accepting the challenge

The unemployment rate for individuals 55 and older is actually fairly low. AARP reports that this rate stood at 4.5% in January, down from 5.9% in January 2013.

Still, this meant that about 1.5 million people 55 and older were unemployed in January. And it often takes people at that age a long time to find a new job. The average length of unemployment for people in this age range is 44.1 weeks, according to AARP.

For those older than 50 and out of work, protecting retirement savings may seem like an impossible goal. But it helps to start with a plan.

Bill Demaree, owner of Demaree Retirement Services in Indianapolis, said that the first step is to determine exactly how much money you are spending each month. This means that you'll need a detailed budget of household expenses and revenues.

"You need to know what's going out because nothing might be coming in," Demaree says.

Once you have a budget, it's time to cut everything to the bone, Demaree says. This means ending memberships in community organizations, dropping cable TV, reading newspapers for free online and ending those gym memberships.

"Anything you can cut, you need to cut," Demaree says.

The reason? You don't want to have to dip into your retirement savings plans if you can avoid it. The best first step to doing this is eliminating any discretionary expenses.

### Assessing your situation

Some people are in better financial shape after a job loss than others. Many, for instance, may have saved a significant amount of money for retirement already. These savers might even have enough to fund a solid retirement as long as they don't dip into their 401(k) plans or IRAs too soon.

Others might have set up an emergency fund. If so, they might have six months to a year's worth of income to cover their bills and expenses while they search for a new job.

And if you're reading this and you don't have an emergency fund? It's time to start saving.

"If you are in your mid-40s, you need to start thinking about what you would do if you lost your job," says Kimberly Bernatz, senior vice president and director of wealth advisory services at Santa Ana, Calif.-based First American Trust. "What is your plan?"

Part of that plan should be to have an emergency fund at the ready, one that holds at least six months' and preferably a full year's worth of your current salary.

"We want to calculate how long you can survive on accumulated savings before reaching into a retirement account that would trigger a taxable event," says David Lopez, a member of the National CPA Financial Literacy Commission and owner of David A. Lopez and Company, a certified public accounting firm in Philadelphia. "In a perfect situation, we want to save the withdrawal of retirement funds as a last resort. This is due to the fact that, depending on age, you will pay income tax and a penalty on the withdrawal of the deferred wages."

*Indianapolis-based Demaree Retirement Services specializes in safeguarding and growing assets for clients in or approaching retirement, helping to meet their retirement goals. Recognized in Indianapolis as Your Retirement Guy™, Bill Demaree, owner and founder of Demaree Retirement Services, has been helping individuals, couples and families transition from the accumulation phase of retirement to wealth preservation for more than 28 years. For more information, visit www.demareeretirementservices.com.*

**Considering part-time work**

Once you know how much money you need to live on each month without having to dip into your retirement savings, you'll know if and when you'll need to seek a part-time job.

As Long says, taking a job as the clichéd Walmart greeter might not be ideal. But, if that part-time job allows you to survive without raiding your retirement savings, than taking it is a smart financial move.

"Sometimes it's about financial triage," Long says. "You have to do whatever you can to maintain a high-enough cash flow to protect your retirement savings."

Part-time work might not allow you to add to your retirement savings, and you might even have to scale back your earlier retirement plans. If you planned to travel the globe after leaving the workforce, a late-in-life job loss might force you to instead plan on spending your retirement closer to home.

***"A late-in-life job loss might actually be a chance to reinvent yourself and find a new career."***

Again, this might not be ideal. But the first goal after you lose a job late in life is to protect what you've already earned, Long says.

Bernatz says it's also time to look for savings in other areas. Maybe you have children attending college and you are helping to cover their tuition costs. Your children might now qualify for additional financial assistance because of your drop in income.

If you have life-insurance policies with cash value, it might be time to cash those out to provide a boost in income until you find a new higher-paying job, Bernatz says.

You might also consider rolling your 401(k) plan into a traditional or Roth IRA. These vehicles often have lower service costs than 401(k) plans and might offer you a greater number of investment choices.

**A new beginning?**

Finally, Demaree says that a late-in-life job loss might actually be a chance to reinvent yourself and find a new career. Demaree says that some people who lose jobs late in life might take on new roles as consultants. Others might enter the classroom to become teachers.

"You can either look at this as a tragedy or an opportunity," Demaree says. "I tend to be an optimist. And having the right attitude when you do lose a job late in life is so important.