FINANCIAL UNCERTAINTY

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The pandemic's economic effects might lead to an earlier-than-expected retirement. Here are steps you can take to help secure a fulfilling retirement.

HAS COVID-19 ACCELERATED YOUR RETIREMENT? HERE'S WHAT TO DO

In a span of weeks, the COVID-19 crisis has cost more than 30 million Americans their jobs, including many who were nearing retirement. For many people in their late 50s and early 60s, losing a job may mean more than just losing a paycheck; it can force early retirement and create havoc on the best laid retirement plans.

If the current economic turmoil has accelerated your retirement timeline, understand that you're not alone. While nearly everyone anticipates that the timing of their retirement will be tied to specific milestones and plans, a recent study by the Alliance for Lifetime Income found that almost half (47%) of all people in their prime retirement years retired as a result of circumstances not fully within their control.

The good news is, there are a few simple steps you can take now to do a retirement reset and help ensure your retirement and financial plans start off on the best possible footing. Following these steps can help ensure a financially secure future for yourself and your family. If you're in your 50s or 60s, chances are you have 20, 30 or more years of life to live. This is a great time to marshal your resources and plan wisely to help make sure your post-retirement years are productive, fulfilling, and that you'll have income that can last throughout retirement.

Here's a short list of actions you can take today if you find yourself facing an early retirement:

1. Talk to a financial professional: A trusted financial professional can help you assess your situation, help you figure out your goals, and guide you through the full range of issues you'll need to weigh – from ways to help maximize the income stream from your investments and savings, to sizing up your living expenses and income needs. As you move into and through retirement, a trusted professional can be a valuable sounding board as your situation evolves.

2. Figure out your essential expenses: As an initial and simple first step, you should add up your monthly living expenses, starting with the essentials: mortgage, rent or condo fees, utilities, groceries, etc. Other common essential expenses may include auto and home insurance and phone or internet service. If you are helping an elderly relative get by or paying for a granddaughter's education and wish to include that as a continuing expense, add it in.

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Medical costs – another essential – can vary markedly depending on your situation, age and where you live. You may be offered healthcare benefits for a limited time through your former employer under a COBRA plan. When that runs out, you'll need to consider other health insurance options until you reach age 65, when you become eligible for Medicare.

After the essentials, factor in non-essential expenses, which can include travel, hobbies and entertainment. Decide how important these activities are to you and the income you'll need to pay for them.

To help retirees get a handle on monthly costs, the Alliance suggests a simple new approach to figuring out your essential monthly expenses.

3. Determine your monthly income: The two main income sources for retirees are protected income and potential income. Protected income is income that is guaranteed for the rest of your life and only comes from three sources: Social Security, pensions and annuities. Potential income is money that comes from your personal savings or investments. Keep in mind that Social Security typically covers only about 40 percent of your pre-retirement income. While you can collect Social Security as early as age 62, your monthly check will be significantly smaller at this age vs. full retirement age.

Employer-funded pensions can be a great source of protected income, but nowadays only about 17% of private sector workers have access to a pension. If you're entitled to pension payments, you should find out what to expect and your options for payouts. Depending upon how your plan was structured and your age, you may have to wait a few years to reap the benefits.

Evaluate your personal savings. If you socked away money in a 401(k), an IRA or other investments over the course of your career, you may be well prepared to retire. If you are age 55 or older, you can withdraw money from your 401(k) without paying a penalty, although you will still owe taxes.

Finally, if you are heavily invested in the markets, you should give careful consideration to shifting your portfolio into investments that will generate sufficient income to cover your monthly living expenses, while protecting part of your savings from the risks of market volatility and downturns. It's best to talk with a financial professional in determining the best course of action.

4. Consider buying an annuity to generate protected lifetime income: Before the era of near-zero interest rates, fixed-income securities were a popular option for risk-averse investors desiring significant and steady income. Today, annuities have become a leading way to capture many of those advantages, plus guaranteeing a source of income for the rest of your life. Millions of Americans currently use annuities to provide protected lifetime income that can help cover essential expenses and contribute to a more enjoyable retirement. The Alliance has created a simple list of questions to ask when considering an annuity, which can serve as a useful guide.

Retiring earlier than you anticipated can be distressing. Navigating the implications for people who were in the home stretch of long and productive careers presents unique challenges. Addressing those challenges now can have a significant positive impact on the life you've always wanted to live in retirement.