WHEN RETIREMENT IS UNEXPECTED

LORI PINKOWSKI | You need to be prepared and plan for the unexpected so that your retirement – and your family – is not at risk

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There are many major and unpredictable life changes that can force people to review or alter their retirement plans. To protect your family's well-being, you need to be prepared and plan for the unexpected so that your retirement plans are not at risk. These are just some of the situations to consider:

■ **Family first:** Your family will likely be the most important source of change in your retirement plans. Retirement plans often include financial support for children, parents or other family members but with the cost of living at all-time highs, finances can get stretched. Find the balance between being generous to your family and your own retirement needs, and incorporate this in your financial plan.

■ **Market disruptions:** It is important to have an additional cushion for market volatility or an unforeseen stock market decline that could weigh heavily on your retirement portfolio if you, or your portfolio manager, don't have a disciplined risk management strategy in place.

In this low-interest-rate environment many retirees have been forced to incorporate more stocks into their portfolio than bonds in order to target higher returns. Portfolio managers must ensure that there is a plan for those equities should markets decline.

We don't believe in a buy-and-hold strategy (meaning you do nothing and ride out market declines in times of uncertainty). It is a recipe for disaster, and a massive loss in your portfolio could significantly damage retirement plans.

As a retiree, you don't get a second chance to build up the portfolio, so you need to understand clearly what your financial advisory team will do to manage risk. It's vital to a happy retirement.

■ **Job loss:** An unexpected job loss close to retirement or being forced into early retirement is is often out of our control. If it happens to you, any savings strategy will get disrupted and you may need to start withdrawals sooner than expected.

Whether you receive a severance package or are receiving short-term disability, it may not be enough to fund your retirement plan. There are ways to manage this risk through insurance or higher savings.

It is important to complete a financial plan at least five years before retirement and ensure it incorporates a review of these risks.

■ **Illness:** A severe illness or injury leading to assisted living or home care can be one of the biggest life-changing events. Health-care expenses can add up quickly. Health insurance or critical illness insurance can provide assistance and offer some flexibility during times of distress, while ensuring the protection of your retirement savings. A good financial planner will help you review these risks and the insurance options available to you. You should also consider having a power of attorney and representation agreement in place.

■ **Death of a spouse:** The death of a loved one has significant emotional repercussions but the financial toll can be just as devastating. How will the surviving spouse support the family? Insurance can help manage this risk but a proper review is needed to see the potential effect. It's important to review your wills, life insurance policies, projected estate taxes and asset ownership to minimize probate and be as organized as possible should tragedy strike.

Investments earmarked for the "golden years" shouldn't have to cover the surviving spouse's regular living expenses.

BE PROACTIVE ■ Here are steps to ensure you are retirement-ready and prepared for the unexpected:

■ Find a competent and knowledgeable financial adviser/portfolio manager who can help with financial planning. Make sure that his or her approach to risk management resonates with you.

■ Create a financial plan. It's important to map out your financial path. Incorporate conservative assumptions for both returns and inflation to help ensure real life doesn't fall short of the plan.

■ Monitor this plan regularly and update it if required.

■ Ensure that your investment strategy incorporates disciplined risk management.

■ Keep your will up to date.

■ Determine whether you need insurance or have adequate insurance already in place.

■ Make sure beneficiaries are listed on your registered accounts.

Having a plan for the unexpected before and during retirement will ensure your "golden years" are fulfilling and your loved ones are taken care of if any unexpected event occurs.

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