Why You May Be Forced to Retire Sooner Than Planned

Many Americans aiming to work past 65 to cushion their savings are seeing those hopes foiled.

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As an entrepreneur, your work is such a big part of your life that it may be hard to imagine not doing it. But if, like many people, you are planning to keep working past 65, a recent study from Boston College's Center for Retirement Research (CRR) may give you pause.

"The share of workers reporting that they expect to work past age 65 rose from 16 percent in 1991 to 48 percent in 2018," write the authors. "But such intentions often go awry." In fact, the same study reveals that 37 percent of all workers retire earlier than they had planned. (Other studies suggest that number is much higher.) The three main reasons CCR points to are unexpected changes in health, employment or family circumstances, in addition to looking at the impact of major financial shocks late in life.

Although entrepreneurs pride themselves on being self-sufficient and independent, they are not immune to these circumstances, so let's drill down into them a bit further.

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Health Shocks

You may be forced to retire early due to existing health conditions, such as arthritis or other chronic conditions that worsen over time. Or maybe you are in good health at age 55 and plan to work till 67 to increase your savings, but then develop major health problems unexpectedly that force you to stop working sooner than you had hoped.

Employment Shocks

Individuals may lose a job due to a layoff or business closing and not be able to find new employment. Or they may find another job only to discover it is not a good fit and be forced to quit. If you own your own business and have planned properly, this one probably doesn't apply to you. However, if you are a solo entrepreneur depending on a few major clients who no longer need your services, you may find yourself in the same boat with laid-off older workers.

Family Shocks

This can include a spouse's employment or retirement, changes in marital status, having to care for a parent or grandchild or other upheavals that make it unrealistic to keep working. These can and do happen to anyone and often upset the best-laid plans.

Financial Shocks

These are defined as large fluctuations in a person's wealth. The CCR study looked at initial financial wealth (the sum of assets held in stocks, bonds, CDs and other types of financial accounts) minus debt at the individual's planning age. Financial shocks don't play a significant role in forced early retirement for most people, the study notes. However, if you

own a business and experience a major financial shock later in life, you may be forced to close and stop working sooner than you had planned.

Fortunately, there are steps you can take to help plan for an uncertain future, including operating under the assumption that you will have to retire early; saving more each year (10 to 17 percent of income just for retirement, according to the Stanford Center on Longevity); and not risking what you can't afford to lose. That last one can be tricky one entrepreneurs who are comfortable and accustomed to taking chances, but gambling with your retirement savings via stocks and other volatile investments can be a recipe for disaster if markets collapse just as you are preparing to retire. This is one reason why it is so important to diversify.

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You've heard the disclaimer, "Past performance is no guarantee of future results." This is certainly true when it comes to how long you plan to work. You can't avoid all the shocks, but you can take steps to cushion the blow. Start by saving a big chunk of your retirement money where it's guaranteed to be safe against market risk and where you'll get competitive growth. One guideline is the "Rule of 25," which states that you multiply your total annual expenses by 25 to determine how much you'll need to have saved by the time you retire.

And to paraphrase another oft-invoked saying, hope for the best and plan for the worst, because when it comes to deciding when to stop working, you may have that decision made for you by circumstances beyond your control.

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