When late-career job loss strikes

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Maybe it’s happened to you. Or maybe one of your friends or colleagues has fallen victim. A pink slip is handed out to a worker age late 50s to early 60s, and there is no job waiting in the wings. Now, the wage earner has several fewer years of earning to build a retirement upon, and several more years of retirement savings to fund.

An AARP poll of job seekers conducted in September 2013 found 15 percent of respondents were seeking a new job over the previous 12 months due to employment uncertainties. Another 7 percent said they’d lost a job over the last 12 months.

”Unemployment rates for the 50-plus tend to be lower than for all groups, but once they’re unemployed, the time spent looking for jobs is longer than among other groups,” says Michael Herndon, vice president, financial resilience program with AARP in Washington, D.C. “It reached 57 weeks on average during the height of the Great Recession, and is way down now. But it is still higher than for other groups.”

Sometimes, however, the job loss is essentially permanent.

If workers do experience a job loss years before typical retirement age and can’t find another position, there are comparatively few options other than savings to fund their lives. In an effort to gain cash flow, they may be tempted to draw Social Security at the earliest possible age, 62. They may also start drawing on their retirement plan at age 59-1/2, recognizing at that age the withdrawals are penalty free.

“But there is danger in tapping these early,” Herndon says. “Your Social Security payment will be lower throughout your retirement years. You will also be pulling funds out of your retirement account and not allowing them to grow."

Avoiding unemployment

One of the best strategies regarding late-stage unemployment is to avoid it if at all possible. To help ensure you can, take the approach at all times of assuming you are looking for a job while still employed, Herndon says.

"People who demonstrate success at finding a job after age 50 are those who have worked at building a network, staying in touch with colleagues past and present, and continuing to build their careers," he says.

Such people continue to learn new technology, build on their industry and professional knowledge and gain new certifications.

"You should be continually updating your resume and LinkedIn page, and just staying on top of your career, rather than viewing yourself and your career on the downslope," he advises.

But do more than simply work on your resume, says Karen Leland, president of Sterling Marketing Group in San Francisco, California, and author of "The Brand Mapping Strategy: Design, Build and Accelerate Your Brand."

Leland has found that older workers tend to show a resistance to creating a brand for themselves that is online and searchable. Many want to update their paper resumes and list every job they've had, with all functions they held, which tends to accentuate their age.

"People are more likely to go to your LinkedIn page these days, or to look at a one-page visual resume," Leland says. "So part of the change is going from a list approach to a narrative approach. Because in a list approach, you're listing everything you've done since high school, as opposed to a narrative bio, which shows the highlights of what you've done, but weaves a story based on facts and truth about your competency and your brand."

AARP has plenty of resources online at www.aarp.org. Older workers can find tips about resume writing, online training and creating a LinkedIn profile. AARP offers a new job search engine more customizable for 50-plus workers, alerting them to job opportunities with employers who particularly value older workers.

Be proactive

If you want to be proactive about avoiding late-career job loss, you must recognize it is a genuine risk. So says Mark Chandik, principal and founder of FDP Wealth Management in Irvine, California, and author of the book “10 Financial Strategies for the Smart Investor: How to Avoid Common Mistakes and Build Lasting Wealth.”

“Once you acknowledge there’s a risk, you need to make a decision as to whether you can do anything about it,” he says. “Maximize retirement savings now. Watch your spending, and keep the credit card expenses down. When you’re out of work, what kills you is fixed expenses.

“You can downshift variable expenditures, but if you are saddled with car payments and credit card debt, you risk bankruptcy. I would look at reducing debt service, and get it down to a minimum. Ask yourself: Do I have a contingency plan for this, and if so what are its components?”

Many people who lose jobs and can’t find another full-time job work part-time to make sure they still are benefitting from earned income. That will allow them to reduce if not delay the amount of money withdrawn from retirement plans, Chandik says.

“They also need to do an evaluation of their lifestyles, to see what changes they might need to make to survive on a lower retirement income,” he says. “That might necessitate a move from, say, Chicago to perhaps Austin, Texas, where there’s no state income tax. Austin is a vibrant city and growing, and has a tax-favored environment.”

A third notion is to consider financial instruments that guarantee lifetime income, Chandik says. Assuming longevity runs in your family, you may want to look at annuities that transfer their longevity risk to a third party like an insurer, he says.

“In this case, you invest part of your retirement savings with an insurance company, which will accept the risk from gains or losses in the market. And in exchange, you will get a lifetime income stream.”

If you have the option to get trained for a new position, do so, Herndon says.

“And if you have time, you might consider volunteering or working part-time in an industry that’s growing in your community, as a means of building networks and skills,” he adds.

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