



The Basics

The hidden threats to your nest egg

Divorces, layoffs and heart attacks derail a lot more retirements than you'd think. Here's how to make sure yours is secure.

By [Liz Pulliam Weston](#)

You've heard the bad news about retirement: traditional pensions are disappearing and Social Security is headed for trouble. But some of the biggest threats to your golden years aren't the ones getting the headlines.

Setbacks like job loss and serious medical conditions are startlingly common in later life, a recent Boston College study has found, and the results can be devastating for those nearing retirement.

The college's Center for Retirement Research studied people in their 50s and 60s and found, for example:

About 1 in 5 lost their jobs during a 10-year study period from 1992 to 2002. Among married couples, nearly one in three experienced job loss.

Forty-one percent of those studied were diagnosed with a major medical condition such as heart problems, diabetes or cancer.

Thirty-four percent experienced health-related limitations on their ability to work.

Eight percent were widowed, 7% experienced a severe disability and 4% divorced.

Overall, the study found 6 out of 10 people in their 50s and 60s experienced some kind of serious negative shock that threatened their financial security.

Big hits to long-term wealth

That finding challenges the assumption that many of us will be able to work as long as we like, or make up for delayed retirement savings by squirreling away significant sums in our later working years.

"There's been a lot of talk about how the health (of older people) is improving and how older Americans are going to be living longer and healthier than before," said Richard Johnson, a principal research associate for the Urban Institute and lead researcher on the center's study. "All that is certainly true, but I think we tend to lose sight of the fact that these problems are surprisingly frequent."

The setbacks the center studied can disrupt retirement savings plans by reducing income, increasing expenses and causing some to raid their nest eggs. The effects on long-term wealth can be profound:

The study found that the median wealth for healthy people with no work-related limitations grew 45.7% during the 10-year study. Those who experienced such health restrictions, by contrast, saw their median net worth increase just 17.1%.

Simply being diagnosed with a major medical condition, even if no work limitations were involved, had a dampening effect on wealth growth. Those who were diagnosed during the study period saw a 23.5% increase in their net worth, while those who had the condition at the start of the survey had just 16.1% growth.

Those who were laid off during the study decade experienced similar stunting of their net worth, which grew by 19.2%. (If they were out of work at the time the study started in 1992, the results were worse: just 14.3% growth.)

The picture was even grimmer for the divorced and disabled. Those who split up during the 10-year study saw just 4.3% growth in their median wealth over the 10 years, and those with severe disabilities experienced a 9.8% decline in their median net worth.

Rebounding can be tough

The least educated were the most at risk for disruptive events, Johnson said. Nearly 50% of those without a high school diploma were diagnosed with a major medical condition during the study, compared to 35% of college graduates. High school dropouts were more than three times as likely to suffer a severe disability and more than twice as likely to be widowed as the better educated.

People with limited education tend to have fewer resources, Johnson said, and many discover "they can't bounce back" from these traumatic life events.

Similarly, Johnson said, older people of all walks of life often find it tough to rebound from job loss.

"It's much harder to find a job in your 50s and 60s if you lose one," Johnson said, citing several studies that have documented this phenomenon. "There's a lot of evidence that employers are reluctant to hire older workers."

The Boston College study complements earlier research by the Employee Benefit Research Institute, which found that 40% of retirees left the workforce sooner than they had planned, often due to job loss, illness or disability.

How to protect yourself

These are scary statistics, but these studies convey an important truth about retirement planning: you can't assume everything will go right. Here's how to put that knowledge to work:

Don't delay saving for retirement. The more money you have piled up by your 50s, the better you'll be able to survive whatever surprises life throws your way. People who put off retirement to save for other goals, or simply spend more, are missing out on critical time that can help them grow their wealth. But they're also leaving themselves vulnerable to the setbacks described above that could prevent them from accumulating needed wealth. Take advantage of any workplace retirement plans or, if you don't have access to any, start setting aside money on your own.

Get covered. Health and disability insurance can help insulate you from the financial fallout of illness or accident. If you can't get this coverage through an employer, consider buying individual policies. If you find yourself without health insurance, read ["A survival guide for the uninsured"](#) for tips on how to protect your well-being.

Continuously update your job skills and contacts. Keep yourself marketable by taking on new responsibilities or learning new skills through courses or seminars. Network to improve your contacts at other companies.

Mind your health. We can't make ourselves immune from disease, but we can better our odds for a long, healthy life by eating right, exercising, getting regular checkups and finding appropriate ways to deal with stress. Early detection is the next best thing to prevention, so schedule important health screens like mammograms, colonoscopies, electrocardiograms (EKGs) and exercise stress tests.

Mind your marriage. Easier said than done, but if an investment in counseling or a couples retreat can stave off a costly breakup, then make it.

Liz Pulliam Weston's column appears every Monday and Thursday, exclusively on MSN Money. She also answers reader questions in the [Your Money message board](#).