PRE-MEETING OVERVIEW

OPTIMIZING RESOURCES AFTER A LAYOFF

COLUMBIA THREADNEEDLE INVESTMENTS
Your success. Our priority.

What to know before your meeting

As a person who is or anticipates going through a layoff, you soon will be facing many crucial decisions, some related to income, retirement plan and health benefits. Avoid knee-jerk reactions. Take your time to read through and fully understand any paperwork you receive from your former employer. Don't sign anything right away. Consulting Kucharski Financial Services may be beneficial.

Questions to review before your meeting

Q: What are the first things I should think about after I'm notified of a layoff?

A:

1. **Talk over details with your HR representative:** A one-on-one discussion regarding the details of your severance, necessary elections and the timeline is important. Ask key questions such as: Am I receiving a severance package? Does the company provide outplacement help? What's going to happen with my benefits?

2. **File for unemployment benefits immediately:** To qualify for unemployment insurance, your previous employer must confirm that you were laid off. Since each state has different eligibility requirements, you can check on your specific state's requirements by searching online with the phrase "[your state] unemployment" (e.g., Minnesota unemployment).

3. **Understand your severance package:** Some companies allow you to negotiate a severance package. Make sure you get reimbursed for outstanding vacation days and expenses. See if your stock options have vested in order to exercise them.

4. **Health insurance:** When you get laid off, your health insurance may end immediately. One option is COBRA, a federal program that allows you to continue your previous employer's group plan coverage. Your other option is to purchase insurance through a health insurance exchange under the Affordable Care Act. Based on your income during your job search, you may be eligible for federal subsidies. For more information and eligibility requirements, go to dol.gov, click on Topics and choose Health Plans & Benefits.

5. **Retirement accounts:** When you leave employment, you most likely will have four options with respect to your account balance in your former employer's retirement plan: 1) Leave it in the plan (plan permitting); 2) Roll it to your new employer's plan when rehired; 3) Roll it to a traditional or Roth IRA; or 4) Cash out. If you leave the account in your former employer's plan or roll it over into a new employer's plan or into an IRA, you will be able to continue to save on a tax-deferred basis. Amounts distributed to you, in most cases, would be taxable. You need to check with your previous employer regarding eligibility and retirement account options. In addition, you should take into account any potential tax consequences, as well as expenses and sales charges and/or penalties for selling or buying investments before initiating a rollover. You should avoid touching IRA assets if possible. But if necessary, setting up substantially equal periodic payments from the IRA can help you avoid the 10% early withdrawal penalty. But you must make withdrawals for five years or until you reach age 59½, whichever is longer.

6. **Reduce spending and avoid debt:** Take a look at your monthly expenses and see where you can cut costs. Contact your credit card company to see if you can reduce or defer your payments.

7. **Take inventory of your assets:** Find out exactly how much you have in nonqualified deferred compensation distributions, restricted stock awards, stock options, mutual funds, and savings, checking and retirement accounts. This will help you figure out exactly where you stand financially. With a complete inventory, you and your financial and tax advisors can determine where you have the ability to raise cash for ongoing spending needs and what are the more tax-efficient options during your job-hunting period.

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Q: Are there any actions I should avoid taking?

A: 1. **Don't withdraw from your 401(k):** Times may be tough, but resist the urge to take money out of your 401(k). You will get hit with income taxes and in some cases a 10% penalty. If you are age 55 or older at termination, you will not be subject to the 10% penalty for early distributions. If tapping retirement assets is a must, then be sure to leave some amount in your workplace plan.

2. **Don't rely on a home equity line of credit (HELOC):** It will be extremely difficult to get a home equity loan while unemployed. But if you already have one, be careful when tapping into it. You could be without a job for a long period of time.

3. **Don't abuse your credit cards:** It may be tempting to purchase everything with your credit card, but that can be a mistake. Most credit card companies will raise your interest rates if you miss one payment.

Checklist to complete before your meeting

Kucharski Financial Services can help you review the paperwork associated with your layoff to help you better understand your decisions and options. Before meeting with your financial advisor, you may want to gather some important information:

- ☐ Severance package and other termination documentation
- ☐ Your most recent retirement plan account balance or benefit statement
- ☐ The website address for your employee benefits
- ☐ Any retirement and health plan documents you have in hard copy such as summary plan descriptions (the HR department can provide copies if they are not available online)
- ☐ The telephone number of your former employer's benefits administrator
- ☐ Your tax advisor's contact information

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