

# EMPLOYMENT TRANSITION: AN ACTION PLAN



During times of widespread economic turmoil, unemployment can be a major concern. Even workers with very secure positions may have spouses or other loved ones who are not so fortunate. Consider the following guidelines and online resources to help prepare you.

## Eligibility for Unemployment Compensation

- ▶ For many who are unemployed, maintaining an income stream is a primary goal. A good place to start is by learning about your eligibility for unemployment compensation: [www.careeronestop.org/reemployment](http://www.careeronestop.org/reemployment)
- ▶ Remember to budget for taxes; unemployment compensation benefits are subject to federal income tax and most state's income tax.

## Continuing Health Insurance

- ▶ During unemployment, continuing health insurance coverage should also be a top priority. Compare the coverage and convenience of different policy options versus their overall costs (out-of-pocket costs as well as premiums).
  - ▶ The Consolidated Omnibus Budget Reconciliation Act (COBRA) provides certain former employees (and their spouses and dependents) the right to temporarily continue health coverage. [www.dol.gov/COBRA](http://www.dol.gov/COBRA)
  - ▶ Individual coverage may be available as a result of the Affordable Care Act—[www.healthcare.gov](http://www.healthcare.gov)
  - ▶ A spouse's work plan. If you are eligible you generally have 30 days to enroll, per the Health Insurance Portability and Accountability Act (HIPAA).
  - ▶ Another group plan offered by a trade, business, fraternal, union, or church organization with which you may be affiliated.
  - ▶ For additional options that may be available, visit [www.coverageforall.org](http://www.coverageforall.org)

## Continuing Life and Long-Term Care Insurance

- ▶ Many jobs offer life and long-term care insurance. If you will lose coverage that is still needed, review other options:
  - ▶ Life insurance: [www.lifehappens.org](http://www.lifehappens.org)
  - ▶ Long-term care insurance: [www.icmarc.org/longtermcare](http://www.icmarc.org/longtermcare)

## Managing Cash Flow

Unemployment could mean taking extra measures to preserve your assets. But you will still have day-to-day living expenses. Here are key strategies to help you balance these needs:

- ▶ Make sure you fully understand how much you can expect from a severance agreement or unused vacation and sick leave benefits. Seek to preserve lump-sum payouts so they last throughout your period of transition.
- ▶ Prepare or review a budget: look for opportunities to reduce expenses.
- ▶ If necessary, tap your emergency fund or other nonretirement or non-essential savings, ensuring they are in savings vehicles with maximum safety and liquidity.
- ▶ If you have a mortgage, review your eligibility for refinancing or lowering your payment through new U.S. government programs. [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov)
- ▶ Consider temporary or consulting work, which would reduce any unemployment insurance benefits, but may help your job skills or lead to new opportunities.
- ▶ Review whether to temporarily suspend a spouse's or partner's employer plan contributions.

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- ▶ Explore pros and cons of different options:
  - ▶ Sell non-retirement investment accounts?
  - ▶ Intra-family loan?
  - ▶ Brokerage account margin loan?
  - ▶ Borrow against cash value life insurance policy?
  - ▶ Home equity loan or line of credit?
  - ▶ Spouse's or partner's employer retirement plan loan?

For each option, ask these questions:

- ▶ To what extent will you impact other financial goals or put yourself/family at risk?
- ▶ Will you owe taxes?
- ▶ Will interest you pay be tax-deductible?
- ▶ Will your credit score be impacted?
- ▶ What fees apply: application, administrative, late payment, etc.?

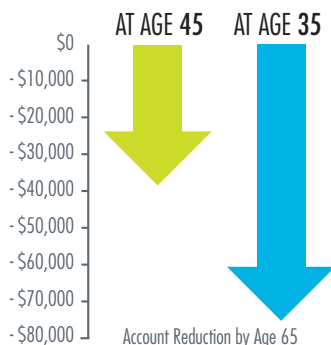
### Protecting Your Retirement Savings

You should generally only withdraw from your retirement accounts as an absolute last resort

- ▶ Remember that under most employer plan rules, any outstanding loans must be fully repaid within a short period of time after leaving employer, or they are treated as taxable distributions.
- ▶ Withdrawals or unpaid loans can derail your retirement plan because they:
  - ▶ Are subject to ordinary income taxes sooner than necessary.
  - ▶ May be subject to penalty taxes.
  - ▶ Reduce the potential for tax-advantaged growth.

As an example, assuming a 7% return, a 45-year old employee who withdraws \$10,000 could reduce his or her account balance by nearly \$40,000 at age 65; a 35-year old worker by more than \$76,000.

#### After a \$10,000 Withdrawal



*For illustrative purposes only. Assumes 7% annual rate of return.*

If withdrawing from your retirement account is truly necessary, take only what you need. That way you'll still have something to build on for the future. And talk to your ICMA-RC representative about whether an IRS 10% early withdrawal penalty tax might apply and, if so, what options you might have to avoid it.

### Additional Financial Assistance

If you require additional financial assistance, there are several resources to consider.

- ▶ Government assistance and benefit programs:  
[www.benefits.gov](http://www.benefits.gov)
- ▶ Credit and debt management assistance:  
[www.ftc.gov/credit](http://www.ftc.gov/credit)
- ▶ Homeowner assistance:  
[www.federalreserve.gov/pubs/foreclosure](http://www.federalreserve.gov/pubs/foreclosure)  
[www.995hope.org](http://www.995hope.org)  
[www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov)  
[www.loanscamalert.org](http://www.loanscamalert.org) (avoid scams)
- ▶ Tax preparation assistance:  
[www.irs.gov](http://www.irs.gov) (type "VITA" in search box)

### Searching for Your Next Job or Career

- ▶ With today's technology, your search for a new job or career can be easier than in past years and there are resources available, many at no cost to you.  
[www.bls.gov/audience/jobseekers.htm](http://www.bls.gov/audience/jobseekers.htm)  
[www.careeronestop.org](http://www.careeronestop.org)

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