



## WHEN YOU ARE DOWNSIZED

Samuel D. Swisher, J.D., CFP®

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Many people are losing their jobs in the midst of the current financial turmoil, and common issues need to be faced by corporate employees facing unemployment. If you are one of these people, an important and immediate focus may be to discover ways to bridge the financial gap between jobs. However, long-term considerations should be examined as well.

### IMMEDIATE BENEFITS

If the termination includes a severance payment, it may be paid in one lump sum or in your usual salary increments. This decision could have the potential to affect such things as your medical coverage and income tax. Some companies offering an installment severance plan also allow employees to maintain their lower employee medical insurance rates throughout the severance payment period. Conversely, if a lump sum is taken, the active medical plans usually stop immediately.

Most employees with medical, dental or vision insurance can elect to continue their current plans under the federal COBRA rules. These rules provide for continued coverage for up to 18 months after termination at no more than 102% of the current cost of the company's group plans. While this gives an employee the opportunity to pay for continued coverage, often it is not affordable. The recently passed Stimulus Bill provides a federal subsidy for an employee to receive affordable health coverage for 35% of the actual cost for the first nine months after losing a job. Thereafter the employee must pay the full COBRA costs. This applies to people terminated as early as September 1, 2008, and will extend through December 31, 2009.

An installment severance plan can also affect your federal income tax withholding. The withholding tables assume you will work for the entire year, so if your employment ends mid-year you will likely pay a lower federal income tax. Therefore you may want to consider filing form W-4 with your employer to reduce your federal withholding on your severance payments.

### RETIREMENT PLANS

Once you have looked into immediate benefits, continue to examine and evaluate your pension, 401(k) benefits, and other insurance. If you are eligible to retire, consider an IRA rollover. If not,

you may have a vested pension benefit, but will not be able to access it before the earliest retirement age. However, some companies allow access to pension funds so they can be rolled over to an IRA prior to retirement age. In either case, consult a financial advisor and consider rolling over to an IRA to broaden the investment possibilities.



### INSURANCE

Review your company life insurance and long term care insurance benefits to discover which can be converted and maintained by you personally (sometimes called "portable" insurance). Before you decide to convert your policies, consult a financial advisor to determine if the company rates are better than those available in the marketplace. Departing employees in good health may find group policies more expensive than competitive policies. You should do the same analysis for any portable long-term care insurance as well.

### TAPPING INTO A 401(K)

Some departing employees cover their cash needs by turning to the company's 401(k) account once their severance and unemployment benefits are exhausted. They may consider rolling it over to an IRA. Generally there is a 10% penalty for early withdrawals from 401(k)'s and traditional IRA's before age 59-1/2, as well as the necessity of paying regular income tax. However, there are several

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important exceptions to the 10% early withdrawal penalty.

If you need to pay for health insurance while unemployed, or have deductible medical expenses (in excess of the 7.5% AGI threshold), it may be possible to take withdrawals from your IRA without penalty.

If you are at least 55 in the year you depart, you may take withdrawals from the 401(k) without penalty. However, do not roll your 40(k) to an IRA in this instance until you reach 59-1/2, as the exception only applies to a 401(k) account, not to IRA's.

If you depart from your job before age 55 and roll your 401(k) to an IRA, you may make what is called a "Section 72(t) election." In this case, substantially equal annual installments must

be taken for 5 years or until you reach 59-1/2 (whichever is longer) without penalty. Be sure to check with your financial adviser before considering this option.

Qualified college expenses can be paid from an IRA without penalty. Be sure to pay attention to the IRS definition of "qualified" education expenses.

If you are facing corporate downsizing, take steps to optimize your company's benefits to best address your own personal situation and needs. Use your employer's human resources department to ask questions, and again it would be best to consult a financial adviser with experience in corporate downsizing and retirement. Careful choices can help you weather the financial storm until calmer times return.

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## VANTAGE NEWS

Famous quotes can inspire, make one laugh and perhaps tell you something of the person who uses them. The Vantage team was asked to come up with some of their favorite quotes to share.

KIM TAYLOR

*"Now faith is being sure of what we hope for and certain of what we do not see."*  
—Hebrews 11:1 The Holy Bible

DAN KAIBEL

*"Never give in. Never give in. Never, never, never—in nothing, great or small, large or petty—never give in, except to convictions of honor and good sense..."* —Winston Churchill

SAM BAKOU

*"Your mind is like a muscle. It grows stronger and more capable with use."*  
—Unknown

JONATHAN STANOS

*"Those who stay will be champions."* —Bo Schembechler, former Michigan University football coach

DAN ZALIPSKI

*"To live is the rarest thing in the world. Most people exist, that is all."* —Oscar Wilde

TOM VISLISEL

*"For God so loved the world, that he gave his only Son, that whoever believes in him should not perish but have eternal life."* —John 3:16 The Holy Bible, ESV

TERRY KAUL

*"The one thing you can't take away from me is the way I choose to respond to what you do to me. The last of one's freedoms is to choose one's attitude in any given circumstance."* —Viktor Frankl to his German captors in a Concentration Camp

MICHAEL ROHRWASSER

*"Git er done"* —unknown

SAM SWISHER

*"Just do it"* —Nike

We would welcome hearing a quote that has significance for you as well. Feel free to e-mail [dkaibel@vantagefinancial.com](mailto:dkaibel@vantagefinancial.com) with a favorite quote, and we'll try to include it in upcoming issues.

MARK YOUR CALENDARS

Vantage Financial Partners will be holding its second Annual Town Hall Meeting on June 25th at the Metropolis in downtown Arlington Heights. More details coming soon...!