



BRIEFING »

How You Can Survive a Layoff

What you do immediately after receiving word that your current job is gone can make a big difference in how you will be able to support yourself and your family. Making the wrong decisions can have dire consequences over the long term. Employees leaving their employers, either on their own terms or on the terms handed to them, can greatly benefit from professional help to sort out the options they have available. A Financial Advisor can help you to both take control of your financial life and define your goals so that you achieve the security you need.

GOVERNMENT INCREASES BENEFITS FOR THE UNEMPLOYED

The recently enacted federal stimulus act provides for a temporary increase in unemployment benefits, including:

- \$25-per-week raise
- Extension of time to collect unemployment benefits
- Federal tax exemption from the first \$2,400 of 2009 unemployment benefits.
- Subsidized health-insurance premiums and other enhancements under COBRA

Contact your state unemployment insurance agency as soon as possible after losing your job.

UNDERSTAND THE COMPONENTS OF YOUR SEVERANCE PACKAGE

You will likely get a package of information when you leave your employer. Included will be an explanation of what you will receive financially and what options you have to keep in force your health, life, disability and long-term care insurance. To the extent that any of the following plans apply, you will also receive a final accounting of your deferred compensation, stock options, pension plans, company retirement accounts, amount of severance pay and terms for collecting, and unused vacation time. Other benefits and sources of income also may be pertinent to your situation.

Make sure you study the documents in the package before signing anything and then ask as many questions as necessary to fully understand what is being presented. Check your employee handbook to make sure your severance matched or exceeded the standard formula and that all your benefits were accounted for. Negotiating better terms may or may not be possible. However, it's reasonable to ask for time to review all the documents before signing anything that may result in a permanent decision.

Depending on the contents and terms of your severance package and the reasons given for your layoff, you may want to consult with your tax advisor, attorney and/or a financial professional.

ASSESS YOUR FINANCES

Obtain a Cash Flow Analysis

Your first step is to take stock of where you stand financially. Where will your income come from and what are your daily, short-term and long-term expenses? The budget and cash flow that served you well while you were working and collecting a regular paycheck will have to be redone to reflect your new situation. Your Financial Advisor will offer a complementary cash flow analysis that will help you to:

- Piece together your sources of income;
- Prioritize your expenditures as essential or discretionary and categorize each according to your need to pay daily, monthly and longer term;
- Examine the full range of your investments, including the cushion of cash you have for emergencies;
- Determine your insurance needs with options available to you for securing coverage;

- Make sure you are aware of your long-term health care needs and those of close family members;
- Pull together information about your liabilities, including your mortgage, credit card debt, personal loans and others so you can get a complete picture of what and when items need to be paid; and
- Take into consideration any other information that might affect your ability to live comfortably today while planning for tomorrow.

APPLY FOR UNEMPLOYMENT BENEFITS

The number of layoffs continues to trend upward with unemployed persons increasing to 12.5 million and the unemployment rate exceeding 8% as of February 2009, according to the Department of Labor. The Federal-State Unemployment Insurance Program provides unemployment benefits to eligible workers. You shouldn't hesitate to take advantage of this benefit if you meet the criteria for collecting. Contact your state unemployment insurance agency as soon as possible after losing your job. It generally takes two to three weeks after you file your claim to receive your first check. Some states impose a waiting period before your first check arrives, and if you received severance pay, it may be considered as

part of your compensation, which could further delay your beginning date. Currently, benefit checks average about half your weekly pay, up to approximately \$300 per week nationwide. Regular benefits extend for 26 weeks and are controlled on the state level within federal guidelines.

STIMULUS ACT ENHANCES BENEFITS

Under the terms of the stimulus act, the previously expanded 33-week limit for unemployment benefits is extended to December 31, 2009. Additionally, the Act increases the current weekly benefits by \$25. Enhanced unemployment benefits may be available in certain states. You will have to show proof that you are actively looking for work to remain eligible for continued benefits. Your state employment office has a wealth of resources to help you find new employment, to obtain training for you or to refer you to information you may find useful.

DETERMINE IF APPLYING FOR SOCIAL SECURITY BENEFITS MAKES SENSE FOR YOU

If you are eligible, the Social Security Administration may provide a regular source of income starting at age 62. However, beginning Social Security payments early will mean that your monthly check is permanently lower than if you waited until your Normal

Retirement Age (age 65 to 67, depending on your year of birth). Also, if you collect Social Security payments before your Normal Retirement Age and begin to work again, your Social Security benefits could be reduced further and may be subject to taxes, depending on your adjusted gross income. Typically, it would pay to begin early collection of Social Security benefits only if you have no other sources of adequate income or if you anticipate a shorter-than-average life expectancy due to poor health.

Your Social Security benefits are a key piece of your retirement plan. Before making any decision, talk to your Financial Advisor about when to begin receiving your payments. Your Financial Advisor will offer suggestions on how you can prepare for your future retirement security and can run a complimentary Retirement Analysis that incorporates your potential benefits into a comprehensive plan. Such a plan would help you determine if the loss of your job might adversely affect your retirement security and offer options for mitigating the financial shock.

How You Can Survive a Layoff

CONSOLIDATE INVESTMENT STATEMENTS AND RETHINK YOUR PORTFOLIO

Today's economic environment may have changed the makeup of your investment portfolio so that your financial holdings have become out of balance or no longer match your current needs. A Financial Advisor has the expertise and resources to help you determine how your investments might provide much-needed current income, while still remaining positioned to work toward achieving your long-term goals. Our complimentary asset-allocation analysis will give you the big picture of your holdings and will help you make sure that your current investment mix is appropriate for the changes you have recently experienced.

GET ADVICE BEFORE YOU MAKE RETIREMENT PLAN DECISIONS

Today, most employers offer departing employees the choice of a "lump-sum" distribution from their retirement plans when they separate from service. This single payment represents years of hard work and carries with it the hope of a long-awaited, well-financed retirement.

You may be tempted to use your retirement plan assets as a source of current income during your period of unemployment. This move could cause dire consequences to your long-term security. For example, consider that

most of the funds distributed directly to you will be subject to taxes and will incur a possible penalty. Before you make any irrevocable decisions regarding your company retirement fund distributions, you should speak to a Financial Advisor to review your available options for managing these funds.

Four common options for receiving your retirement plan assets are summarized below:

Roll over the funds into an IRA.

By rolling your company retirement funds into your own IRA, your funds will retain their tax-deferred status. An IRA gives you access to a wide range of investment choices and the ability to tailor a portfolio that is most appropriate for you. An IRA will allow flexibility in customizing your beneficiary designations. You could also structure a payout plan, to begin at any age, which avoids the usual early withdrawal penalties. To help you decide what works best in your circumstances, you will have the services of a Financial Advisor who will work with you to design a retirement investment portfolio that is most appropriate.

Leave your account with your former employer. If the balance in your employer's plan is above \$5,000,

you will have the option of leaving your retirement assets in that plan. Each employer has different rules for the management of funds left behind by former employees. You may find that your employer may not offer the same range of services that you had while you were employed. Be sure to get a copy of your former employer's retirement plan document so that you can review the terms that impact the management of your investments.

Take the money out of the plan by having it sent to you. If you receive the proceeds from your company retirement plan directly, it is considered taxable and 20% will be withheld for anticipated taxes. You have 60 days to add back the withheld 20% from your own funds and roll over the entire amount into an IRA or other tax-deferred retirement plan. The 20% that your company withheld will be refunded to you when you file your income taxes for that year. If you are planning to roll over your company retirement plan, the easier course of action is to have your company transfer the funds directly to your new plan.

Roll the money over to a new employer's plan. Do you have another job that offers an attractive retirement plan? Will your employer allow outside retirement funds to be transferred into this plan? As with your

former employer's plan, any subsequent employer's plan will lack the flexibility you could gain with your own IRA. Therefore, consider rolling your former employer's funds into an IRA. By doing so, your funds remain tax-deferred and are positioned for future growth potential. If your future employer accepts rollovers into the company retirement plan, this option would still remain open for you to exercise in the future.

KEEP UP YOUR INSURANCE COVERAGE

If you were covered by your employer's insurance plans, you need to determine whether your employer is continuing to pay for these benefits or if you will have to pick up coverage on your own. Most likely, it will be up to you to provide coverage for yourself and your family. You will have to act quickly to prevent a lapse in coverage.

Construct a safety net for you and your family with life and disability insurance. You may be able to convert your employer's group life insurance or disability policy to individual coverage. If so, you'll have to pay the premiums on your own. Explore other options for insurance available to you, but you may find it difficult, if not impossible, to get insurance coverage if you are not working. You may also find that your

former employer's coverage is more reasonably priced than anything you can find on your own.

Information about your insurance plans should be included in the severance package you received. You should carefully study these documents to determine the options available to you.

Don't let health insurance lapse.

- If your employer is providing insurance benefits, determine if the coverage is the same as you had while you were employed. You may find that you are now being offered a basic policy, which may not fit your needs.
- If your company employs more than 20 people, you have the right, under a government law known as COBRA, to continue employer group coverage. You have up to 60 days to make arrangements to accept the terms of your employer's health coverage plan. Under the stimulus act, the government will subsidize 65% of the COBRA premiums for certain workers who were laid off between Sept. 1, 2008, and Dec. 31, 2009. The subsidy is limited to taxpayers whose income is less than \$125,000 for individuals or \$250,000 for couples, and is good for up to nine months of coverage. The Act extends the window of opportunity to sign up for COBRA coverage

by 60 days for workers who were laid off between Sept. 1, 2008, and February 17, 2009. Taxpayers will have to submit proof of eligibility for these enhanced COBRA benefits and other conditions or fees may apply. Carefully compare the terms of COBRA coverage with other alternatives to determine which option is less expensive and/or best fits your needs.

- Switching to your spouse's plan may be your most economical choice. Losing a job is considered a "qualifying event" for a change in coverage under a company insurance plan that is outside the open enrollment period. You usually have 30 days to make changes in coverage under another company's plan that is available to a spouse or domestic partner.
- Explore your options for private coverage through fraternal or industry organizations. If you are a veteran, consider those benefits as well. Medicare is the federal medical insurance program for those who are age 65 or older. Still, you may need supplemental insurance to cover costs, such as prescriptions, that are not covered by Medicare. Finally, Medicare will not cover family members under age 65 or domestic partners.

REVIEW EMPLOYEE STOCK PLANS, STOCK OPTIONS AND RESTRICTED STOCK

If you have an employee stock plan, stock options or restricted stock from your former employer, you will need to determine the following things:

- Do any unvested stock options become fully vested and exercisable or do they expire? Is there an extension time frame for exercising vested options?
- Will you continue to have direct access to shares purchased in your Employee Stock Purchase Plan? Do you have Internet access to this account?
- Are any restrictions lifted on your restricted stock once your employment ended? What shares, if any, are forfeited?

A Financial Advisor can help you sort through your former employer's plan specifics and advise you on a course of action.

START WITH THE FOLLOWING HELPFUL RESOURCES

Government organizations. The US Department of Labor and your state and local governments offer many services to help you deal with the effects of layoffs, especially those that result from increased competition from imports, or from natural disasters and other events. Check your local public offices for more information on your benefits and for other services that might be available to you.

Outplacement services. Many employers offer displaced workers a limited amount of counseling and other services provided through an outplacement firm. You should be sure to make use of this service, since you will have access to office equipment and knowledgeable professionals who can help you find a job. You will also benefit from sharing knowledge with others in your same situation and from having somewhere to go every day. If outplacement services were not part of your severance package, this benefit is often negotiable, so be sure to ask for it outright.

Professional organizations. Professional organizations can be a great way to network with those in the same line of work as you. They may assist you in finding out which companies are hiring and providing other valuable information that could lead to employment. If you don't belong to a professional organization, now is the time to join. Professional organizations may also offer attractive group rates for insurance and discounts on necessary services.

Top financial assistance. Losing a job can have a severe impact on your current and future well-being. A Financial Advisor has access to numerous resources to help you get back on your feet and move forward. Ask your Financial Advisor for a complimentary analysis of your financial accounts and for help in making these important decisions regarding your severance package and benefits.

The recently enacted stimulus act provides for a temporary increase in unemployment benefits. Certain "high unemployment" states may offer additional benefits.

» Call Your Financial Advisor Today.

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