

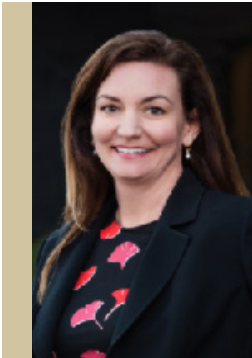
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THREE STEPS TO TAKE IMMEDIATELY AFTER A JOB LOSS

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In light of recent events, people are facing the hardship of an unexpected layoff. Here are three steps to take immediately.

1. Retirement Plans

- Inventory your current employer-sponsored retirement plans to make sure you are accounting for all your assets.
- Consider the pros and cons of rolling your 401(k) to an IRA in light of the new CARES Act. New legislation has increased borrowing and distribution options from plans such as 401(k)s and 403(b)s that could be lost in an IRA rollover.
- Lump sum vs Pension Options: For those who have a pension benefit through their employer, there are significant tax and income repercussions. Lump sums are looking increasingly better due to historic lows in interest rates, but each situation should be analyzed individually. Be sure to consult with your financial and tax advisor on your unique situation.

2. Analyze Loss of Company Benefits

Health Coverage

- If you lost your job before age 65, there will likely be a gap between your private health insurance and Medicare eligibility.
- COBRA may be a great option and can potentially bridge you to 65, but weighing all your health care options is important:
 - COBRA – provides you and your family up to 18 months of health care – for a price!
 - Spouse's coverage – does your spouse still have coverage through their employer? Joining their plan can save thousands over COBRA.
 - Marketplace – engage with a health insurance consultant or service to help vet the many options out there to find one that suits your specific needs.
- Some larger corporations may provide coverage depending on your age and length of service.

Stock Options

- Be sure to understand the terms of your stock option plan or engage a professional who can help you analyze the contract.
- Upon separation, there is usually a limited amount of time to exercise the remaining stock options. In addition, vesting schedules may change. Weigh these new circumstances with your own cash needs, tax implications, and long-term planning initiatives.
- Job layoffs often go hand-in-hand with your former company's plummeting stock price. Consider tax consequences on exercising any stock options before deciding.

3. Tax Planning

- Understand payouts from retirement accounts that may begin upon separation from the company.
- Document all job search expenses and travel for potential future tax deductions.
- If immediate cash is needed, be sure to sell strategically. Capital gains taxes (from selling an asset in a brokerage account) and income tax and possible penalties (from withdrawing funds from a retirement plan) will be significantly different for every individual based on their unique situation, holding period, age and income level.
- In addition, although typically not encouraged, borrowing from a retirement plan under the new more favorable CARES Act rule can often provide an excellent short-term solution during your transition.
- Create a new budget based on your new cash flow.
- Tax loss harvesting on brokerage holdings with losses can counteract the tax repercussions of a severance package. These losses and subsequent carryforwards can provide substantial tax savings while keeping you in the market as it recovers.

Conclusion

Many people are searching for answers while grappling with the financial and emotional strain of job loss. During your transition, it is reassuring to have a trusted professional who listens to your concerns and specializes in working with people just like you. At Creative Planning, we take pride in our ability to assist those navigating difficult transitions, so that you can focus on the next step in your journey.

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Know that even though this may be your first time in uncharted territory, it is not ours. For weekly commentary on what's going on with the markets in light of the pandemic, you may view our COVID-19 Resources page [here](#).

This article is intended to provide general suggestions. It is important to always review your own individual situation with your attorney, accountant, and tax advisor.

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