

# 10-STEP LAYOFF SURVIVAL GUIDE



Have you been laid off close to retirement?

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These 10 steps can help you decide your next move.



## **GOING THROUGH A LAYOFF CAN BE A STRESSFUL AND EMOTIONAL TIME. ADD THE STRESS OF A GLOBAL PANDEMIC, AND IT CAN FEEL DOWNRIGHT OVERWHELMING.**

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If you've been laid off, you're not alone. Shelter-at-home orders stemming from the COVID-19 pandemic created panic for businesses across the country, forcing many to shut their doors and lay off workers. In fact, for the week ending March 28, 2020, a record-breaking 6.6 million Americans applied for unemployment benefits caused by the virtual shutdown of our nation.<sup>1</sup> The previous record: just under 700,000 claims filed in a single week in October 1982.<sup>2</sup>

While the country copes with the unprecedented effects of COVID-19, unemployment is projected to remain high for the next several years. In April 2020, the unemployment rate hit 14.7%. Federal Reserve Chairman Jerome Powell predicted unemployment numbers will remain above pre-coronavirus levels through at least 2022.<sup>3</sup>

While the uncertainty of a layoff can feel like you've suddenly been saddled with an enormous burden, you can take measures that could help reduce stress and get you back on course. And, if you're close enough to retirement, you might even be able to say goodbye to the working world and enjoy an early retirement!

So, before you let the stresses of the COVID-19 shockwaves get you down, consider the 10 steps in this guide to help you survive a layoff. They can help you determine if you need to find another job, or if you can take this scary situation and turn it into a blessing in disguise.



STEP  
01

## KEEP CALM AND TAKE IT ONE STEP AT A TIME

Whatever you do, don't freak out. A layoff can be scary, but you have options. Leave your current job with grace and respect your employer. Realize that your former boss is also having a hard time with this decision. From big-box companies all the way down to small mom-and-pop shops, no business seems to be immune from the effects of the COVID-19 pandemic. Many will be forced to close their doors forever as a result of these difficult economic conditions. Anything you can do to make sure you're leaving on good terms is always a sound idea, especially if your former business is able to reopen its doors and you wish to be rehired.



STEP  
02

## DETERMINE YOUR LIVING EXPENSES

When a layoff strikes, you need to know the facts. Before you start believing that the world as you know it has ended, simply figure out how much income you need to survive for a while. Very few people really know how much they spend each month. Once you identify the income you need to survive, you can establish a useful baseline. Begin by gathering all of your financial information. This baseline will help you determine if you need to land another job, or if you even need to bother.



STEP  
03

## CREATE AN INVENTORY OF YOUR RESOURCES

Next, create an inventory of the assets you have available to help you meet your "baseline" expenses. Make sure to include savings, checking, 401(k), all other investment accounts and any additional assets such as real estate or royalties.

Keep in mind that through the CARES Act economic relief plan, you can withdraw up to \$100,000 out of an IRA or workplace retirement plan in 2020 without the usual 10% penalty if you, a spouse or a dependent tested positive for COVID-19 or experienced a variety of other negative economic consequences related to the pandemic (such as unemployment).<sup>4</sup>



STEP  
04

## ADD IN SEVERANCE PAY

Severance pay is not mandatory in the U.S., and many employers do not offer such compensation. Severance pay is usually outlined in an employment contract, if you have one. Severance packages usually include compensation equal to a stipulated length of service typically measured in weeks or months. This payment could potentially provide, depending on your circumstances, six to 12 months of income to meet baseline expenses while you figure out your next move. If you receive a severance package, this can be a valuable time to make decisions about what kind of transition you want to make. Unfortunately, if your former company closes, severance payments may never arrive.

STEP  
05

## UNDERSTAND HOW UNEMPLOYMENT BENEFITS WORK

You may be eligible for unemployment benefits if you lose your job by no fault of your own — such as through a layoff. The amount that workers can receive from unemployment insurance programs depends on the state in which you worked. On average, unemployment benefits will replace roughly 40% to 45% of your weekly income. The maximum number of weeks you can receive payments also depends on your state, with the range varying from 12 weeks to 26 weeks.<sup>5</sup>

Under the CARES Act, individuals who qualify for Pandemic Unemployment Assistance (PUA) will also receive an extra \$600 per week in addition to their state benefit until July 31, 2020.<sup>6</sup> Visit <https://www.careeronestop.org/WorkerReEmployment/UnemploymentBenefits/how-do-i-apply.aspx> for more information on how to file unemployment benefits.

STEP  
06

## LEARN ABOUT YOUR HEALTH INSURANCE OPTIONS

If you are laid off, you will likely lose your health insurance. You may be eligible for COBRA benefits. COBRA is an acronym for the Consolidated Omnibus Budget Reconciliation Act, which provides eligible employees and their dependents the option of continued health insurance coverage following the loss of a job. COBRA coverage extends for a limited period of 18 or 36 months, depending upon various circumstances. The cost of COBRA coverage is usually high because you'll be responsible for the entire cost of the insurance (employers usually pay a considerable portion of the premiums while you're employed).

However, through the CARES Act, those who have lost health insurance due to job loss during the 2020 coronavirus pandemic will qualify for a “special enrollment” period available through the federal health care exchange website ([www.healthcare.gov](http://www.healthcare.gov)).



**ON AVERAGE, UNEMPLOYMENT BENEFITS  
WILL REPLACE ROUGHLY 40% TO 45%  
OF YOUR WEEKLY INCOME.**

This will give you 60 days to enroll, possibly allowing you to find a cheaper health insurance option.

We see people in the office every week who could retire were it not for the need to keep medical coverage. If your company plan isn't providing any continuing coverage, health insurance coverage can be expensive during the gap in time until you are eligible to receive Medicare at age 65.<sup>7</sup>



## GET A NEW SOCIAL SECURITY ESTIMATE

If you're in your 60s, we suggest you get an update from the Social Security Administration about your potential retirement benefits. Most people begin taking Social Security benefits at age 62. This is often the wrong decision. The difference between taking benefits at age 62 or 66 is an additional 25% more income. If you wait until age 70, you can receive 32% more than at age 66. Too many people make the decision based on one variable: How many years of income later will it take to make up for starting benefits at age 62. Instead, comprehensive planning can help you make an efficient overall decision.<sup>8</sup>

Once you determine different levels of income benefits based on age, another issue to consider is that you may only need to pull money from savings for a few years. If you know your baseline income needs, then finding the best solution is much simpler. Knowing the best solution tremendously lowers the stress of a layoff, considering much of the stress stems from unknown or undetermined variables.



## CONSIDER A LUMP-SUM PAYMENT

Do you have a pension that you can roll over or take as a lump-sum payment? Make sure to note when you can start receiving your pension and the income it will provide. Although you may have already considered this in your baseline inventory, it's noteworthy that your pension could be taken as a lump sum now through a rollover to an IRA. Instead of waiting a few years to receive a future pension, the lump sum may provide more benefit if rolled over and accessible. Unfortunately, there's not a one-size-fits-all standard solution, and there may be tax implications to consider. Obtaining a professional opinion on this issue is highly recommended.

**THE DIFFERENCE BETWEEN TAKING  
SOCIAL SECURITY BENEFITS AT AGE 62 OR 66  
IS AN ADDITIONAL 25% MORE INCOME.**

STEP  
09

**DETERMINE IF YOU WANT  
TO GO BACK TO WORK**

Many people will fear that they must go back to work when they're really ready to retire. Others will know that they aren't ready to stop working. In either case, if your assets are enough to cover your expenses, you will be prepared for whatever avenue you choose to pursue. In our experiences, many people who are capable of retiring don't think they are prepared because they haven't created a plan.

STEP  
10

**SEEK A  
PROFESSIONAL OPINION**

Surviving a layoff is doable but requires some planning and perspective. Putting all of the pieces together can be quite liberating if you discover that you really don't need to return to the stress that can come from long hours on the job.



**WE CAN HELP! IF YOU FIND  
YOURSELF FACING A LAYOFF, GIVE  
US A CALL TO TALK THROUGH YOUR  
STRATEGY TODAY.**

**(781) 849-3090**

Don't wait to call! We'll help you create a written income strategy to determine how far off you are from retirement — or if you're closer than you think!

<sup>1</sup> Carmen Reinicke. Business Insider. April 2, 2020. "US jobless claims skyrocket to 6.6 million, doubling last week's record, as coronavirus layoffs persist." <https://www.businessinsider.com/us-weekly-jobless-claims-unemployment-filings-record-labor-market-coronavirus-2020-4>. Accessed May 20, 2020.

<sup>2</sup> Jeff Cox. CNBC.com. March 26, 2020. "Jobless claims soar past 3 million to record high." <https://www.cnbc.com/2020/03/26/weekly-jobless-claims.html>. Accessed June 22, 2020.

<sup>3</sup> Megan Henney. FoxBusiness.com. June 10, 2020. "Fed's Powell warns 'significant' number of Americans could remain unemployed during coronavirus recovery." <https://www.foxbusiness.com/economy/feds-powell-warns-significant-number-of-americans-could-remain-unemployed-during-coronavirus-recovery>. Accessed June 22, 2020.

<sup>4</sup> Vanguard. April 24, 2020. "What the CARES Act means for you." <https://investornews.vanguard/what-the-cares-act-means-for-you/>. Accessed May 20, 2020.

<sup>5</sup> FileUnemployment.org. April 30, 2020. "Unemployment Benefits Comparison by State." <https://fileunemployment.org/unemployment-benefits/unemployment-benefits-comparison-by-state/>. Accessed May 20, 2020.

<sup>6</sup> Tami Luhby. CNN.com. April 10, 2020. "Extra \$600 unemployment benefits will start flowing as early as this week for a lucky few." <https://www.cnn.com/2020/04/07/politics/unemployment-benefits-cares-act-covid-pandemic/>. Accessed May 13, 2020.

<sup>7</sup> Kristin McKenna. Forbes. May 19, 2019. "Retire Early With Health Insurance: Closing The Coverage Gap." <https://www.forbes.com/sites/kristinmcfarland/2019/05/19/retire-early-with-health-insurance-closing-the-coverage-gap/>. Accessed May 13, 2020.

<sup>8</sup> Amy Fontinelle. Nov. 24, 2019. Investopedia.com. "When to Take Social Security: The Complete Guide." <https://www.investopedia.com/retirement/when-take-social-security-complete-guide/>. Accessed May 13, 2020.

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