ASSET ACHIEVERS
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What to Do When You Get Laid Off in 6 Steps

Description

Knowing what to do if you experience a lay off can put you in position to take the best, quickest advantage of your new financial situation. Follow these 6 steps below:

1. Calculate Your Severance

It's necessary to calculate your severance in order to know how you will meet your monthly expenses and for how long. Similar to when you received a regular paycheck, you should know how much is coming in and the timeframe it will last.

2. Register for Unemployment

Sign up for unemployment as soon as possible since it usually takes a few weeks to months before funds may be released.

3. Inquire About Your Health Insurance Benefits

Health Benefits Option No. 1: The Consolidated Omnibus Budget Reconciliation Act (COBRA)— allows you to continue coverage for you and your family for up to 18 months. However, you may be required to pay the entire premium, up to 102% of the cost to the plan.

Health Benefits Option No. 2: Under the Affordable Care Act (ACA), you may shop for an individual health care plan on the state or federal exchanges. With your income temporarily reduced, you may qualify for a substantial subsidy. For more information go here: https://www.usa.gov/finding-health-insurance

4. Inquire About Life Insurance

Generally, your life insurance coverage will end when you leave your job. That means you'll need to apply for new coverage (either at your new job or independently from a life insurance company or broker).

5. Review Your 401k and/or Pension Plans

If you had a 401(k) with your former employer, you have options.

- Leave it in your former employer's plan. If you have $5,000 or less in your account, chances are you can let it sit invested right where it is. Consider this a temporary solution.
- Consolidate your old plan with the new one. If your next employer offers a 401(k) plan, find out whether you have the option to consolidate your old plan with the new one. If so, you'll get your retirement investments back in one place without incurring tax penalties.
- Open a rollover IRA. You transfer your former retirement plan into an IRA where you can choose from a wide variety of investment options — stocks, bonds, mutual funds, real estate investment trusts, and more.
- Cash out. This option should be your last resort, primarily for emergencies. Not only will you hurt your retirement plan, but you will also pay a premium for withdrawing the money now: federal (and, where applicable), state, and local income taxes will be due on the lump sum, plus a 10% penalty for early withdrawal.

6. Investigate Your Stock Awards

Vested Stock Options

If you have vested incentive stock options (ISOs) or non-qualified stock options (NQSOs), you will likely have a period of time to exercise your stock options. For ISOs, the period is usually up to 90 days, but it can be longer if you have NQSOs. When you have stock at a private company, the company may have the right to repurchase your shares. This could happen even if you already exercised your options. Your equity plan agreement will have more details.

Unvested stock options

Generally, once your employment ends, you will lose any unvested stock options. Some stock agreements can provide exceptions for certain events. Since retirement, layoffs, or furlough could be one of them, you will need to check your agreement.

Restricted stock units and restricted stock

As with unvested stock options, RSUs and restricted stock awards are almost always driven entirely by vesting: if you stop working at the company before the shares vest, you don't get them. If your restricted stock units or awards have vested, then you already have shares of company stock. Unfortunately, if layoffs happen before vesting, you likely won't receive anything. Again, check your agreements, especially if you are furloughed.

Meet with us to discuss how we may help facilitate your job transition.

Date
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