Facing a layoff?

This checklist can help

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In a layoff, you're suddenly faced with changes to your routine, benefits and income. And while you may feel shock, you're not alone: Thousands of employees are laid off each month across all industries.*

This checklist can help you adjust your finances as you separate from your company and move forward in your career. As you work through it, allow yourself space to process your recent layoff. These steps can take time and patience when you may be dealing with a tremendous amount of uncertainty and insecurity.

*Source: BLS statistics (layoffs and discharges levels and rates by industry and region, seasonally adjusted)

Before you go

- ☐ Understand the terms of your layoff.
- ☐ Gather any information and documents that would be difficult to access once you leave (to the extent allowed by law, your employer's rules and/or professional standards).

First few weeks

- ☐ Consider filing for unemployment in your state.
- ☐ Review and prioritize your spending.
- ☐ Evaluate all your sources of income.
- ☐ Ensure you have health insurance coverage.
- ☐ Spend down flexible spending accounts (FSAs) and understand your health savings account (HSA) options.
- ☐ Understand your employer retirement plan options and act if necessary.
- ☐ Understand your employer life insurance options.
- ☐ Explore assistance programs.

Moving forward

- ☐ If you signed a noncompete agreement, consider talking with a legal professional to understand how this may impact your future job options.
- ☐ Update your resume and profile on career networking websites such as LinkedIn.
- ☐ Start networking.
- ☐ Check in with friends, family and former colleagues for support (and maybe job leads).

Wrapping up before you go

☐ **Understand the terms of your layoff.**

- Be sure to review any paperwork carefully before you sign.
- Understand your severance package: How much is it? Is it paid as a lump sum or a continuation of salary for a set period? Get this information in writing if possible.
- Will you be paid for any unused sick or vacation time?
- If you have health insurance through this employer, understand when your coverage ends.

☐ **Gather any information and documents that would be difficult to access once you leave (to the extent allowed by law, your employer's rules and/or professional standards).**

- Ask for references from colleagues and managers.
- If you have stock incentives, gather any documents related to those plans.
- While ensuring you're compliant with firm policies, collect written or creative work that can help you build your professional portfolio or update your resume.

How to make the first few weeks count

☐ **Consider filing for unemployment in your state.**

While it likely isn't total income replacement, unemployment insurance can provide relief for the first few months after your job loss. Each state operates its own unemployment insurance program, which you can find online.

- **Who's eligible?** To be eligible, you must be unemployed through no fault of your own. You must meet your state's requirements for time worked or wages earned during a set period. You also must be actively looking for employment while collecting. Most states allow you to continue to collect a portion of your unemployment benefits if you work part time — just be sure to report your weekly wages on your state's website.
- **How long will it take?** This can be a time-consuming process. If you submit everything required and there are no follow-ups for your claim, you could receive your first payment within a few weeks of your application. If there are follow-ups or your state's unemployment office has a backlog, it can take longer.
- **How much will you get?** Your unemployment check usually covers less than half of your previous paycheck.* Many state websites include a calculator to help you estimate your unemployment payments. Most states pay benefits for up to 26 weeks.
- **Are benefits taxed?** Yes — so, if possible, elect to have taxes withheld. You'll receive a Form 1099-G to report on your tax return.

*Source: Brookings, "How does unemployment insurance work? And how is it changing during the coronavirus pandemic?"

☐ **Review and prioritize your spending.**

When your income changes, it's important to review your budget, with the understanding that these changes can be revisited. Your financial advisor can work with you to prioritize your budget and spending.

- Focus your spending on the essentials: housing, utilities, food, etc. If you're having trouble paying the essentials, you may qualify for programs to help extend payment dates or lower amounts due. (See "Explore assistance relief programs" on Page 6.)
- Next, determine where you can cut costs. Can you stop some subscriptions? Are you able to temporarily adjust your lifestyle to fit your new budget? Can you switch to less expensive items, such as buying generic instead of name-brand items?
- If you're saving toward other goals, you may want to temporarily pause those savings. This could include retirement accounts, since there are penalties for withdrawals, or other goals such as saving for college, a home or a remodel. If you were making extra debt payments but are concerned about paying for your essential expenses, consider focusing on the minimum payments for now.

☐ **Evaluate all your sources of income.**

If covering your expenses is a concern, consider all income sources during this transition, including severance and unemployment insurance if applicable. If you have a spouse or partner who works, their income may cover at least part of your adjusted expenses.

If you have stock incentives, such as restricted stock units (RSUs) or stock options, these can be an additional source of income. But be aware of deadlines for acting, special provisions such as clawback provisions or repurchase rights and tax implications should you sell.

For any shortfall, **we recommend spending from cash on hand,** starting with:

1. Checking accounts or other cash targeted for day-to-day expenses
2. Uninvested cash in taxable investment accounts
3. Emergency savings

If you find you need more income, consider the relative benefits and trade-offs of alternatives such as:

- Tapping into the cash value of insurance policies or annuities through a surrender or loan
- Accessing retirement accounts early
- Selling taxable investments
- Borrowing options, including from family, if possible

Your financial advisor can help you work through these options and their trade-offs.

☐ **Ensure you have health insurance coverage.**

Some health benefits may continue for a set period after a layoff. Understand whether and how long your coverage lasts. If you lose coverage, we recommend maintaining health insurance, so explore your options.

Spouse's/partner's health care plan — If your spouse or partner has access to workplace health insurance, this may be your least expensive option. Most employers provide at least 30 days as a special enrollment period to enroll in health insurance if your spouse involuntarily loses access to their own employer coverage. If this is the case, it's important to notify the employer and sign up quickly.

COBRA — You may be able to continue your current group coverage through COBRA. If you're eligible, your employer is required to send you notices explaining your rights to COBRA. You'll have 60 days to enroll.

With a job loss, COBRA benefits start from the day you otherwise would have lost coverage and generally last for up to 18 months. You'll be responsible for up to 102% of the full cost of the premiums, which can be prohibitively expensive. That said, this could still make sense if you've reached your deductible or out-of-pocket maximum for the year or want to maintain coverage you're already used to having.

Health Insurance Marketplace — You have 60 days from the loss of job-based coverage to enroll in a plan through a Health Insurance Marketplace (also known as ACA plans and Obamacare plans). While many states rely on the federal marketplace at healthcare.gov, some states operate their own. If you have lower household income, you may qualify for subsidies, which could make this a more affordable option.

☐ **Spend down FSAs and understand your HSA options.**

FSAs — If your previous employer benefits included an FSA, it's important to understand that an FSA has a "use it or lose it" rule, and then the funds go back to your employer.

You generally have 60 days from termination to claim the money for expenses incurred during your employment. Charges made after your employment ends generally aren't eligible for reimbursement.

To understand how your former employer's FSA works, consult the Summary Plan Description. Keep in mind that qualified expenses include those for your spouse and qualified dependents.

Employers may offer Health FSA, Limited Purpose FSA and/or Dependent FSA accounts.

- *Health FSA* — You can be reimbursed for qualified medical, vision and dental expenses. Even bandages and many over-the-counter medications count. If you have extra money in the account, look through old receipts (which you may be able to find online) from Walmart, CVS, Walgreens, Amazon, etc., to see whether you've made FSA-eligible purchases that you can submit for reimbursement.
- *Limited Purpose FSA* — Reimbursements are limited to eligible dental and vision expenses. Expenses include dental cleanings, vision exams, contact lenses and glasses.
- *Dependent Care FSA* — Qualified dependent care expenses may include child care, summer camp and adult care.

HSAs — Your HSA is yours to keep, and there's no deadline to spend the money. HSAs can help cover medical expenses while you're unemployed.

While you usually can't use HSA funds to pay for health insurance premiums tax free, periods of unemployment may be an exception. You can use HSA funds to pay for COBRA premiums tax free or other health insurance premiums (such as through a marketplace plan) if you're receiving federal or state unemployment benefits. This is in addition to the usual tax-free expenses, such as copays, coinsurance and prescriptions.

☐ **Understand your employer retirement plan options and act if necessary.**

If you have a retirement plan with your employer, you can't contribute to it once you've left. But that doesn't mean you should forget about it. Plans at different employers can have different features and options, so consult the Summary Plan Description to better understand how your plan works.

Address plan loans

If you have a loan outstanding, some plans will immediately treat the outstanding loan balance (including accrued interest) as a distribution, while others will allow you to pay it back within a set time frame (often 60–90 days). Check with your plan administrator about how your specific plan works and be aware of deadlines.

Although this may not be an option for many facing unemployment, if you can pay back or roll over the amount of the loan balance, we suggest doing so.

- **What can you do about a loan balance treated as a distribution?** Since the distribution is due to separation from employment instead of default, you can roll over the amount of the loan balance to an IRA to avoid any taxes and penalties.
- **How long do you have to complete a rollover?** You have until the due date of your tax return for the year in which the loan balance was treated as a distribution. For example, if the distribution occurred in 2023, you've got until the April 2024 tax-filing deadline (or a few months later if you get an extension on your taxes) to roll over the amount of the loan balance.
- **What happens if you don't complete a rollover?** Any amount not rolled over by the tax-filing deadline, including accrued interest, will typically be subject to taxes along with a 10% penalty if you're under age 59½.

Decide what to do with the money you've saved

- You can usually **leave it in the plan,** although some plans will make you move your account if the balance is less than $5,000. If this is the case, the plan is required to give you notice so you have time to act. If you don't act by the deadline, vested balances between $1,000 and $5,000 will be rolled over to an IRA, and balances below $1,000 are cashed out.
- You can choose to **roll your money into an IRA**. If it's rolled over, there will be no taxes or penalties.
- You might be able to **move your retirement savings into a new employer plan** (if permitted by the new employer plan). As with an IRA rollover, this move will not result in taxes or penalties.
- You can **take the money out** of your retirement plan but may be subject to income taxes and a 10% early withdrawal penalty. While we generally recommend avoiding tapping into your retirement funds if possible, it's an option during difficult times. If it's something you need to do, explore whether you can qualify for any of the penalty-free exceptions.

☐ **Understand your employer life insurance options.**

If you had life insurance through your employer and need to maintain that coverage, explore whether your policy is portable or convertible, which could extend your coverage without the need for proof of insurability (medical underwriting). For either option, you generally have 30–60 days to elect this, so keep your deadline in mind.

If it's **portable,** you can essentially keep your group coverage for a limited period of time. If it's **convertible,** you can convert your group policy to an individual policy, although the premiums will generally be more expensive. Even with these options, it might be worthwhile to check with your financial advisor to determine whether a standard individual policy would be more cost effective.

☐ **Explore assistance programs.**

Various loan forgiveness or forbearance options can provide some financial relief during this hardship. Start by calling any company you make regular payments to. Simply explaining your situation can often lead to temporarily reduced financial obligations.

Ask about the terms and implications of these programs. They may result in additional costs later and can be reported to credit bureaus, which you'll want to understand. But those trade-offs may be worth avoiding late fees or penalties and defaulting on your payments.

- *Mortgage* — Ask your mortgage lender about any forbearance or payment deferment programs.
- *Utilities* — Some providers may be able to extend payment due dates or offer hardship programs.
- *Car loans* — Many lenders can offer a deferment period or will temporarily reduce your monthly payment.
- *Student debt* — Call your loan servicer about different payment plan options. For example, an income-driven repayment plan will be tied to your earnings. You can make minimum payments or potentially owe nothing until you find new employment. You may also qualify for student loan deferment or forbearance to temporarily suspend your payments.
- *Credit cards* — Though not publicized, many card issuers offer hardship programs that allow interest waivers and lower monthly or deferred payments.

Set yourself up for success moving forward

☐ If you signed a noncompete agreement with your former employer, consider talking with a legal professional to understand how this may impact your future job options. Depending on the terms and your location, it could still be enforceable even if you were laid off.

☐ Update your resume and profile on career networking websites such as LinkedIn.

☐ Start networking.

- Connect with professionals in your chosen industry so you can learn about job opportunities and what experience or skills those employers value.
- Connect with others affected by the layoff. You may have colleagues in the same situation who can share helpful resources or new career leads or simply commiserate during a challenging time.

☐ Check in with friends, family and former colleagues for support (and maybe job leads). These contacts could share ideas for job opportunities.

