



Financial Industry Regulatory Authority

Job Dislocation

Making Smart Financial Choices
after a Job Loss



Who We Are

FINRA

FINRA, the Financial Industry Regulatory Authority, is an independent regulatory organization empowered by the federal government to ensure that America's 90 million investors are protected. Our independent regulation plays a critical role in America's financial system—at no cost to taxpayers. We register brokers and brokerage firms, write and enforce rules governing their activities, examine firms for compliance, and foster market transparency and educate investors. For more information, visit www.finra.org.

NASWA

The National Association of State Workforce Agencies (NASWA) is an organization of state administrators of unemployment insurance laws, employment services, training programs, employment statistics and labor market information and other programs and services provided through the publicly-funded state workforce system.

The guiding principles of NASWA are:

- ▶ Advance the state role in the workforce system;
- ▶ Invest in training and professional development; and
- ▶ Lead in coordinating local, state, and federal roles.

For more information, visit www.workforceatm.org.

Job Dislocation

MAKING SMART FINANCIAL CHOICES AFTER A JOB LOSS

You may not be able to control if or when your company closes a plant or lays off workers—but you *can* take steps to manage the financial impact of those events.

This brochure contains tips on how to:

- ▶ keep your finances on the right track in the event of unemployment;
- ▶ protect yourself when getting financial advice during a period of job dislocation; and
- ▶ ask the right questions about your company's benefit plans at any time.



Job Dislocation

WHAT TO DO AFTER YOUR COMPANY ANNOUNCES A PLANT CLOSING OR LAYOFFS

Whatever the reason for your job dislocation, you now face a period when handling your finances correctly will be critical to you and your family. These tips can help you take charge of your financial situation:

- ▶ **Act Quickly to Reduce Spending:** With less money coming in, you should take immediate action to reduce spending wherever possible. Resist the temptation to buy on credit.
- ▶ **Assess Your Short-Term Situation:** Figure out how much cash you have readily available or can get on short notice, how much you owe—mortgage, rent, credit cards, car loans—and the monthly payments associated with those and other debts. Establish how long you can make ends meet on the financial resources that you already have in hand.
- ▶ **Ask About Dislocated Worker Services:** Your employer may work with state and local officials to provide services such as job placement, retraining or resume writing. Maximize your opportunity to get a new position as quickly as possible by taking advantage of these services—make finding a new job your full-time job. If you belong to a labor union, also ask your union what it can do to assist you.
- ▶ **Avoid Taking Out Loans Against Your 401(k):** Loans put a drag on your retirement savings by reducing the amounts invested on your behalf. In the event of a layoff, 401(k) rules generally require that employees pay back loans within 90 days of leaving or face both income taxes and a hefty 10 percent penalty tax on the withdrawal.

► **Inquire About Unemployment Insurance:**

The state's unemployment insurance office may visit your workplace to offer guidance about the application process. Find out if you qualify and how the insurance may change if you get other payments from the company. Knowing the amount of the insurance benefit and the time you can expect to receive it will help you handle your finances.

Remember that when you file for unemployment insurance, state regulations generally require that you also register with the state's employment service so you can start searching for a job immediately. Check with your state to see whether any exceptions apply.



Collecting Unemployment Benefits While Working is Illegal! Report the Date When You Return to Work or Start a New Job.

You become ineligible to receive unemployment benefits as of the date you return to work or start a new job, not on the date you receive the first paycheck for that job. State unemployment insurance (UI) agencies regularly match claimants receiving UI payments against wage records and the National Directory of New Hire data to determine if an individual was working and collecting benefits for the same week(s). The US Department of Labor estimates that over \$6.4 billion in benefit overpayments were made in 2009 because claimants waited to get that first check before reporting that they had returned to work or started a new job.

Remember: Report to your state unemployment office the date when you begin to work, either full time or part time. Do not wait to get your first paycheck to notify the state.

Protect Yourself—Avoid Investment Fraud

BEWARE OF INVESTMENTS THAT PROMISE TOO MUCH:

The announcement of your plant's closing or mass layoff may have received national or local press coverage. If all of a sudden you find that you are receiving unsolicited offers for the investment of a lifetime, beware. If it sounds too good to be true, you know it probably is.

ALWAYS DO A BACKGROUND CHECK BEFORE HIRING AN INVESTMENT PROFESSIONAL:

The right investment professional can work with you to make good choices during periods of job dislocation. Legitimate investment professionals must be properly licensed. You can check the credentials of any person offering you investment opportunities

THIS IS HOW YOU CHECK TO PROTECT YOURSELF:

- ▶ For a broker or brokerage firm, use **FINRA BrokerCheck** www.finra.org/brokercheck or call toll-free (800) 289-9999.
- ▶ For an investment adviser, use the SEC's **Investment Adviser Public Disclosure** Web site at www.adviserinfo.sec.gov or call toll-free (800) SEC-0330.
- ▶ For an insurance agent, check with your state insurance department. You will find contact information through the **National Association of Insurance Commissioners** (NAIC) at www.naic.org or call toll-free (866) 470-NAIC.
- ▶ For all brokers and advisers, be sure to call your state securities regulator. Contact the **North American Securities Administrators Association** at www.nasaa.org or call (202) 737-0900 for the state's number. Protect Yourself—Avoid Job Search Scams



Protect Yourself—Avoid Job Search Scams

BEWARE OF JOB SEARCH ADS THAT PROMISE TOO MUCH:

Resist the temptation to rely on job search ads or services that promise easy results. You should not have to pay to get a job, disclose personal or financial information in a job application, or use electronic money transfers via your bank or credit card accounts to do your job. These are all red flags that the job may involve illegal activity or someone may be trying to steal your identity.

THIS IS WHAT YOU DO TO PROTECT YOURSELF FROM JOB SEARCH SCAMS:

- ▶ Check with the **Federal Trade Commission** at www.ftc.gov/jobscams for the latest scams. If you suspect a job scam, file a complaint at www.ftccomplaintassistant.gov or call 1-877-FTC-HELP.
- ▶ Check with your state's **Consumer Protection Agency** or **Office of the Attorney General**. Find the contact number at www.consumeraction.gov/state.shtml.
- ▶ Check with your local **Better Business Bureau**. Find the contact number at www.consumeraction.gov/bbb.shtml.

Long-Term Job Dislocation

SMART CHOICES IN DIFFICULT TIMES

The prospect of an extended period of unemployment will require some difficult decisions that could affect your long-term financial health. Managing severance pay, choosing the form of payment from benefit plans, and preserving your retirement funds if you are still years away from retirement age are high in that list. Keep in mind the following tips when deciding what to do:

- ▶ **Get Financial Advice:** Your company or union may offer guidance regarding the financial decisions you face. Your state or local employment agencies may also provide information. Ask questions as early as possible to help determine what is right for you. Consider working with a credit counselor or investment professional. They can help you develop a plan to see you through your unemployment period and beyond.
- ▶ **Conserve Funds Meant for Your Retirement if You Can:** Tap into your retirement funds to make ends meet only as a last resort. If you have a choice, choose to keep those funds invested and working for you until you actually retire.
- ▶ **Understand the Tax Bite:** Income taxes apply when you tap into retirement funds prior to age 59½. The plan administrator is required to withhold 20 percent of the amount you cash out to ensure that you will pay the taxes that apply. An additional 10 percent penalty tax may apply if you are under 59½ years of age. In order to avoid income tax and a tax penalty, you must roll over your funds to an Individual Retirement Account (IRA) or other qualified retirement plan within 60 days of receiving the retirement funds.

► **Use Direct Rollovers to Avoid Potential Taxes:**

If you elect to roll over retirement funds, you may avoid tax complications and the risk that you will not complete a rollover within the required 60 days of receiving those funds. Choose a direct rollover by having the plan administrator transfer the rollover amount directly to an IRA or other qualified retirement plan.



- **Spend and Invest Lump Sums Wisely:** Receiving a lump sum may tempt you to spend it on that one thing you have been wanting all your life. Do yourself a favor and wait. If you face a long unemployment period, these may be the only funds you will have to make ends meet. Even if that is not the case, give yourself time. Consider short- and long-term needs before you decide what to do. If you decide to invest the lump sum, take your time to consider what you are going to invest in, when you are going to make the investment and how much of the lump sum you want to invest in different types of investments such as stocks, bonds, or non-financial assets.

Health Insurance

COBRA MAY HELP YOU STAY HEALTHY

A significant risk of job dislocation is the loss of your health insurance. A federal law, known as COBRA, provides for continuation of coverage up to 18 months, under certain circumstances. To be eligible for COBRA:

- ▶ You must have been enrolled in your company's health plan while employed. Furthermore, the plan must continue to operate after you are no longer employed.
- ▶ You have a limited time to decide to take COBRA coverage once you have been notified that you are eligible. You must select coverage by the 60th day after the written notice is sent to you or the day your health coverage ceases—whichever is later. If you fail to respond, you and your family will lose your right to COBRA benefits.
- ▶ You must pay the premium that you were already paying plus the amount that was paid by the company. There may be additional administrative fees—possibly up to 2 percent of your premium. Even if this seems high, you are still paying group premiums instead of individual premiums, which are usually higher.
- ▶ You must pay the full premium on time. Failure to make your full payment on time will result in termination of health insurance. Generally, you will not be able to recover coverage by making the payment after your coverage was terminated.
- ▶ Congress has provided for a 65% reduction in premiums for persons losing their jobs involuntarily as of May 31, 2010. The reduction may be extended to the end of 2010. For the latest information on the subsidy and eligibility requirements, visit the Department of Labor's Employee Benefits Security Administration (EBSA) at www.dol.gov/ebsa/cobra.html. Talk to your plan administrator to see if you qualify.



Understand Your Company's Benefits

The most obvious benefit you get from your company is the regular paycheck that you count on for doing your job. Another benefit that you probably use frequently is your health insurance. Other company benefits, such as a 401(k) or pension plan, help you build retirement security over time. Your employer may offer a variety of retirement benefits, and it is up to you to take the initiative to understand them. This is particularly important as you face a period of job dislocation. Do not be shy about asking questions. We tell you what to ask below after this brief description of commonly offered plans:

PENSION PLANS:

These plans usually provide a series of payments, also called a defined benefit, after you retire. The amount you receive is normally calculated based on a combination of salary, age and years of service. Pension plans that replace a good chunk of your before-retirement salary are becoming rare. Employees who leave a job before a certain age or specified years of service with the company may not receive anything. This may happen when they have not met the eligibility requirements to become entitled, or vested, in the plan benefits.

401(K) PLANS:

These plans are referred to as defined contribution plans because they allow you to contribute a portion of your salary to retirement savings, and receive certain tax benefits. When you participate, the taxable salary that your employer reports to the Internal Revenue Service (IRS) is reduced by the amount of that contribution. Income taxes on that money and any earnings are deferred, or postponed, until you withdraw from your account. Generally, if you withdraw before age 59½, you will pay a tax penalty. Some companies also offer a Roth feature to the 401(k) plan that allows you to contribute after-tax dollars—known as designated Roth contributions. You pay taxes on designated Roth contributions up front, but their earnings grow tax free. Earnings on the Roth contributions may be withdrawn after age 59½ so long as the withdrawal is made five years after the initial Roth contribution.

The maximum amount you can contribute to a 401(k) is set annually by the IRS. For 2010, the maximum contribution is \$16,500. If you are 50 or older, you can add another \$5,500 in “catch up” contributions for a pre-tax total of \$22,000. If your company allows you to make both pre-tax and designated Roth contributions, you may determine how much you want to contribute to each. You must, however, count both contributions towards the annual limit.



A 401(k) plan may give you several investment choices. The company may also match some or all of your contributions on a pre-tax basis. You will owe tax on any pre-tax contributions and their earnings when you withdraw funds from the plan. The money that you have contributed to the 401(k) plan will not be affected by events impacting your employer because you are always entitled to or vested in your own contributions. Your employer will decide how long you must work before you vest in the matching contributions. You may move (rollover) your 401(k) savings when you leave an employer allowing continued deferral of the taxable portion of your account.

CASH BALANCE PLANS:

These plans provide for a benefit that is stated in terms of an account balance. Each employee has an account to which the employer contributes a specified dollar amount every year. The funds in the account earn interest at a guaranteed rate that is independent of the actual investment performance of the plan. Generally, you can take an annuity or a lump sum.

EMPLOYEE PROFIT-SHARING PLANS:

The company contributes a certain amount of its annual profits to participating employees. Each worker's account is credited with its share of the contributed profits. The amount contributed often ebbs and flows with a company's financial performance.

EMPLOYEE STOCK BONUS PLANS:

The company contributes a certain number of shares of its own stock to its employees. As with profit sharing plans, the amount of shares received tends to fluctuate according to the company's financial performance.

ASK THESE QUESTIONS ABOUT YOUR EMPLOYER'S BENEFIT PLANS:

- 1. What are the terms of the plans that cover me?** Ask for the summary plan description (SPD), the document that contains a complete description of the benefits owed to you and how they are calculated. Your company's human resources department, the plan trustee or administrator, or your labor union should have a copy of this document.
- 2. When do I vest and how much is my benefit?** The plan administrator or the company's human resources department should tell you exactly how long you must work before you become entitled to, or vest in, your benefits and how much those benefits will be. Understand how the benefit is calculated so you can double check that the amount reported to you is correct. Also check previous benefit statements that you have received along the way to ensure that the calculation is correct. Keep in mind that you are always vested in the amounts that you have contributed to a plan. Your employer, however, may require employees to work for a designated period to vest in the amounts contributed by the company.



3. **When can I start getting payments?**

You need to know when you can start receiving your benefits so you can plan accordingly. It is possible that you may not have a right to receive payments as quickly as you would expect even if you retire under normal circumstances. Some plans may provide for an early retirement option under certain circumstances if you have met the length of service requirement even if you do not meet the age requirement. This option usually results in a reduced benefit to the employee. Before you opt for payments, make sure that you understand what level of benefit—full or reduced—you are getting, the reason causing a benefit reduction and how long you have to wait to get the full benefit provided by the plan.

TIP:

401(k) Hardship Withdrawals

UNDERSTAND THE TAX BITE AND LONG-TERM CONSEQUENCES

Under certain circumstances, it may be possible to access your 401(k) funds before retirement. Check with your employer for the specifics of your plan. A hardship withdrawal should be a choice of last resort. You will never get the full amount that you withdraw because you will have to pay taxes.

Generally, hardship withdrawals are:

- ▶ available if your employer's plan permits them, but are not required by law;
- ▶ not loans—they cannot be repaid;
- ▶ subject to regular taxes—your employer will likely deduct 20 percent up front;
- ▶ subject to a 10 percent penalty tax if you are not 59½ or older;
- ▶ available only after you have withdrawn all other available 401(k) funds;
- ▶ not available after you have been terminated.

You may use hardship withdrawals to:

- ▶ purchase or repair a primary home;
- ▶ pay education tuition, room and board, and fees for the next 12 months for you, your spouse, children and other dependents;
- ▶ prevent eviction or foreclosure on your primary residence;
- ▶ address severe financial hardship;
- ▶ pay for unreimbursed medical expenses for you, your spouse, children and other dependents;
- ▶ pay for funeral expenses for immediate family members—parents, spouse, children, and other dependents.

The 10 percent penalty tax is waived if your hardship withdrawal results from:

- ▶ your total and permanent disability;
- ▶ medical bills that exceed 7.5 percent of your adjusted gross income;
- ▶ a court order to pay funds to a spouse, child or dependent;
- ▶ permanent lay off, termination, quitting or early retirement in the same year you turn 55;
- ▶ permanent lay off, termination, quitting or retirement accompanied by payments for the rest of your (or your designated beneficiaries') life or life expectancy that continue for at least five years or until you reach age 59½, whichever is longer.

Hardship withdrawals are costly in the short term when you pay taxes. Over the long term, they also cost you when the withdrawn funds are not there to grow with the help of compounding.



Your “To Do” List

PUTTING IT ALL TOGETHER TO KEEP YOUR FINANCES ON TRACK

There are many things you need to do and think about as you face a period of unemployment. It is easy to feel overwhelmed. Keep it simple by following these steps:

- ▶ **Take Control of Your Finances:** Follow the tips above as soon as you learn that you will experience a job loss. Knowing what you can count on financially will help alleviate your concerns.
- ▶ **Use All Available Employment Services:** Take advantage of your state’s services. Use the contact information in the pull-out sheet in this brochure. Help yourself find that next job sooner rather than later.
- ▶ **Protect Yourself From Financial Fraud:** Check out anyone offering you financial advice. Call the numbers listed in the pull-out sheet to contact your state and national regulators.
- ▶ **Protect Yourself From Job Search Scams:** Check out any job ads or offers that seem too easy to be true. Call federal, state or local consumer protection agencies at the numbers listed earlier in this brochure.

the 1990s, the number of people in the UK who are employed in the public sector has increased by 1.5 million, from 2.5 million in 1980 to 4 million in 1995. The number of people in the public sector who are employed in health care has increased by 1.2 million, from 1.3 million in 1980 to 2.5 million in 1995.

There are a number of reasons why the public sector has grown so rapidly. One of the main reasons is the increasing demand for health care services. The population of the UK is ageing, and there is a growing need for health care services for the elderly. There is also a growing need for health care services for people with chronic conditions, such as heart disease and cancer.

Another reason why the public sector has grown so rapidly is the increasing cost of health care services. The cost of health care services has increased significantly over the last few decades, and this has led to a growing reliance on the public sector to provide health care services. The cost of health care services is increasing because of a number of factors, including the increasing cost of drugs and medical equipment, and the increasing cost of health care personnel.

A third reason why the public sector has grown so rapidly is the increasing demand for health care services in the private sector. The private sector has been unable to meet the demand for health care services, and this has led to a growing reliance on the public sector to provide health care services. The private sector has been unable to meet the demand for health care services because of a number of factors, including the increasing cost of health care services, and the increasing demand for health care services.

There are a number of ways in which the public sector can be made more efficient. One way is to reduce the number of people employed in the public sector. This can be done by reducing the number of people employed in health care services, and by reducing the number of people employed in other public sector services. Another way is to reduce the cost of health care services. This can be done by reducing the cost of drugs and medical equipment, and by reducing the cost of health care personnel.

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There are a number of ways in which the public sector can be made more accountable. One way is to increase the transparency of the public sector. This can be done by making more information available about the public sector, and by making it easier for people to hold the public sector accountable. Another way is to increase the participation of the public in the public sector. This can be done by involving the public in the decision-making process, and by making it easier for people to hold the public sector accountable.

There are a number of ways in which the public sector can be made more sustainable. One way is to reduce the environmental impact of the public sector. This can be done by reducing the energy consumption of the public sector, and by reducing the waste produced by the public sector. Another way is to increase the financial sustainability of the public sector. This can be done by increasing the revenue of the public sector, and by reducing the expenditure of the public sector.

There are a number of ways in which the public sector can be made more innovative. One way is to encourage the development of new technologies. This can be done by providing funding for research and development, and by encouraging the private sector to develop new technologies. Another way is to encourage the development of new services. This can be done by providing funding for the development of new services, and by encouraging the private sector to develop new services.

There are a number of ways in which the public sector can be made more inclusive. One way is to ensure that the public sector is accessible to all people. This can be done by ensuring that the public sector is accessible to people with disabilities, and by ensuring that the public sector is accessible to people from all ethnic groups. Another way is to ensure that the public sector is representative of the population. This can be done by ensuring that the public sector is representative of people from all ethnic groups, and by ensuring that the public sector is representative of people from all social classes.

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