

Houston Layoff Survival Guide



8 TIPS HELPING YOU BETTER PROTECT
YOUR FAMILY IN THE EVENT OF A LAYOFF

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TOPICS

1. Is it possible to avoid a layoff?
2. What do you need in your Layoff survival kit?
3. Are there better ways to manage your layoff?
4. What are the things you need to do first?
5. What are the best tips to financially survive a job loss?
6. What to consider if you are getting a severance package?
7. What to do with your 401k, pension, deferred comp plans
8. Is your next job to work for yourself?

The genesis of the Houston Layoff Survival Guide started in 2015 when I was approached by several journalists who asked to write pieces on tips related to the Houston Layoffs. Two of these articles are located on our website:

- [“When Retirement Comes Early”](#) – Wealthmangement.com
- [“Being Paid to Quit? Tread Carefully on Buyout Offers”](#) – USA Today

With that as a starting point, we derived “8 Tips for Survival During a Job Loss”. These tips cover both financial and non-financial information. Bottom line, it is our belief that to “survive” or even to better prepare/plan for a possible layoff, you need to be able to answer the following 8 questions:

1. Is it possible to avoid a layoff?
2. What do you need in your “Layoff Survival Kit”?
3. Are there better ways to “manage” your layoff?
4. What are the first things you need to do [non-financial]?
5. What are the best tips to financially survive a job loss?
6. If you are getting a severance package, what should you be considering?
7. What should you do with your 401[k], Pension Plans, Deferred Comp, etc.?
8. Is your next job to work for yourself [consulting]?

Our goal with the Layoff Survival guide, as well as the related Webinar, is to help you think through how best to answer the questions above for yourself. Please [click here](#) to access a replay of the Layoff Survival Guide Webinar Presentation.

Please click on the hyperlinks provided in the electronic version of this guide to access the articles referenced. The articles offer important information that compliment this guide.

If you have any questions while reading this guide please go to our website at www.stawealth.com and click on the [Question Button](#) or email us at info@stawealth.com. One of our highly qualified staff members will respond to your inquiry.

1. IS IT POSSIBLE TO AVOID A LAYOFF?

Although in the end it may be impossible to avoid a layoff, I wrote a piece for our website called "[Can you Avoid a Layoff](#)" to discuss this very topic. Bottom line, although you may be a dedicated employee who has worked for the same employer for many years, you still may be susceptible to getting laid off. Sometimes getting laid off is inevitable, but rarely does a company lay off all of its workers. Usually, it retains those who are most valuable and offer the greatest benefit, sometimes at the least cost. Fortunately, there may be some things you can do to make the decision to lay you off a little harder. In the article, I discuss:

- Signs of an impending layoff
- Before protecting your job, protect yourself
- Making yourself relevant on the job
- That it is still possible in the end that you will be laid off.

2. WHAT DO YOU NEED IN YOUR LAYOFF SURVIVAL KIT?

If it is possible for you to get laid off [or to prepare – an ounce of prevention is worth a point of cure], we suggest that you create a personalized "Layoff Survival Kit". Monster.com lists several tools suggested to be in your [Survival Kit](#). Our guide, includes several additional items to include:

▪Know what you are owed

- a. Final Paycheck
- b. Vacation Time
- c. Severance Pay
- d. Commissions
- e. Employment Contract
- f. Get out the Employee Handbook!

▪Know where you will get your tax information like W-2's, 1099s & K-1's, etc.

▪Documents supporting company retirement and investment plans for your:

- a. Stock Options
- b. Restricted Stock
- c. Discounted Stock Purchase Plans
- d. 401k and Profit Sharing
- e. Pension
- f. Note: Pay careful attention to any vesting.

▪Know your Rights Related to Benefits:

- a. Health Insurance / [COBRA](#) / Medicare
- b. [Unemployment Insurance](#)
- c. Portability of other benefits like life, disability and/or long-term care insurance.

▪Make sure your Credit is in order (you typically can't get more after you lose your job):

- a. Personal Lines of Credit,
- b. Credit Cards
- c. Home Equity Lines of Credit

Bottom line, you should have all of your needed items handy and even at home in the event you are let go quickly and can't get access to your desk and files. With this information, you will also have what you may need if you need to talk to an attorney in the event of any discrimination or wrongful termination claims you may have.

3. ARE THERE BETTER WAYS TO MANAGE YOUR LAYOFF?

Watching your company's head count go down month by month can be very stressful. Snap out of it! Instead of waiting to become a statistic, take charge to manage your layoff if it happens. Below are a few action items you can take to be more proactive in order to protect you and your family:

- Find out whether the layoff is voluntary or involuntary and whether you may get a package? Once you find this out, it is a great time to update your financial plan to determine if you need to take it or if you should pass.

- Best Defense is a good offense. Meet with your boss, let them know your concerns and see if a layoff is imminent. If you have a good relationship,

perhaps you can learn your options or timing.

- Reactivate your network and dust off your resume [Social Media may be the key here...also, get help with your resume if needed]

- Do your homework – learn what any of your contacts in other departments or at peer companies are getting in terms of a package or severance.

If you have a better idea as to whether a layoff is coming and what it means to your family, you may be in a much better place to act rationally vs. emotionally when and if a layoff comes.

4. WHAT ARE THE FIRST THINGS YOU NEED TO DO? (NON-FINANCIALLY)

As financial planners, our natural tendency is to start asking financial questions. However, when a significant change like a layoff occurs, sometimes it is best to start by dealing with the non-financial issues.

In my opinion, when the announcement comes, the first thing you need to do is just BREATHE! You may be better prepared than others, especially if you follow our Survival Guide. To help you make better decisions, settle down emotionally and start your plan to get back to work. I put a piece on our website called "[Dealing with Periods of Crisis](#)" – that may be a good place to start.

- Will you receive outplacement help?
- Update your Social Media and possibly even become a thought leader or influencer on Twitter or LinkedIn.
- Get out and network..Don't Hide!
- Visualize your next job - Define your prospects and targets.

- Take care of yourself – if you find yourself in a depression or riddled with anxiety or panic seek help from family, clergy, or medical professionals. A job loss is one of life's biggest stresses. You can't perform at your best if you aren't in the right frame of mind.

- Lean on your family, They can be a great support system even if they can't help with everything. Be mindful of their anxiety as well [a good time to communicate].

5. WHAT ARE THE BEST TIPS TO FINANCIALLY SURVIVE A JOB LOSS?

The best way to make sure that you can financially survive a layoff (and not run out of money) is to have a plan. As financial planners at STA Wealth, we believe that the best thing to do is to update your financial plan and know how to supplement it with a short term cash flow budget to make sure that you are prepared for a rainy day (and a layoff surely is one).

Here are some proactive and effective steps to help assure that you can protect you and your family:

• Update your [financial plan](#) to see where you are in terms of retirement and to understand the impact of a (temporary) job loss.

• Take Stock and know your CURRENT Financial Situation and Budget:

- a. Will you get a [severance](#) package?
- b. [Review your budget](#) and have a spending plan – where are you spending money, what can you cut back and what purchases can you avoid?

- c. Communicate with your creditors (don't wait for collections calls) and prioritize your bills.
- d. HOARD Cash – cash is king!
- e. Don't drop any important insurance protection (pennywise / pound-foolish).
- f. Apply for any government benefits you are eligible for (such as Unemployment Compensation, Medicare), but be careful with taking early [Social Security](#).
- g. Know your work benefits and healthcare [COBRA, etc.] options.
- h. Try not to tap your 401k [can be very expensive tax-wise].
- i. Find part time work to keep cash coming in the door, and
- j. Discuss your plan with your family...get buy in.

Bottom line, if you create a layoff plan and stick to it, you will have a better chance of making it through any current or future layoff with fewer mistakes and come out of it better off financially.

6. IF YOU ARE GETTING A SEVERANCE PACKAGE WHAT SHOULD YOU BE CONSIDERING?

Many people getting laid off in Houston are getting some form of severance package. A severance package can be a real life line, but it is also a legal contract...so know what it says!

What should you know and review when you receive a [Severance Package](#)?

• Read the document carefully and have it reviewed by an attorney, if complex, (know the rules and your rights).

• Understand any important terms or rights you may be giving up in terms of (provisions):

- a. Non-Compete (limitations on future employers/positions),
- b. Non-Solicitation (not going after current customers or employees),
- c. Confidentiality (trade secrets and customer lists, etc.),
- d. Note: If you are paid as part of your severance, these terms are typically very enforceable.

• Think about taxes! When you receive a severance package it is added on top of any money you have made this year and it could push you into a higher tax bracket. Meet with your tax team.

• Know how it will affect your benefits, savings and pension plans (especially if you are close to retirement age).

• Will this help you delay taking [Social Security](#)?

• Determine if this payment is enough to [close the gap](#) and get you to a point where you can retire or whether you will need to keep working.

7. WHAT SHOULD YOU DO WITH YOUR 401K, PENSION PLANS, DEFERRED COMP, ETC.?

Many companies offer health, savings and pension plans. Any layoff and severance can affect the ultimate payout of these plans. You need to make sure you understand your options and coordinate any elections with your Financial Plan. Also, think about how better to [manage a concentrated stock position](#), for those of you with a larger amount of employer stock in your plans.

• 401k Plans

- a. Withdrawals are typically a bad idea and can be subject to a 10% penalty if you are under age 55.
- b. Should you leave your plan or [roll it over](#)? Know your options.
- c. Does your plan allow for tax-free loans (and what should you do if you have a loan?).
- d. Do you have employer stock that could benefit from [Net Unrealized Appreciation \[NUA\]](#) in a rollover/distribution – especially if you have [After-Tax dollars](#)?
- e. Avoid the common [rollover mistakes](#)!

• Pension Plans

- a. Did the timing of the layoff affect your pension benefits (close to full retirement)?
- b. Should you start now or is there a benefit to waiting?

- c. Should you take a lump-sum payment or a life annuity?
- d. If a life annuity, how do you choose your best payout options?

• [Stock Option / Restricted Stock Plans](#)

- a. Does the layoff affect your vesting?
- b. May be worth less (and worth nothing in bankruptcy), but you need to know how the plans work.
- c. Know the tax impact of exercising options (incentive vs. non-qualified options)
- d. If there is a change in control, it could impact your vesting.
- e. If you were an insider (with restrictions on buys and sells), upon a layoff you are typically no longer an insider.

• [Deferred Compensation Plans](#)

- a. They are subject to loss in bankruptcy!
- b. There will be taxation on the payout – tax planning is essential.
- c. You need to know the payout to plan for your cash flow – each year you made elections for the payout to be immediate, in the next tax year and/or over a period of years.

8. IS YOUR NEXT JOB TO WORK FOR YOURSELF (CONSULTING) ?

For those that are being laid off and not financially (or emotionally) ready to retire, many look at the option of working for themselves and/or consulting rather than finding another job as an employee. Even if you can retire financially, sometimes retiring too early leads to future [regrets](#).

Depending on your skills, money and personal desires, these can be good options. But not everyone was “built” to work for themselves. Just because you have entrepreneurial interests, that desire does not always equal success. Before starting down that path, perhaps you should read [E-Myth Revisited](#) by Michael Gerber – a good resource to see if starting your own business is right for you.

Here are some typical options that we are seeing these days:

- Start your own business,
- Become a consultant, or
- Start a franchise (typically outside your current job...but possibly in an area of interest).

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SUMMARY

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The STA Money Hour Radio Show frequently features subject matter experts and other guests who bring unique expertise and experience in a wide range of topics, including Steve Forbes, former Shell CEO John Huffmeister, financial expert John Mauldin and economist Dr. Lacy H. Hunt – just to name a few of our past guests.

Download the iHeartRADIO App and stream the program from you smartphone or tablet.

If you have any questions, please feel free to contact us at our office 281-822-8800 or go to our website and click on the [Question Button](#), or email us at info@stawealth.com, and one of our highly qualified staff members will respond to your inquiry.

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