8 FINANCIAL STEPS TO TAKE WHEN CHANGING JOBS

Prepared by Newlin Archinal, CFP®, CRPC®

As a former television news anchor, I changed jobs almost as many times as I changed hair styles. Apparently I had a lot of company. According to a 2012 Bureau of Labor Statistics survey, most Americans stay in their jobs just under five years.

My most recent job change came when I was let go in a station-wide downsizing in 2008. At the time, it was a major adjustment and, in my journey, I created a "career transition playbook." It included how to live off my spouse's income, what to do with my retirement and health benefits, how to handle my deferred compensation package and pension, and a financial plan to launch my new career.

Now, as an experienced CERTIFIED FINANCIAL PLANNER™ professional, I realize few people really know what to do with their financial lives when faced with a job change. As a result, it might be helpful to share with you pages from my playbook.

Here are 8 steps to consider when faced with a career transition:

Step 1: 401k savings
If you have at least $5,000 in your 401k account, you cannot be forced to move it. Take your time. Your new employer may have a good plan with an array of investment options at a low cost. If that is not the case, it may be better to roll those savings into an IRA where you can control the investment selection and the fees and find strategies that are more in line with your financial goals.

Step 2: Vesting
This is code speak for how much of your employer contributions, whether company stock or funds, you can take with you when you leave the plan. Some employees are immediately vested in the company 401k. Others have a "graduated" system, which means you can only take a percentage of your company contributions with you. For instance, some plans vest at 20% a year. If you were in your third year, you might only be eligible to take 60% of your employer contributions with you. It is a good idea to talk with your human resources department before you leave the company to find out what is yours.

Step 3: Unemployment benefits
Unless you have been fired for gross misconduct (read; something illegal) you may qualify for unemployment. Every state has different eligibility rules so it's a good idea to check with your state's website. In order to qualify, you must have a work history and be actively looking for a job. When to file? The sooner the better. A good rule of thumb is to file the second week after unemployment begins. Keep in mind, if you have a severance package or vacation time at the end of your job, it could delay your benefits.

Step 4: Health insurance
If you don't have a job immediately lined up, and you are the sole earner for your family, you may want to consider continuing your current health care plan through COBRA. It's a federal program to help keep American workers and their families insured. If you have been terminated, your employer must give you an election period of 60 days to sign up. Benefit costs cannot exceed more than 102% of your current costs. It will extend your family's coverage for anywhere between 18-36 months depending on your circumstance and age. You can get more details by visiting the Department of Labor's website at: ***http://www.dol.gov/ebsa/faqs/faq-consumer-cobra.html***.

If your spouse works, you may want to evaluate using his/her employer-provided health care plan and enroll as soon as you are able.

Step 5: Life insurance

Many employers provide life insurance coverage through their benefit plan. However, in most cases, that policy is not portable. Before you buy an individual policy, check with your HR department to make sure that you cannot convert your existing coverage into an individual policy. If you cannot, seek out the help of a financial planner who can help guide you with a needs analysis.

Step 6: Vacation time

Find out if you employer pays for unused vacation time. You would not want to leave money behind if they in fact do!

Step 7: Stock options

Some employers give you a very short time to exercise your stock options after you leave the job. But be very careful before you cash out and run. Also, rolling those options out of your employer plan into an IRA could hurt their tax status. It is a good idea to consult with a financial advisor or an accountant to determine an appropriate course of action in your situation.

Step 8: Analyze your new financial picture

Questions to consider before your last day:

- Do I need savings to gap my income or launch my job search or new career?
- If you were fired, what is the best way to tell your children so they are not consumed with fear or worry?
- Do you need to downsize your lifestyle and where?

There are a lot of key considerations to make before eating your “going away” cake and cleaning out your desk. Partnering with a financial professional who is seasoned in life transitions may give you and your family some much needed peace of mind and financial confidence.

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