

Heritage Planning®

Helping Yourself • Helping Your Parents • Helping Your Children®

info sheet Transitioning Jobs, Managing Your Finances

Reentering the work force today has its challenges. With higher numbers of people returning to jobs and careers today than in years past, competition for and among positions can be fierce. Emotional and financial pressures may also add to the stresses of finding, accepting, and starting a new job. Whatever your circumstances, a positive attitude is vital to your job search and your ultimate success.

Managing emotions

If you've experienced a job loss recently, you may feel a sense of betrayal, sadness, or anger. Layer on top of that some fear about your financial situation. Displaced professionals from the dot.com era, for example, can be left with dashed hopes, worthless stock-option packages, and no paycheck. If you're returning to the workforce after an extended family leave or early retirement, you may also feel stress or anxiety about how your qualifications will stack up in the current marketplace. Choose to be upbeat and optimistic and reentry can go more smoothly.

Getting back into the swing of things

For those who have spent some time back at school and are now ready to reenter the workforce, the resources are plentiful. Check out the school library for Internet access to job sites and company Web sites. Use the school's placement or career guidance office.

If you've taken a few years off to raise a family, having to catch up to the marketplace may be a challenge. Use your network of contacts from previous employers, neighbors, and professional organizations. In fact, joining a professional organization in your field is a good tactic for any job hunter. These organizations often have career seminars or networking events.

Seniors returning to the workforce

More and more, older retirees are returning to the workforce. Some are starting new jobs, while others are increasing the hours of their existing part-time jobs. In the past, seniors had turned down employer requests to work more hours because of the Social Security earnings limit, which penalized people age 65 to 69 who earned more than a certain amount. Not anymore. In April 2000, a law was passed that changed how your benefits are affected if you work. Starting with the month you reach full retirement (age 65), you can receive your full Social Security benefits with no limit on your earnings.

The Bureau of Labor Statistics predicts that by 2020, one in six Americans will be 65 or older. While not all of these folks will be working, older employees will be more commonplace in the workforce.

Some of these "working retirees" will be drawing money from multiple sources: Individual Retirement Accounts (IRAs), pension plans, Social Security, as well as from a regular salary. Managing assets may become a challenge unless you have a good investment professional to guide you through the process.

Severance package planning

Laid-off workers usually have some kind of severance package. If you received a lump-sum payment, invest it wisely. You'll need this money to live on, but you can also make it work for you. So balance your short-term needs with your long-term objectives. With luck, you may be able to find new employment before the severance check runs dry, and you'll be ahead of the game if you've invested wisely.

In addition, if you were guaranteed a bonus in your employment contract, check the provisions of your contract to make sure you get what you're entitled to. And again, invest that money wisely.

Managing money after a job loss

Reduce spending where possible. Start by cutting down on discretionary items such as eating out, entertainment, cable TV, or gifts. Resist using credit cards.

Pay the most important bills first: mortgage or rent, utilities, car payment, and groceries. Consolidate debt if you can.

Establish a budget of monthly expenses. Start by calculating your average monthly cash flow, which shows the amount of income that's left after paying your expenses. (Use the worksheet at the end of this info sheet.) By understanding your cash flow, you can set a realistic budget.

Resist tapping into your retirement savings, even if money becomes tight. If you cash out your IRA or 401(k) plan, you'll lose a lot of it to taxes, and if you're under age 59 1/2, you may face penalties as well.

Example:

You've accumulated \$50,000 in your 401(k) plan. You're 35 years old and decide to withdraw \$10,000.

Withdrawal amount	\$ 10,000
10% penalty	\$ 1,000
25% federal tax	\$ 2,500
5% state tax	\$ 500

Net amount after taxes and penalty \$ 6,000

Applying for state unemployment benefits is essential. The taxes we all pay to support such programs are intended for these very situations. And it's easy. You can probably file claims and collect benefits without ever visiting an unemployment office. The benefit duration is at least 26 weeks. Remember that this benefit is taxable, so you'll have to report it as part of your gross income on your federal income tax return. You may even choose to have taxes withheld from your benefit check. In January, you'll get an IRS form 1099-G showing total benefits paid and any taxes withheld during the previous calendar year. Contact your

state's unemployment office for more information, especially regarding applicable state taxes.

Contact your creditors to negotiate lower payments or interest-free payments. Don't wait until you're behind on your payments or your creditors may be less flexible. Keep a list of everyone you speak with and when. Follow up with confirmation letters.

Look out for your health benefits and those of your dependents. Investigate the possibility of joining your spouse's health insurance plan. Look into continuing your group insurance coverage under COBRA for up to 18 months. But with COBRA, you'll have to foot the entire bill. If you're a member of a professional or trade organization, you may be able to buy insurance at a lower group rate through the organization. Some college alumni associations also offer this benefit.

Take advantage of tax deductions

You may be able to deduct job search expenses, whether or not you get a new job. Eligible expenses can include the costs of travel, resume preparation, and employment agencies. Keep detailed records to support these expenses.

When you get a new job

If you've landed a new position after a layoff, don't start overspending. Continue to reduce debt and rebuild your retirement nest egg. Reestablish an emergency fund.

You may be in the enviable situation of being recruited out of retirement. Some companies are tapping their pool of retirees for hard-to-fill temporary jobs. These jobs are often short-term, high-paying, independent contractor-like positions. You can sometimes negotiate the terms and be very specific about what you want. Name the salary. Small businesses sometimes offer a lower base salary, but more incentives, such as a bonus package and stock options. This is previously unforeseen retirement income that will make you even more comfortable in retirement.

Budget Worksheet

Track your income and expenses for three months — this will help you calculate your average monthly cash flow.

Income

Average Monthly Budget

Gross wages, salary, bonus, commissions

Severance or unemployment income

Interest

Dividends

Capital gains

Other income (rental, pension, trust)

Income Subtotal

Expenses

Federal and state income tax

Medicare and social security tax

Health insurance, doctor and dentist bills

Life or disability insurance

Mortgage or rent

Property tax, condo fee, home insurance

Utilities (gas, electric, water, telephones)

Child care

Alimony/child support

Car payment, repairs, fuel

Auto insurance

Commuting expenses (bus, subway, tolls)

Groceries (including tobacco)

Newspaper or magazines

Entertainment (movie, theater, sporting)

Restaurants

Donations or gifts

Vacation/travel

Cable TV

Recreation (fitness center)

Credit card payments

Other insurance

Other fees or bills (tuition, attorney, investment)

Other expenses (clothing, dry cleaning)

Expense Subtotal

Net Income (Income minus Expenses)

Resources for additional information

Book:

Bolles, Richard Nelson, **What Color Is Your Parachute?**
Ten Speed Press, 432 p., \$17.95.

Web sites:

<http://www.jobhuntersbible.com/intro/intromez.shtml>

Supplement to the book *What Color Is Your Parachute?*

<http://www.ftc.gov/bcp/menu-credit.htm>

The Federal Trade Commission has many consumer education publications, including one called *66 Ways to Save Money* and several in Spanish.

<http://www.icanonline.net/channels/employment/index.cfm>

iCan - News and resources for people affected by disabilities; section on employment

<http://www.job-hunt.org/>

Comprehensive listing of internet job search resources

<http://www.ssa.gov/pubs/10069.html>

A publication from the Social Security Administration on how work affects your Social Security benefits.

<http://www.fiveoclockclub.com>

Career counseling network

This material is not intended to replace the advice of a qualified attorney, tax adviser, investment professional, or insurance agent. Before making any financial commitment regarding the issues discussed here, consult with the appropriate professional adviser.

Contact your investment professional for more information or to construct a personalized Heritage Planning Profile to help your parents, your children, or yourself.

