



KING wealth planning, inc.

Retirement is a Journey. Let us be your Guide.



Your success. Our priority.

Welcome to...

Optimizing Resources For a Layoff or Career Transition

Thank you for joining us today!

Speakers:

Patrick Clunan, Columbia Threadneedle Learning Center Manager

Paul King, King Wealth Planning, CEO and LPL Registered Principal

- All attendee mics are muted for optimal sound quality
- Questions will be answered at the end of the session
- Email your questions to: Shannon@kingwealth.com
- Session is being recorded

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Managing workplace transitions

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Mergers and acquisitions: Determining the type of acquisition

- Asset sale
- Cash and stock sale
 - Portability of retirement accounts?
 - Gather new plan documents
 - New plan, legacy plan, merged plan?
 - Consult with your financial advisor to discuss any potential benefit changes that may have resulted from a change in control.

Early retirement: Considering a retirement package?

- Do you really, really want to retire?
- What do your family and friends say?
- What is the company's standing? What is your standing within the company?
- Work with your financial advisor to determine if taking an early retirement package is suitable and consider:
 - If your employer is offering benefits to provide health care coverage until Medicare eligibility
 - Acceleration of deferred compensation or equity compensation
 - If there will be vesting of benefits that are on a time- or performance-based schedule
 - If a rollover of assets from qualified accounts is suitable (e.g., 401(k) plan)



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Terminations

Reductions in force, layoffs, furloughs



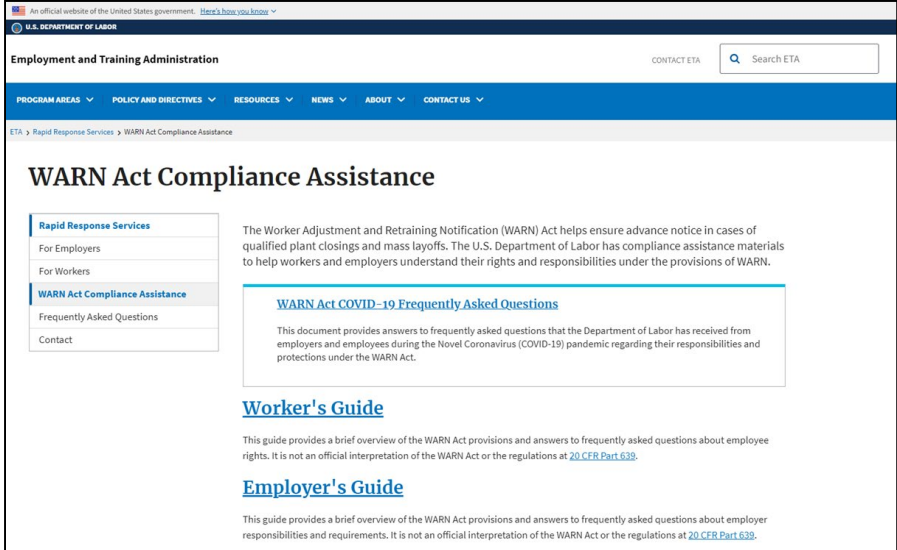
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Layoffs – WARN Act

Identify employment disruptions within your industry or community

- States follow federal requirements under the Worker Adjustment Retraining Notification (WARN) Act
- The WARN Act provides protection to workers, their families, and communities by requiring employers to provide written notice at least 60 calendar days in advance of qualified plant closings and mass layoffs



The screenshot shows the U.S. Department of Labor's Employment and Training Administration (ETA) website. The page is titled "WARN Act Compliance Assistance" and is part of the "Rapid Response Services" section. It includes a navigation menu with options like "PROGRAM AREAS", "POLICY AND DIRECTIVES", "RESOURCES", "NEWS", "ABOUT", and "CONTACT US". The main content area features a "Rapid Response Services" sidebar with links for "For Employers", "For Workers", "WARN Act Compliance Assistance", "Frequently Asked Questions", and "Contact". The main text explains that the WARN Act helps ensure advance notice in cases of qualified plant closings and mass layoffs. It also highlights a "WARN Act COVID-19 Frequently Asked Questions" document and provides links to "Worker's Guide" and "Employer's Guide".



Managing a termination or furlough

- Identify and triage potential sources of income
- Objectives:
 - Minimize tax impact
 - Preserve – to the extent possible – retirement assets, and if you have to use, then
 - Avoid penalties
 - Maintain flexibility
- Tier 1: Amounts you will receive, over which you have little or no control, which are generally taxable
- Tier 2: Non-retirement assets available, which are generally not taxable or tax-manageable
- Tier 3: Retirement assets sequenced to minimize tax impact and maximize repayment



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Managing a termination or furlough

Tier 1 taxable	Tier 2 non-retirement	Tier 3 retirement
Severance package	Bank and money market savings	DC plan loans
Deferred compensation distributions	Home equity line of credit	Coronavirus-related distribution*
Accelerated vesting of equity grants	Cash value in life insurance (loan)	Roth IRA (Basis)
Unemployment Insurance	Taxable investments	After-tax in plan
	Social Security (if age 62 or older)	Early defined benefit plan distributions



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*Provisions of the CARES Act allow access to retirement assets in certain qualifying situations.



Managing a termination or furlough

Tier 1: Taxable as ordinary income

Severance package	Distributed as a lump sum or in installments.
Accelerated vesting of equity grants	<p>The fair market value of restricted stock units at the time of delivery will be treated as ordinary income.</p> <p>Vested stock options have a window in which they must be exercised.</p> <p>The spread between the exercise price and the fair market value is treated as ordinary income.</p>
Deferred compensation distributions	<p>Generally if termination is not due to retirement, deferred compensation is distributed as a lump sum.</p> <p>May be delayed by six months for certain employees and thus may occur in the tax year following separation.</p>
Unemployment insurance	Distributed in weekly payments once you are approved.

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Managing a termination or furlough

Tier 2: Non-retirement

Bank & MM Savings	Accessible without creating a taxable event.
Home equity line of credit	Not taxable, but starts a repayment schedule with interest.
Cash value in life insurance	Cash withdrawal is a taxable event. A loan is not, but starts a repayment schedule with interest and may not always be available.
Taxable investments	Sale can create short- or long-term capital gains/losses. Losses can offset gains. \$3,000 per year in losses can be used to lower ordinary income. Losses can be carried forward to a future tax year.
Social Security (if age 62)	Social Security can be accessed early at age 62 with reduced annual benefits. There is a one-time opportunity to suspend if done within 12 months of starting payments.

Managing a termination or furlough

Tier 3: Retirement

DC plan loans	Increased loan limits from \$50k to \$100k* or 100% of vested balance, if plan allows. Delayed repayment.
Coronavirus-Related Distribution (2020 only)*	If qualified, there is no early withdrawal penalty or employer plan withholding. Can spread the distribution pro rata over three tax years. If repaid by December 31, 2022, then the distribution is not subject to federal income tax.
Roth IRA (basis)	Roth contributions to IRAs are distributed first and are not subject to penalty or income tax.
After Tax In Plan	Plan after-tax contributions must include associated earnings, but the contributions are not subject to income tax.
Early defined benefit distribution	If you meet the plan retirement criteria of age and length of service you can make an early distribution.

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* DC Plan loan limits maximums were increased to \$100k, from \$50k, just for 2020 under the CARES Act. Provisions of the CARES Act allow access to retirement assets in certain qualifying situations.

Optimizing Resources: Conversation Toolkit

Access our Conversation Toolkit

- Leaving a Company
- Optimizing Resources after a Layoff

Visit:

columbiathreadneedle.com

PRE-MEETING OVERVIEW

OPTIMIZING RESOURCES AFTER A LAYOFF

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What to know before your meeting

As a person who is or anticipates going through a layoff, you soon will be facing many crucial decisions, some related to income, retirement plan and health benefits. Avoid kneejerk reactions. Take your time to read through and fully understand any paperwork you receive from your former employer. Don't sign anything right away. Consulting a financial advisor may be beneficial.

Questions to review before your meeting

Q: What are the first things I should think about after I'm notified of a layoff?

A:

- 1. Talk over details with your HR representative:** A one-on-one discussion regarding the details of your severance, necessary elections and the timeline is important. Ask key questions such as: Am I receiving a severance package? Does the company provide outplacement help? What's going to happen with my benefits?
- 2. File for unemployment benefits immediately:** To qualify for unemployment insurance, your previous employer must confirm that you were laid off. Since each state has different eligibility requirements, you can check on your specific state's requirements by searching online with the phrase "your state" unemployment" (e.g., Minnesota unemployment).
- 3. Understand your severance package:** Some companies allow you to negotiate a severance package. Make sure you get reimbursed for outstanding vacation days and expenses. See if your stock options have vested in order to exercise them.
- 4. Health Insurance:** When you get laid off, your health insurance may end immediately. One option is COBRA, a federal program that allows you to continue your previous employer's group plan coverage. Your other option is to purchase insurance through a health insurance exchange under the Affordable Care Act. Based on your income during your job search, you may be eligible for federal subsidies. For more information and eligibility requirements, go to aig.gov, click on Topics and choose Health Plans & Benefits.
- 5. Retirement accounts:** When you leave employment, you most likely will have four options with respect to your account balance in your former employer's retirement plan: 1) Leave it in the plan (plan permitting); 2) Roll it to your new employer's plan when rehired; 3) Roll it to a traditional or Roth IRA; or 4) Cash out. If you leave the account in your former employer's plan or roll it over into a new employer's plan or into an IRA, you will be able to continue to save on a tax-deferred basis. Amounts distributed to you, in most cases, would be taxable. You need to check with your previous employer regarding eligibility and retirement account options. In addition, you should take into account any potential tax consequences, as well as expenses and sales charges and/or penalties for selling or buying investments before initiating a rollover. You should avoid touching IRA assets if possible. But if necessary, setting up substantially equal periodic payments from the IRA can help you avoid the 10% early withdrawal penalty. But you must make withdrawals for five years or until you reach age 59½, whichever is longer.
- 6. Reduce spending and avoid debt:** Take a look at your monthly expenses and see where you can cut costs. Contact your credit card company to see if you can reduce or defer your payments.
- 7. Take inventory of your assets:** Find out exactly how much you have in nonqualified deferred compensation distributions, restricted stock awards, stock options, mutual funds, and savings, checking and retirement accounts. This will help you figure out exactly where you stand financially. With a complete inventory, you and your financial and tax advisors can determine where you have the ability to raise cash for ongoing spending needs and what are the more tax-efficient options during your job-hunting period.

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■ Conduct a beneficiary audit, which will provide a snapshot of all your accounts and designated beneficiaries for each plan.

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Important considerations

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Thank you for attending

Optimizing Resources For a Layoff or Career Transition

- Email your questions to: shannon@kingwealth.com
- Handouts available to download in the attachments section
- After the webinar has concluded, this presentation can be found on our website: www.kingwealth.com

So glad you could join us!

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