

Making it Work

Today's workplace is very different than that of previous generations. Over a lifetime, many Canadians will find themselves transitioning to new employers or new types of work. Many will also face the prospect of early retirement, as a result of closures, office relocations, health concerns or other unforeseen events.

These types of changes can be challenging – both personally and financially. Having a trusted financial partner working with you can reduce the stress associated with these situations. A Certified Financial Planner (CFP) understands your unique needs during these times and can help you navigate through complicated financial matters. The expertise he or she brings can help make life transitions easier. Whether you're going through employment changes or transitioning to retirement, you can find the financial guidance you need with your CFP.

Change can be positive, but...the loss of a job can evoke a range of emotions – shock, anger, grief, fear – and usually causes stress. These feelings are normal. Taking stock of your situation by dealing with the practical, immediate issues can provide a feeling of control and reduce the anxiety associated with the short-term uncertainty. In the long run, many people talk favorably about changes resulting from a job change. New challenges tend to rejuvenate us, and can widen our skills and knowledge.

First things first – don't panic

Things are seldom as bad as they first seem. For some insight on how changes affect the big picture, consider meeting with a professional career consultant. Many employers provide access to such services.

Employment Insurance (EI) benefits

If your transition is temporary, you'll need to apply for employment insurance benefits. These benefits can take a while to process, so you should contact your local benefits office and complete the necessary application. You can also apply online using the Government of Canada website at www.gc.ca. Be aware that any severance may reduce or delay any entitlement you may receive.

Talk to your pension administrator or human resources (HR) department

Many employees have pension benefits with their employer. Regardless of the specifics of your plan, you generally have a number of options, including controlling how this money is invested and how you can access it during retirement. Ensure you have all the forms you need to provide direction to your pension administrator. Get the details from your HR department and share them with your CFP.

Health and life insurance coverage

Some employees may be entitled to extended coverage beyond their termination date. Others may have the option of converting their coverage to an individual plan. Get the details on your options.

Personal financial statements

You will need information on what money you have coming in and the bills you will need to pay. You will also need to determine what you own and owe. Prepare cash flow and net worth statements for future use. Design a realistic budget and find places to reduce costs and overhead. A CFP can provide assistance in this area.

Emergency reserves

For those in more secure financial situations or with substantial equity, it may make sense to apply for a line of credit to use, if the need arises.

Disregard hearsay and the rumor mill

At times of change, rumors and speculation are common. Access realistic and comprehensive information through a CFP.

RRSPs as a Last Resort

Retirement savings often seem like an easy source of quick cash. Unfortunately, using registered retirement savings plan (RRSP) funds for non-emergencies can hurt you. They erode your retirement nest egg. The RRSP room you have accumulated during your working years can only be used once, and clients who withdraw funds from RRSPs can seldom replace the funds withdrawn.

Taxes are also payable on the money you take out; reducing the amount you actually receive from any RRSP withdrawals. Your financial institution will immediately withhold a legislated amount of your withdrawal for tax. Remember, RRSP withdrawals are treated as taxable income, so you may have additional amounts to pay when you complete your annual tax return.

The Bigger Picture

A change in employment can also lead to larger life choices. Some people use an unexpected change to springboard into an early retirement. Once you have the practical things taken care of, take some time to consider where you want to go from this point.

Some examples include:

- Semi-retirement
- Full retirement
- A change in lifestyle
- Career change