MFS Heritage Planning®
Helping Yourself. Helping Your Parents. Helping Your Children.®

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LIFE EVENTS

MANAGING A JOB LAYOFF

Facing a layoff is a nerve-wracking event that leaves many reeling. How long will I be out of work? Do I have a savings cushion that can last until I find a new job? Will I be able to make the payments on my house? Working with your financial advisor, you can begin to take stock of your situation, methodically address your priorities and try to weather this setback without radically restructuring your finances.

Step 1. File for unemployment

Filing has become a lot easier in many states now that you can apply for benefits over the phone or online. Deadlines for filing after a layoff are often strict, so contact your local unemployment office as soon as possible. Standard unemployment benefits, which are based on your previous income, last for 26 weeks, while extended unemployment benefits could give you an extra 13 weeks. Check with your local unemployment office for details on eligibility amounts, which vary from state to state. Keep in mind that these benefits are treated as income by the IRS and are subject to taxation.

Step 2. Create a budget

Once you've established what your monthly unemployment benefits will be, pare your expenses to the bone. For now, consider budgeting only for the essentials and review your spending patterns to pinpoint areas where you can cut back. Premium cable, dinners out, theater tickets — these are discretionary expenses you may want to eliminate to ensure you have enough money to cover the basics. Use the worksheet provided and work with your financial advisor to get started.

Step 3. Shop for health insurance

Factor health insurance into your budget if at all possible — it shouldn't be considered a discretionary cost. A health crisis can be financially devastating when you don't have insurance. If your spouse or partner already has health insurance through an employer, enroll in that plan. If not, consider taking advantage of the Consolidated Omnibus Budget Reconciliation Act (COBRA).

Key points

- Work closely with your financial advisor to establish spending priorities and determine the best options for managing retirement assets.
- Apply for unemployment benefits immediately. There are strict deadlines that can't be missed.
- If possible, don't let health insurance lapse. Without insurance, a health crisis could seriously jeopardize your financial stability.
- Consider deferring debt payments until your situation stabilizes. Many creditors are willing to revise or suspend payment plans temporarily while you look for work.

By the numbers

- **More than 10%:** Average percentage of personal income spent on entertainment and dining out.[1]
- **12.6 weeks:** Median length of time for unemployed to find work.[2]
- **18 months:** Standard period laid-off workers can receive extended health insurance benefits under COBRA.[3]
- **Almost 3.5 million:** Number of Americans who have been out of work for six months or longer and are looking for work.[4]

Sources:

[1] Bureau of Labor Statistics, "Consumer Expenditures in 2013," p.2, February, 2015.

[2] Bureau of Labor Statistics, "Unemployed persons by duration of unemployment," Table A-12, June 2015.

[3] ehealthinsurance.com, COBRA Insurance, 2015.

[4] washingtonpost.com, The odds you'll join the ranks of the long-term unemployed, May 16 2014.

COBRA allows workers to continue their health benefits after they've ended their employment. Normally, you are responsible for 100% of your coverage during this period, so consider choosing an option with a high deductible to keep down monthly costs.

Step 4. Contact your creditors

As soon as you learn that you're getting laid off, contact your creditors (mortgage lender, auto lender, bank, etc.) to let them know your situation. It may be a good idea to tell them that you will attempt to make your payments, but that your finances may become constrained. Consider doing this while you are still a borrower in good standing and before you are in danger of missing payments. If you wait until you are in arrears, you may lose your negotiating power. In many cases, you may be able to work out a deal to decrease or stop payments temporarily. If you have credit card debt, you may want to choose to pay only the minimum due each month. You can think about making larger payments later when you land a job. Right now, you'll probably need to focus on covering your essential expenses.

Step 5. Manage your retirement assets

Unless your financial situation is dire, you may not want to touch any assets in a retirement plan. Early withdrawals are considered taxable income, plus, you'll incur a 10% IRS tax penalty for early withdrawal before age 59½.

However, consider working with your financial advisor to decide whether to roll over any 401(k) assets from your former employer directly into an individual retirement account (IRA). A direct rollover into an IRA will not trigger penalties or taxes and allows you more discretion on where and how to allocate retirement assets. You can certainly leave your 401(k) with your employer, but your investment options will be limited to the choices available through that plan.

If you decide to roll over your distribution, you will need to determine how to invest your money. Among the most popular choices for IRAs are mutual funds, which offer professional, full-time management, diversification (to help reduce risk) and the flexibility to move from one fund to another as your needs change. Keep in mind that all investments, including mutual funds, carry a certain amount of risk, including the possible loss of the principal amount invested. The principal value and return of mutual funds will fluctuate with changes in market conditions, and shares, when redeemed, may be worth more or less than their original cost. Also, diversification does not guarantee a profit or protect against loss.

There are advantages and disadvantages to an IRA rollover depending on investment options, services, fees and expenses, withdrawal options, required minimum distributions, tax treatment and your unique financial needs and retirement goals. Please be aware that rolling over retirement assets into one IRA account could potentially increase fees as the underlying funds may be subject to sales loads, higher management fees, 12b-1 fees and IRA account fees such as custodial fees. For assistance in determining if a rollover to an IRA is appropriate for you, consult your investment professional.

Step 6. Prepare to job-hunt

There may be some costs associated with job hunting, from transportation to printing resumes and business cards to networking events such as business lunches. Keep receipts for these expenses. They may be tax-deductible.

Many job search resources are free, so be sure to take advantage of them. Resume-building and interviewing tips and even employment leads can be obtained at state unemployment offices, public libraries, and even through your former employer's human resources department. Networking is free on LinkedIn and many online job search sites. You can post your resume on these sites as well. Consider part-time work while you're looking for something longer term. Extra income may lower the amount of unemployment you can collect, but such positions can lead to full-time employment.

Before investing, consider the fund's investment objectives, risks, charges, and expenses. For a prospectus or summary prospectus containing this and other information, contact your investment professional or view online at mfs.com. Please read it carefully.

Resources

MakingHomeAffordable.gov: The US Department of the Treasury offers this program for individuals and families struggling with mortgage payments. The site contains instructions and forms to help renegotiate a home loan.

Healthinsurance.org: This online resource offers free tools and information to help you research health insurance options, including COBRA coverage and private insurance choices.

Income (monthly)

severance	
unemployment insurance	
spouse's salary	
rental income	
investment income	
Social Security payments	
pensions	
child support	
other	
Monthly total	$

Assets

529 plans	
lines of credit	
checking accounts	
savings accounts	
certificates of deposit	
retirement plans	
401(k)	
403(b)	
457	
Roth IRA	
traditional IRA	
rollover IRA	
inherited IRA	
SEP IRA	
SIMPLE IRA	
other	
Total assets	$

Expenses (monthly)

Housing

mortgage payments	
real estate taxes	
rent payments	
line of credit payments	
other home loan payments	
home/rental insurance	
condo fees	
home improvement	
landscaping expenses	
other municipal fees	

Utilities

electricity	
heating	
water/sewer	
telephone	
cell phone	
Internet access	
cable TV	

Household consumables

groceries	
takeout food	
health products	
cleaning products	
beauty aids	
dry cleaning	

Transportation

car payments	
car insurance	
car maintenance	
gas	
public transportation	
commuting costs	
other	

Health fees and/or expenses

medical plan	
dental plan	
vision plan	

Household finance contributions

savings	
mutual fund account	
investment account	
529 savings plan	

Entertainment

dinners out	
club memberships	
movie and theater tickets	
tickets to sporting events	
vacation expenses	

Child care

daycare	
tuition	
music lessons	
babysitting	
student loans	
school pictures	
school activity fees	

Gift and charity

birthdays	
holidays	
graduations	
showers, weddings, etc.	
charitable donations	

INCOME TOTAL	$
EXPENSES TOTAL	$
SURPLUS/SHORTFALL	$

Contact your financial advisor for more information, or visit mfs.com.

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