

Retirement Strategy After a Job Loss

Few events are more stressful and disruptive than an unexpected job loss or layoff. For many, it's a hit not just to finances but also to confidence and sense of self.

You're not alone if you've been laid off—or if the idea is an all-consuming concern. According to a November 2024 MarketWatch survey, 70% of workers have taken concrete steps to prepare for a layoff, and about six million Americans “lose or leave” their jobs each month.^{1,2}

Whether or not a job loss or layoff comes unexpectedly, you may have more choices than you think. Here are a few things to consider.

Emergency Fund

Financial professionals suggest that individuals set aside 3-6 months of living expenses to help through tough times. It can be emotionally challenging to tap into these hard-earned funds, but using what you have on hand can be an option rather than taking on debt.

Family Budget

If your income has changed, your budget may need to change, too. Expenses like housing, utility, groceries, and healthcare may have fixed payment schedules, but you can manage dining out, entertainment subscriptions, and personal travel.

Health Insurance

For some, one of the most critical benefits of employment is health insurance. COBRA “continuation coverage” can help you temporarily maintain your existing coverage, but the cost may be higher than you expect. Review all your options. Health insurance often has a significant impact on personal finances, so financial professionals encourage individuals to address it as soon as possible.

Unemployment Benefits

You may be eligible for unemployment benefits. This financial support is designed to help while you're looking for new employment. Make sure you understand and follow unemployment benefit requirements, which can be complex.

Networking and Upskilling

You may never have a better time to explore career possibilities and develop both new and old skills. Consider attending industry events, joining online forums, and reconnecting with former colleagues. Online and in-person courses can be a great way to add certifications and other highly desirable capabilities to your resume. Don't forget to brush up on interviewing skills, too!

Employer-Sponsored Retirement Accounts

After a job loss, you may need to make some choices about what to do with your retirement plan. Generally, you have four basic options:

- You can leave the assets in the old employer's plan (if the plan permits it).
- You can roll the assets over into your new employer's plan (if one is available and the plan permits it).
- You can roll the assets over into an Individual Retirement Account (IRA).
- You can take a cash distribution (and deal with the potential tax consequences).

Each of these options has some advantages and disadvantages to consider. You might want to discuss your situation with a financial professional or a human resources professional so that you can explore all your options.

If you roll over your account into an IRA, remember that in most circumstances, you must begin taking the required minimum distributions when you reach age 73. Withdrawals from traditional IRAs are taxed as ordinary income and, if taken before age 59 ½, may be subject to a 10% federal income tax penalty.

Reassess Your Goals

When your life changes, your goals and strategies may change, too. A job loss or layoff may require a temporary adjustment to your financial situation but may also open up new opportunities. Your retirement timeline and savings target may change, but keeping up with your long-term commitments can help you stay focused and motivated in the short term.

1. Marketwatch.com, November 11, 2024

2. Center for Economic and Policy Research, March 4, 2022

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