



# Investment Insights

Kevin Kennedy

## How to Survive a Layoff

---

With the uncertain economy, and the demise of many young companies in the Bay Area, many workers are facing the unpleasant reality of being laid off. In 14 years of advising individuals on the management of their finances, I have never seen such an uncertain economic state as the one we are in right now. Over the past few years, I have helped many clients with the issues related to transitioning to new jobs, and I expect this will continue to be a major investment planning issue until the economy makes a strong recovery. If you are confronted with this issue, here are a few things you should think about that might make your transition easier.

### Evaluate your lifestyle and expenses

Take a quick overview of your monthly expenses, and make some fast and hard decisions about what you must cut from your budget. Many workers delay this decision, and as a result they use up their cash savings quickly, and may be forced to take the first new job offer that comes down the pike. If you make the difficult decisions quickly, it will reduce your stress and increase your patience as you embark on the search for a new job.

### Review your investments

Talk to your advisor about how your investments are positioned, and whether you can depend on the assets being available if you need to access them. If you think you may need to draw upon your investments while you search for a new job, make sure a portion of your investments are liquid and in a low-risk vehicle like a money market so that you can depend on it being there for you in a crunch. Also, review your investment goals in light of your situation to determine how your job loss will impact your ability to achieve your goals: the answers might not be pleasant, but guessing about all of the possible negative outcomes is even worse.

### Consolidate your 401(k)

When you leave a company, it is generally beneficial to roll your company-sponsored retirement account into a self-directed IRA Rollover account. This puts you in direct control of the management of the assets, offers you a wider selection of investment options, and may make it easier for you to take distributions from the account if you run into a real cash crunch. When you are rolling this money over, be sure not to take

possession of the money yourself—have it transferred directly into your rollover account. Having the distribution made payable to you can result in horrendous tax liabilities.

#### Review your stock options

If your termination was the result of your company being acquired by another company, you may have the benefit of immediately vesting in all of your outstanding option grants. Many companies specify that in the event of a takeover, all options will immediately vest, so you may have a nice windfall coming your way. Also take a look at options grants that had previously vested, and consider strategies to ensure that you don't lose any of the accumulated value in the options.

#### Talk to your CPA

Many of the decisions you face can have tax ramifications, and should be reviewed by your accountant. Also, many of the choices you will be making as to how to move forward can be made in ways that may be more advantageous to you. Expenses you may incur in the impending job search, the timing on how you cash in stock options, and other important economic decisions all have tax implications your accountant can advise you on.

*Kevin Kennedy is president of Kevin Kennedy, LLC, a registered investment advisor firm in Alameda. Reach him at 510-748-1898 or [Kevin@KevinKennedyLLC.com](mailto:Kevin@KevinKennedyLLC.com). Stocks, bonds, and mutual funds involve risk, including loss of principal. Past performance is no guarantee of future results.*