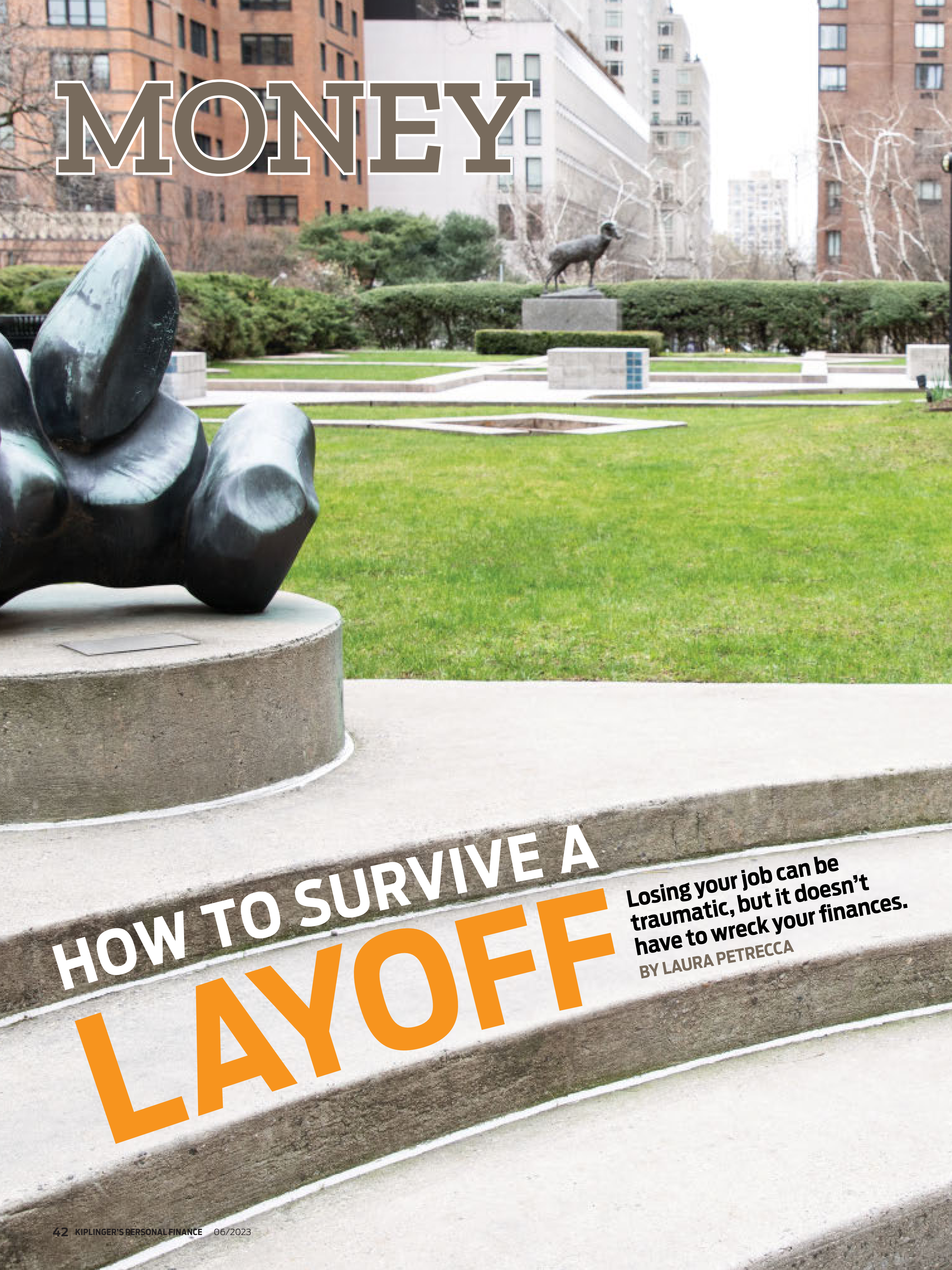

HOW TO SURVIVE A LAYOFF

Losing your job can be traumatic, but it doesn't have to wreck your finances.

BY LAURA PETRECCA

ELAINE CHEN MAXIMIZED HER COMPANY BENEFITS BEFORE SHE WAS LAID OFF.

PHOTO BY LESLIE HASSLER

Andy Wibbels's layoff story begins the same way as countless others: He was unexpectedly summoned to a brief meeting with his boss.

The Chicago-based digital marketing director had a sinking feeling about what was to come. Once he saw that a human resources representative was joining in, he knew he was about to join the ranks of the unemployed.

That same scenario has played out in phone calls, Zoom meetings and in-person conversations across the country. Although national unemployment remains at record lows, job cuts have come fast and furious as organizations prepare for a potential economic downturn. In January, overall layoffs rose to 1.7 million, the most since December 2020, according to the U.S. Department of Labor. Workers in certain sectors, such as technology, media and marketing, have been hit hardest, but industries across the board are cutting back.

A job loss can certainly be nerve-wracking. Wibbels, 48, who has since landed a new job, said he woke up every morning thinking about how to get his next position. But as he and many others have found, you can maintain control of your financial situation, even without a steady paycheck.

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A STEP-BY-STEP STRATEGY

Before you do anything else, take a deep breath. "Make sure you're not making any decisions when your adrenaline's running," says Alan Silver, a senior director at benefits consultancy WTW.

There will be many money-related decisions to come in the days, weeks and months ahead. The secret to success, he says, is to "approach them from a structured, reasoned way of thinking."

Get a clear understanding of your separation terms. Your package can vary depending on many factors, such as how long you've been with your employer and the role you held. In most cases, you'll get a written notice that describes any severance you'll receive and your health- and retirement-related benefit options.

If it's not clearly outlined in the paperwork, ask when your health benefits will end and the steps you need to take regarding your retirement accounts. Determine when you'll get your last paycheck, whether you'll be compensated for unused vacation time and what happens with any pending bonuses or commissions.

Once you get a solid grasp of the terms, capitalize on every benefit available before your coverage cuts off—from getting your annual physical to ordering 90-day prescriptions. If you opt for COBRA (see below), you'll have more time to take care of health needs.

After Elaine Chen's company gave her seven weeks' notice, the 54-year-old New York City marketing executive wanted to make the most of every benefit she had. Among her moves: ordering contact lenses while she had vision coverage and using an employer-sponsored legal service she had paid into to create a will.

That's the ideal attitude and action to take, says Silver. "Make sure you are not leaving money on the table," he says. "Look at every piece of paper in your agreement and think, *How can I best maximize what I'm getting out of this?*"

Bring out your inner negotiator. Remind your employer of your valuable contributions and honestly share any ongoing health needs. Increased severance and extended health care coverage are common requests, but you can ask for other benefits as well, such as outplacement assistance to help you find your next job.

"If you don't ask, you don't get," says Paul Fronstin, director of health benefits research at the Employee Benefit Research Institute.

Apply for unemployment benefits. The earlier you file, the sooner you can receive unemployment, assuming you qualify.

But be warned: Navigating your state's unemployment system can be a frustrating process, and it can take weeks to get your payments. You'll also need to continually certify your unemployed status to keep the money coming.

It can take some work to get into the system, but it's worth it to build up your cash reserves. Rules differ by state, but you can generally get a maximum of 26 weeks of benefits.

The amount you receive will vary due to several factors, including your earning history and the state you live in. For instance, the maximum weekly benefit in New Jersey is $830, while neighboring New York State pays out a maximum of $504 each week.

Keep in mind that unemployment benefits are taxable at the federal level, and some states tax benefits, too. Your state agency will likely give you the ability to have 10% of your benefits withheld for federal taxes. You can also choose to have 10% of your benefits withheld for federal taxes by filling out IRS Form W-4V (available at www.irs.gov) and providing it to the agency that's paying your benefits (don't send it to the IRS). If you opt not to have taxes withheld, make sure you've set aside enough money to cover taxes when you file your tax return.

A helpful resource is CareerOneStop.org, sponsored by the Department of Labor. It has unemployment-related frequently asked questions, as well as a search engine that will give you direct links to learn more about your state's unemployment program.

■ ANDY WIBBELS USED SOCIAL MEDIA TO SPREAD THE WORD THAT HE WAS LOOKING FOR A JOB.

PHOTO BY KEVIN SERNA

Line up health insurance. After your layoff, nailing down health insurance can be one of the most confusing and expensive choices you'll need to make. If you haven't shopped for health insurance before, the options can feel overwhelming. But don't get bogged down in minor details, says the Employee Benefit Research Institute's Fronstin. Focus on what matters most for you and your family.

The Consolidated Omnibus Budget Reconciliation Act (COBRA) lets qualifying workers continue their existing coverage, generally for up to 18 months. You'll pay for your portion, what your employer previously covered and a small administrative fee, for a maximum of 102% of the total cost. The price tag may be worth it for those who have already met their deductible or want to remain with existing doctors or treatment plans, says Cheryl Fish-Parcham, director of access initiatives at consumer-health advocacy organization Families USA. Your former employer is required to give you at least 60 days from either the date you receive notice to elect COBRA or the date you would lose coverage (whichever is later) for you to enroll.

A less-costly option may be an Affordable Care Act plan. You'll need to apply within 60 days of losing your job-based coverage; you can access the marketplace through HealthCare.gov or your state's health care exchange. This will probably be considerably less expensive than COBRA, thanks to enhanced subsidies included in the 2022 Inflation Reduction Act. Those subsidies will be based on your estimated income for the year you're applying for coverage. "The premium tax credits have been more generous than they were years ago," says Fish-Parcham, "so they are really a good option for people at lots of different income levels." The Kaiser Family Foundation provides a calculator you can use to estimate premiums and subsidies at www.kff.org/interactive/subsidy-calculator.

Another option is to join your spouse or partner's plan if it provides family

■ CHEN DID CONSULTING WORK TO GENERATE INCOME WHILE SHE CONDUCTED HER JOB SEARCH.

benefits. You typically have 30 days to enroll after your employer's coverage ends. If you're younger than 26, you can join a parent's plan.

Finally, you may be eligible for Medicare or Medicaid. Medicaid eligibility varies by state and can be based on monthly income. So you might qualify with the loss of a paycheck that comes with a layoff. If you're 65 or older, you should enroll in Medicare Part A (if you haven't done so already), Medicare Part B, which covers doctor visits, and a Medicare Part D prescription-drug plan to provide ongoing coverage and avoid late-enrollment penalties.

There are also some helpful online resources to explore as you navigate through all the health care choices. Healthcare.gov/screener helps you determine whether you are eligible for marketplace coverage. It also directs you to Medicaid if it appears you qualify for that coverage.

In addition, http://localhelp.healthcare.gov can help you find experts to answer your questions.

Make the most of health-related FSAs or HSAs. If you have a flexible spending account for health care, your employer will likely give you a specific period to submit qualified expenses that you incurred during your employment. If you're given advance notice of your layoff, embark on a health-related spending spree to use the full amount you elected to set aside. FSAStore.com has a comprehensive list of eligible purchases, including items such as sunscreen, heating pads and even pore-cleansing face wash.

Even if the layoff comes early in the year and you haven't made all your contributions, you can still get reimbursed for the entire amount you elected to set aside. However, if you have a balance in your account, you may have to forfeit it after you're laid off, which is why it's important to use up as much of the money as possible if you're given advance notice (or suspect that a layoff is coming).

If your employment ends the same day you're given notice, you may still be able to get reimbursed for eligible expenses you've incurred up to that date, but it will take some detective work. You'll need to look through online and printed receipts for qualifying purchases. If you don't have receipts on hand, at some retailers, such as Walmart, you can look up your in-store purchase receipts online. Gather those up, then submit them for reimbursement.

With a health savings account, the balance is yours to keep and use when needed. Unlike with an FSA, there's no time limit for reimbursements. As long as you have receipts for eligible expenses, you can wait months, years or even decades to get the money. Ordinarily, you can't use funds from an HSA to pay health insurance premiums—but you can if you're receiving unemployment benefits, and that includes paying premiums for insurance under COBRA.

If you can avoid it, though, it's best to let HSAs remain untouched for as many years as possible. The funds grow tax-free, and you don't pay taxes when you take money out as long as you use it for eligible medical expenses.

Check your retirement-savings plans. Your separation paperwork should spell out your next steps with your 401(k) and any pension plan, as well as provide contact information for you to get more details. If it's missing any of this, ask your HR representative for it.

You generally have four choices if your 401(k) balance is greater than $5,000. You can leave the money in your employer's account, roll it over to an IRA, move the funds to a new employer's plan (if your new employer's plan allows it) or withdraw your savings.

If you leave the account with your former employer, you won't be able to add money to it, and you're limited to the investment choices selected by the organization. Rolling over the funds to an IRA or your new employer's plan will enable you to avoid paying taxes and early-withdrawal penalties and allow your funds to continue to grow. If you go for the

PHOTO BY LESLIE HASSLER