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Layoffs often increase during a recession. If you're caught in a layoff or corporate downsizing, a financial advisor can help examine your options and make sure your retirement stays on track.

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# LIVING THROUGH A LAYOFF

## Overview

Peloton. Coinbase. Netflix. Tesla. What do these well-known companies have in common? They've all laid off a portion of their staff in 2022.<sup>1</sup>

Layoffs usually go hand-in-hand with a recession; after all, a slowing economy often results in decreasing demand, leaving companies overstaffed or seeking ways to reduce costs. These layoffs are typically reflected in higher unemployment rates, sometimes months after a recession subsides. For example, unemployment peaked at 10% in October 2009, four months after the Great Recession was declared “officially” over.<sup>2</sup>

In July, the U.S. met the “technical” definition of recession by realizing two consecutive quarters of negative gross domestic product (GDP) growth.<sup>3</sup> But some data usually relied on to define a recession remains mixed. Take unemployment, for example. So far, unemployment rates have remained low in 2022, hovering around 3.6% in June and July.<sup>4</sup> Some economic analysts have pointed to the low unemployment rate as a signal that we're not officially in a recession.

Some companies have begun laying off employees even as the “are we or are we not in a recession?” debate swirls. Workers in the technology industry, especially, have begun to feel the effects of corporate belt-tightening. Software giant Oracle announced layoffs on Aug. 2, while online software-as-a-service (SAAS) provider Shopify laid off about 1,000 employees in late July.<sup>5,6</sup>

Although the frequency of layoffs rises during economic slowdowns, companies can also implement layoffs for other reasons, like mergers and acquisitions, business relocations, a decline in sales and demand, etc. These layoffs can be challenging for everyone affected, creating financial stress and uncertainty about the future. For those approaching retirement, it can even impact when they'll be able to retire — and how much they'll have to live on when they do.

So how can you reduce the stress after losing your job? Read on to discover the strategies you can use to help successfully navigate the challenges of a layoff.

## What You Should Do After a Layoff

The first step after receiving notice of a layoff: Contact your financial advisor. They can help you start the process of taking inventory and figuring out your financial plan as you navigate the next few months.



Your financial advisor will work with you to create a list of your fixed expenses and identify how much money you'll need to cover monthly costs. Then tally up your available resources, including money in checking, savings, investments and other assets. Be sure to include severance pay and unemployment benefits as part of your future available income.

Want to find out how much you might qualify for in unemployment benefits? Find your state's Department of Labor website by visiting [dol.gov/agencies/whd/state/contacts](http://dol.gov/agencies/whd/state/contacts).

If you have a pension, it might be beneficial to consider taking a lump sum from the pension and rolling it into an IRA now instead of waiting to start payments later. But be careful: Your pension is taxable and taking a lump sum now could increase your tax bill in the year you take it. Your financial advisor can run the numbers for you and help you figure out whether you should consider taking a lump-sum option.

Next, you'll want to get set up with health insurance. In some cases, you may be eligible for COBRA benefits following a layoff, allowing you to continue health insurance through your former employer for higher premiums. You might also be able to find affordable health insurance plans through the Health Insurance Marketplace at [www.healthcare.gov](http://www.healthcare.gov). If you've already reached age 65, Medicare can become your primary insurance.

Finally, a layoff is a good time to re-evaluate your working situation. If you've still got several years (or even decades) left before retirement, you might assess whether you want to return to the same industry or pursue a different line of work.

If you're nearing retirement age, a layoff might impact your retirement plans, especially *when* you plan to retire. You might consider retiring earlier than expected instead of returning to the workforce, or you might look at pushing your target date back. In either case, your advisor can help you determine what's right for your specific financial situation.

## Final Thoughts

While layoffs are never welcome, the good news is it is possible to survive and even thrive after being downsized. Your financial advisor can provide you with information about how to handle your pensions, options for company-sponsored retirement plans (like a 401(k)), and how severance and unemployment benefits might impact your taxes. They can also help you re-think your financial plan and help to make sure your retirement is still on track.



<sup>1</sup> Andrea Hsu. NPR. July 6, 2022. "As economy cools, scattered layoffs put an end to dream jobs for some workers." <https://www.npr.org/2022/07/06/1109965538/as-economic-fears-grow-companies-begin-laying-off-workers>. Accessed Aug. 3, 2022.

<sup>2</sup> Bureau of Labor Statistics. Nov. 6, 2009. "The Employment Situation – October 2009." [https://www.bls.gov/news.release/archives/empsit\\_11062009.pdf](https://www.bls.gov/news.release/archives/empsit_11062009.pdf). Accessed Aug. 3, 2022.

<sup>3</sup> David Gura. NPR. July 28, 2022. "U.S. economy just had a 2nd quarter of negative growth. Is it in a recession?" <https://www.npr.org/2022/07/28/1113649843/gdp-2q-economy-2022-recession-two-quarters>. Accessed Aug. 3, 2022.

<sup>4</sup> Jeff Cox. CNBC. Aug. 5, 2022. "Payrolls increased 528,000 in July, much better than expected in a sign of strength for jobs market." <https://www.cnbc.com/2022/08/05/jobs-report-july-2022-528000.html>. Accessed Aug. 5, 2022.

<sup>5</sup> Anirban Ghoshal. Computerworld. Aug. 2, 2022. "Reports: Oracle makes a round of layoffs in the US." <https://www.computerworld.com/article/3668798/reports-oracle-makes-a-round-of-layoffs-in-the-us.html>. Accessed Aug. 3, 2022.

<sup>6</sup> Madeline Stone. Insider. July 26, 2022. "Shopify lays off 10% of global staff, nearly 1,000 employees, as CEO admits that bet about skyrocketing pandemic growth 'didn't pay off'." <https://www.businessinsider.com/shopify-layoffs-10-percent-ceo-memo-2022-7>. Accessed Aug. 3, 2022.

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