Securing your future……..

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Guard Your Financial Future Against "Pink Slip" Ruin
By **H. Stephen Bailey, RFC®**

Plant closings and large-scale layoffs are not a thing of the past. Recent closings in our own area demonstrate that jobs that are here today may be gone tomorrow. You may enjoy job security for the rest of your career. Still, you never can tell. It is more important than ever for you to take some measures to protect your financial future against threats to your employment stability. Consider these suggestions:

Build a "cushion" to soften your landing. Plan ahead. Long before a layoff or termination happens — or even if it doesn't happen, you should build and maintain an emergency fund to cover at least six months' to a year's worth of living expenses. Consider placing your fund in a money market account or other account, which offers the liquidity you'll need. Your emergency fund will help you avoid tapping those investments earmarked for long-term goals, such as retirement.

Avoid the temptation to raid your retirement plans. If you find yourself without a job, avoid the temptation to cash out your 401(k) or other employer-sponsored retirement plan. Liquidating your 401(k) could be a big mistake. You'll have to pay income taxes on the proceeds, and if you're under 59-1/2, you also may have to pay a 10 percent premature distribution penalty. Plus, you will be robbing yourself of a major source of retirement income.

But what if the only savings you have is in your retirement plan? Section 72(t) of the Internal Revenue Code allows taxpayers of any age to take a series of substantially equal periodic payments without a 10% penalty. The payments must continue for 5 years or until age 59-1/2 whichever period is longer. Other restrictions may apply. You really need to consult a financial professional to help you through this trying time and the brighter times ahead.

It might be time to adjust your portfolio. If you get laid off or find yourself out of work, you may need to adjust your investment portfolio to provide more income. Think about moving some of your assets into income-producing vehicles, such as bonds or dividend-paying stocks. There's a big difference between the two. For one thing, investment-grade bonds will probably offer greater protection of principal than stocks that pay dividends. On the other hand, the interest from bonds is taxable at your current income tax rate, which is likely to be higher than the 15 percent tax rate assessed on most stock dividends.

A financial professional can help you select the right income-oriented investments. But, with any luck, you'll only need to draw on your investments to boost your income temporarily. Once you're employed again, you can readjust your portfolio to accommodate your need for both growth and income.

Borrow Smart. If you have to borrow, be smart about it. Consider alternatives to running up debts on a high-rate credit card. If you have a permanent life insurance policy, you may be able to take cash from it. Or, you may be able to take out a home-equity loan; your payments could be tax-deductible, and your interest rate will likely be reasonable. (Keep in mind, however, that you're using your home as collateral; if you think your layoff or unemployment is likely to last an extended time, this type of loan may not be appropriate.)

Take full advantage of work-related benefits. If you are eligible for unemployment insurance, follow through on the necessary paperwork. If you are offered a severance package; try to negotiate the most favorable one possible.

Look at all your options...

While it's unpleasant and inconvenient, a layoff or termination doesn't have to jeopardize your financial future. So, if you've just learned you job has been eliminated, step back for a while and carefully plan your next moves. You may need to draw on all your options. And you might be surprised by how many you have. By making the right choices, you can survive the layoff or termination — and stay on track toward your long-term objectives.

The opinions and suggestions voiced in this article are for general information only and are not intended to provide specific tax advice or recommendations for any individual. To determine which strategy may be appropriate for you, consult your attorney, tax and/or financial advisor.

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