What To Do If You're Offered an Early Retirement Buyout

Downsizing

Corporate "downsizing" has become so common that it hardly rates as news any more -- unless you're one of the affected employees. The common alternative to outright firings is to offer a buyout package that strongly encourages early retirement. The theory is that the company will achieve net savings from lower salary costs and a leaner organization.

As with most things in life, there is no definitive answer to what you should do. On one hand, if you refuse the offer, you might be terminated soon after the offer with a lesser or no package. On the other hand, you may get a sweeter offer in six months.

If you think you may be about to receive an early retirement offer, consider the following:

Step Back and Think About Your Plans

If you take the buyout, you'll have three main possibilities:

- **Get another job** – If you want to move on to another job, you should get moving fast, because it's much easier to get work if you're still working. There's usually a comfortable period between the offer and the expected retirement date, so try to line something up before your retirement takes effect. If you know you want to keep working, you may want to hold off receiving the retirement package for as long as you can.
- **Work for yourself** – If you're trying to start your own business, you'll likely need to gather as much capital as you can, including cash from your early retirement package.
- **Retire** – With retirement, you may want to put the entire package into an investment program so you can get it positioned to continue earning a return.

You'll need to decide sooner rather than later which way you want to go because your direction could affect what you do about your buyout package.

Size Up Your Offer Carefully

There is no standard offer, but the "sweeteners" may include a selection from benefits like these:

- bonus in cash
- lump-sum payment of retirement plan benefits
- some salary continuation
- a credit of extra years of service in your retirement plan
- insurance coverage
- continuation of medical benefits for a time
- outplacement services
- stock options

You need to consider the particulars of your buyout package against your plans.

Understand Your Tax Situation

Distributions from tax-qualified retirement plans are usually taxable. That will reduce the cash you have available. Also, you can trigger extra tax if you're too young to retire when you take your distribution. You should be able to defer tax on your distribution until you need to receive it by rolling over your money into an IRA. Check with your tax professional.

Can You Negotiate?

Your offer may be standard – offered to all the employees in your category of service and age. Such an offer may not be negotiable.

If you receive an individual voluntary separation offer, negotiation may be very possible. You don't have to take or turn down the first offer. You may need a particular benefit that's not in the package or changes in the benefits that are included. Ask, and you may get your benefits. Don't ask, and you certainly won't get them.

Get Some Guidance

An early retirement can be an excellent opportunity or a long-term problem – it all depends on if you can make it fit well into your plans. If you find yourself facing an early buyout, contact your COUNTRY® Financial representative who can help you create a tangible plan. Backed by a team of experts, that plan can give you the guidance you may be looking for to help you through this confusing time.

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