FINRA

Financial Industry Regulatory Authority

Job Dislocation

Making Smart Financial Choices after a Job Loss

Who We Are

Financial Industry Regulatory Authority (FINRA)

FINRA is an independent regulatory organization empowered by the federal government to ensure that America's 90 million investors are protected. We register brokers and brokerage firms, examine for compliance, foster market transparency and educate investors. For more information, visit *www.finra.org*.

National Labor College (NLC)

The NLC is the only regionally accredited higher education institution specifically created to serve unions, union members and their families. It offers programs to complete bachelor's degrees in business administration, construction management, emergency readiness and response management and labor studies. Learn more today at *www.nlc.edu* or call 1 (888) 427-8200.

American Federation of Government Employees (AFGE)

The AFGE is the largest federal employee union representing 625,000 federal and D.C. government workers nationwide and overseas. Workers in virtually every federal agency depend upon AFGE for legal representation, legislative advocacy, technical expertise and informational services. Learn more at *www.afge.org* or call (202) 737-8800.

AFL-CIO Community Services

AFL-CIO Community Services is a decades old program that grew from organized labor's desire to help union members and serve the communities they live in. Staff and volunteers provide assistance to workers and their families to deal with natural disasters, financial hardship, illness, unemployment and other difficulties.

Job Dislocation

MAKING SMART FINANCIAL CHOICES AFTER A JOB LOSS

You may not be able to control if or when your agency closes an office or eliminates jobs in a reduction in force – but you can take steps to manage the financial impact of those events.

This brochure contains tips on how to:

- keep your finances on the right track in the event of unemployment;
- protect yourself when getting financial advice during a period of job dislocation;
- protect yourself from job search scams when looking for employment; and
- ask the right questions about the federal government benefit plans at any time.

Job Dislocation

WHAT TO DO AFTER YOUR AGENCY ANNOUNCES A REDUCTION IN FORCE

Whatever the reason for your job dislocation, you now face a period when handling your finances correctly will be critical to you and your family. These tips can help you take charge of your financial situation:

- **Act Quickly to Reduce Spending:** With less money coming in, you should take immediate action to reduce spending wherever possible. Resist the temptation to buy on credit.
- **Assess Your Short-Term Situation:** Figure out how much cash you have readily available or can get on short notice, how much you owe—mortgage, rent, credit cards, car loans—and the monthly payments associated with those and other debts. Establish how long you can make ends meet on the financial resources that you already have in hand.
- **Ask About Dislocated Worker Services:** Your agency may work with state and local officials to provide services such as job placement, retraining or resume writing. Maximize your opportunity to get a new position as quickly as possible by taking advantage of these services—make finding a new job your full-time job. If you belong to a labor union, also ask your union what it can do to assist you.
- **Avoid Taking Out Loans Against Your Thrift Savings Plan (TSP) Account:** Loans put a drag on your retirement savings by reducing the amounts invested on your behalf. In the event of a layoff in a Reduction in Force, TSP rules generally require that employees pay back loans within 90 days of separation or face both income taxes and penalty fees.

- **Inquire About Unemployment Insurance:** The state's unemployment insurance office may visit your workplace to offer guidance about the application process. Find out if you qualify and how the insurance may change if you get other payments from your agency. Knowing the amount of the insurance benefit and the time you can expect to receive it will help you handle your finances.

  Remember that when you file for unemployment insurance, state regulations generally require that you also register with the state's employment service so you can start searching for a job immediately. Check with your state to see whether any exceptions apply.

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Collecting Unemployment Benefits While Working is Illegal. Report the Date When You Return to Work or Start a New Job.

You become ineligible to receive unemployment benefits as of the date you return to work or start a new job, not on the date you receive the first paycheck for that job. State unemployment insurance (UI) agencies regularly match claimants receiving UI payments against wage records and the National Directory of New Hire data to determine if an individual was working and collecting benefits for the same week(s).

The US Department of Labor estimates that more than 10 percent of UI benefits paid in 2010 represented billions of dollars in overpayments because claimants waited to get that first check before reporting that they had returned to work or started a new job.

Remember: Report to your state unemployment office the date when you begin to work, either full time or part time. Do not wait to get your first paycheck to notify the state.

Protect Yourself—Avoid Investment Fraud

BEWARE OF INVESTMENTS THAT PROMISE TOO MUCH:

The announcement of your office's closing or reduction in force may have received national or local press coverage. If all of a sudden you find that you are receiving unsolicited offers for the investment of a lifetime, beware. If it sounds too good to be true, you know it probably is.

ALWAYS DO A BACKGROUND CHECK BEFORE HIRING AN INVESTMENT PROFESSIONAL:

The right investment professional can work with you to make good choices during periods of job dislocation. Legitimate investment professionals must be properly licensed. You can check the credentials of any person offering you investment opportunities

THIS IS HOW YOU CHECK TO PROTECT YOURSELF:

- For a broker or brokerage firm, use FINRA BrokerCheck at *www.finra.org/brokercheck* or call toll-free (800) 289-9999.
- For an investment adviser, use the SEC's Investment Adviser Public Disclosure website at *www.adviserinfo.sec.gov* or call toll-free (800) SEC-0330.
- For an insurance agent, check with your state insurance department. You will find contact information through the National Association of Insurance Commissioners (NAIC) at *www.naic.org* or call toll-free (866) 470-NAIC.
- For all brokers and advisers, be sure to call your state securities regulator. Contact the North American Securities Administrators Association at *www.nasaa.org* or call (202) 737-0900 for the state's number.

Protect Yourself—Avoid Job Search Scams

BEWARE OF JOB SEARCH ADS THAT PROMISE TOO MUCH:

Resist the temptation to rely on job search ads or services that promise easy results. You should not have to pay to get a job, disclose personal or financial information in a job application, or use electronic money transfers via your bank or credit card accounts to do your job. These are all red flags that the job may involve illegal activity, or someone may be trying to steal your identity.

THIS IS WHAT YOU DO TO PROTECT YOURSELF FROM JOB SEARCH SCAMS:

- Check with the Federal Trade Commission at *www.ftc.gov/jobscams* for the latest scams. If you suspect a job scam, file a complaint at *www.ftccomplaintassistant.gov* or call (877) FTC-HELP.
- Check with your state's Consumer Protection Agency or Office of the Attorney General. Find the contact number at *www.usa.gov/directory/stateconsumer*.
- Check with your local Better Business Bureau. Find the contact number at *www.usa.gov/directory/bbb*.

Long-Term Job Dislocation

SMART CHOICES IN DIFFICULT TIMES

The prospect of an extended period of unemployment will require some difficult decisions that could affect your long-term financial health. Managing severance pay, choosing the form of payment from benefit plans and preserving your retirement funds if you are still years away from retirement age are high in that list. Keep in mind the following tips when deciding what to do:

- **Get Financial Advice:** Your Agency will have information on severance pay eligibility and payments. Your union may be able to offer guidance regarding the financial decisions you face. Your state or local employment agencies may also provide information. Ask questions as early as possible to help determine what is right for you. Consider working with a credit counselor or investment professional. They can help you develop a plan to see you through your unemployment period and beyond.
- **Conserve Funds Meant for Your Retirement if You Can:** Tap into your retirement funds to make ends meet only as a last resort. If you have a choice, choose to keep those funds invested and working for you until you actually retire.
- **Understand the Tax Bite:** Income taxes apply when you tap into retirement funds prior to age 59½. The Thrift Savings Plan is required to withhold 20 percent of the amount you cash out from your TSP account to ensure that you will pay the taxes that apply. An additional 10 percent tax penalty may apply if you are under 59½ years of age. In order to avoid income tax and a tax penalty, you must roll over your funds to an Individual Retirement Account (IRA) or other qualified retirement plan within 60 days of receiving the retirement funds. If you want to defer tax on the entire amount you cashed out, you will have to add funds from other sources equal to the 20 percent withheld by the plan administrator.

- **Use Direct Rollovers to Avoid Potential Taxes:** If you elect to roll over retirement funds, you may avoid tax complications and the risk that you will not complete a rollover within the required 60 days of receiving those funds. Choose a direct rollover by having the plan administrator transfer the rollover amount directly to an IRA or other qualified retirement plan.

- **Spend and Invest Lump Sums Wisely:** Receiving a lump sum may tempt you to spend it on that one thing you have been wanting all your life. Do yourself a favor and wait. If you face a long unemployment period, these may be the only funds you will have to make ends meet. Even if that is not the case, give yourself time. Consider short- and long-term needs before you decide what to do. If you decide to invest the lump sum, take your time to consider what you are going to invest in, when you are going to make the investment and how much of the lump sum you want to invest in different types of investments such as stocks, bonds or non-financial assets.

TIP:

Health Insurance

FEHB MAY HELP YOU STAY HEALTHY

A significant risk of job dislocation is the loss of your health insurance. Under the Federal Employees Health Benefits Program (FEHB), you and your eligible family members remain covered at no cost for 31 days after your separation from federal service. You may convert to an individual policy with your health plan that will cover you and your family after the 31st day.

- You must have been enrolled in an FEHB plan while employed. Furthermore, the plan must continue to operate after you are no longer employed.
- You have a limited time to decide to convert your FEHB plan to an individual plan once you have been notified that you are eligible. You must apply for this conversion within 31 days from when your agency notifies you of your eligibility. If you fail to apply you and your family will lose the right to maintain your health insurance.
- You must pay the entire premium that is charged by your health carrier for an individual policy. Many plans provide fewer benefits at a higher cost than what is offered under FEHB. Contact your carrier for details on conversion.

For more information, visit the website for the Federal Health Insurance Benefits Program at *www.opm.gov/insure/health/index.asp*.

Understand the Federal Government's Benefits

The most obvious benefit you get from your agency is the regular paycheck that you count on for doing your job. Another benefit that you probably use frequently is your health insurance. Other government benefits, such as the TSP and retirement plan (CSRS or FERS) help you build retirement security over time. It is up to you to take the initiative to understand all these benefit programs. This is particularly important as you face a period of job dislocation. Do not be shy about asking questions. We tell you what to ask below after this brief description of the federal government's plans.

RETIREMENT PLANS:

The Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) provide a series of payments, also called an annuity, after you retire. The amount you receive is calculated based on a combination of salary, age, and years of service. Employees may always withdraw the amount that they contributed to the system themselves. However, it often is more beneficial to leave the contributions in the system toward a smaller annuity later on.

THRIFT SAVINGS PLAN (TSP)

This is referred to as a defined contribution plan because it allows you to contribute a portion of your salary to retirement savings, and receive certain tax benefits. When you participate, the taxable salary that your agency reports to the Internal Revenue Service (IRS) is reduced by the amount of that contribution. Income taxes on that money and any earnings are deferred, or postponed, until you withdraw from your account. Generally, if you withdraw before age 59½ you will pay a tax penalty.

The maximum amount you can contribute to a TSP account is set annually by the IRS. For 2012, the maximum contribution is $17,500. If you are 50 or older, you can add another $5,500 in "catch up" contributions for a pre-tax total of $22,500. Visit *www.irs.gov* for additional information.

A TSP account gives you several investment choices. Your agency may also match some or all of your contribution on a pre-tax basis. You will owe tax on any pre-tax contributions and their earnings when you withdraw funds from the account. The money that you have contributed to the TSP will not be affected by events impacting your agency because you are always entitled to or vested in your own contributions. Most employees must have 3 years of federal service in order to vest in the government's automatic 1% contribution. You are immediately vested in any agency matching contributions.

You may move (rollover) your TSP savings when you leave government service, allowing continued deferral of the taxable portion of your account. Or you may leave the money in the TSP until the account withdrawal deadline.

ASK THESE QUESTIONS ABOUT YOUR BENEFIT PLANS:

1. What are the terms of the plans that cover me?

The Office of Personnel Management (OPM) publishes a number of documents that contain complete descriptions of the benefits owed to you and how they are calculated. Your agency's human resources or personnel office will have copies or can direct you to the documents on the OPM website.

2. When do I vest and how much is my benefit?

Your human resources or personnel office should tell you exactly how long you must work before you become entitled to, or vest in, your benefits, and provide an estimate of how much those benefits will be.

Keep in mind that you are always entitled to the amounts that you have contributed to a plan. However, federal employees are required to have a designated amount of federal service to vest in the government's automatic 1% contribution to the TSP account.

3. What is the dollar amount of the benefit I will get?

Your human resources office will be able to provide you with an estimate of the dollar amount that you can expect to receive in your annuity based on your years of service to date. It will also be able to estimate your benefit assuming you work until retirement age.

The human resources office will also be able to refer you to OPM publications on how to compute your estimated annuity. OPM, and not your agency, is responsible for determining the exact amount of an employee's retirement annuity and does not make that calculation until after you actually retire.

4. When can I start getting payments?

You need to know when you can start receiving your benefits so that you can plan accordingly. OPM, not your agency, determines retirement eligibility, determines the amount of your annuity and provides payments. There is often a considerable waiting period for OPM to provide an initial payment and then to provide the appropriate levels of payment based on your age and length of service.

You may be eligible for early retirement benefits if your agency is undergoing a major reorganization or your facility or activity is closing. This may result in a reduced annuity from what you would receive at a normal retirement age with the required length of service.

Before you opt for payments, make sure you understand what level of benefit – full or reduced – you will receive, the reason causing any benefit reduction, if any, and how long you should expect to wait to get the full benefit provided by your retirement plan.

Your "To Do" List

PUTTING IT ALL TOGETHER TO KEEP YOUR FINANCES ON TRACK

There are many things you need to do and think about as you face a period of unemployment. It is easy to feel overwhelmed. Keep it simple by following these steps:

- **Take Control of Your Finances:** Follow the tips above as soon as you learn that you will experience a job loss. Knowing what you can count on financially will help alleviate your concerns.
- **Use All Available Employment Services:** Take advantage of your state's services. Use the contact information provided by your agency. Help yourself find that next job sooner rather than later.
- **Protect Yourself From Financial Fraud:** Check out anyone offering you financial advice. Call the numbers listed earlier in this brochure.
- **Protect Yourself From Job Search Scams:** Check out any job ads or offers that seem too easy to be true. Call federal, state or local consumer protection agencies at the numbers listed earlier in this brochure.

Investor protection. Market integrity.

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