CERTIFIED FINANCIAL PLANNER
BOARD OF STANDARDS, INC.

Consider Financial Impact When Changing Jobs

Whether you've had a great offer at a hot new company or simply concluded that it's time to move on, your decision to change jobs has financial implications for you and your future. Don't overlook critical financial issues in the transition to a new phase of your life.

Among the key steps to safeguard your future:

- **Have a reserve fund.** It is generally recommended that everyone have a cash reserve fund large enough to cover expenses for at least three to six months. Even if you will assume a new position immediately after leaving your current one, there may be a time lag before you receive an initial payment from your new employer; unexpected expenses can wreak havoc on a limited budget.

- **Prepare a strategy.** Your transition, whether brief or extended, will go more smoothly if you first take inventory of your resources and use your time and money wisely. If you have to begin a job search after leaving your current job, use all available resources (personal contacts, published and online advertisements, alumni employment services, etc.) to explore employment opportunities as soon as possible.

- **Maintain necessary insurance coverage.** As a result of the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA), some employees may continue their current health insurance coverage for at least 18 months after leaving their jobs. In some states COBRA-like plans are also available. Those accepting the COBRA alternative are responsible for payment of the full premiums.

    - **Other insurance policies usually terminate along with employment.** Most likely, life insurance and disability policies offered through your old employer will not be available to you after you leave the company. Examine the specific terms of the policies; you may choose to make supplemental arrangements or pay the policies on your own.

- **Protect the assets in your retirement plan.** When you leave a job, you face choices about the money in your current employer's retirement plan. They may include:

    - **Roll the money into an IRA Rollover account.** If handled correctly, there are no taxes or penalties for a rollover, and you can determine how it will be invested.

    - **Leave the money in your current employer's plan.** If this option is available, it enables you to postpone action, but you may not be able to add to the account. Typically, you will be restricted to the investment options made available by the employer.

    - **Roll the money into your new employer's retirement plan.** This option, if it is available, allows you to combine funds in a single account, that is subject to the terms of the new plan.

    - **Take the investment as a distribution.** If you choose to withdraw money from your retirement plan for immediate use, in violation of the terms of the plan agreement, the amount will be subject to taxes and penalties, making this option not very desirable in most situations.

Additional Resources:

Publications

- COBRA: Continuing Health Coverage after Employment Ceases, Standard Federal Bank articles online at www.standardfederalbank.com/articles/cobra.html
- "Money: Will you Make It?", booklet online at www.nefe.org/pages/search.html (search for "changing jobs")

Web sites

- Career OneStop (www.careeronestop.org)
- Yahoo Finance (planning.yahoo.com/option.html)
- Financial Planning Association (www.fpanet.org)

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