Laid off, repositioned, pink-slipped?

Not every job change is planned and a sudden change or loss of employment can be stressful.

Some things need to be researched and handled immediately while others need to be addressed but have a less critical timeline. Aside from finding a new job if you’re not ready to retire, there are two major financial issues that need to be handled; health insurance and your retirement account.

### Health Insurance

Health insurance has the most restrictive timeline so let’s begin there. Generally, work sponsored health insurance extends until the end of the month of termination. However waiting until your current coverage ends to decide what to do is too late. Thanks to the Affordable Care Act, pre-existing conditions are no longer a concern but timing is everything. Knowing all of the available options and working through the nuances to find the option that is best for you takes time.

**COBRA - Consolidated Omnibus Budget Reconciliation Act**

COBRA is a government mandate that requires employers to offer all employees access to the company’s health insurance plan at the separation of service for any reason other than “gross misconduct”. The coverage extends for up to 18 months and must be the exact same coverage that was offered before. But there’s a catch, it’s expensive. You will need to pay the entire premium yourself and an additional 2% administrative cost. If you will require insurance for longer than 18 months, or simply feel the COBRA offer is too expensive, there are options. Did we mention it’s expensive?

**Switch to Spouses Plan**

If married, the simplest solution may be to just switch to your spouse’s health insurance as a dependent. Because being laid off qualifies as a qualifying event for a Special Enrolment Period, you won’t have to wait for your spouses’ insurance open enrollment window. The transition is fairly simple but be sure to speak with representative from both insurance companies to ensure there is no gap in coverage.
Health Insurance Marketplace
If you are unmarried or your spouse doesn’t have an employer offered health insurance, your solution might be to look for insurance on the Health Insurance Marketplace. Go to www.healthcare.gov, create an account, and fill out an application. You can choose from multiple carriers, types of plans and balance your premiums with the coverage you need. Once you have filled out an application, you will also find out if you qualify for savings on your monthly premiums and out of pocket health care costs in addition to programs like Medicare or the Children’s Health Insurance Program. After an employer sponsored health insurance plan, coverage from the Marketplace will be your least expensive option.

Timing is everything. You want to avoid a gap in coverage and different programs have different but very specific timelines. There are also more subtle rules to understand:

If you choose COBRA, you can’t change your mind and switch to the open market until the open enrollment period.

*Do your homework and make the right choice the first time!*

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**Retirement Plan**
Once you have your health insurance decision made, it’s time to decide what to do with your employer sponsored retirement plan. Maybe it’s a 401(k), or a 403b, or even a 457. By and large they all work very similarly but you should talk to a financial professional to help determine what options are available and which one is the best for you.

Generally you have 3 options:

**Leave it where it is**
This is simple. Just don’t do anything. While this is the simplest solution, you may be subjecting your retirement funds to higher fees and limiting your investment options.

**Rollover into your new employers sponsored plan**
The main benefit of this option is that you will have access to plan loans. Loans are not allowed in IRAs or plans sponsored by a prior employer, so if you feel that you may need to take a loan against your retirement this is your best choice. The drawback is that most employer sponsored plans have higher fees and a limited investment lineup. Be sure to check with the new provider to be ensure this is an option as not all plans allow rollovers.

- Fixed Income (Bonds & ETFs)
- Diversified Equities (Stocks & ETFs)
- Other (Cash, Property, Etc.)
Rollover to IRA (Traditional or ROTH*)
Rolling your old account into an IRA has 2 main benefits:

1. If selected carefully this is your lowest cost option with the broadest selection of investment options.
   
2. Account consolidation: Once you have one IRA account, you don’t need to open another. Long term you can continue to consolidate all of your funds into the same account. Really, the only reason to not choose this option is if you feel you may need access to a 401(k)/403b loan in the future.

*If you have both pretax (traditional) and post-tax (ROTH) contributions in your 401(k)/403b account, you will need separate IRA accounts, as the tax treatment and rules on distributions are different.

Already have a 401(k)/403b loan?
If you have an outstanding 401(k) loan and you separate from your job, regardless of the reason, you will be required to pay the loan back, in full, 60 days from your separation date. Any balance not repaid will be taxed as a distribution at ordinary income rates. If you are under the age of 59 ½, there is an additional 10% penalty.

The decisions that need to be made around your health insurance and retirement account(s deserve time, attention, and a little research. There are a lot of restrictions, timelines, and nuances. Working with a professional who specializes in each category is in your best interest.