

Severance package

So, you're getting a severance package, now what?

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The day may have started out just like any other. However, that all changed when you got to work.

That's when your life changed, and now you're in shock. You've just found out that you're being let go and your employer has placed a severance package offer in front of you. Often you are escorted back to your office to clear out your desk, hand in your phone and leave the premises. The shock can be overwhelming.

Whether it was due to downsizing or employment performance issues, the trauma is often the same. If you are financially stable, near retirement, or disliked your job, your termination may come as a welcome relief. However, most people are unprepared for a sudden career transition. Take a few deep breaths, relax and get ready to a new financial reality. Most importantly do not make any rash decisions that you might regret later.

While your first step may be to share with your family and take time to reflect. The next step is to contact your financial planner, meet and review your personal situation. Getting a severance package is something that most people either never have to deal with or they have to deal with once or twice in their lives. If you do not have a financial planner now is the time to get one. In our experience the uncertainty of a sudden loss of employment can evoke fear of immediate needs like "how am I going to pay my bills". What a financial planner will do is create financial strategies to manage the short term while developing a long term approach like tax implications and retirement savings.

Financial planners deal with financial transitions like this all the time. Whether a severance package, an inheritance, an insurance settlement, or a lottery win, an experienced financial planner is trained to provide the expert advice you need to manage financial windfalls (or downfalls).

A financial planner will review the severance package with you, to explain some of the details and based on their experience may suggest that you seek a professional opinion from an employment lawyer, that specializes in cases like yours. Be sure to choose a qualified financial planner who has demonstrated the in-depth knowledge, training, and expertise to provide



financial advice. They can help you decide how to deal with your severance in the most tax effective manner. Including RRSP rollovers, transfers and top ups, they know all the rules and the allowable tax free and taxable transfer amounts.

Along with your severance package there can be group RRSP, profit sharing plans, and pension account transfers to consider. This is a huge financial change and now is the time for you to have a professional in your corner. Another important element is your group health insurance benefits. In most provinces, you have limited time to convert these plans to personal plans without any evidence of insurability. If you wait longer you may not qualify.

Next, they will help you plan for both your short term and long-term financial needs. Remember that pay cheque that you have been getting isn't going to be there anymore. The money from your severance package may have to be used to replace that income, at least until another source can be found. Delay making long-term investment decisions until you know just what the investment time frame is for this new found money.

Your planner can revise your existing retirement and financial projections or create a new one for you if you do not currently have a plan. They can also help you decide if maybe you can afford to retire, or if it's time to freshen up the old resume, and to start talking to your centres of influence about your new found freedom, and the skills you can bring to a new employer.

This could be that opportunity to find that job you truly love, you know that one that doesn't really pay very well, the one you would do even if they didn't pay you. Or maybe you can become a consultant, now that you have the extra money from the severance package it might just be enough for you to pursue your dream.

Conclusion

Remember when money changes, life changes, now is the time to look forward to a better tomorrow, and not to dwell on what has just happened. This could be the first step to a better tomorrow.

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