



# “Early Out” Retirement or Severance Offers: A New Look for Your Retirement

Many employers in today’s environment are offering employees an early out retirement plan or special severance package. Amway, for example, recently announced a restructuring plan with 900 layoffs, many based in Ada. Some will be offered a voluntary separation program with severance and benefits. Although these offers may not coincide with what you had planned for retirement, these moments give you a chance to evaluate and take control over your future.

If you have received an “early out” or special severance offer from your employer, it can be stressful making the right decision. On the one hand, you could benefit from exiting your current career early to enjoy time with family or pursue other interests and ambitions. On the other, if you accept an offer to retire early, you could be giving up years of more of saving for retirement. Less time to save means you will have less savings available. The key is to

have perspective and view the moment as an opportunity to think through your goals, make necessary changes and establish a new plan to see if an early retirement buyout or severance will work for you.

## Do I take the early out or severance offer?

Making the decision to accept an early “buy out” or retirement offer is not a simple one and needs careful consideration. You will need to balance out the terms of your severance or buy out with your existing retirement plan. That includes thinking through your health insurance decisions, pension options, and Social Security claim strategy. You also need to consider how your investment portfolio should be structured, or re-structured. This new retirement plan should cover all the options your employer offers, as well as look for sources of hidden value in your financial situation.

### Things to consider:



**Amount of Risk**



**Amount needed to ensure funding into later years**



**Cash flow from investments**



**Realistic withdrawals**

## Steps to Building a Plan:

- **Gather all current financial information** along with all the details of your options: including your employee benefit options and your retirement plan options. This will effectively illustrate the comprehensive view of choices to help make informed decisions.
- **Build a blueprint that includes all your needs, wants, and financial information.** What you aspire retirement lifestyle to be, compared to what can be realistically achieved, is crucial.
- **Compare it to different options** and see how well each course of action is likely to work – or not work.
- **Consider how those different options affect your other decision,** like Social Security claims, investments, or health insurance. Strategizing can also help you find areas of hidden value in your situation. Once you have a realistic “blueprint,” you can then explore more options beyond even beyond the ones you are currently considering as part of your early retirement.
- **Take into consideration different Social Security claiming strategies.** There are ways to maximize the total amount you can expect to receive from Social Security over your lifetime. Once you have a plan set up, you can look for the best claiming strategy for your situation.
- **Explore how to minimize your expected income taxes during retirement.** When you retire, your income will drop because your paychecks will stop. The way you set up your cash flow plan will make a big difference in the amount of tax you will pay.
- **Examine tax-saving strategies** like Roth conversions or charitable giving that can be done in ways that save significant tax dollars over the course of your retirement. You'll be able to explore these possibilities once your plan is set up.

Be sure to review your Summary Plan Description (SPD) documents for all your retirement accounts, including pensions. The SPD is a legal document that explains your account options, how different options work, and any obligations you have when you want to elect certain benefits.

### What should I ask about the early out/severance offer?

How much control can you expect to have in setting your retirement date?

How much bonus are you eligible for?

How much severance or early out compensation you can expect?

What are your pension options?

What about health and long-term care insurance?

What options do you have?

### What happens if I turn down the offer?

This is a time to consider the opportunity that has been presented to you by your company. If you don't “opt in,” it may not be offered again in the future. The possible outcomes need to be measured when making your final decision and strategizing your future retirement.

### Should I get professional advice?

If you're considering an incentive offer or special severance from your employer to retire, you need two deep dives: The retirement plan you want, and the retirement package or severance being offered. You don't need to embark on this heavy undertaking alone. Get the professional guidance you deserve and have the right fiduciary advice you need to assist in the decision most beneficial while creating a retirement plan that best matches the retirement lifestyle you anticipate having.



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