WISER®

Saving
Investments
Insurance
Social Security

Improving the long term financial security of all women through education and advocacy.

Leaving a Job or Working Part-Time

It is important to understand and plan for the financial and retirement costs of changes to your employment. If you are thinking about leaving your job or reducing your hours to part-time, find out what will happen to your benefits. Decisions you make now can have a tremendous impact on your financial future.

> **Between January 2020 and October 2021, 3.3 million Americans opted to retire, according to the St. Louis Federal Reserve Bank.**
>
> **—CBSNews.com**

Be sure to exhaust your other options before leaving a job or reducing your hours. You might find resources that will help you stay at your job.

Leaving your job will cost not only your salary, but probably important benefits like retirement contributions and health insurance. There may also be a loss of promotional opportunities, job security or more vacation days. If you are leaving behind a pension plan, you will lose years of service toward vesting or increased benefits and/or account contributions that build up while you work.

Before you leave a job or reduce your hours, carefully consider these issues:

Where are you in the retirement vesting and benefit schedule?

Try to stay at your job until you are vested. If you are near the point where your benefit will be increased, try to stay long enough to reach that milestone. If you are reducing your hours, find out the minimum number of hours you need to work to continue getting retirement benefits and health insurance, and try to work at least that much.

- If you are in a traditional pension plan, you usually become vested in five years. Generally, the longer you stay at your job, the more valuable the benefit will be.
- If you are in a defined contribution plan, such as a 401(k) plan, there is a similar vesting requirement, usually three to six years. If you leave before you are fully vested, you will forfeit money your employer has paid into your account.
- In a defined contribution plan, such as a 401(k) plan, when you change jobs, you will have some choices. You may be able to leave your retirement savings in the same account or roll it over into an Individual Retirement Account (IRA). **Resist the urge to cash the money out.**

What about your insurance?

- Think about the benefits you have at your current job and whether you can take them with you if you leave. If not, where will you get health insurance and how much it will cost? If you are thinking about buying individual coverage, get some estimates on how much it will cost.

- You may be able to continue coverage under your previous employer's policy for a limited period of time (typically 18-36 months) under a federal law referred to as COBRA, but you will have to pay the full premium. You have 60 days after you leave your job to decide if you want to continue this coverage and pay the full premium.

Medicare/COBRA

- Understand how Medicare and COBRA work. You are eligible for Medicare at age 65. If you have Medicare first and then become eligible for COBRA, you can have both. But remember that Medicare pays first and COBRA pays second, so you do not want to drop Medicare to take COBRA—without it you have no primary insurance, which is like having no insurance at all. If you have COBRA first and then become eligible for Medicare, your COBRA coverage may end. Since you will not be fully covered with COBRA, you should enroll in Medicare Part A and Part B when you are first eligible to avoid a late enrollment penalty. Learn more at medicarerights.org.

Healthcare Marketplace

- The Affordable Care Act signed into law in 2010 established a Health Insurance Marketplace whereby you can find health coverage that fits your budget and meets your needs. You cannot be turned away because of a medical illness or pre-existing condition. Visit healthcare.gov or call 1-800-318-2596 to apply and find out more about your plan options. The Marketplace will also tell you if you qualify for free or low-cost coverage available through Medicaid or the Children's Health Insurance Program (CHIP).

Most people underestimate their risk of disability. Workers at the age of 30 have a one in three chance of being disabled for three months or longer, and a woman at age 45 is three times more likely to be disabled than to die prematurely. Source: ACLI

Disability Insurance

- Disability insurance is important protection for women. Research the terms and products carefully and buy from a reputable company. Both the Actuarial Foundation and the Consumer Federation of America offer information on purchasing disability coverage. Visit actuarialfoundation.org and consumerfed.org.

How will you manage your money and continue saving toward retirement?

- If possible, pay off credit card and other debts before you quit your job. You will be on sounder financial footing and the interest you are paying now can be saved for retirement instead.

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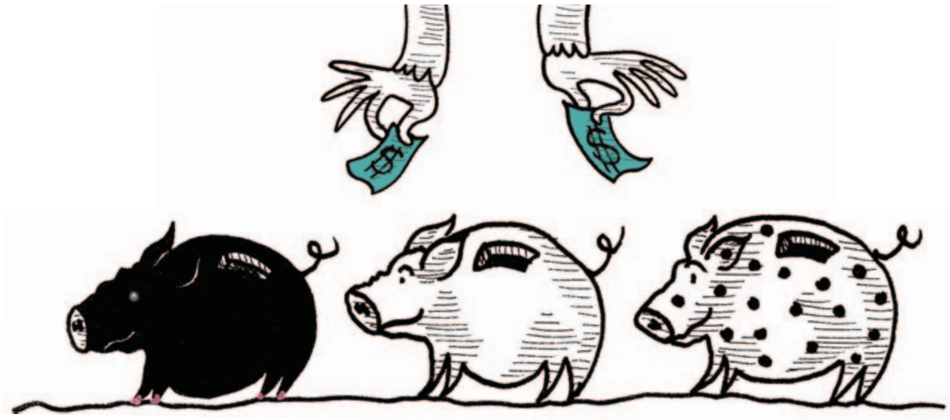

- Know what health, disability, and life insurance coverage you have. Know what it would cost if you had to buy your own coverage, and factor that into your budget.
- Create a budget for your expenses that factors in caregiving costs. See Step 3 (p.8) for more help with budgets.
- Plan to continue saving for retirement. Look into contributing to an IRA. You are currently allowed to contribute up to $6,000 a year to a traditional or Roth IRA, and the limit may be adjusted for inflation in future years. You can also contribute an extra $1,000 if you are age 50 or older. If you are serving as the primary caregiver, ask siblings or other family members to consider contributing to a retirement plan for you. If you are married, and your spouse earns income, consider putting money into a Spousal IRA. ***You need to protect your future.***
- If you start your own business, you could also start a small business pension plan like a SEP, a Simplified Employee Pension. A SEP is easy to set up and has higher contribution limits than IRAs. A qualified financial advisor can help you decide whether, and how, to start a SEP.
- **Don't spend your 401(k) or IRA money.** When you cash out, you'll lose future investment growth and the benefit of compound interest. You will also pay income tax on the money and, if taken out before age 59½, usually pay an IRS penalty. So, think twice before you cash out your employer retirement savings account for funds. See the Retirement Clearinghouse (RCH) Online Cashout Calculator to understand how much cashing out your retirement savings — even small balances — can cost you: https://rch1.com/individuals/cash-out-calculator