

# Plan

## What to Consider If You're Offered an Early Retirement Buyout

Corporations and public sector employers sometimes want to encourage early retirement. So they offer certain employees a buyout package. If you get such an offer, you probably can refuse it. But the reality may be that if you do, you may be offered a lesser package later — or no package at all.

If you think you may be about to receive an early retirement offer, you'll want to consider several things before making your final decision.

### Think About Your Future

You have three basic possibilities: Get another job, work for yourself, or retire. The option you choose will probably affect the decision you make about your buyout package.

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- If you want to move on to another job, you should probably move quickly, because it's much easier to get a job if you're still working. There's usually a comfortable period between the offer

and the expected retirement date. Try to line something up before your retirement takes effect. Also, if you know you want to keep working, you may want to hold off on receiving the retirement package for as long as you can.

- On the other hand, if you are planning to start your own business, you will probably need to gather up as much capital as you can, including cash from your early retirement package.
- If you're planning to retire, you may want to put the entire package into an investment account.

### Size Up Your Offer

Sometimes, a buyout offer includes “sweeteners.” They can include benefits such as a cash bonus, a lump-sum payment of retirement plan benefits, continuing salary for a period of time, extra years of service credited to a retirement plan, insurance coverage, medical benefits for a time, and outplacement services. You need to consider the particulars of your package.



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### **Don't Forget About Taxes**

Distributions from tax-qualified retirement plans are usually taxable. Taxes will reduce the cash you have available. Also, plan distributions can trigger an early withdrawal penalty tax if you're too young. No matter how old you are, you should be able to defer paying tax on your distribution by rolling over your money into an individual retirement account (IRA). Check with your tax professional.

### **Can You Negotiate?**

If other employees in your category of service and age are being offered the same buyout, your offer is probably not negotiable. If you receive an individual voluntary separation offer, however, negotiation may be possible. You don't have to accept or turn down the first offer. You may want a particular benefit that's not in the package or want changes made to the benefits that are included. Ask, and you may get your request.

If you have an early retirement opportunity, make sure it fits well into *your* plans.

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