

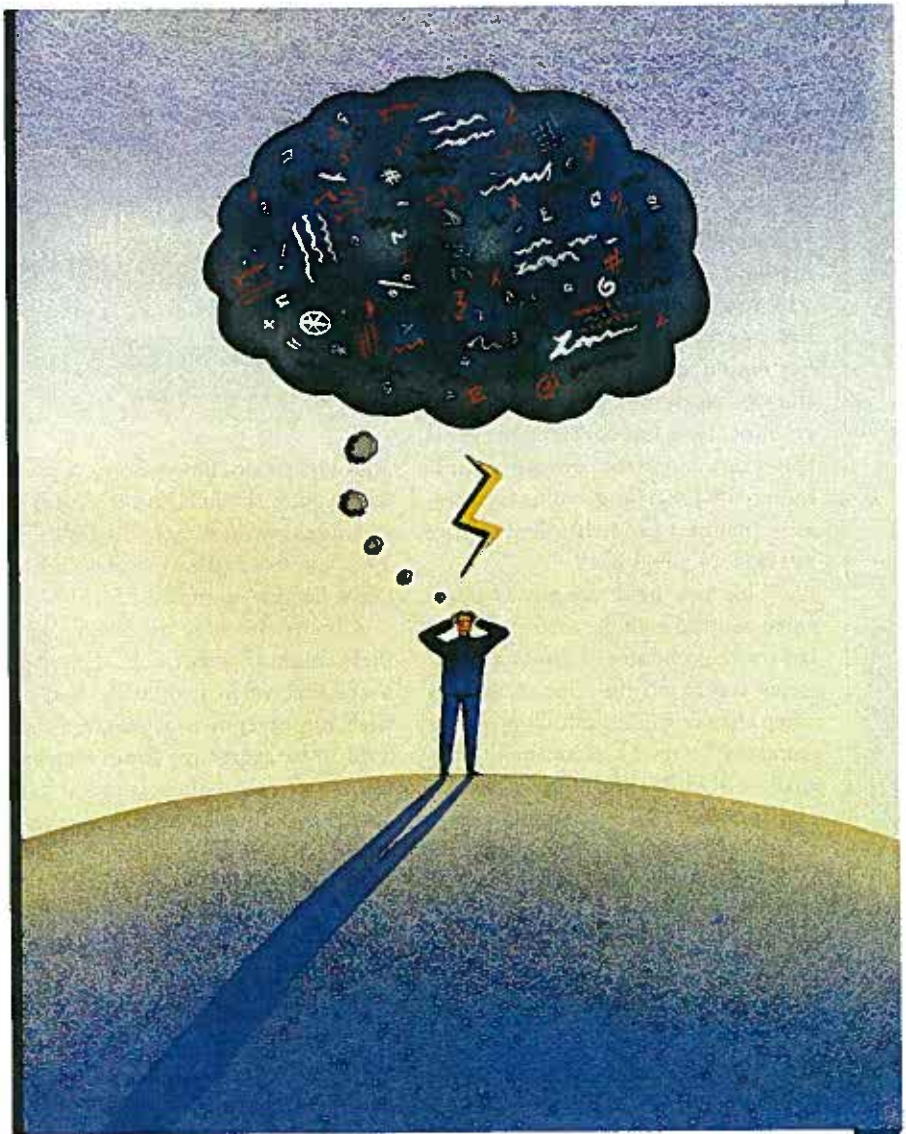
More Pink Slips

HELPING YOUR CLIENTS COPE WITH JOB LOSS WILL ADD VALUE TO RELATIONSHIPS IN A TERRIBLE ECONOMY. BY JEANNE LEE

THROUGH THE END OF NOVEMBER, our economy has shed a staggering 1.9 million jobs in 2008 alone. As a result, many financial planners are having to help clients cope with situations much more dire than their worst-case scenarios. Those who have lost positions in the financial services industry—like the 52,000 laid-off employees at Citigroup whose jobs will end in the coming months—are likely to endure prolonged job searches that will require much more than the typical three to six months' worth of emergency cash they may, ideally, have on hand.

"We don't know how long it's going to take some of these people to find jobs," says financial planner Chanie Schwartz, founder of A Vested Interest Inc. in New York City. "There are people who are going to get washed out of the financial sector and may never find jobs there again. They need to come to grips with reality and get into a new career path."

With more pink slips on the horizon, financial planners need to prepare. Clients who are flailing and desperately in need of guidance are not necessarily ready to seek it out, especially when they are trying to slash expenses. "If the planner doesn't get a chance to walk them through [a job loss], logically you'll have some clients who will say, 'I'm going to cut my planner too,'" says Lisa Kirchenbauer, president of Kirchenbauer Financial Management in Arlington, Va. She currently has several clients who expect to lose their jobs soon. "The No. 1 thing is to keep the lines of communica-



tion open, especially with those clients in at-risk industries. Get in touch and ask, 'How are you doing? Do we need to sit down and make a plan B?' Some people will really welcome that."

Financial planners will find themselves acting more as counselors than

number crunchers as our economy goes through profound shifts and clients are forced to do some soul-searching. The loss of a job is a terrible blow to the ego. Clients feel embarrassed, uncomfortable and scared. Planners need to calm panicked clients and provide support

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by focusing attention on what can be controlled: cutting expenditures, figuring out emergency funds, evaluating how to replace lost benefits and making a game plan for the job search. The challenge to financial planners is to find the opportunity in the crisis, stretching their own skills and finding ways to add value while cementing client relationships by being there in a time of crisis.

FINDING EMERGENCY CASH

In today's environment, some planners are advising those who still have good jobs to try to stash at least a year's worth of cash in a money market fund for emergencies. Many will not have enough. If a client has not yet separated from his or her employer, check whether he or she can tap retirement funds. Many accounts have lost considerable value this year, but if borrowing against money in a 401(k) account is necessary, planners can help clients figure out how to pay it back.

"This can be a dangerous move when coupled with the market decline, but they may be able to get their emergency fund, and the time to do it is when they're still technically with the company," says Shashin Shah, principal at SGS Wealth Management in Dallas, who has assisted executives with buyout packages and layoffs.

Typically, the account holder is allowed to borrow about half of the value of the 401(k), up to a maximum of \$50,000. The planner should figure how much will be needed to service the loan each month. Say a client has \$100,000 in a 401(k) account and has monthly expenses of \$4,000. He believes it may take up to nine months to find another job. "He could borrow \$50,000 and I would recommend he put away enough money to service the loan for nine months. If it costs \$1,000 to service the loan, we plan to set aside \$9,000 and he can use the rest for expenses," Shah says. Fairly shortly

JOB LOSSES IN 2008

TrimTabs estimates that job losses reached 1.52 million in 2008 through November.

Month	TrimTabs Job Growth Estimate (# of jobs)
Jan-08	-156,000
8-Feb	-78,000
8-Mar	-79,000
8-Apr	-121,000
May-08	-157,000
8-Jun	-76,000
8-Jul	-45,000
8-Aug	-31,000
8-Sep	-277,000
8-Oct	-235,000
8-Nov	-265,000
Eleven-Month Total	-1,520,000

Source: TrimTabs Investment Research

after separation, however, most plans will require the loan to be repaid, or it will become a taxable distribution. This may be a risk worth taking if a client has few resources.

Clients also may need to rejigger their thinking about debt. Schwartz notes that when people are laid off with big severance packages, "they tend to be aggressive about wanting to pay off debt—such as credit card or 401(k) debt—before it becomes a taxable distribution." But in today's environment, she emphasizes, "they should conserve cash and see how long it will take to get a job."

CRISIS BUDGETING

Making severe cuts in a family budget can be difficult to stomach, especially if the job loss was unexpected. Help the client make two budgets, one for a working month and one for a non-working month.

Emphasize that the extreme cuts are temporary, and every little bit helps, whether it's switching to a cheaper cell phone plan or cutting cable television services. "Sometimes people feel like small expenses don't

matter, because what difference does \$50 a month make. But they need to be really conscious of where they're spending their money. That might mean making different choices for the holiday season, or getting back to basics and eating meals at home," says Kirchenbauer.

Knowing which expenses absolutely must be covered will determine how much is needed in the emergency fund. It will also help shape a realistic estimate of how much income they really need to make at their new jobs. "I had a client who said, 'I need to make \$200,000,' " she recalls. "But when we really looked, it turned out to be more about self-esteem than his actual expenses."

REPLACING LOST BENEFITS

In the aftermath of a job loss, planners should help take stock of what benefits have been lost, which ones clients are entitled to by law and which ones may be portable. Urgent decisions may have to be made about how to continue healthcare coverage, especially if there are dependents.

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WEALTH ADVISOR

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It's Off
As Wall Street ebbs and flows, experts are saying that the forces that brought these down—and changes that the forces that brought them down—will make life for different for our advisors in this newly transformed practice environment. In this newly transformed practice environment, planners will have to become more nimble, more nimble, and willing to spend less money for doing more work. It's about an evolving business model in which even the advisors will end up taking a lower percentage on assets management. Planners won't be able to bundle all their fees into a single package paid for by a fixed percentage of AUM. Instead, they'll unbundle and reward those services. If you're not, you're most likely a percentage of AUM, for asset management—plus a fee for services for wealth management fees such as estate planning and insurance consulting. No planners have already begun using this wealth management model, charging separate fees for individual pieces. In the coming year, only the best will survive—by using practice models to work more for less.

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Adding high-performance teams at your firm can improve internal and external performance. One of the challenges financial advisors are most concerned about is how to make their staff members as effective as possible. Today, with the financial markets gyrating wildly and everyone concerned about the future, it's more important than ever to make sure your staffers can pull together as a team. Building a great team is an absolute necessity in today's hyper-competitive, high-stakes environment. Advisors who surround themselves with great people out themselves in ideal positions to build practices that people and clients love. The best financial advisors are doing exactly that by building what we call high-performance teams (HPTs). HPTs give you the same to put your focus where it should be—on your clients. And they create a resilient and robust organization that will consistently provide clients with great results and exceptional service.

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Typically, employees are eligible to continue the same coverage through COBRA for at least 18 months, but they may have to pay up to 102% of the cost of their insurance premiums. If the premiums had been subsidized by the employer, that cost will be a rude shock. “COBRA can often be a good bridge choice, but it ends up being an unsubsidized health benefit,” Shah says. “A family of four may have been paying \$200 a month for insurance, but under COBRA it could be \$1,000. The planner can help evaluate whether that policy is better than a private policy.”

Many employers offer life insurance,

what they're getting relative to what they had. For example, “You were in a PPO, now you're in an HMO. You were getting 3% matching, now you're getting 4%,” Shah says.

THE CAREER TRANSITION

Many clients will be forced by an unforeseen job layoff to reassess what they want in their lives and what is meaningful to them. They may have to craft resumes and cover letters for the first time in years and feel at a loss, especially if they are switching to a new career path in an unfamiliar field. Kirchenbauer, who, in addition to being a CFP,

Severe cuts to a family budget can be difficult to stomach, especially if a job loss was unexpected.

ance, long-term-care insurance and disability policies, and these may be portable as well. For an older client or one who is not in good health, the ability to take over the payments on an existing \$100,000 life insurance policy may save the worry of having to find another carrier. “It's better to keep it for a few months while they make sure they don't need it, and drop it later,” says Shah.

If the client was a highly compensated executive, he or she may have had special retirement benefits such as SERPs (supplemental executive retirement plans) or annuities. “Take a look at how to maximize the benefits the company offered. For example, it may make sense to take out a term life insurance policy on the employee to supplement what the spouse would receive if he or she died,” Schwartz says.

It's also worth checking whether the benefits package includes any job search assistance. Once the client receives another job offer, go through the new benefits package and explain

is a registered life planner through the Kinder Institute, suggests that planners can add value by preparing some tools to assist in career transitions. “We have clients do Kolbe and Strengthfinder 2.0 assessments to get a clearer sense of what their strengths are, so they can position themselves effectively and avoid taking the wrong job,” she says.

Alternatively, another creative way to increase the value proposition of your practice is to partner with an executive coach or life coach who can help your clients reevaluate career goals when circumstances suddenly change. “Often life coaches are not great at dealing with money issues, so the planner is there to provide the financial support,” Kirchenbauer says. **FP**

Jeanne Lee, a New York-based freelance writer, contributes frequently to Financial Planning.

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