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Your Money

Sandra Block

Consider all factors before deciding on buyout offer

If you've ever daydreamed about getting paid to stay home from work, be careful what you wish for.

Across the country, corporations are offering big checks to blue-collar, middle-management and top executives to, well, go away. Just last week, more than 120,000 hourly workers for General Motors and auto supplier Delphi were offered buyouts of up to \$140,000.

While that may seem like a lot of money, a buyout isn't a windfall. Unless you've got another job lined up, you'll need money to pay your living expenses until you find work, which could take months. And there's a good chance your new job will pay less, and offer less generous benefits, than the one you're leaving.

Most employers give workers a couple of months to decide whether to accept a buyout. Take the time to weigh your options. Consider:

•**Your future with the company.** If you decide to decline the buyout offer, there's no guarantee your employer will keep you. Companies that don't meet goals with a voluntary buyout often resort to layoffs, says David Berman, a financial planner in Timonium, Md.

Your employer's financial health should also factor into your decision, Berman says. When you turn down a buyout offer, "you're continuing to cast your lot with the fortunes of the company," he says.

If you think your company will continue to squeeze costs and cut jobs, you may want to accept the buyout.

•**Your benefits.** In GM's case, younger workers are eligible for buyouts ranging from \$70,000 to \$140,000, but they must give up retirement and health benefits. Older workers were offered a smaller payout but will be able to retire with full benefits.

Even if you find another job quickly, it might not include health insurance. While 98% of large employers offer health benefits, only 59% of companies with fewer than 200 workers do, down from 68% in 2000, according to the Kaiser Family Foundation.

Some buyout offers give workers a choice: a large payment and no benefits, or a smaller payment and continued health care coverage.

If you face such a choice, don't underestimate the value of benefits, says William Morin, CEO of WJM Associates, an executive development firm. Morin, who has counseled executives affected by corporate downsizing, says he usually recommends taking the package with benefits, "because benefits costs are soaring."

Going without insurance is always a bad idea. A serious illness could bankrupt you and make it impossible to get coverage in the future, even if you find a job with health benefits. Married workers may be able to continue their coverage by joining their spouse's policy. If that's not an option, you'll probably have to spend a chunk of your buyout check on a private insurance policy.

•Taxes. In calculating the value of your buyout, don't forget about Uncle Sam. If your buyout is considered severance pay, as opposed to a lump-sum pension payment, it will be taxed as ordinary income. That could push you into a tax bracket "you've never dreamed of being in," says Malcolm Greenhill, a financial planner in San Francisco.

Employers are required to withhold federal and state income taxes, so your check will be smaller than the stated buyout offer, says Bernie Kent, personal finance partner with PricewaterhouseCoopers' Private Company Services.

But careful tax planning might help you recover some of that money when you file your taxes. Workers who ordinarily take the standard deduction on their federal tax returns may find that the higher state tax payment — which is an itemized deduction — makes itemizing a better deal.

And once you decide to itemize, make sure you take advantage of all the deductions available. If you normally contribute the same amount to charity every year, for instance, you may want to make two years' worth of donations in the year you receive your buyout. Your deductions will be worth more in the year you receive the buyout, especially if it pushes you into a higher tax bracket.

•Employment outlook. When someone hands you a big check, it's easy to get mesmerized by the money. But before you start shopping for a sports car, take a cold, hard look at job prospects. You may need the money to go back to school or start a business.

For some workers, a buyout offers an opportunity to pursue a long-lost dream, Morin says. He recalls counseling a chemical engineer who confessed that he'd always dreamed of being a ski bum. After his buyout, the client found a job as an engineer for a company that makes ski equipment.

Many workers wish they had made different career choices, Morin says. A buyout "should be an opportunity to get rid of the lamentations and try something you'd like to try."

Sandra Block covers personal finance for USA TODAY. Her Your Money column appears Tuesdays. [Click here](#) for an index of Your Money columns. E-mail her at: sblock@usatoday.com.

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