

Evaluating Buyout Options

By Xenia Woltmann

Stellantis has made recent headlines by offering buyouts to approximately 6,400 non-union salaried employees.

In the case of any buyout offer, there are several factors to consider. Depending on your situation, you may decide to officially retire instead of looking for further employment, or even work part-time or as a consultant. First, determine the amount of the buyout being offered. In the case of Stellantis, employees with 5-9 years of service will receive three months of pay. Workers with 10-14 years of service will receive 6 months of pay, 15-19 years of service will receive 9 months of pay, and employees with 20 or more years of service will receive one year of pay. Work with a trusted advisor to evaluate your budget and income needs, and then create the most efficient strategy to generate current and future income. For example: an employee decides not to return to work and to live on after tax dollars in 2024, dropping taxable income substantially (and possibly taking advantage of tax loss harvesting opportunities). This provides the opportunity to convert pre-tax retirement savings into Roth assets, allowing for future tax-free income, potentially reducing taxation on social security, and possibly decreasing Medicare premiums in the future. Many individuals that are considering early retirement are now faced with the possibility of initiating social security benefits or pension benefits earlier than anticipated. Alternatively, if you need to utilize retirement assets for income and you are not 59 ½, discuss options to avoid the 10% premature distribution tax penalty.

Another consideration is the cost of healthcare. Employees with Health Savings Accounts (HSAs) can utilize those savings to help pay for healthcare costs. Nevertheless, it is important to understand and budget for the monthly premiums and expenses associated with healthcare. Consideration also needs to be made for coverage beyond COBRA. Options may include benefits provided by a new employer if you decide to continue working, benefits provided by a spouse's employer, Medicare if you are 65 or older, or insurance in the marketplace.

It is also important to consider the psychological aspect of a buyout, especially in the event of retirement. Are you prepared for the change in lifestyle or the uncertainty of finding new employment? What options are available?

Working with a trusted professional that understands your needs, considers income and tax strategies, and maintains an ongoing financial plan is essential to achieving the retirement lifestyle that you deserve.



*Rochester Wealth Strategies, LLC is an Independent Registered Investment Adviser located in Downtown Rochester.
RWS is a Fiduciary and Fee-Only financial advisory firm (248-434-6550).*

This article is provided for informational purposes only. Please consult with your trusted advisor before engaging in any transaction.