



5 Tips for Reviewing an **Early Retirement Offer**

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You've spent years planning and saving for your retirement. And then, out of the blue, your employer hands you an early retirement offer that could change everything. An early retirement, or "voluntary severance," offer is a financial incentive to resign that an employer may offer to senior employees when they need to reduce payroll costs. This voluntary package could be a boon, giving you the freedom to pursue other activities, or an unwanted complication throwing a wrench in your retirement plans. If you're presented with early retirement, should you take the offer? Here are some factors to consider:

1. Understand what's in the package

When you receive an early retirement offer, the first step is to understand its component parts. Offers commonly include:

- **Severance pay.** The offer will probably include a lump-sum payment. For example, your boss might offer one- or two-weeks' salary for every year you've worked for the company.
- **Health coverage bridge.** Your employer may offer to extend your job-based health care coverage to make retiring early more affordable and help bridge the gap between leaving your job and qualifying for Medicare.
- **Pension bridge.** The package may include temporary retirement payments to keep cash flowing until your pension or Social Security kicks in.

- **Additional perks.** An early retirement can include almost anything else, such as free financial planning or career counseling to help you move on to another job if you choose.

2. Decide on your retirement plans and health coverage

An early retirement offer may complicate your financial plans. The financial incentives in the package will likely amount to less than you were expecting to receive in compensation in your remaining years of work.

Consider working with a financial advisor to determine whether a lump-sum payment will leave you with enough income to maintain your desired lifestyle once you retire. Are there adjustments you can make to your plan that will make early retirement more feasible, such as downsizing your home?

Consider, too, how early retirement will impact your Social Security. Will you have to collect your benefits earlier than expected, permanently reducing your payments? Will doing so leave you with enough monthly retirement income?

Health coverage is a parallel concern. If accepting the offer would mean losing your or your family's health insurance coverage, you have to decide whether you can afford to purchase your own policy before you accept.

3. Consider your ability to find another job

Even if you can't afford to retire early, it could be worth it to accept the offer and then find a comparable job elsewhere, pocketing the package as a windfall. But the success of this strategy hinges on your ability to find another job, and in a reasonably short amount of time.

Before you accept the early retirement offer, research the job market. Are there plenty of openings at businesses that are willing to pay an experienced worker a salary comparable to yours? If not, you may not be able to count on replacing your current job with another one.

4. Assess the financial stability of the company

If your company is offering early retirement packages, that might be a sign that the business is finding it difficult to stay in the black. If you decline the voluntary offer and stay on with the company, you could see more rocky times ahead. And if that happens, there's no guarantee that the early retirement offers will come back. If you don't have confidence in the medium-term viability of the company, taking the offer could prove to be the best move, even if what you'd really rather do is stay on.

5. Know your alternatives

When your employer offers you voluntary severance, you don't have to choose to simply decline or accept it. You can also negotiate the package higher or offer an alternative. If you're amenable to retiring early but the package on offer leaves you with a gap in health coverage or too little severance pay, your employer may be willing to sweeten the deal. If retiring early isn't an option for you, but moving to a part-time schedule is attractive and feasible, you could offer that as an option. It may satisfy your employer's ultimate goal to cut back on payroll without having to let someone go.

SOURCES:

[How to Evaluate an Early Retirement Offer | Second Careers | US News](#)

[Early Retirement as an Alternative to Layoffs | The Hartford](#)

[Wave of early retirement hits workforce. How to negotiate best deal \(cnbc.com\)](#)

[Here's what to consider if your company offers an early-retirement package \(cnbc.com\)](#)

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