Job Transition Checklist

Going through a job transition, whether it's a layoff, buyout or retirement, can result in several big decisions that could have a significant effect on your personal finances. This checklist outlines some critical considerations that you should weigh before making a move.

- **Understand your expenses and map out a budget.** One of the most important first steps is to fully understand your household's monthly expenses and bucket them into critical fixed expenses (i.e. mortgage, rent or car payment) and non-essential expenditures (i.e. dining out, cleaning service or cable television). Once you have a grasp on expenses vs. your income, you can lay out a budget that can help maximize your savings and stabilize your finances. Despite the importance of basing financial decisions on a budget, more than half (57 percent) of Americans manage their finances without one.[1] A job transition makes a budget even more critical.

- **Replenish your emergency fund.** In this tough economic climate, almost half of Americans (46 percent) operate without an emergency fund, according to Fidelity research[2]. A severance or buyout package may give you the ability to quickly build or replenish an emergency fund to help stabilize your household's expenses in the short-term versus tapping into other savings. As a rule of thumb, your emergency fund should cover at least three to six months worth of living expenses.

- **Create or review your retirement plan.** Before taking an early retirement or buyout offer, be sure to understand if the package, combined with other savings, will sustain you in retirement. Fidelity believes you should target replacing 85 percent of your pre-retirement income each year in retirement. With only 13 percent of Americans very confident they will have enough money to live comfortably in retirement,[3] this assessment can help determine any potential impact on your standard of living and whether you might have to work in retirement.

- **Take inventory and consider consolidating your assets.** In challenging times like these, it's important to take control of your assets – review all of your options with 401(k) plans with former employers, pensions with lump sum options or IRAs that you haven't contributed to in a while. Consolidating your finances, either through an IRA or other means, may give you a better sense of what your financial picture looks like and may also make it easier to manage. Additionally, it can give you more control over your money and access to a broader range of investment options. After considering your available options, determine an appropriate strategy for your situation.

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[1] Fidelity national omnibus survey of 1,472 respondents sampled online from the US population age 18+ (excluding students and retirees). The survey was fielded from 2/12/09 to 2/17/09

[2] Ibid

[3] 19th Annual Retirement Confidence Survey (4/14/09), Employee Benefit Research Institute (EBRI)

- **Review your medical, life, and disability coverage.** If you're under 65 years old and not eligible for Medicare, it's critical to understand your short- and long-term medical coverage options, as medical expenses continue to be one of the leading reasons for declaring bankruptcy in the U.S. If long-term medical coverage isn't being offered by a former employer, investigate short-term COBRA medical options or check to see if you can obtain coverage under your spouse's or partner's workplace medical plan. If you're near retirement, make sure to accommodate for medical costs in your income plan. Fidelity estimates that a 65-year-old couple retiring in 2009 will need approximately $240,000 to cover medical expenses in retirement even with Medicare insurance coverage. Additionally, it's important to determine your life and disability coverage options. Research whether your former employer, through a buyout/retirement package, provides coverage options within their existing group plans.

- **Determine your Social Security strategy.** Americans can sign up for Social Security benefits as early as age 62, but when to begin taking Social Security can be a complex decision with multiple payment strategies to consider. Waiting past age 62 to obtain higher Social Security payments may make sense for many who have other sources of retirement income, are in good health and planning for a longer retirement or plan to continue working. For others, taking lower payments at age 62 for immediate expenses might be necessary to preserve other assets.

- **Read the fine print.** If you're considering a buyout package, it's important to look beyond the monetary amounts and benefits by consulting with a professional. Items like non-compete clauses could prevent you from re-entering the workforce as quickly as anticipated and should be reviewed by an attorney.

- **Get ready to sell yourself.** If you're considering leaving your current employer, conduct a little research beforehand to understand what your career prospects are after leaving. Also be sure to update your resume, secure reference letters from important business contacts and network through key Web sites. Instead of going directly back to work, this also may be an opportunity to expand your skills with additional education or training.

- **Don't make the decision alone.** Be sure to include key family members into the decision process when considering a job transition, including your spouse. Fidelity research found that less than half of couples (45 percent) make decisions jointly regarding the day-to-day financial decisions of the household.[4] There are a lot of resources out there that can provide assistance and guidance through difficult decisions.

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[4] Online survey fielded in April 2009 through Knowledge Networks Inc.'s nationally representative panel and conducted by Richard Day Research

How Fidelity Can Help. For more information from Fidelity, including access to free planning tools and calculators like Portfolio Review, Retirement Quick Check, Retirement Income Planner, Budget Snapshot or Saving Planner, investors can call 1-800-FIDELITY, visit www.fidelity.com, or meet with a representative at one of Fidelity's 131 Investor Centers nationwide.

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Fidelity Brokerage Services, LLC
Member NYSE/SIPC
300 Puritan Way
Marlborough, MA 01752

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