



CORONAVIRUS:

what to do if you are laid off

The **Shimkovitz** Group

RAYMOND JAMES[®]

It's the dreaded official notification from your employer that they no longer need your services. What's worse is that with the COVID-19 pandemic, it may not be your fault at all. Getting laid off is hard. It can affect your confidence and how you look at future career opportunities. Even if you take some comfort from knowing that you're not alone, it can still be a shock when it happens to you. We've never had this type of health crisis lead to a major financial crisis.

The unemployment rate in Canada rose to 13.7 per cent for the month of May 2020, the highest level in more than four decades of comparable data. This meant that there were over 2.6 million Canadians out of work. We know restaurants, hospitality, travel, airlines, and others are just a few who have been impacted the most, but the fact is, very few sectors have been spared.

For most people, being laid off is a life transition that they simply didn't plan for. It can be deeply emotional and at the same time, a period which requires that you make some important financial decisions. A sense of urgency is added to many of the decisions when they come with time limits. So yes, while getting the pink slip is an awful feeling, it's also a phase in your life where you need to immediately get your financial act together.

While it is impossible to cover off every question you may have, this eBook is designed to provide you with an overview of many of them. It will give you some guidance in terms of what to do when you are first laid off, and what steps to consider to help get you back on track.

Here is some of what you will find:

- Questions to ask your employer and what they will provide to you
- Understanding severance
- Accessing government assistance
- Dealing with the insurance you had at work
- Understanding your work retirement plans
 - Stock options and/or stock savings plan
 - Group RRSPs
 - Company pension plan
- Who to talk to next

You were laid off, now what?

It's very important that you understand your rights regarding terminations, layoffs or dismissals, although not all may apply during these unusual times. The Government of Canada has a website [here](#) with information that's been updated in light of COVID-19.

What are some of the first steps you should take when you're laid off?

1. Get all the details about your layoff.

If you receive notice from your employer that you are being laid off, have a conversation to find out things like:

- Is this layoff temporary or permanent?
- Are you being offered a severance package?
- Are there any alternatives to a layoff (such as reduced hours, working from home, etc.)?

2. Secure your Record of Employment (ROE).

In Canada, a record of employment (ROE) is a document that's prepared by the employer and provides details of the duration of your position at work. If you'll be applying for employment insurance, an ROE will be required to complete your file. So it's important to get this from your employer as soon as possible.

Overview of Severance Pay

If you were offered a severance package, it's important that you understand what it's all about. The term "severance pay" means something specific to lawyers or the Ministry of Labour. When most people use this term, they mean any type of compensation you get after a termination. This might refer to any of the following categories of payment which can make up part of a severance package.

Although it's designed for general informational purposes, the [Ontario Employment Standards Act](#) lays out what you may be entitled to. This would include; termination pay, severance pay and the notice you are required to receive. Here is a link to the online [calculator](#) you can use. If you have further questions you can contact the Employment Standards Information Centre at (416) 326-7160 or 1-800-531-5551.

Here are some questions you might consider regarding your pay:

- When is your last paycheque? Many people don't ask this very simple question when they get laid off. You will want to ask specifically when your last day of work is and what the expectations are of you over the next 30, 60, or 90 days.

- If you are furloughed, you should ask for specifics as to what benefits are available to you and when your employer believes you can return to work.
- You should ask about vacation time, PTO or other types of benefits that may or may not be converted into money.
- See if you are eligible for any type of severance and then gain a full understanding of when your last paycheque will be deposited so you can plan backwards.

Be very careful if your employer asks you to sign a release of claims letter in order to get some final monies. Although your employer may claim that what you are getting is fair, there are many factors that go into determining this. If you don't agree with the severance package you're being offered, it might be worth your time to consult with an employment lawyer before you sign on the dotted line.

Seek Government Assistance

Seeking government assistance is nothing to be ashamed of, especially not under these circumstances! If you've been laid off as a result of the coronavirus (or another reason), you should contact [Employment Insurance \(EI\)](#). To help those who are self-isolating or are in quarantine, EI is waiving the one-week waiting period for accessing benefits. The Government of Canada has also set up a new dedicated toll-free phone number at 1-833-381-2725, which you can call if you are in quarantine and would like the one-week waiting period to be waived.

Apply for employment insurance (EI).

As a result of the coronavirus, there have been some changes made to the federal employment insurance program. The Government of Canada website outlines a number of criteria used to determine if you may be eligible for EI. You can find more information [here](#). There is also information about how much you could receive, what you need before you start, and of course how you can apply [online](#).

The Government of Canada has also established the new [Canada Emergency Response Benefit \(CERB\)](#) which as of June 2020 will be providing a taxable benefit of \$2,000 a month for up to 24 weeks to those whose income has been impacted by COVID-19 and qualify.

Lastly, you should check out the [Government of Canada's COVID-19 Economic Response Plan](#), which sheds light on child benefits, tax credits, mortgage support, and more.

Insurance: Can I Take it with Me?

If you have a group benefit plan, find out from your HR what exactly you have in every category (health, dental, life insurance and long term disability (LTD)) and how long each segment will be continued during severance, if at all. Most benefits are not portable, and those that are either have restrictive benefits, or are priced for the uninsurable.

Things to consider:

- **Partner benefits.** Do you have a partner who has access to group coverage? Have you previously coordinated coverage with them, or perhaps you have opted out because your plan was so good. Now is the time to see how you may be added in their plan. Note that this will only help with health and dental benefits and marginally with life insurance. No disability benefits will be available to you under their plan.
- **Your health.** Access to private plans may be restrictive if you have pre-existing medical conditions. If new coverage is not available, retaining, or converting group benefits may be your best option.

- Existing private plans.
 - Group life insurance should only be a small percentage of your total Life coverage. If you have not already worked with a professional insurance advisor to do a needs analysis, now is a good time to seek out help.
 - Group LTD is not portable. If you were fortunate enough to have a supplementary private disability policy, you may have some options to increase that coverage at this time. Work with your insurance professional to review your options.

If you are interested in learning more about how to apply for insurance coverage during the COVID-19 pandemic, check out our recent [blog.post](#) and episode 17 of our [podcast](#).

TIP: If you have outstanding dental work, prescriptions to be filled, or need any paramedical services like massage therapy, orthotics, glasses, etc., get them done while you have coverage.

What are the Options with your Retirement Plans?

Perhaps you've been receiving stock options, participating in programs such as stock savings plans or the company is contributing money into a retirement plan for you. Many Canadians have been investing in group RRSPs or pension plans through work. What will happen to all of those programs should you be laid off? Will your stock options require you exercise them within 90 days? Can you keep your company stock purchase plan? If you don't know the answers to these questions, contact your employer's HR department.

Group RRSPs

If you've been participating in a group RRSP, you'll get to keep the money that you contributed (and, if applicable, your employer's contributions). You have a few options when it comes to figuring out what you'd like to do with the money. Although one of your options may be to convert your RRSP into cash, doing so could result in a sizeable tax hit. This is where it is important to speak to a tax specialist.

One of the more popular choices is to transfer investments from a group RRSP into a personal RRSP. If you don't already have a personal RRSP, you should consult with a financial advisor about getting one opened. This option will allow you keep the money tax-sheltered while continuing to grow it towards achieving your retirement goals.

Another option is to transfer the RRSP into a registered retirement income fund (RRIF). Because there are rules about RRIF's that are different than RRSP's this is another decision where you should speak to a financial advisor. The advisor will help you understand the differences and determine which is in your best interest.

Understand Your Pension Plan

If you've been investing in a company pension plan, it's important to understand the details. This is especially true if you've been in it for many years. The benefits that you have earned in the plan may be the largest source of income you will receive in retirement. You'll need to know what kind of pension plan you have - a defined benefit (DB) or defined contribution (DC) plan. Because they work quite differently, it's important to know which one you are in.

It's likely that your employer will provide you with a written summary outlining your company pension plan options. There will be deadlines for you to be aware of and very often you won't have a lot of time to decide. If you don't act in time, it's possible that a default option gets made and it may not be what you would choose.

Some of the pension plan options will include:

- **Remain in the pension plan**

You may be able to stay in the company's defined benefit (DB) or defined contribution (DC) plan although you won't be able to make contributions. DB plans may provide benefits and incentives such as indexing to inflation and survivor benefits or continued access to group health, dental and insurance plans.

- **Purchase an annuity**

The annuity will generally pay you a fixed income beginning at the age set out in the annuity contract. You should know that with this option you won't have control over the management of the funds and you can't reverse the decision.

- **Transfer your pension value to a LRSP/LIRA**

This option keeps you in control and provides the greatest flexibility. You can decide when to begin withdrawing it (subject to age restrictions and annual minimum and maximum amounts). If you were in a DB plan, the pension plan administrator will calculate and transfer the commuted value of your pension to a locked-in RRSP (LRSP) or a locked-in retirement account (LIRA). Upon death, your

LIRA/LRSP may be rolled over to your spouse tax-free as well. If you were in a DB plan, your pension plan administrator may indicate a portion of the commuted value as taxable and/or allowable contribution to an RRSP. As long as you have RRSP contribution room available, contributions are tax deductible.

- **Transfer your pension to a new employer**

If you are not retiring, and if your new employer is willing to accept it, you may be able to transfer the vested amount of your pension into a new employer's pension plan.

- **Mix options**

Sometimes a combination of the above is possible and your financial advisor can help in determining the right mix based on your unique needs.

Do You Have Access to Job Hunting Support?

You should always be working on having a fresh resume, even if you aren't thinking about leaving your employer. You never know what's going to happen at your job and having an up-to-date resume might help you get started quicker with your job search. Your employer may offer resume writing or job outplacement services, which will be free to you.

You might also want to consider what sectors will need workers and perhaps take a course or two to prepare yourself in case you need to find a new job quickly. The more skills and competencies you have, the easier it will be to get a job.

Make sure you take advantage of whatever free money, stimulus, or loans that may come from the government over the next year. You should research every opportunity to put dollars in your pocket.

Speak to a Financial Advisor

If you don't currently work with a financial advisor, now is a good time to connect with one. Like us, many financial advisors do not charge for an initial consult and can offer valuable advice and financial tips to help with a layoff.

Before you speak to an advisor, it's a good idea to gather whatever information you can from your employer, along with details about your current financial situation. This would include all savings and investments as well as any debt you currently have (e.g. mortgage, line of credit, credit card debt).

With the right information, the right help and the right attitude, you'll get through this and move forward in a positive way.

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