

# Making hard, educated choices for a post-buyout future

BY ROBERT MUSIAL

Ford World

**A**s Ford hourly employees consider the company's eight buyout options between now and Nov. 27, a host of financial experts are offering advice to employees, encouraging them to make the best decisions about their future and their family's.

Along with exclusive programs that offer fully-paid college tuition for two or four years, the options will put thousands of dollars into the pockets of workers who sign up for the buyouts. Holding on to that money or using it to start a new career will require planning and prudence, experts agree.

All of Ford's 75,000 UAW-represented hourly employees are being offered the buyouts as the company seeks to trim as many as 25,000-30,000 hourly jobs and up to 14,000 salaried-related positions by 2008 under its accelerated Way Forward plan announced in mid-September.

The buyouts are needed as Ford struggles with a declining market share and mounting red ink, including a U.S. \$5.8 billion loss in the third quarter of 2006 (see story, page 10).

While the stakes are high for the company, they are also high for workers considering the buyouts, experts said.

"This is not an easy decision. People should take their time and really go over the offers to see what's right for them. Hopefully, they won't just go out and buy an SUV or a Porsche," said George Papadopoulos, a certified financial planner and accountant in Novi, Mich.

**"They've got to look at their future and Ford's future, too. If they don't take this now, a few years down the road, there may be no other offer or a heck of a lot less."**

Sandra Block, a personal finance columnist for *USA Today*, agreed.

"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."

All advisors are urging employees to weigh their options carefully.

"They've got to look at their future and Ford's future, too. If they don't take this now, a few years down the road, there may be no other offer or a heck of a lot less," said Papadopoulos, who has three clients considering which Ford buyout package to take.

He noted that many younger workers will have different considerations than those nearing retirement.

"If you're younger and you still need to work, how much of a pay cut can you take to get a new job? That is also a factor," he said.

Some employees will likely decide to choose one of the packages that maintain health benefits for an extended time.

"Going without (health) insurance is always a bad idea," Block noted. "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."

"If Ford can pay for that for a period of time, that helps," added Papadopoulos.

Along with investment advice, many of those who sign up for the buyouts will need help on tax and retirement matters.

"The money may sound like a lot, but after taxes are taken out and you get kicked into a higher tax bracket, the money coming will not be as much," said Papadopoulos.

Since employers are required to withhold federal and state income taxes, any retirement or termination buyout check will be less than the stated buyout amount.



## Finding a Financial Planner

- Ask friends, relatives and colleagues you trust who they would recommend.
- Find planners in your area by using the Internet. Check the Financial Planning Association at [www.FPAnet.org/public/](http://www.FPAnet.org/public/) or the National Association of Personal Financial Advisors at [www.napfa.org](http://www.napfa.org).
- Once you have a few candidates, interview them by telephone. Ask them about their experience and qualifications – and how they expect to be paid. Advisers paid on commission need to sell you investments to make a living, so focus instead on fee-only planners who charge by the project or by the hour (usually U.S. \$150 to \$250), *Money* magazine advises.
- Before you meet with a planner, request a sample plan to see if its advice is clear and if it comes close to addressing your needs.

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Workers who haven't decided what to do yet should consider their goals and future financial needs as soon as possible. And they should seek qualified advice.

There is a host of financial planners and banks and credit unions that can also offer advice. In Michigan, even the AAA has financial planners and seminars at its local branches.

**Some workers will choose a buyout option that allows them to pursue a lifelong dream, such as going into business for themselves or going back to school to get training for a new career.**

Numerous financial planning Web sites and magazines are also available, and for those looking to save money while seeking advice, local libraries can provide plenty of information.

One of the things to ask is how the financial planner gets paid, said Beau Ballinger, a spokesman for the Denver-based Financial Planning Association.

Some planners charge a fee only while others get compensation based on the products and services they provide. Still others receive a combination or are salaried.

"Make sure you know how your planner is being compensated. People need to ask them to determine if someone is getting a commission or if they really have the best product for them," said Ballinger.

And it pays to be wary – especially if choosing one of the financial payout options.

"If someone tells you that an investment has a guaranteed 10 or 12 percent return or they want to sell you a variable annuity before they learn about you, that's a red flag," said Papadopoulos.

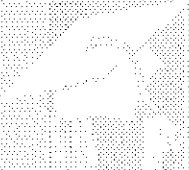
Some workers will choose a buyout option that allows them to pursue a lifelong dream, such as going into business for themselves or going back to school to get training for a new career.

For those considering college or other training, the two educational opportunity packages negotiated by Ford and the UAW were endorsed by Papadopoulos.

"They're extremely generous. Whoever takes this can get their life squared away and on a new track if they go to school. That's a very lucrative offer that Ford did not have to make," he said.

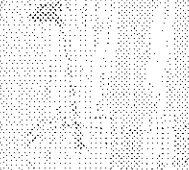
In the final analysis, he says: "Everybody's different with different budget needs and debt levels. Some have kids' educational needs to keep in mind or elderly parents who need care while others can move to take a job.

"It's not a 'one size fits all' situation." ❖



## Going Back to School

- Assess what skills and strengths you already have.
- Use the Internet to investigate careers in growth industries and fields.
- Consider what new skills and knowledge are needed for a new career. The jobs of the future will require additional training, so don't just major in English, Spanish or philosophy, said Atlanta site-selection consultant Kate McEnroe.
- Research programs and courses that are right for you. Community colleges offer two-year degree or certificate programs plus many courses to upgrade skills in related fields or for new careers. "What you're doing is really looking at yourself to see where you see yourself going and where you'd best fit in," said Sandy Kosmyna, who teaches a career decisions course at Monroe County Community College in Monroe, Michigan.
- Discuss your plans with the school's academic advisor. In Michigan and elsewhere, there are programs for older, first-time students and for those with some college classes who are seeking to "return to learn." Each employee needs to determine what's best for them," said Lynette Findley, the strategic enrollment outreach director at Eastern Michigan University.



## Considering Retirement

- Seek financial guidance. See "Finding a Financial Planner." Your local library or bookstore has shelves of books aimed at retirement planning. Financial magazines and Web sites can also offer good advice; among them are *Money* magazine's online Personal Finance section; the retirement calculator at [www.bloomberg.com](http://www.bloomberg.com) and [www.fool.com](http://www.fool.com).
- Be cautious. Your retirement stash may have to last you 30 years or longer.
- Set a budget and keep a lid on withdrawals. Financial advisers stress limiting your first year's withdrawals to four percent of your total retirement funds.
- Consider an immediate annuity which can guarantee you income for the rest of your life. These are different from variable annuities which have a higher risk and higher costs.
- Move your 401(K) money to an IRA. If you cash it out instead, "you'll owe income taxes (and a penalty if you're under 59½) and you'll lose further tax-deferred growth," said financial advice author Jean Chatzky.
- Work at another job for a few more years, either part- or full-time. It gives you more money and added time for your portfolio to grow.
- Manage your spending carefully.
- If you live in a high-cost area, consider selling your home and moving to a lower-cost region. While folks often talk about the lure of palm trees and warmer climates, "the reason most retirees choose to relocate is cold, hard economics," said David Savageau, the author of *Retirement Places Rated*.

**EDITOR'S NOTE**

Please refer to page 16 in this issue of *FORD World* for the upcoming schedule of company-sponsored Workshops and Opportunity Fairs.