



**CAN YOU RETIRE IF
OFFERED A BUYOUT?**

Ask yourself these six questions.



When a company offers a buyout to employees — sometimes before following through on the prospect of involuntary layoffs — many variables can factor into the decision to accept or reject the offer.

Not all buyouts look alike. If the recipient of a buyout offer has a company pension, pension benefits could start sooner than scheduled. Compensation distributed in a lump-sum amount or as installments over time also could be offered. Company stock options are another possibility.

Another important variable, especially for those nearing retirement, is the age of the person considering accepting a buyout. Even for people in their 60s, a buyout can be a difficult proposition. If still in their early 60s, the buyout may not be altogether attractive because a considerable gap exists between both the time someone can go on Medicare and, even later, reach full retirement age for Social Security benefits.

In other words, you must weigh several considerations carefully to determine if the buyout makes sense.

Unfortunately, these considerations have gained increasing prominence as 2025 has witnessed an alarming acceleration in private sector workforce reductions and cost-cutting measures across diverse industries. Job cuts have seen a significant increase compared to the total job losses recorded throughout 2024. This surge in layoffs comes amid growing economic uncertainty, changing consumer behaviors, and significant policy shifts affecting businesses nationwide. Recently, we have experienced some of the highest monthly totals of layoffs seen since the major economic disruptions that occurred during the global COVID-19 pandemic that forced widespread business closures.

These corporate restructuring initiatives often come in waves, with certain periods seeing dramatic increases in layoffs compared to previous timeframes. Such fluctuations in workforce reduction typically coincide with broader economic uncertainty, evolving consumer behaviors, and policy adjustments that impact business operations nationwide.¹

The workforce has been affected by a wave of massive layoffs, reminiscent of the early days of the COVID-19 pandemic. High-profile companies like Meta, Google, Microsoft,

Chevron, Boeing and others have swiftly implemented layoffs, resulting in the dismissal of thousands of employees.² At the same time the public sector is experiencing one of the most significant periods of budget tightening and workforce reduction in recent decades. Federal agencies are implementing substantial personnel cuts through voluntary separations, hiring freezes, and planned reductions in force, while also facing dramatic budget constraints across functions.³

Yet company buyouts had become a thing for American corporations long before the effects of the coronavirus. In the last quarter of 2018, for example, General Motors offered buyout packages to 18,000 salaried employees. The decision was made in an effort to reduce labor costs at a time when the market was in decline while the costs of commodities were on the rise.⁴

So that means buyouts could always be a possibility throughout many American business sectors. We want to elaborate on the issues a buyout can present by raising six pertinent questions you should ask yourself, and quite possibly a financial professional, if you are offered a buyout.

¹ Mayra Rodriguez Valladares. *Forbes*. March 6, 2025. "February 2025 Job Cuts Are The Highest Since Covid-19 Peak." <https://www.forbes.com/sites/mayrarodriguezvalladares/2025/03/06/job-cuts-are-already-higher-than-all-of-2024/>. Accessed March 12, 2025.

² Brian Buntz, *R&D World*. February 20, 2025. "2025 R&D layoffs tracker: 34,000 and counting." <https://www.rdworldonline.com/2025-rd-layoffs-tracker/>. Accessed March 12, 2025.

³ Eric Katz. *Government Executive*. March 10, 2025. "Inside federal agencies' rush to reshape their workforces—and spare employees from layoffs." <https://www.govexec.com/workforce/2025/03/inside-federal-agencies-rush-reshape-their-workforcesand-spare-employees-layoffs/403631/>. Accessed March 12, 2025.

⁴ Michael Wayland. *NBC News*. March 9, 2023. "GM offers buyouts to 'majority' of U.S. salaried workers." <https://www.nbcnews.com/business/autos/gm-offers-buyouts-majority-us-salaried-workers-rcna74170>. Accessed March 12, 2025.



1. ARE YOU READY TO RETIRE?

Income is an important factor that plays into this decision, obviously. It could be what makes you stop in your tracks from time to time and wonder to yourself, "Do I have enough?" It's a question asked by many, and quite often, it gets asked by those who have been diligent in how much they contributed to their retirement accounts.

Retirement, however, is also about your mindset. Are you ready to leave behind colleagues whom you have worked alongside, and perhaps socialized with, for many years? Are you ready to find a purpose in life that keeps you active and fulfills your time?

Sure, lounging around the house with few obligations is a great way to finally attain some peaceful relaxation. Retirement can get boring, however, without being involved in some activities and being associated with others.

2. IF YOU DO NOT ACCEPT THE BUYOUT, WILL YOU LOSE YOUR JOB ANYWAY?

This is not always a question that can be answered with great certainty. Many of us like to feel we're bulletproof in jobs we have commanded for several years, so consequently, we think we'll be safe if our company imposes involuntary layoffs.

Take a good look around you. Has attrition reduced workforce? Are employees being asked to do more than before? Is the industry you work in, or specifically the business you work for, struggling to meet previous production and sales levels? Are prospects for future success grim?

Declines in revenue, coupled with buyouts, could spell the beginning of the end for any company. A buyout offer should, at the very least, cause you to examine your future with that employer.

3. IF YOU ACCEPT THE BUYOUT BUT WANT TO CONTINUE WORKING, HOW DIFFICULT WILL IT BE TO FIND ANOTHER JOB?

Despite signs of a softening economy, there is encouraging news in the labor market. At the beginning of 2025, the market was decidedly tight, with more job openings available for every unemployed person. The labor market and overall economy appear to be slowing down, but we don't know exactly how much or in what ways. While current job market numbers still look good compared to historical averages, things are changing quickly.⁵

And the demand for older workers is experiencing a surge in various companies. Federal data confirms that individuals aged 55 and older represent the fastest-growing segment of the workforce. This positive shift can be attributed to businesses recognizing the value that older workers bring and actively targeting them as valuable assets.⁶ While the demand for older workers is on the rise, a critical question arises: Can you secure employment without having to accept a pay cut? According to a 2023 survey conducted by ZipRecruiter, some laid-off workers are actually benefiting. Among those who have already found new jobs, 42% discovered positions that pay more than their previous ones, while 37% are earning a similar level of pay. Only 21% experienced a pay cut. For those who received a pay increase, the average

boost was an impressive 23%.⁷ For those older individuals who have a desire to continue working, these findings highlight the potential to not only find employment opportunities but also secure positions that might offer competitive or even higher compensation compared to their previous jobs.

4. CAN YOU RETIRE RIGHT NOW IF YOU TAKE THE BUYOUT?

Unlike the first question, this one is about your financial position. And that question that's nagging at you — "Do I have enough?" — suddenly gets extended into, "Do I have enough to last me the rest of my life?" Here's how to get some answers.

An income analysis conducted by a reputable advisor can provide substantive input to help you answer that burning question. Frankly, if the company you work for has offered you a buyout, this is a great time to consult a financial professional focused on retirement who understands a wide range of variables that address the five pillars of retirement planning — income planning, investment planning, tax efficiency planning, health care planning and estate/legacy planning.

It could be that you're nearing retirement and capable of making ends meet, though a part-time job could come in handy — not only to meet expenses but to provide you something to do.

⁵ Sydney Ross. *Enterprise Solutions*. March 11, 2025. "March 2025 Labor Market Review: Uncertainty Looms for Employers." <https://www.shrm.org/enterprise-solutions/insights/march-2025-labor-market-review-uncertainty-looms-employers>. Accessed March 12, 2025.

⁶ Erik Lucken. *Gensler*. March 12, 2025. "The Next Big Generation at Work May Not Be Who You Think." <https://www.gensler.com/blog/the-next-big-generation-at-work-may-not-be-who-you-think>. Accessed March 12, 2025.

⁷ Julia Pollak. *ZipRecruiter*. March 2, 2023. "Survey of Recently Laid-Off Workers." <https://www.ziprecruiter.com/blog/survey-of-recently-laid-off-workers/>. Accessed March 12, 2025.



You also will want to find out your Social Security benefit amount by creating an account at www.ssa.gov/myaccount. Realize that your Social Security benefit amount increases substantially between age 62 (the earliest you can claim) and your full retirement age – and then grows even more if you delay claiming until age 70. This difference in monthly payments can be significant, resulting in substantially higher lifetime benefits for those who can afford to wait. Also, if you retire before reaching full retirement age (67 for those born in 1960 or later), an annual earnings limit of \$23,400 is imposed. Any additional earnings result in penalties assessed by the Social Security Administration.⁸

5. CAN YOU AFFORD HEALTH CARE IF YOU'RE NOT YET 65 AND ELIGIBLE FOR MEDICARE?

If you lose your health insurance after accepting a buyout offer and have not yet become eligible for Medicare, the gap during that time frame

could prove quite costly. Many who have saved enough to capably retire before the age of 65 elect not to so they can continue to rely on company health coverage.

Four primary methods for obtaining health care to bridge the gap before turning 65 are coverage offered through COBRA, the public marketplace, private insurance or a spouse's plan.

COBRA allows you to keep your current coverage for a specified plan, though often without assistance you received when an employer kicked in to help cover costs. Costs through the marketplace, established through the Affordable Care Act, vary greatly, though subsidies could be available through tax credits. You also can access private insurance through insurance companies, agents, brokers and online health insurance outlets. A spouse's plan could provide the most affordable alternative if that option is available.

While it can be difficult for those facing retirement – whether as a result of a buyout or other



means — to account for continuing changes to Medicare and health care systems in general when planning, it's not impossible. Your best bet is to build some flexibility into your planning and to focus on aspects you can control — such as which areas you might be willing to cut back on to help pay for rising health care costs.⁹

6. WHAT ARE THE TAX CONSEQUENCES OF A BUYOUT?

Additional income received in a buyout likely could be considered taxable income in a given year and potentially bump you into a higher tax bracket. In particular, a lump-sum buyout settlement usually results in a substantial increase in income for a given year.

Spreading out buyout compensation over a period of years could reduce the tax burden because not as much income must be claimed in a given year. You may want to consider the continued solvency of the company offering a buyout when accepting buyout payments spread into lengthy installments.

During periods of economic uncertainty, buyout offers may not always be as generous as recipients might hope. It's essential to evaluate the complete offer carefully based on the factors listed above. Your decision should account for your financial position, employment prospects, health care needs, tax implications, and whether the buyout creates a viable path to retirement. Given this complexity, consulting with financial professionals can provide guidance tailored to your situation.

⁸ Social Security Administration. "Receiving Benefits While Working." <https://www.ssa.gov/benefits/retirement/planner/whileworking.html>. Accessed March 12, 2025.

⁹ Fidelity Viewpoints. Fidelity. October 2024. "Your bridge to Medicare." <https://www.fidelity.com/viewpoints/retirement/transition-to-medicare>. Accessed March 12, 2025.



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