STABLER
WEALTH MANAGEMENT

What Microsoft professionals should do to prepare for the uncertainty of layoffs.

While 2022 was a very challenging year in the markets, it is 2023 where we are now seeing the real economic impact and resulting layoffs. With Microsoft's announcement of 10,000 planned job cuts, they join many other tech companies in reducing their workforce size to brace for the economic slowdown ahead.

In working with many Microsoft professionals, these layoffs have been especially difficult given the uncertainty as to what roles may be at risk. Microsoft has noted the "impacts are across a mix of levels, functions, teams and geographies"[1], resulting in many long tenured employees dealing with the anxiety of the unknown as to where the next round of layoffs will be pointed.

On top of the financial impact that comes with losing your job, the emotional stress can be just as difficult. Here are some important steps to take to proactively prepare for uncertain times like these, as well as what to do financially in the event you do get laid off.

In this article, we review proactive steps we suggest Microsoft employees take to be prepared for the unknown of impending layoffs during these very uncertain times. We will be following this up with another article on what to do if you are laid off.

1 Confirm your emergency fund is where it needs to be.

Most people do not have an emergency fund that is able to withstand even a couple months of expenses. For Microsoft professionals we generally suggest having six months of non-discretionary expenses built up in an emergency fund, in addition to having one year plus of spending in liquid funds (for example investment accounts or vested stock) that can be tapped in emergency for any needs beyond that. Microsoft does offer a severance if laid off, though this does not replace the need for an emergency fund.

Keep in mind that an emergency fund does not necessarily mean your bank checking account. With the recent increase in interest rates, conservative investments such as 3 Month T-Bills are yielding 4.65% and are fully liquid[2]. We generally recommend keeping a comfortable amount in the bank at your fingertips, and anything beyond that in an account where you can earn a higher yield. Contact our office if you would like to learn more about T-Bills (info@stablerwm.com).

By **viewing your stock vests as cash bonuses** if a great way to build up your reserve fund. For example, selling your Microsoft shares that vest in May can give your emergency fund a boost.

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If you are behind on your emergency fund, consider establishing a home equity credit line (HELOC). These are inexpensive to setup, and you only pay interest on the amount that is being drawn. We are by no means suggesting you accrue more debt, though having this credit line available as you build up your emergency fund can offer some liquidity in a pinch.

2 Review your debt and look for ways to consolidate.

As we are all aware interest rates have increased substantially over the past year. This applies to all types of loans and not just mortgages. If you have higher interest-bearing loans, prioritize paying off the higher interest loans first. You may also consider consolidating into a lower yielding loan, such as the HELOC noted previously – especially if you have credit card debt. Furthermore, for any low interest rate loans (especially under 4%), you may consider not paying more than you need to as you can potentially earn a higher interest than this on your cash while benefiting from the having more in your emergency fund.

If you purchased a new home in the past year, be on the lookout for opportunities to refinance. Mortgage rates more than doubled in 2022 from where they were in the previous year, however we have seen significant volatility in mortgage rates. As a rule of thumb if you are able to shave 0.5%-1% off of your mortgage, the savings in your monthly payment may offset the refinance closing costs within 6 months to a year. This can be a tedious process, however depending on the interest savings can be worthwhile if you plan to be in your home for a while.

3 Considering major purchases? Stress-Test your financial plan first.

Before pulling the trigger on a large purchase, especially one that requires a loan such as a house or a new vehicle, make sure to review your financial plan first. Increasing your monthly payments can become very uncomfortable if faced with an unexpected financial event such as a layoff. Therefore, during uncertain times like this, we suggest stress-testing your financial plan prior to making such a financial commitment. This will give you the confidence to know you can sustain this additional expense, even if you are out of work.

Periods of economic uncertainty and layoffs as we are facing today are uncomfortable, however proactively taking the steps to bolster your financial plan can provide you confidence. We encourage you to contact our office to schedule a complimentary review with one of our Certified Financial Planners. We can help you build a financial plan to that strives to weather these uncertain periods.

1 https://www.seattletimes.com/business/microsoft-cuts-another-689-seattle-area-jobs-amid-cost-reductions/

2 https://fred.stlouisfed.org/series/TB3MS. Yield as of 3/29/23.

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Contact us to schedule a no cost consultation with one of our Certified Financial Planners.
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Please tune in to our website blog (www.stablerwealthmanagement.com), YouTube channel and LinkedIn page to receive our latest financial planning updates for Microsoft professionals.

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