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Seminar shows how to use buyout money wisely

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By Matt Vande Bunte

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David Kudla, CEO and Chief Investment Strategist, Mainstay Capital Management, LLC

WYOMING -- So you have accepted a $140,000 buyout from General Motors Corp., and you don't even have to work there anymore.

Just bury that pile of cash in a government bond and start enjoying your golden years, right?

Not if you plan to go broke before you go gray, financial adviser David Kudla said.

"People retiring in their 50s have many, many years ahead of them. These retirees need this money to last another 20, 30, 40 years," said Kudla, CEO and chief investment strategist of Grand Blanc-based Mainstay Capital Management, LLC.

"Their challenge is to make the most of what they've saved for retirement and to invest wisely any lump-sum payment they receive."

About 40,000 workers accepted early-retirement offers from GM and Delphi earlier this summer, and Kudla will give local recipients some advice Sept. 20 during free financial seminars hosted by UAW Local 730. Scheduled times are 12:30, 3:30 and 6 p.m. at the union hall, 3852 Buchanan Ave. SW.

The workshop is similar to other Mainstay seminars planned this fall for automotive employees across Michigan. It is open to the public.

Kudla will compare various investment vehicles, suggest strategies and discuss how to avoid mistakes.

Workers staying on the job may want to pursue a Roth 401(k) made available by GM this summer, he said. Similar to a Roth IRA, the account accepts taxable deposits in exchange for tax-free withdrawals in the future.

Starting a Roth 401(k) can diversify a retirement account in terms of how the money is taxed, Kudla said.

"We see this trend away from traditional pension plans to 401(k) plans," he said. "It's placing more responsibility on the employee to secure his own retirement nest egg.

"A lot of companies are introducing this (Roth 401(k)) benefit."

A 2005 survey by Hewitt Associates showed that 34 percent of 223 large employers plan to add a Roth 401(k) feature to their retirement plan.