

Jumping too quickly at Ford buyout could prove to be a mistake

By Susan Tompor (excerpt)
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David Kudla posted one of those tweets that certainly would grab your attention if you're one of more than 15,000 salaried workers at Ford staring down a buyout offer.

"Ford employees: Don't make a \$500,000 mistake with the Ford Special Incentive Program," proclaimed Kudla, CEO of Mainstay Capital Management based in Grand Blanc, via Twitter on June 12.

A \$500,000 mistake? Yep, you wouldn't want to make one of those.

Ford began offering buyout packages to select categories of salaried employees in North America and Asia in early June. Employees who are receiving the offers include those working in communications, finance, government affairs, legal, marketing, purchasing, and sales and service. ...

...Ford expects about 1,400 salaried personnel to end up leaving. Ford reserves the right to decide who will be able to ultimately take the buyout. ...

...cash payouts are expected to range from three months to 18 months of pay, depending on service.

How can you go wrong?

Kudla told me in an interview that his tweet involved a special feature of Ford's program where some employees might make more money by staying at Ford and waiting to leave.

Ford offers its salaried workers supplement retirement benefits that can make it easier to retire before age 62 when you'd qualify for Social Security benefits.

If you are age 55 and have 10 years or more of service — or if you are younger and have 30 years or more of service — you may qualify for a supplemental benefit that gives you more money each month until age 62.

But what if you're 53 and have 10 years of service? Or you're 50 with 28 years of service?

You're out of luck because you're not getting that supplemental benefit. You'd likely want to wait until the next buyout offer rolls along.

"You're leaving behind a significant benefit," Kudla said. "This is a very important part of the economics."

Kudla said his firm has talked with dozens of Ford employees already about the potential impact on their bottom line. ...

...Kudla noted the specific amount of extra money each month would vary between what is classified as an "interim supplement" (for those age 55 and 10 years) and what is an "early retirement supplement" (for employees with 30 years).

"It's a big chunk of money," Kudla said. "It represents a significant increase in your potential pension payout."

Kudla declined to spell out how he reached that potential \$500,000 figure. He noted that the calculations are complicated and might be something to be addressed in the future by the firm in its own webinars.

On Thursday, Kudla even tweeted that some could face a \$1-million mistake if they're not careful.

"A lot of people know they've got good prospects if they want to work longer," Kudla said. "There's a financial decision to make and there's an emotional decision to make." ...

...Ford salaried employees eligible for the general retirement plan also have the option to decide to take a lump-sum distribution of their pension benefits or the monthly pension when eligible.

Many financial factors need to be considered in the weeks ahead for those looking at buyouts. And for those who don't want to retire completely, the question can become: What do you do next? ...