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As GM buyout deadline looms, here are 5 questions to ask

By Susan Tompor (excerpt)
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Albert Charles has a long checklist of things running in his favor, as he studies the voluntary buyout on the table from General Motors for thousands of engineers, executives and other white-collar workers.

No kids in college? Check. Two sons, ages 30 and 26, both employed and covered under health care plans? Check. Saved steadily in the 401(k)? Check. No mortgage payments? Check.

And frankly, Charles, 61, has to admit that he wouldn't miss the horrible bumper-to-bumper traffic and construction headaches on I-696, if he took the buyout and stopped driving roughly 50 miles one way from his home in Livingston County to GM's Warren Technical Center, too.

One possible hurdle: Health care.

Before he agrees to anything, Charles said he's going to be certain he's covered under retiree health care and knows the cost. He believes he is but he's double checking.

"That's the biggest uncertainty because one can't be uninsured at any age," said Charles, who is an engineer.

Earlier this week, he continued to do his due diligence.

"I still haven't completely made up my mind yet," he said.

GM salaried workers face a deadline of noon Nov. 19 to decide whether to stay or go. They received emails on Oct. 31 regarding details of the voluntary severance program.

The workers in the buyout pool must have been begun working at GM as of Dec. 31, 2006,

or earlier. Classified salaried employees in the United States, Canada and Mexico, as well as most global executives, can consider the voluntary program.

Nearly 18,000 employees are eligible. The company has said if there is an important business reason to retain someone, GM can require the person to stay.

This isn't one of those "Maybe I will, maybe I won't" kind of decisions.

"Employees are encouraged to express interest only if they are certain that they want to separate," GM said in a memo to employees obtained by the Free Press.

"They should be encouraged to take the full two weeks to think about what they want to do because once they express interest and their request is accepted, it is irrevocable," the memo said.

For now, GM white-collar workers who qualify find themselves examining their own finances, as GM evaluates its costs.

"Are you financially ready to actually take the VSP?" Bryan Haggard asked a group of about 50 potential buyout candidates a lunch-time meeting last Thursday at the Holiday Inn & Suites in Warren on Van Dyke, directly across from the GM tech center.

Haggard is a senior wealth adviser for Mainstay Capital Management and he has been talking with GM clients about the buyout for the past few weeks. Mainstay has been holding seminars and is offering complimentary consultations for those considering the GM voluntary severance program.

"Everybody's situation is different," Haggard tells the group.

He goes over some of the details.

Employees would be notified on or before November 29, if their interest in taking a buyout has been accepted by GM.

Some people, he says, might view the buyout as "kind of a parting gift," especially if they were close to retiring anyway.

Many white-collar workers who are considering retirement could leave in early December with an effective date of Jan. 31, 2019, and their salary and benefits would continue for six months.

Executives could leave in December with an effective date on March 1 and a full year of salary and benefits, according to the GM memo.

Someone's last day on the job can be anywhere from Nov. 29 and Jan. 29, depending on their job and what makes sense for GM's operations.

The incentive could be attractive. Yet it's a big step. Haggard said you don't want to jeopardize a 30-year retirement by leaving earlier than necessary just to take a six-month paid vacation.

"There's no right answer for everyone," he said.

Some questions to consider:

1. How will the numbers play out for health insurance?

Health care is one of the major hurdles in the entire severance package, as it is with many buyout packages, experts say.

David Kudla, the CEO of Mainstay Capital Management, said those who agree to the buyout would have health coverage during the severance.

But if they do not qualify for retiree health care — based on years of services — they will need to go out on the open market for coverage, Kudla said.

"Some employees certainly can go on a spouse's coverage if available at a lower cost," he said.

Some buyout candidates noted that they were seeing potential costs for premiums of \$10,000 a year or more on the open market for their households. In some cases, those who leave may have other job opportunities that include insurance.

Each potential buyout candidate needs to weigh the cost into their monthly budget when reviewing the package.

The cost of health insurance is particularly important if you're going to retire before age 65, when Medicare eligibility begins.

2. Would you have left GM anyway?

Some people may find it easier than others to make a decision, if they wanted to retire soon anyway.

One potential buyout candidate I talked with said he's 66 and after 33 years at GM figures it may be time to leave. "All I needed was the OK from my wife," he said.

Tom Larocca, who works as an engineering group manager, said he views the severance program as a chance to retire and make room for younger workers in the company to move up.

Larocca, who said he is 58 and a half, has worked 40 years at GM.

"My plans were to leave earlier anyway," he said. "GM has been a great company to work for."

3. Is this buyout really enough money to retire? ...

... 4. Where do you stand with a pension?

Potential buyout candidates need to know their vesting status or whether they've accrued the maximum benefits. In some cases, it could pay to wait.

GM salaried workers who were hired between

1988 and 2000 need to take a careful look at their pension payout, Kudla said.

He noted that the structure of the plan means that some white-collar workers would see a fairly sizable bump up between ages 59 and 60 — possibly as much as a few hundred dollars a month.

Over a potential retirement of 30 years, he said, some employees could lose tens of thousands of dollars by retiring just a month or two before they reach age 60.

5. What does your family think?

While some husbands do like to joke that they need the OK from their wives, it is important to consider how a decision will impact a family's finances in the long run.

Even if you're not ready to take a buyout that's offered, it's not a bad time to review the numbers — including examining your savings, your expenses and the extra costs ahead, such as health care.