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Make buyout worth it

Brian J. O'Connor (excerpt)
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Most of them already have left, but today marks the official end of GM's latest round of buyouts, with 17,398 hourly workers taking the latest offer.

For GM employees who were eligible to receive full pensions, the \$45,000 or \$62,500 incentive is a nice bonus to kick off their golden years. Those workers face one crucial choice: what color should the new pontoon boat be?

Mostly younger workers get richer payouts -- \$100,000 or even \$140,000. That looks like a big pile of dough, and it is, until you note that they have to pay taxes on that payout and sever all claims to the generous benefits of Generous Motors.

Then they face a laundry list of hard economic decisions about how they'll stretch that money to build a new career and maybe even a new life.

Plan before money comes

In a perfect world, those workers sat down with a sharp pencil -- or a sharp financial adviser -- before they agreed to take the money and walk. If they didn't, there's still time to plan before those fat checks arrive later this summer.

"Ideally, they have another opportunity that they're leaving for," says David Kudla, CEO of Mainstay Capital Management in Grand Blanc. "It may be a job somewhere else, or changing careers, or maybe even starting their own business. The key is, until that comes to fruition, to make sure the money lasts, and not burn through it quickly."...

Don't spend it all at once

Putting the whole wad into new business or franchise can be a big mistake, especially with no experience, experts say. It's better to keep working and start the business on the side.

Another trap is putting all the money into school -- or, worse, going into debt for a degree. First, check the market for people with that diploma and how entry-level jobs pay, since you won't start at the top.

Properly invested, either for retirement or in financing a move or new career, buyout money can make a big difference -- or lead to big mistakes.

"One of the big mistakes is to make the decision to go, without having a solid plan in place," Kudla says. "In three or five or 10 years they're back in the work force because they spent the money, and it's in a job they don't even like."

Just as GM is restructuring its business, the buyout is a one-time chance to restructure your life. But don't be dazzled by a check with a big string of zeros -- or that's all you might be left with.