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When You're Serious…

by Bradley R. Newman, CFP®

4 Steps to Dealing with a Corporate Merger That Impacts You.

Corporate merger activity has seen a notable increase in Central Pennsylvania as of late. The activity in the banking sector has been robust; Integrity Bank, Susquehanna Bank and Metro Bank to name a few. However, the recent Rite Aid merger has really garnered the focus of the local merger and acquisition landscape.

The majority of the media coverage surrounding corporate mergers tends to focus on the broad economic impact of things like corporate efficiencies, quarterly earnings, the effect on the local tax base, etc. Unfortunately, there is little consideration given to the impact on the local employees and the things that they should be concentrating on as they contemplate their post-merger lives;
for example:

- How will the merger impact their long-term retirement goal?
- What changes, if any, need to be made to their corporate benefits packages?
- How do they appropriately make decisions about company stock and stock options?
- Is their overall investment strategy still appropriate?

At the most basic level, there are four phases to the action plan that should be created and executed. Addressing each phase in a disciplined and measured manner is the best way to allow for the prudent decision making that will ultimately deliver peace of mind during an uncertain period of time.

1. Quantify

While the initial reaction to the news of a corporate merger, or a non- merger related downsizing, is often fear, understanding the real impact is necessary and critical to decision making. Although the ultimate impact may be negative, quantifying the situation provides a baseline from which informed decisions can be made.

The quantification needs to be done in a pragmatic manner, utilizing realistic assumptions for variables such as investment returns, inflation, Social Security, taxation, life expectancy, etc. Unreasonable assumptions will lead to inaccurate planning results. Being overly optimistic about assumptions will provide a false sense of security that will lead to unpleasant surprises down the road, while using unnecessarily conservative assumptions will prevent reasonable solutions from being considered.

2. Evaluate options

Considering only a single option will rarely lead to the best decision. The evaluation process should begin with a brain-storming phase where the goal is to consider all of the scenarios that are possible going forward. This can range from the dream of moving directly into full-retirement in a matter of weeks to exploring the various iterations of continuing in traditional employment until a conventional retirement age or anywhere in between.

This is the point where trade-offs begin to be considered; for example, to what is the right mix of reducing income expectations versus leaving the workforce early versus working at a reduced pace. A growing trend is the interest in working beyond traditional retirement ages, but for less money, in a career that is more fulfilling.

Done properly, the planning process should fully explore multiple scenarios to provide a sense of perspective for what is both reasonable and achievable under realistic assumptions. The purpose of this step is to provide the data that will allow for more informed decisions to be made and have fewer surprises occur.

3. Implement and monitor

Once a course of action has been selected a methodology for implementation and monitoring should be established. The implementation should be well thought out before it is executed and the plan should be put into action in a diligent and disciplined fashion; don't allow a red herring to derail the plans.

It will be important to review the planning on a regular basis to verify that the goals have not changed and that everything remains on track. A high- level review should be done annually and a comprehensive review should be done every three to five years, or as notable changes occur. Adjustments will need to be made for changing assumptions or changing conditions to investment markets.

4. Keep it in perspective

It is doubtful that there is anyone in an organization that will escape the impact of the announcement of a corporate merger, some positively and others negatively. The key to successfully navigating through the experience is to proactively quantify the impact, assess and evaluate the options that exist going forward and to make educated decisions.

Bradley R. Newman, CFP® is with Roof Advisory Group Inc., an independent investment management and financial advisory firm based in Harrisburg. The firm is a fee-only registered investment advisor providing portfolio management and financial planning services to individual and institutional clientele. The firm's e-mail address is invest@roofadvisory.com