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In The Money

When sudden unemployment hits, it helps to have a financial plan in place



Everyone's situation is unique, so the preparation and requirements will differ depending on your background and circumstances. ST ILLUSTRATION: CEL GULAPA



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SINGAPORE - A few years ago, a friend in her early 30s was laid off around the time she found out she was pregnant with her second child.

The news came as a shock as there were no signs that the company had been struggling. Her performance appraisals had also been good since she joined the firm.

Like many young people, she had the impression that only employees in their late 40s and above are targets for layoffs and retrenchments.

Fortunately, my friend could afford the involuntary break as her husband is employed. She found a new job after the baby was born.

Looking back, she said the episode taught her not to take things for granted – notably her finances, especially as a mother of two young children.

The terms “retrenchment” and “layoff” are often used interchangeably, but there are some differences between them.

A layoff is when an employer temporarily terminates the employment of a worker, usually due to a downturn in business or a lack of work. Employees may be rehired when conditions improve. A retrenchment, however, is a form of layoff which involves permanent termination of employment as an organisation restructures or cuts costs.

In 2024, major tech companies such as Meta, TikTok, Dyson, Microsoft and Google collectively cut at least 9,000 jobs in Singapore.

Over the years, sectors such as media, banking, manufacturing and retail too have had major job cuts. This trend may worsen as global economies reel under the US-China trade war.

Roles are also affected by market changes. According to the World Economic Forum’s Future of Jobs Report, digital access, cost of living and geopolitical tensions could affect 22 per cent of roles today between 2025 and 2030.

Losing our job can cause poor sleep and financial anxieties, especially if there are dependents to feed and bills to pay.

But while it may feel beyond our control, we can be financially prepared for it, says Mr Ray Zheng, client adviser at Providend, a fee-only wealth advisory.

“Retrenchment is similar to other unexpected events such as a medical crisis, death or disability. The main difference is that in those other events, it is possible to use insurance instruments to mitigate the potential of financial loss, whereas there are no immediate or ‘off-the-shelf’ products to insure against the loss of a job,” he says.

The best way is to have a proper financial plan before it happens.

Think of it this way: While insurance acts like a cushion to mitigate the financial loss from unexpected death, medical crisis or disability, a proper financial plan acts like a compass.

“If you get lost unexpectedly, your plan helps you find your North Star and helps you get back on course more quickly than if you didn’t have one. Also, you need to have both in place before any of those crisis events hit, otherwise it loses effectiveness,” Mr Zheng says.

Know your rights

In Singapore, retrenchment benefits are not legally mandatory. It all depends on the company’s policy of severance package and retrenchment benefits, as well as the terms of your employment contract.

However, Ministry of Manpower (MOM) guidelines and market practice generally recommend that employers offer retrenchment benefits to employees who have worked for the company for at least two years.

The amount is usually between two weeks and one month’s salary per year of service, depending on the company’s financial situation and industry. For unionised companies, a norm is one month’s salary per year of service.

For employees with less than two years of service, an ex-gratia payment or a goodwill gesture might be offered, but it is not guaranteed.

If your company fails to pay out your retrenchment benefits or if you are disputing the amount you receive, you may opt to file a salary-related claim or undergo mediation at the Tripartite Alliance for Dispute Management, according to the Singapore Legal Advice website.

Generally, retrenchment claims cannot be heard at the Employment Claims Tribunal because providing retrenchment benefits is not compulsory.

Employers are not legally bound to help employees maintain their existing medical benefits. However, responsible employers should restructure existing medical benefits and provide additional MediSave contributions or other flexible benefits.

If an employee is pregnant during retrenchment, she is entitled to maternity leave benefits if she meets the eligibility criteria under the Employment Act or Child Development Co-Savings Act.

To qualify, the mother must be legally married to the child's father; her child must be a Singaporean, and delivered on or after Jan 1, 2017; and the mother must have worked for her employer or have been self-employed for at least three continuous months before the birth of the child.

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Plan now

If you're concerned about losing your job, make a list of every non-negotiable monthly expense.

For example, list how much you pay for housing, utilities, transport and food. Add these up and then compare that amount to what is in your emergency fund and figure out how long you can get by with only that money.

Mr Vasu Menon, managing director of investment strategy at OCBC Bank, says you can be financially prepared if you have been saving diligently and have built up an emergency fund that will cover six to 12 months of total expenses.

Apart from putting money aside for the emergency fund, take stock of your debt, especially high interest ones such as credit card bills, which are around 28 per cent per annum.

Housing loan repayments form another big-ticket item. If you are paying a monthly mortgage using your salary, you can consider using just your Central Provident Fund Ordinary Account savings instead.

Plug leakages

One of the easiest ways to find extra money is by reviewing your subscription services. These include trial subscriptions that have been converted to paid plans like mobile games and streaming services.

Scrutinise every expense and explore ways to cut those which are less necessary or which can be postponed, Mr Menon says.

If you had plans to upgrade your car or take a holiday to a farther destination, it may be an idea to defer the purchase of the car and to perhaps take a shorter-haul regional holiday instead.

“At the end of the day, there are no shortcuts. Being careful with expenses to focus on needs instead of wants and setting aside savings for a rainy day are key ways to prepare for the risk of losing one’s job,” Mr Menon says.

In crafting a good plan, focus on the most important life and financial goals that you want to achieve in your lifetime.

Providend’s Mr Zheng says: “A good plan should therefore provide the ‘why’, so that we are motivated to allocate savings in an intentional way. Our savings ability is the lifeblood that determines much of our success in achieving our financial goals.”

Stress-test it with various scenarios, so that you can be better prepared for less-than-ideal situations.

The plan should provide a structured way to help you take action and make good financial decisions. This should integrate basic items like budgeting to more complex ones like investment choices, insurance purchases and others, Mr Zheng says.

Should retrenchment hit, your plan should give you a good grasp of all the necessary levers you can pull, so that you can regain calm and focus on the right priorities.

Different strokes for different folks

Everyone’s situation is unique, so the preparation and requirements will differ depending on your background and circumstances.

For a single person, he may have to set aside less savings in an emergency fund, assuming he needs to take care of only his personal expenses if he is retrenched, Mr Menon says.

However, even a single person may have other dependents like aged parents, and if so, he also needs to provide for them.

A father of two university-aged children and a wife who is not working can have significantly more expenses than a single person. For such an individual, planning as early as possible to set aside sufficient emergency savings is even more crucial to avoid disappointing his dependents and bringing hardship to the family, Mr Menon says.

Mr Zheng says mid-career professionals also need to formulate a financial plan as early as possible and add stress-testing scenarios during the planning process.

“The objective is to improve your overall financial health and be mentally ready should a retrenchment hit. Remember that the financial plan is only a compass and not a cure,” he says.

To prepare for the likelihood of a job loss or retrenchment, mid-career professionals should look at adding more income-generating assets to their diversified portfolios after setting aside an emergency fund.

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Insurance and investments

Now more than ever, it is time to really understand what types of insurance plans are truly essential based on your own unique circumstances.

“We can still fall ill or meet with a mishap while transiting between jobs, so upkeeping the right insurance policies during retrenchment is still essential,” Mr Zheng says.

As insurance is an expense, you should aim to minimise spending on it while ensuring that you have adequate coverage.

As for investments, it makes more sense to pause your regular contributions until there is more certainty over your job prospects.

But as much as possible, an existing investment should be held until it is needed for its objective.

The final decision could hinge on what you are investing for and how flexible is that investment objective.

“Going back to having a plan, if there is one in place, you would have a clearer sense of what your priorities are and what options are available to you,” Mr Zheng says.

Mr Menon says if you have already set aside sufficient savings in your emergency fund, then there is no reason to pause your investment journey.

“You should continue to invest to grow your funds for longer-term needs like your children’s university education and your own retirement.

“Pausing your investment unnecessarily may make it hard for you to achieve these long-term goals and it may require you to work longer to fund your golden years or take on more investment risk than you should at an advanced age,” he adds.

If you are looking to put fresh funds into your investment portfolio, continue to stay largely on the course that you have mapped out for your investment journey to meet your long-term strategic goals, Mr Menon says.

However, if you anticipate a long period of being unemployed, then you may have to rethink your plans and put some of your fresh investments into less risky and more liquid options with a shorter duration.

These can include fixed deposits with a shorter tenor, Treasury bills, Singapore Savings Bonds, money market funds or even savings accounts that offer you higher interest rates.

Catching that curveball

Given the increasingly uncertain marketplace, it is advisable to keep an updated curriculum vitae, or CV, detailing new skills, courses attended and experiences.

Contact headhunters and leverage social platforms such as LinkedIn to search for job openings and link up with potential employers.

The Government also offers various schemes and career-matching services to help.

For example, if you enrol in long-form training while job searching, you can apply for both the SkillsFuture Jobseeker Support (JS) scheme and the SkillsFuture Level-up Programme. Over a six-month period, those who meet the eligibility criteria will receive up to \$21,000, comprising \$15,000 of training allowance and \$6,000 of JS scheme payouts.

Job seekers from households with financial difficulties may also receive additional social assistance from ComCare based on their needs.

Life can present curveballs. But the best cure for retrenchment is to remain relevant and healthy – mentally and physically. Having a good financial plan simply enables

you to focus on these aspects.

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