

TOP 5 WAYS TO TELL IF A LAYOFF IS COMING: IS YOUR JOB IN JEOPARDY?



Think your employer might be headed down the wrong path? Don't know how to tell whether your company is ripe for scandal? Worried about your company stock portfolio? You owe it to yourself to keep on top of your company's financial health. Learn how to read the signs of trouble and protect yourself.

1. Look for Smoke Signals

How well do you trust your company? To protect yourself and your career, you should know how to interpret the danger signs.

- When management goes on a sudden spending spree after turning a small profit: The company is depleting its resources too quickly and soon will be cash poor.
- When vendors are calling and asking "where's my money?" The company is cash poor and can't pay its bills. Serious financial trouble can't be far off.
- When the budget is slashed abruptly: The company is desperate for cash. Layoffs are a strong possibility.
- When funding for business travel and continuing education disappears: If layoffs haven't happened yet, they will soon.
- When veteran employees are forced to take early retirement while newer hires are laid off: What? You're still working for this sinking ship? Time to jump overboard!

2. Read All About It

It's not always obvious when your company is in a downward spiral. In fact, the bigger the company, the harder it is to see the signs. Pay attention to what financial experts are saying. Study industry trends. Read company press releases. Follow the stock price and watch for sudden declines. Also search for news about your company written by outsiders. Don't assume that your executives are being up front with employees. The press can dig up dirt on a company long before executives are forced to admit wrongdoing.

3. Think Like a Shareholder

Publicly traded companies are required by law to inform shareholders of their financial health. If your current or potential employer sells stock to investors, you can easily learn what the shareholders know by getting a copy of the latest financial statement and annual report. Thousands of annual reports are available for free, along with advice and tips on how to read them online.

4. Study the Financials

When researching a potential employer, the numbers tell the story. "Go back a couple of years in the annual reports to see trends," recommends Dawn, a marketing and business development executive. "Find out what percentage of revenue comes from various sources. Look at how the flow of revenue changes over time. Examine the expenses and how they're allocated. If it seems like something's missing, then you should be asking more questions."

John, a mutual fund investor, says you should think of choosing a potential employer the same way you'd decide where to invest money. "Look at revenue, growth, earnings, and positive cash flow. What's your risk tolerance? If it's a startup company, look at the business plan." Venture capitalists are experts at reading business plans.

5. Take It Personally

What if much of your retirement money is invested in company stock? "Beware of having too much company stock in your retirement plan," says Jennifer, a financial advisor for a major investment firm, "in case the company stock takes a dive or the company itself begins to fail. You don't want all your eggs in one basket." Protect yourself and your money by spreading the wealth across different types of investments.

Above all, keep your head out of the sand. Your employer's financial health is of utmost importance to your own. If you stay alert to what's happening at your company, you have a better chance of avoiding financial disaster.