



EMPLOYEE TERMINATION LETTER & GUIDE

Included:

Overview

Dos and Don'ts Checklist

Employee Termination Letter Instructions

Sample Employee Termination Letter

1. Overview

At some point in the life of every organization, managers will need to fire employees. There may be any number of reasons for such decisions, from downsizing and misconduct, to breaches of company policy or poor performance. Without a written employment agreement or a specific state-granted right, employment is considered to be “at will” and can be terminated with or without cause or notice. If employment is at will, a termination letter can be used to end the employment relationship, setting forth the details and reasons for the termination, and specifying any severance package that will follow.

An employee termination letter must be clear and concise, and should include all relevant information about the arrangement. If the employee has a contract with the company, employers should be aware of and fulfill any obligations they may have under that agreement before looking to terminate an employee. In some cases, early notice may be required and a well-crafted termination letter can provide that notice while protecting the employer from lawsuits down the road.

This document contains the essential elements of an employee termination letter. It is designed for easy revision and reuse with future employees. If you follow the guidelines provided, you can use this letter effectively in your business and protect yourself from costly and time-consuming lawsuits down the road.

2. Dos & Don'ts Checklist

- If you are firing an employee, it is essential to conduct the termination carefully, following all internal policies and local laws. Improper or careless actions may subject your company to unlawful termination lawsuits, costing the organization considerable time and money. In the end, you may face large fines and be forced to rehire the terminated employee.
- Before sitting down to draft a termination letter, review all records relating to the employee in question, including personnel files, letters, employment agreements, reviews and evaluations. Make sure you understand the reasons for the termination and the legal or contractual requirements you must follow.
- Employment is usually at-will, unless a specific agreement or law says otherwise. “At-will” employment can be terminated by either party, at any time, with or without cause. If you aren't sure whether the employment relationship was at will, review all of your correspondence with the employee, signed orientation materials or handbooks, union rules, personnel files and employment agreements. If any of these contain phrases like “you will be terminated only for good cause,” the employment may not be considered “at will.”
- Even if the employment was at-will, it can't be terminated for unlawful reasons (e.g., jury duty, personal bankruptcy, reports of unlawful activities, etc.). Talk to an employment lawyer or human resources professional if you are unsure whether or not the employment relationship is at will or your reasons for termination are lawful.

- In many areas, if employment is terminated “with cause,” the employer does not need to provide notice or pay any additional compensation. However, the employer must be sure that these causes are spelled out (e.g., drug use, absenteeism, sexual harassment, etc.). If termination is “without cause,” an employer is usually required to provide notice and may be required to pay certain amounts to the former employee. The required amount of notice and compensation varies from state to state, industry to industry, and employee to employee. If you are required to give termination notice in a certain way or within a certain period of time (e.g., some employers are required to give 60 days’ notice of closings and layoffs under federal law), make sure you provide notice according to these requirements. Review your local laws for additional details.
- If the terminated employee brings a lawsuit, the employer may be forced to defend itself against charges that the dismissal was illegal. Make sure you have satisfied all contractual and statutory requirements before starting the termination process. Keep copies of all relevant documents – these may be needed to establish the legitimate reasons for the termination. For example, if the termination was based on poor work performance, keep notes of any supervisor reviews or warnings given to the terminated employee.
- The employer must pay any wages owed to the employee promptly after termination. Many states have specific laws about the amount of time the employer has to make this payment. Review your state’s laws for additional information about requirements in your area.
- A termination may start certain obligations under a non-disclosure agreement. If you include a non-disclosure clause in your letter, remember that many states require such clauses to be “reasonable.” What is considered reasonable varies from state to state, and you should speak with a human resources professional in your area to see what limitations may apply.
- Although not required by law, employers may decide to give severance pay to a terminated employee. Severance pay is simply money paid at the time of an employee’s departure from a company, and is usually offered if the termination is a result of layoffs, job elimination, or mutual agreement. If you are offering severance as part of the termination, make sure that the employee provides a release in return for this payment. A release is the employee’s promise not to bring a lawsuit against the company because of his or her termination. Severance pay provided in exchange for a release must be money over and above what the employee is already entitled to. For example, if the employee’s agreement already provides that he or she will receive 2 weeks’ pay at the time of termination, the employee must receive both that 2 weeks’ pay and severance pay.
- The letter should not include anything biased, discriminatory, or unfair. Include basic facts and the specific reasons behind the termination. Language should be professional and courteous, and you should never use insulting, derogatory, or demeaning content: remember, these letters may be used as evidence in a court of law.

- Keep the language as objective as possible, and look for measurable, verifiable, equitable, and understandable means of explaining your decision. You are not measuring the employee's personality – you are measuring their level of performance. Focus on specific criteria like absenteeism rate, the number of incomplete projects, or the number of customer complaints. After you've written the letter, review it to ensure that all relevant points have been included, but make sure it stays short and factual. Unnecessary details may provide more opportunities for rebuttal or dispute.
- After the termination, disable the employee's passwords and modify those of any close co-workers. If the terminated employee knows any company passwords, it may be a good idea to cancel or change those as well.
- Before forwarding the employee's final paycheck, make sure he or she has returned all company documents, equipment, cars, keys, procedure manuals, credit cards, ID cards, and access badges.
- Ask the employee to sign a copy of the letter, acknowledging that it was received. If he or she refuses, have a witness sign indicating that he or she witnessed that refusal. In any event, it is a good idea to have a witness from the company with you when you hand over the letter and during any exit interviews conducted.
- Make several copies of the letter, and give one to the employee at the end of the discussion. Place an additional copy in the employee's personnel file.
- If the situation is complicated, or if you feel there may be a legal battle about the termination, do not use the enclosed form. Contact an attorney to help you draft a document that will meet your specific needs.

3. Employee Termination Letter Instructions

The following instructions will help you understand the terms of your termination letter. The numbers below correspond to numbers in the letter. Please review the entire document before starting the step-by-step process.

1. Enter the name of your company and the effective date of the termination in the blanks provided.
2. Explain why you are terminating the employee. If the termination is "for cause," this may be reasons such as general misconduct, poor performance, alcohol use, or absenteeism. Describe any warnings that were given and how many, if any, opportunities your company gave the employee to fix the problem.
3. An optional paragraph, which may be required depending on local laws and any applicable employment agreement. It explains that the employee has been given notice of the termination as required by law or agreement. You may wish to fill in the details of the notice, including the date and manner in which it was given. If the employment relationship is governed by a contract, include information about the notice requirements (if any) set forth in that agreement. Enter the date of termination. If neither local law nor an agreement requires any notice, delete this paragraph.

4. On or before the Effective Date, the employee should pay back all outstanding loans, and return all company property. An optional section allows you to fill in the details of any loan, and to provide information about the property and where it should be returned. You may, for example, ask for the return of access badges, keys, equipment, cars, paper work, procedure manuals, credit cards, or ID badges for a particular company representative. This section also notes that the employee must leave the company with all his or her belongings on a certain date, which you can include in the blank provided.

A second optional section allows you to describe any limitations or prohibitions on the terminated employee's access to company property after this date. Feel free to delete this section if you don't want to restrict access, or don't want to include these limitations in the letter.

5. The employee will not receive vacation benefits after the Effective Date, and his or her final paycheck will include accrued salary, vacation pay, and other amounts owed. Enter the date on which the employee will receive his or her final paycheck.
6. Fill in the date on which the employee's health insurance coverage expires. After the termination, the employee can keep this coverage at his or her own expense, but must opt for this within 60 days. The employee's other insurance coverage will end on the last day of the month of the Effective Date.
7. An optional provision discussing the severance package your employee will receive if he or she qualifies under a company policy or an employment agreement. This payment will be made in exchange for the employee's promise to keep information confidential and to give up the right to bring a lawsuit against the company or its employees. Enter the amount of severance pay that will be given, and the period of time for which it will be made. If you include this provision, be sure to get the employee's release (a copy of which is attached to the end of the form).

Note that you can offer the severance as a lump sum to the employee, and your employee may request this, but it's a good idea to structure this as a series of periodic payments. That way, the company can have leverage over the former employee, ensuring that all continuing obligations are met (e.g., confidentiality, non-competition, etc.).

If you are not offering a severance package to the employee, you can delete this paragraph.

8. An optional provision that should be included if a written employment agreement requires the company's confidential matters to be kept confidential after termination. You may, for example, want to include this provision if your employment agreement includes clauses titled "Confidentiality," "Non-Competition," or "Non-Disclosure." Enter the time period after termination for which the employee may not engage in any similar employment. Make sure that this is reasonable, or it may be invalidated for being too restrictive by a court in your area. If the employee is not bound by confidentiality provisions, feel free to delete this paragraph.
9. An optional provision that gives the employee the right to appeal the termination (i.e., explain that it wasn't fair or permitted under the applicable employment contract). Enter the number of days the employee has to make his or her appeal. If the agreement specifies a time period, make sure to fill in the same information here. If there is no governing employment agreement, or if the employee isn't given a right to appeal his or her termination, feel free to delete this paragraph.

10. An optional provision noting that if a company is checking the employee's references, your organization will only provide information about dates of employment and job title. The reasons for termination won't be provided unless the law requires such disclosure. It is almost always a good idea to limit the information provided to outside companies: statements that damage a former employee's ability to get another position could generate costly and time-consuming lawsuits. You can delete this paragraph if it doesn't fit with your company's policies.
- **Signature.** The employee should date, sign, and return a copy of the letter to your organization. Make sure to keep a copy of the signed document in the employee's personnel file.
 - **Release.** Include the release with your letter only if you have included optional paragraph 7 (the severance package). If you have included a severance, the release is an essential element of your agreement: it is your employee's promise not to sue the company or its employees for anything relating to his or her employment or termination, including discrimination claims. Note that the employee can still make a claim against the company if it isn't related to the termination.

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Form Sample

SAMPLE EMPLOYEE TERMINATION LETTER

[COMPANY LETTERHEAD INFORMATION]

[Date]

Personal & Confidential

[Employee Name]
[Street Address]
[City, State, Zip Code]

Dear [Employee Name]:

I regret to inform you that your employment with _____ (the
“Company”) is terminated effective as of _____ (the “Effective

The reasons for your termination are as follows:
