# Planning Desk – Considerations Before Leaving a Job

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**Brain Teaser of the Month:** *What is the only planet in our solar system not named for a deity?*

*Answer on Page 4*

Career transitions can be stressful, but careful planning beforehand can provide some confidence.

We've created a checklist of items below. It's best to review this in the weeks before you leave your job, since you can't assume you'll be allowed access to your email or work computer once you communicate your resignation.

1. **Gather log-ins to your company-sponsored financial accounts** – You might have an internal website to access your 401k, but there should also be an outside website with a separate log-in for those who've left the company. The same may also be true for things like restricted stock and stock options. You may also want to download copies of your pay stubs and W2s.

2. **Review any log-ins or subscriptions that use your work email address**, and change these to your personal.

3. **Review your 401k contribution** - If possible, you can try to front-load your 401k contributions to get the full $22,500 (or $30,00 if you're over 50) in before you leave. This would be important if your next job doesn't offer a 401k, or doesn't match contributions. If your current and new company both offer a 401k match, then you might want to assess which is higher. Also note that some companies withhold matching contributions until a certain date, so you may not get the match if you're not still employed at that time. It is also important to understand your vesting status in your current employer's 401k as this may impact the amount of the match and help determine if contributing to the new plan may be more beneficial.

4. **Review company stock, bonus and commission schedules** – If you're able to be flexible on your leave date, you might resign after stock vests or a bonus hits.

5. **Review Non-Qualified Plans** - We are seeing more and more companies offer non-qualified retirement plans. These plans are a way for employees to put money aside during working years, to

be received later in life. Every plan is unique and you should confirm your options. We would want to review the distribution options before you separate from service.

6. **Review group insurance policies** – most group life insurance is not portable, but it's worth checking if you can take your policy with you.

7. **Review Flexible Spending Accounts** – You are entitled to the full amount you set aside for the year, even though the money is technically pulled out over all paychecks. Expenses must be incurred before you leave.
    - **Dependent care accounts** are different – you are only entitled to the amount that was taken from your paychecks up to your last day.
    - **Health Savings Accounts** can remain active, since they aren't tied to your employer, but you won't be able to contribute.

8. **Strategically choose your last day** – At many companies, your health insurance remains active through the last month of employment. For example, if you resign on July 2 you would be able to keep health insurance through July 31. This gives you time to find a new health insurance plan, or at least saves you the cost of one month of COBRA. You should find out the policy at your company before leaving. If you're married, you should be able to enroll in your spouse's plan through a special enrollment period.

9. **Review other company perks** – For example, you might be paying for a legal plan through your benefits – use this time to update your estate plan, if needed. Your company might offer employee discounts on local museums, hotels and other travel expenses.

## A few additional reminders:

- If you expect you'll need to borrow funds in the near-term, keep in mind that certain financial products require proof of income. You may want to consider this before leaving your current job.

- If you plan to have a lower-income year, there are certain tax strategies that might make sense such as Roth Conversions or strategically taking capital gains.

- If you expect to be in-between jobs for a few months, you'll want access to cash and a higher-than-usual emergency fund.

As financial planners, we guide clients through career transitions every day. These are big decisions, and we frequently turn to the financial plan to explore how these changes will affect your future. Some examples:

- **Leaving a current role for a start-up opportunity** – These roles often mean lower base pay, but equity and stock options. How does this affect current cash flow and savings?

- **Taking a sabbatical –** What length of time makes sense? How much should we set aside as a cash reserve?

- **Negotiating an appropriate severance package** – Is there an ability to receive funds over multiple tax years? Is there flexibility on the leave date, for insurance purposes? We can also suggest employment attorneys if there are particular items you'd like to review.

Please reach out if you'd like to discuss a career transition and how it can affect your financial plan. As always, conversations about taxes should include your tax advisor.

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**Brain Teaser of the Month Answer** – *Earth*

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A 10% penalty tax will apply on funds converted to a Roth if those funds are withdrawn before five years have elapsed unless the owner is age 59 ½ or another exception applies.

A Roth Conversion may not be right for everyone. There are a number of factors taxpayers should consider before converting, including (but not limited to) whether or not the cost of paying taxes today outweighs the benefit of income tax-free Qualified Distributions in the future. Before converting, taxpayers should consult their tax and legal advisors based on their specific facts and circumstances.

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### Sources:

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