



## THE CHECKLIST FOR CHANGING JOBS

The *Financial Principles Guidebook* is a comprehensive collection of our planners' insights to help you along your pursuit of financial independence.

### IN THIS GUIDEBOOK

Page 2	Things to consider before leaving your current employer
Page 3	Things to consider when accepting a new job
Page 4	Enrolling in benefits
Page 5	Questions? Contact your advisor!

In generations past, it was not uncommon for workers to spend their entire careers with one company. Over the years, pensions have become less common and our economy has become more service-based. As such, this simply isn't the case any longer. In fact, according to the Bureau of Labor and Statistics, the average person will change jobs twelve times during their professional careers. If you have recently changed positions, or are considering doing so, we hope that you find this information valuable. ***Should you have any questions, please do not hesitate to contact our office. If you have a friend, family member, colleague, or client who may benefit from this Guidebook, please do not hesitate to share it with them.***

## FOCUSED ON YOUR FINANCIAL INDEPENDENCE

## BEFORE YOU LEAVE YOUR CURRENT JOB



Ideally before you leave your current role you will have a new position lined up. However, there are times that whether through a layoff, or just you are needing a little reprieve, you may have a lapse in employment. Before your final day, you should:

- Make sure you have adequate liquid savings available to you for cash flow needs (a good rule of thumb is at least six months of living expenses should be readily available to you).
- Review your **unused sick and vacation time** to ensure that you receive all benefits due to you.
- Review your eligibility for continuation of health, life, and disability benefits:
  - Consolidated Omnibus Budget Reconciliation Act (**COBRA**) is a health insurance program that allows an eligible employee and his or her dependents the continued benefits of health insurance coverage. If you are going to be out of work, or there is a waiting period before you can enroll in your new employer's insurance plan, you should enroll in COBRA to make sure that you have uninterrupted health insurance coverage. To the extent your employer allows, you should have your insurance premiums deducted from any final cash compensation due to you. By doing so you will receive a tax benefit for having paid these premiums (by reducing your taxable income) where paying the insurance premiums out of pocket will likely not provide you a tax benefit unless you have high medical expenses.
  - If you have employer sponsored life or disability insurance the coverage may be portable. Generally, unless you have medical history that would make underwriting difficult securing a private life insurance or disability insurance policy will be more affordable. We can review these options with you.
- Review your retirement plan options:
  - If you have an outstanding loan against your 401(k), 403(b), or other workplace retirement plan you need to determine if you can pay back that loan prior to separating service, or what your options are for continuing to make payments after you separate from service. If you default on the loan that amount will be subject to income tax at the end of the year, and if you are under age 59 and one half (55 in some cases) that amount will be subject to an additional 10% penalty.
  - Your 401(k), 403(b), or other workplace retirement plan will be eligible to be rolled over to an IRA after you separate from service. By rolling over your retirement plan balance to an IRA you will generally have more investment options available to you. However, if you are between the ages of 55 and 59 and a half and anticipate needing to withdraw from your retirement plan to support your cashflow needs, it may make sense to leave the assets in your retirement plan as withdrawals may be exempt from the additional 10% early withdrawal penalty assessed by the IRS. There are additional considerations when making a decision to rollover your retirement plan to an IRA, which you should consider with your financial advisor.
- **Review your stock options and stock purchase plans.** If you have stock options, you may need to exercise them prior to leaving the company. Likewise, you may only have a limited window to exercise the options after leaving. Be aware of your options and what taxable events will be triggered by your actions.
- Review your **Flexible Spending Account (FSA)** and submit any reimbursements prior to leaving. An FSA allows you to set aside a pre-tax portion of your paycheck to cover qualified expenses that may otherwise come out of your pocket. You should submit all eligible expenses for reimbursement before you leave your current job and check with your company's HR department to find out whether or not you have a grace period for submission of reimbursements.
- Review all **other benefit programs** available to you and ensure you have maximized their benefit. Many employers will offer you reimbursements for work related expenses, reimbursements for education, membership dues to associations, reimbursements for a gym membership, or even matching of charitable contributions. You should review these plans to ensure that you have taken full advantage of their benefits prior to leaving the company.
- Finally, whether you are resigning, or are in the unfortunate position of being laid off, if your employer asks you to sign a separation agreement, review the separation agreement carefully. A separation agreement is a binding legal document in which you surrender legal rights. You should review all legal agreements with a qualified legal professional prior to signing them.



Once you have been offered a new job, don't celebrate just yet! You should carefully consider your offer from a new employer and attempt to negotiate certain benefits.



- **Understand your total compensation.** Odds are your offer of employment's total cash compensation will include a portion that is salary, a portion that is bonus or incentive, and even may include a portion that is commission or sales based. You should fully understand your total compensation package and how any bonus, incentive, or commission compensation is calculated. Remember that your initial compensation sets the ground floor for your financial future with the company—even a small increase at inception could reap larger benefits later through annual increases.

- **Understand your eligibility for health, life, and disability insurance.** Understand your coverage and eligibility requirements for different types of insurance

coverage. You should ensure that you will have no lapse in coverage from leaving your current job to being eligible at your new job, you should enroll in the appropriate coverages, and cancel any overlapping coverage.

- **Understand your sick and vacation time eligibility.** When compared to other developed nations, Americans not only receive, but use, less paid time off from work. Not taking advantage of these benefits is a great way to experience fatigue, frustration, or "burn out" with a position or employer. Make sure that you understand how your paid time off accrues, when you will be eligible for benefits, and that you are comfortable with the amount of paid time off you will receive.

- **Understand your retirement plan benefit.** You should understand your eligibility for participation in a workplace retirement plan. Different plans have different contribution limits, benefits, and eligibility requirements. You should understand your eligibility and retirement plan benefits to ensure that they align with your financial plan.



- **Relocating?** If you are relocating for a position you should understand what the relocation means to you both personally and financially. Your new city need not only be a cultural fit, but a financial one as well. Relocating for a nice bump in salary may seem appealing, but if the cost of living is vastly different you could actually be taking a decrease to your standard of living. Likewise, if you do need to relocate you should understand if your employer will pay for any of those relocation expenses.
- **Stock options or employee purchase plan?** Will you be eligible to receive stock grants or awards or have the option to purchase company stock through a workplace plan?
- **Are you eligible for other benefits?** Many employers will offer you reimbursements for work related expenses, membership dues to associations, reimbursements for education, reimbursements for a gym membership, or even matching of charitable contributions.

## ENROLLING IN BENEFITS

If you have been offered employment and accepted a position, now it is time to celebrate! However, as you prepare for your first day and enrolling in your benefits, there are plenty of considerations.

- **Arrange for direct deposit** of your paycheck to your bank account to assure that your pay arrives as quickly as possible and provides you easy access to the funds.
- **Income tax considerations.** You should meet with your tax professional to review how your new job, severance, unused sick and vacation pay, or unemployment compensation may affect your overall tax situation. Your tax professional will also be able to assist you in making withholding elections when filling out your W-4 form.
- **Enroll in your workplace retirement plan.** Be sure to enroll in your workplace retirement plan as soon as you are eligible. You should contribute as much as your cash flow allows, up to the contribution limit, but should never contribute less than any matching contribution you are eligible to receive. When enrolling, be sure to consider:
  - How much you contributed to your former employer plan so that you don't exceed the contribution limit for the year.
  - Contributing evenly throughout the year to ensure you receive the maximum matching contributions.
  - The investment options and making investment options that are inline with your risk tolerance and overall financial plan. If you have any questions, contact our office.
- **Review your stock options plan.** If you are offered stock options, restricted stock, or an employee purchase plan with your new employer, be sure to review the plan options. Be aware that there are usually vesting periods, like a waiting period, for when you can purchase the stock or exercise your options.
  - **Consider an 83(b) election.** The 83(b) election is a provision under the Internal Revenue Code which gives employees the option to pay taxes on the total fair market value of restricted stock at the time of receiving the grant. An 83(b) election has a tax consequence today, but if the stock appreciates there could be less taxes due in the future as you would pay capital gains tax on the appreciation rather than income tax on the entire future value of the stock.
- **Health Insurance-** Review and understand your benefits to ascertain eligibility requirements, start dates, copays, coverage, deductibles, and out of pocket expenses. You should proactively manage your health insurance to avoid any lapses in coverage with your previous plan.
- **Disability Insurance-** Ask for details about your company's disability policy. The most common are short-term and long-term disability. Both types of policies are beneficial and provide income replacement if you are out of work (long-term disability is the one we stress making sure you are enrolled in if you don't have a private policy already). You should compare the policy benefits to any other plans you may have. If you have any questions, contact our office.
- **Life Insurance-** Ask for details about your company's policy. You should understand the types of coverage available, as well as their cost (especially compared to policies available in the market place). Unless you have medical conditions that will make it difficult to secure coverage, we generally recommend that employer coverage should be supplemental to your own privately-owned policies. If you have any questions, contact our office.
- **Other Pre-Tax Benefits-** Many employers will offer you reimbursements for work related expenses, membership dues to associations, reimbursements for education, reimbursements for a gym membership, or even matching of charitable contributions. You should review all of these benefits, and how they could impact your life.
- **Meet with your Financial Advisor-** you should meet with your financial advisor to review your new position, benefits, and how the change effects your overall financial plan.





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SEE COVERED IN THE  
GUIDEBOOK?**

Call or email your advisor with a suggestion for a topic to be covered in The Guidebook. If we have covered it, we will send you that edition. If we haven't, we will cover it!



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COWORKER, OR RELATIVE  
WHO COULD BENEFIT FROM  
THIS GUIDEBOOK?**

Feel free to forward our Guidebook to anyone you feel would benefit from this information. We would be happy to speak with them and answer any questions that they may have.



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