



YOUR WEALTH JOURNEY — NAVIGATING LIFE'S FINANCIAL MILESTONES

Changing Employers? 7 Financial Considerations When You're Starting a New Job

When you change employers—which some people do many times over the course of their career—it's important to address all the financial implications that come with that transition. Here are seven of the most important financial decisions to consider when starting a job with a new organization.

Decide What to Do With Your Retirement Savings

Bridge Any Health Insurance Gap

Line Up the Right Health Insurance Coverage

Look at Health Savings and Flexible Spending Accounts

Consider Life and Disability Insurance Coverage

Evaluate Your Equity Compensation Packages and Understand the Tax Implications

Review Your Budget



Decide What to Do With Your Retirement Savings

There are generally three main options to handle the retirement savings you've accumulated in a 401(k), 403(b), 457, or other qualified retirement plan with the employer you're leaving:

- Transfer your savings into an individual retirement account (rollover IRA);
- Keep them in the former employer's retirement plan; or
- Move them to your new employer's plan

While leaving the savings in your former employer's plan may seem like the easiest option, there can be significant advantages to either rolling it into an IRA or moving it to your new employer's plan.

You may consider keeping all your retirement savings together for ease of investment management. It can be less complex to allocate your savings among various investments when they all live in one account. In addition, it is easier to track assets when they are consolidated. Another, longer-term benefit is it can be easier for you to strategically draw down your savings in retirement if you've consolidated them.

Other factors to keep in mind as you make this decision:

- Moving the savings to an IRA may give you a wider array of investment options than you will find in an employer-sponsored retirement plan. For example, you may have access to a greater array of funds and exchange traded funds (ETFs), as well as less-common investments such as municipal bonds or real estate investment trusts (REITs). It's worth comparing what investment options your former and new employers' retirement plans offer with what you can find in an IRA.
- The investment and administrative fees participants pay in an employer-sponsored plan can be higher than the fees charged by an IRA—compare the total all-in fees when deciding where to keep your retirement savings.





Bridge Any Health Insurance Gap

Make sure you don't have any gap in health coverage between when you leave an employer and start at a new one. Determine the exact date of when your old coverage ends and your new coverage—assuming you have it—begins.

If your new health coverage doesn't begin right away, consider whether to take advantage of COBRA—a federal law that allows you and your immediate family members to continue receiving your existing employer-based health coverage for at least 18 months after you leave that employer. Be aware, however, that you will likely have to pay both the employer and the employee portion of the premium for the months you're on COBRA, which can be quite expensive.

As an alternative to COBRA, you might be eligible to sign up for a plan through your state's health insurance marketplace or, if you're married and your spouse has employer-sponsored coverage, get added to your spouse's health plan.

Each of the options for securing health insurance to bridge a gap can have pros or cons, so make sure to evaluate them carefully, considering both the cost and coverage implications.



Line Up the Right Health Insurance Coverage

Your new employer may offer health insurance and may even give you multiple options.

If you're married and your spouse has employer-sponsored health insurance, you may want to determine whether to join your spouse's plan instead of your new employer's plan (you'll want to make sure any children are put on the appropriate spouse's plan as well).

Here are some considerations when lining up the right coverage:

- Are your current doctors, including any specialists, considered in-network in your new employer's health plan? If an important doctor is not in the network, assess how that will affect your out-of-pocket costs for seeing that doctor.
- Does your new health insurance offer a health plan option that allows you to contribute to a health savings account (HSA)?



Look at Health Savings and Flexible Spending Accounts

Your new employer may offer health savings accounts (HSAs) or flexible spending accounts (FSAs), which let you set aside pretax income for specific expenses, such as commuting, medical care, or childcare. Those enrolled in a high-deductible healthcare plan can make tax-free contributions to an HSA, grow earnings tax free, and use tax-free distributions for qualified medical expenses. Savings in an HSA can be kept in cash or investments, do not expire, and can move with you if you switch jobs.

FSAs can save you money if you have those expenses, but understand that you will typically forfeit any funds contributed to an FSA that aren't used by the annual deadline. If you have funds leftover in an FSA when you leave an employer, you will typically still have access to those funds if eligible expenses were made prior to you leaving your job (such as a doctor's appointment you've yet to be billed for). However, you will forfeit any remaining funds beyond those expenses, unless you are eligible for and choose COBRA continuation coverage of your FSA.



Consider Life and Disability Insurance Coverage

About 60% of U.S. workers have access to life insurance coverage, and nearly 40% have access to short- and long-term disability plans through work, according to the Bureau of Labor Statistics.¹ Find out whether your new employer offers such coverage and, if it does, what your cost would be.

Your William Blair wealth advisor can help you determine whether you should sign up for life or disability coverage through your work, or get coverage outside of work. Keep in mind that you may lose your employer-offered life and disability insurance coverage if you leave the job, so there can be benefits to securing that coverage separately.

¹ <https://www.bls.gov/news.release/pdf/ebs2.pdf>



Evaluate Your Equity Compensation Packages and Understand the Tax Implications

You may have received equity compensation, such as restricted stock, stock options, or phantom stock, as well as severance or other types of non-salary compensation from the company you're leaving. The tax implications and rules related to these forms of compensation can be complex, so it's wise to read the fine print of any agreements and discuss next steps, options, and opportunities with your advisors.

Also, if the company you're joining offers any equity compensation packages, make sure you understand the rules and tax implications so you can take full advantage of these benefits.



Review Your Budget

Your salary or overall compensation mix—such as how much you depend on commissions or bonuses—may change significantly when you switch jobs. It's worth looking at how your take-home pay could be affected by the job change and whether you need to make any changes in your spending habits or lifestyle.

Strengthen Your Financial Life While Advancing Your Career

There are many financial decisions you'll want to consider as you evaluate job opportunities, wind down your current job, and onboard at your new employer. It may make sense to carve out time to talk through these considerations with your William Blair wealth advisor to ensure that you're maximizing this opportunity to strengthen your financial life.

Contact Us:

Please reach out to your William Blair wealth advisor or contact us at pwm@williamblair.com.

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