

Financial Considerations for Job Changes

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Agenda

- ▶ Why do you work?
- ▶ Liquidity
- ▶ Considerations When Changing Jobs
- ▶ Evaluating Job Offers
- ▶ After Landing New Job
- ▶ Investment Specific
 - ▶ Stock Building Blocks
 - ▶ Active vs Passive Mutual Funds
- ▶ 401(k) Contributions
- ▶ W-2 v 1099 Comparison
- ▶ FSA v HSA
- ▶ Various Limits
- ▶ Resources

Why do you work?

- ▶ F Family
- ▶ O Occupation
- ▶ R Recreation

Money is the How!

- ▶ F Family
- ▶ O Occupation
- ▶ R Recreation
- ▶ M Money is the How!

“Money matters because life matters more.” Tiller Money

ORDER OF LIQUIDITY

After Tax No Limits

After Tax With Limits

Pre Tax With Limits

Primary Emergency

Secondary Emergency (Optional before retirement)

Bridge

Tax FREE Retirement (Roth / LIRP)

Tax Deferred Retirement (401k, IRA, Pension)



3-6 months of living expenses

12 months of living expenses

Connects emergency to retirement money

Provides tax efficiency in retirement

Usually bulk of retirement assets

Unplanned expenses or funds between jobs.

Harder to replenish without income.

Spillover once retirement accounts are maxed.

Lump sum spending and/or controlling tax bill during retirement.

Establish baseline income. Must be careful to avoid excess taxation.

0-3 Years / Risk: None

3-5 Years / Risk: 2-3

Pre 59.5 / Risk: 3-4

Pre 59.5 / Risk: 3-6

Pre 59.5 / Risk: 3-6

No Age Limits
Only earnings taxed

Pre 59.5 Principle Only
Post 59.5 Tax Free

Pre 59.5 10% Penalty
Post 59.5 Taxed as income

Financial Considerations when Changing Jobs

- ▶ Get Organized
 - ▶ Got a budget? Got beneficiary information gathered?
- ▶ What is your Financial Flexibility?
 - ▶ Got a financial plan?
- ▶ Make Thoughtful decisions
 - ▶ What to do with deferred compensation? Company stock?
 - ▶ 401(k) loans?
- ▶ Little Things Can Make a Difference
 - ▶ Consolidate various IRAs, investment accounts, 401(k) plans
- ▶ Don't Let Emotions Dominate
 - ▶ Fully explore your choices

Evaluating Job Offers

Key Takeaways

- ▶ It's more than just salary
 - ▶ Taxes
 - ▶ ~~Commute~~ *[Is commuting to work a memory?]*
 - ▶ Your Retirement
- ▶ Intangible factors
 - ▶ Desire to move
 - ▶ Ability to advance your career
 - ▶ Quality of life

Evaluating Job Offers

Key Considerations

- ▶ **Money**
 - ▶ Bonus? Commissions?
- ▶ **Benefits**
 - ▶ 401(k), 401(k) Match, Tuition Reimbursement, Insurance, profit sharing
- ▶ **Taxes**
 - ▶ State rates vary. Employee to self-employed?
- ▶ **Cost of Living**
 - ▶ Cost of Living Calculator
- ▶ **Cost of Leaving**
 - ▶ Stock Options, 401(k) matches/vesting/loans, profit sharing
- ▶ **Relocation**
 - ▶ Real estate agent fees, temporary housing

After Landing New Job

- ▶ Pay off any debt incurred during transition
- ▶ Resume (begin) savings
 - ▶ Start with employer-sponsored 401(k)
 - ▶ Don't leave the match on the table! (examples coming)
- ▶ Increase savings with increased pay
- ▶ Update your financial plan

Investment Specific

- Stock Building Blocks

- ▶ Determine Your Objective (Income, Growth, Aggressive, mix)
- ▶ Target How Many Stocks to Own
- ▶ Balance Across all 10 Sectors
 - ▶ Can Diversify Deeper with Subsectors
- ▶ Consider Price Movement
- ▶ Maintain Balance

- ▶or.....
- ▶ Buy Active Mutual Funds
 - ▶ Leave it to experts (e.g. Fund Managers)

Finding Sector Balance	
Offense	Defense
Communication Services	Health Care
Consumer Discretionary	Consumer Staples
Energy	Utilities
Financials	
Industrials	
Materials	
Technology	

Investment Specific

- Active vs Passive Mutual Funds

- ▶ Index funds
 - ▶ Do you want to be average?
- ▶ So many great opportunities in the market
 - ▶ Can you buy Amazon in your old 401(k)?

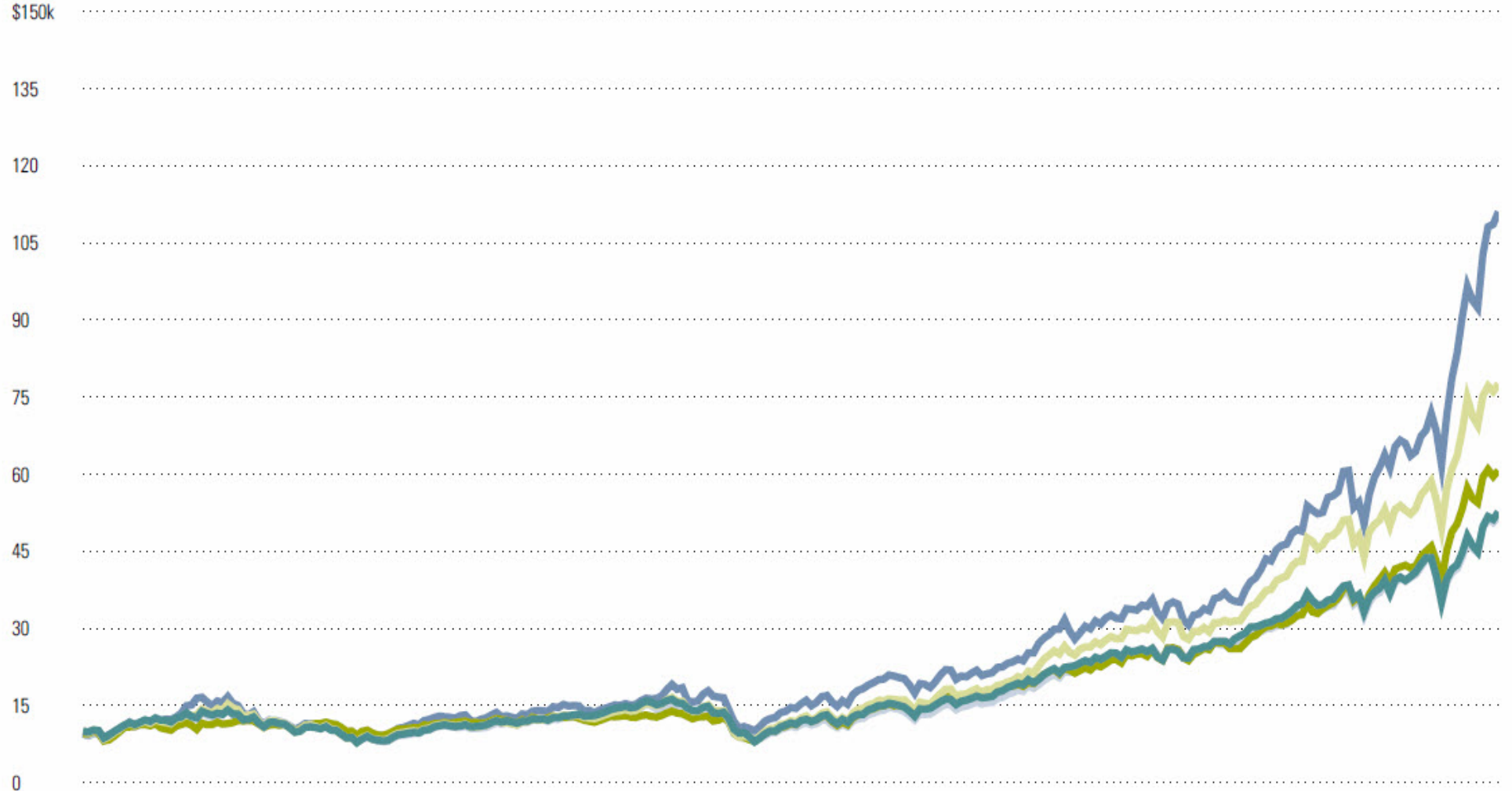
Hypothetical Holdings: Investing \$10,000 into Five Funds

04-30-1998 to 02-28-2021

Market Value

Final Market Value

Franklin DynaTech A (USD, FKDNX)	\$111,031
Hartford Core Equity A (USD, HAIAX)	\$51,537
JHancock US Global Leaders Growth A (USD, USGLX)	\$60,650
T. Rowe Price Blue Chip Growth I (USD, TBCIX)	\$77,527
Vanguard 500 Index Admiral (USD, VFIAX)	\$52,615



401(k) Contributions - Example 1

Hitting Limit Too Soon

\$ 100,000	Annual Salary	\$ 100,000
\$ 3,846	Bi-weekly	\$ 3,846
25%	Employee Contribution	19%
6%	Company Match	6%

EE	Cum	ER	Cum
\$ 2,083	\$ 2,083	\$ 500	\$ 500
\$ 2,083	\$ 4,167	\$ 500	\$ 1,000
\$ 2,083	\$ 6,250	\$ 500	\$ 1,500
\$ 2,083	\$ 8,333	\$ 500	\$ 2,000
\$ 2,083	\$ 10,417	\$ 500	\$ 2,500
\$ 2,083	\$ 12,500	\$ 500	\$ 3,000
\$ 2,083	\$ 14,583	\$ 500	\$ 3,500
\$ 2,083	\$ 16,667	\$ 500	\$ 4,000
\$ 2,083	\$ 18,750	\$ 500	\$ 4,500
\$ 250	\$ 19,000	\$ 250	\$ 4,750
\$ -	\$ -	\$ -	\$ 4,750
\$ -	\$ -	\$ -	\$ 4,750

EE Total \$ 19,000
 ER Total \$ 4,750
 Total Contribution \$ 23,750

EE	Cum	ER	Cum
\$ 1,583	\$ 1,583	\$ 500	\$ 500
\$ 1,583	\$ 3,167	\$ 500	\$ 1,000
\$ 1,583	\$ 4,750	\$ 500	\$ 1,500
\$ 1,583	\$ 6,333	\$ 500	\$ 2,000
\$ 1,583	\$ 7,917	\$ 500	\$ 2,500
\$ 1,583	\$ 9,500	\$ 500	\$ 3,000
\$ 1,583	\$ 11,083	\$ 500	\$ 3,500
\$ 1,583	\$ 12,667	\$ 500	\$ 4,000
\$ 1,583	\$ 14,250	\$ 500	\$ 4,500
\$ 1,583	\$ 15,833	\$ 500	\$ 5,000
\$ 1,583	\$ 17,417	\$ 500	\$ 5,500
\$ 1,583	\$ 19,000	\$ 500	\$ 6,000

EE Total \$ 19,000
 ER Total \$ 6,000
 Total Contribution \$ 25,000

\$1250 earning 5% for 30 years is \$5402.
 Contributing \$1250 each year, earning 5% for 30 years is \$88,451.

401(k) Contributions - Example 2

Missing Employer Match

\$ 100,000	Annual Salary	\$ 100,000
\$ 3,846	Bi-weekly	\$ 3,846
5%	Employee Contribution	8%
6%	Company Match	6%

EE	Cum	ER	Cum
\$ 417	\$ 417	\$ 417	\$ 417
\$ 417	\$ 833	\$ 417	\$ 833
\$ 417	\$ 1,250	\$ 417	\$ 1,250
\$ 417	\$ 1,667	\$ 417	\$ 1,667
\$ 417	\$ 2,083	\$ 417	\$ 2,083
\$ 417	\$ 2,500	\$ 417	\$ 2,500
\$ 417	\$ 2,917	\$ 417	\$ 2,917
\$ 417	\$ 3,333	\$ 417	\$ 3,333
\$ 417	\$ 3,750	\$ 417	\$ 3,750
\$ 417	\$ 4,167	\$ 417	\$ 4,167
\$ 417	\$ 4,583	\$ 417	\$ 4,583
\$ 417	\$ 5,000	\$ 417	\$ 5,000

Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec

EE	Cum	ER	Cum
\$ 667	\$ 667	\$ 500	\$ 500
\$ 667	\$ 1,333	\$ 500	\$ 1,000
\$ 667	\$ 2,000	\$ 500	\$ 1,500
\$ 667	\$ 2,667	\$ 500	\$ 2,000
\$ 667	\$ 3,333	\$ 500	\$ 2,500
\$ 667	\$ 4,000	\$ 500	\$ 3,000
\$ 667	\$ 4,667	\$ 500	\$ 3,500
\$ 667	\$ 5,333	\$ 500	\$ 4,000
\$ 667	\$ 6,000	\$ 500	\$ 4,500
\$ 667	\$ 6,667	\$ 500	\$ 5,000
\$ 667	\$ 7,333	\$ 500	\$ 5,500
\$ 667	\$ 8,000	\$ 500	\$ 6,000

EE Total \$ 5,000
ER Total \$ 5,000
Total Contribution \$ 10,000

EE Total \$ 8,000
ER Total \$ 6,000
Total Contribution \$ 14,000

\$3000 earning 5% for 30 years is \$12,966.
Contributing \$3000 each year, earning 5% for 30 years is \$212,282.

401(k) Contributions - Example 3

Supplemental Pay

\$ 100,000	Annual Salary	\$ 100,000
\$ 3,846	Bi-weekly	\$ 3,846
19%	Employee Contribution	19%
6%	Company Match	6%
\$ -	Supplemental Pay (Apr/Sep)	\$ 10,000

EE	Cum	ER	Cum
\$ 1,583	\$ 1,583	\$ 500	\$ 500
\$ 1,583	\$ 3,167	\$ 500	\$ 1,000
\$ 1,583	\$ 4,750	\$ 500	\$ 1,500
\$ 1,583	\$ 6,333	\$ 500	\$ 2,000
\$ 1,583	\$ 7,917	\$ 500	\$ 2,500
\$ 1,583	\$ 9,500	\$ 500	\$ 3,000
\$ 1,583	\$ 11,083	\$ 500	\$ 3,500
\$ 1,583	\$ 12,667	\$ 500	\$ 4,000
\$ 1,583	\$ 14,250	\$ 500	\$ 4,500
\$ 1,583	\$ 15,833	\$ 500	\$ 5,000
\$ 1,583	\$ 17,417	\$ 500	\$ 5,500
\$ 1,583	\$ 19,000	\$ 500	\$ 6,000

Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec

EE	Cum	ER	Cum
\$ 1,583	\$ 1,583	\$ 500	\$ 500
\$ 1,583	\$ 3,167	\$ 500	\$ 1,000
\$ 1,583	\$ 4,750	\$ 500	\$ 1,500
\$ 2,533	\$ 7,283	\$ 500	\$ 2,000
\$ 1,583	\$ 8,867	\$ 500	\$ 2,500
\$ 1,583	\$ 10,450	\$ 500	\$ 3,000
\$ 1,583	\$ 12,033	\$ 500	\$ 3,500
\$ 1,583	\$ 13,617	\$ 500	\$ 4,000
\$ 2,533	\$ 16,150	\$ 500	\$ 4,500
\$ 1,583	\$ 17,733	\$ 500	\$ 5,000
\$ 1,266	\$ 19,000	\$ 500	\$ 5,500
\$ -	\$ -	\$ -	\$ -

EE Total \$ 19,000
ER Total \$ 6,000
Total Contribution \$ 25,000

EE Total \$ 19,000
ER Total \$ 5,500
Total Contribution \$ 24,500

\$500 earning 5% for 30 years is \$2,161.

Contributing \$500 each year, earning 5% for 30 years is \$35,380.

Employee (W2) versus Contractor (1099)

		W2	1099	Delta
Gross Wages	Annual	\$ 100,000	\$ 125,000	\$ 25,000
	Bi-weekly	\$ 3,846	\$ 4,808	\$ 962

Taxes

Federal Tax	24%	\$ 923	\$ 1,154	\$ 231
State Tax	5.75%	\$ 221	\$ 276	\$ 55
Social Security EE	6.20%	\$ 238	\$ 477	\$ 238
Medicare EE	1.45%	\$ 56	\$ 112	\$ 56
Total Taxes		\$ 1,438	\$ 2,019	\$ 580

Net Bi-Weekly Pay (without benefits)	\$ 2,408	\$ 2,789	\$ 381
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What are FSA and HSA Plans?

- ▶ Personal savings accounts for qualified medical expenses
- ▶ Employer offered plans
- ▶ Pre-tax amounts taken from paycheck

- ▶ Example:
 - ▶ Paying \$100 medical co-payment
 - ▶ From FSA or HSA (pre-tax funds): \$100
 - ▶ FSA or HSA \$100
 - ▶ From checking account (after tax funds): \$137.40
 - ▶ \$100 Checking
 - ▶ \$24 federal tax, \$5.75 NC tax, SS \$6.20, Medicare \$1.45

FSA versus HSA

FSA

- ▶ “Use it or lose it” - funds not used by end of plan year are lost
- ▶ Account owned by employer
- ▶ Employer cannot contribute to FSA
- ▶ Can cover eligible expenses early in year, covered by contributions later in year
- ▶ Written statements to third party, with details. No tax forms.
- ▶ Contribution determined during open enrollment (or at life event)

HSA

- ▶ Requires High Deductible health Plan to qualify
- ▶ Owned by employee
- ▶ Funds roll over year after year
- ▶ Some offer investment options
- ▶ Can't spend more than available
- ▶ Individual keeps records. Reports distributions on Form 8889.
- ▶ Contribution can be changed any time (cannot exceed limit)

Various Limits

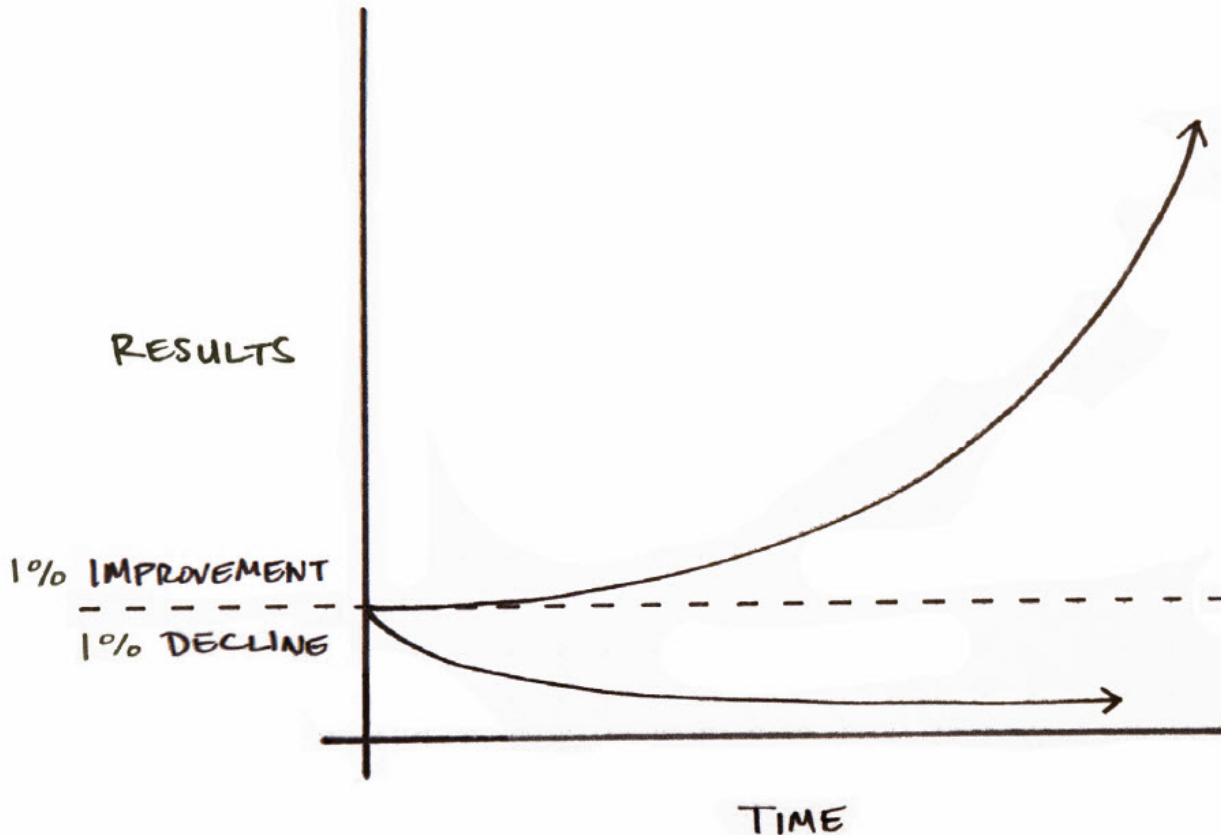
	2019	2020	2021
▶ FSAs - Flexible Spending Arrangements			
▶ Contribution Limitation	\$2700	\$2750	\$2750
▶ HSAs - Health Savings Accounts			
▶ Individual	\$3500	\$3550	\$3600
▶ Family	\$7000	\$7100	\$7200
▶ Age 55+ Catchup	\$1000	\$1000	\$1000
▶ Qualified Retirement Plans			
▶ 401(k), 403(b), 457	\$19,000	\$19,500	\$19,500
▶ SIMPLE IRA	\$13,000	\$13,500	\$13,500
▶ SEP IRA	\$56,000	\$57,000	\$58,000
▶ Catch-up Contributions (50+)			
▶ 401(k), 403(b), 457(b)	\$6000	\$6000	\$6500
▶ SIMPLE IRAs	\$3000	\$3000	\$3000
▶ Traditional & Roth IRAs			
▶ Under Age 50 at year end	\$6000	\$6000	\$6000
▶ Over Age 50 at year End	\$7000	\$7000	\$7000

Errata & Resources

- ▶ Habits of Genuinely Happy and Successful People
 - ▶ Exercise Regularly
 - ▶ Eat Good Food
 - ▶ Foster Quality Relationships
 - ▶ Be Grateful
 - ▶ Give Freely
 - ▶ Take Breaks
- ▶ Sites to Help Plan your Career Change
 - ▶ 10 TED Talks on Career Moves
 - ▶ The "Dirty Dozen" Online Job Search Mistakes
- ▶ Current inspiration for me
 - ▶ "Atomic Habits" by James Clear

“Atomic Habits” by James Clear

The effects of small habits compound over time. For example, if you can get just 1 percent better each day, you’ll end up with results that are nearly 37 times better after one year.



1% BETTER EVERY DAY

1% worse every day for one year. $0.99^{365} = 00.03$

1% better every day for one year. $1.01^{365} = 37.78$

Thoughts, Comments, Tips, Tricks, Suggestions, Questions, or Emotional Outbursts?

Thank you for your time and attention.

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+++++++ CAREER SERVICE RESOURCES ++++++

- Chapter Website → Jobs Board → <https://raleigh.issa.org/career-services/>
- Chapter LinkedIn → <https://www.linkedin.com/company/issa-raleigh-chapter>
- Chapter Facebook → <https://www.facebook.com/groups/raleighissa/>
- Chapter Twitter → <https://twitter.com/RaleighISSA>