

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
- ▶ 401(k) Contributions
- ▶ W-2 v 1099 Comparison
- ▶ FSA v HSA
- ▶ Various Limits
- ▶ Business Cycles
- ▶ Market Update
- ▶ Resources
- ▶ Q&A

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



3-6 months of living expenses

Unplanned expenses or funds between jobs.

0-3 Years / Risk: None

Secondary Emergency (Optional before retirement)



12 months of living expenses

Harder to replenish without income.

3-5 Years / Risk: 2-3

Bridge



Connects emergency to retirement money

Spillover once retirement accounts are maxed.

Pre 59.5 / Risk: 3-4

Tax FREE Retirement (Roth / LIRP)



Provides tax efficiency in retirement

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

Pre 59.5 / Risk: 3-6

Tax Deferred Retirement (401k, IRA, Pension)



Usually bulk of retirement assets

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

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?
 - ▶ Vesting schedule
- ▶ 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)?

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		EE	Cum	ER	Cum
\$ 2,083	\$ 2,083	\$ 500	\$ 500	Jan	\$ 1,583	\$ 1,583	\$ 500	\$ 500
\$ 2,083	\$ 4,167	\$ 500	\$ 1,000	Feb	\$ 1,583	\$ 3,167	\$ 500	\$ 1,000
\$ 2,083	\$ 6,250	\$ 500	\$ 1,500	Mar	\$ 1,583	\$ 4,750	\$ 500	\$ 1,500
\$ 2,083	\$ 8,333	\$ 500	\$ 2,000	Apr	\$ 1,583	\$ 6,333	\$ 500	\$ 2,000
\$ 2,083	\$ 10,417	\$ 500	\$ 2,500	May	\$ 1,583	\$ 7,917	\$ 500	\$ 2,500
\$ 2,083	\$ 12,500	\$ 500	\$ 3,000	Jun	\$ 1,583	\$ 9,500	\$ 500	\$ 3,000
\$ 2,083	\$ 14,583	\$ 500	\$ 3,500	Jul	\$ 1,583	\$ 11,083	\$ 500	\$ 3,500
\$ 2,083	\$ 16,667	\$ 500	\$ 4,000	Aug	\$ 1,583	\$ 12,667	\$ 500	\$ 4,000
\$ 2,083	\$ 18,750	\$ 500	\$ 4,500	Sep	\$ 1,583	\$ 14,250	\$ 500	\$ 4,500
\$ 250	\$ 19,000	\$ 250	\$ 4,750	Oct	\$ 1,583	\$ 15,833	\$ 500	\$ 5,000
\$ -	\$ -	\$ -	\$ 4,750	Nov	\$ 1,583	\$ 17,417	\$ 500	\$ 5,500
\$ -	\$ -	\$ -	\$ 4,750	Dec	\$ 1,583	\$ 19,000	\$ 500	\$ 6,000

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

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

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

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 \$ 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 can only match into 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)

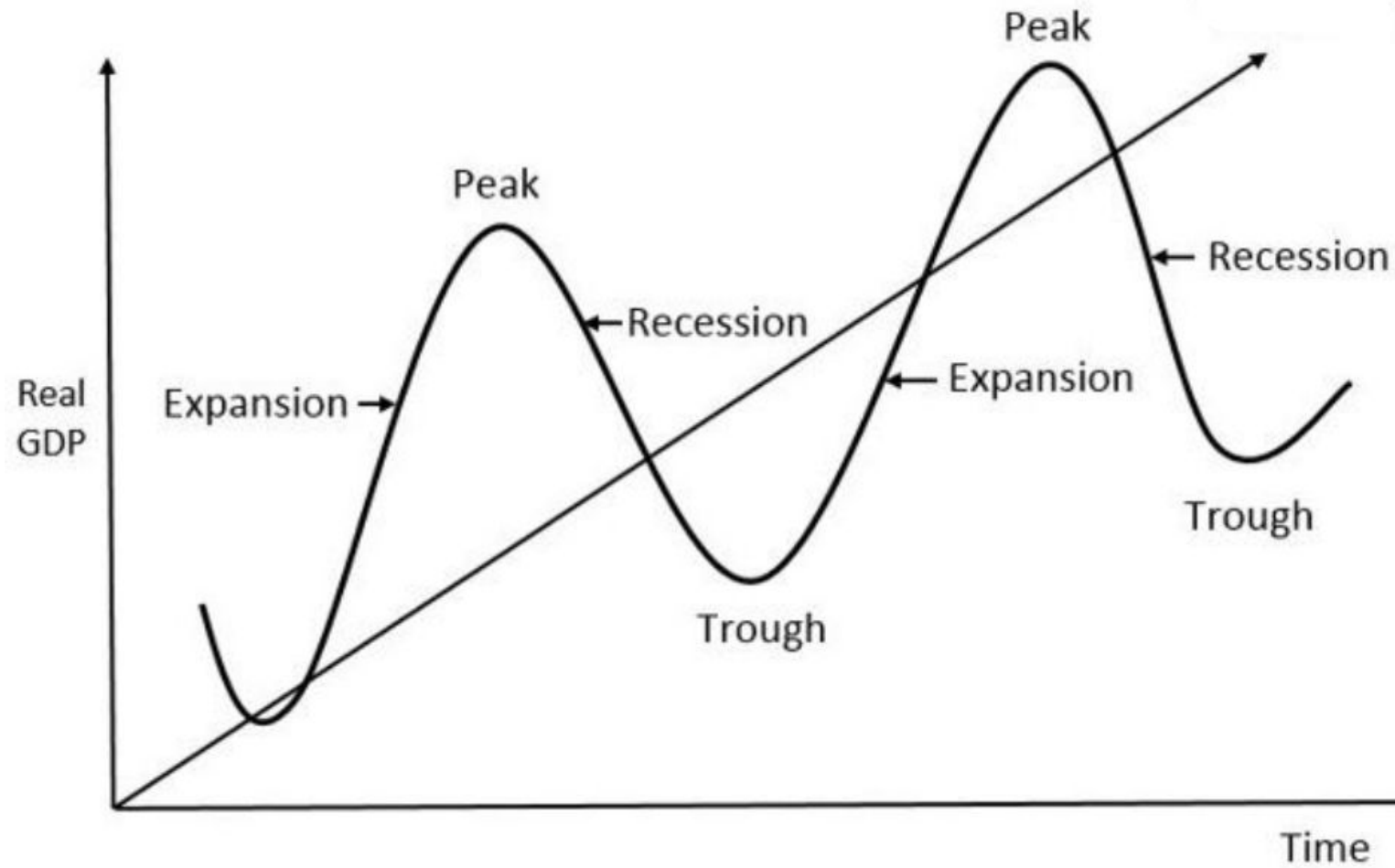
HSA

- ▶ 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

▶ FSAs - Flexible Spending Arrangements	2021	2022	2023
▶ Contribution Limitation	\$2750	\$2850	\$3050
▶ HSAs - Health Savings Accounts			
▶ Individual	\$3600	\$3650	\$3850
▶ Family	\$7300	\$7300	\$7750
▶ Age 55+ Catchup	\$1000	\$1000	\$1000
▶ Qualified Retirement Plans			
▶ 401(k), 403(b), 457	\$19,500	\$20,500	\$22,500
▶ SIMPLE IRA	\$13,500	\$14,000	\$15,500
▶ SEP IRA	\$58,000	\$61,000	\$66,000
▶ Traditional & Roth IRAs			
▶ Under Age 50 at year end	\$6000	\$6000	\$6500
▶ Catch-up Contributions (50+ at year end)			
▶ 401(k), 403(b), 457(b)	\$6500	\$7500	\$7500
▶ SIMPLE IRAs	\$3000	\$3000	\$3500
▶ IRAs, Traditional & Roth	\$1000	\$1000	\$1000

BUSINESS CYCLE



Business Life Cycle Components

- Expansion
 - GDP, inflation and interest rates increasing
 - Unemployment is decreasing
- Peak
 - GDP is at its highest
 - Inflation and interest rates are peaking
 - Unemployment is at its lowest levels
- Contraction
 - GDP begins to slow
 - Inflation and interest rates begin declining
 - Unemployment begins to increase
- Trough
 - GDP, inflation and interest rates are at their lowest levels
 - Unemployment is at its highest

Questions? (...and maybe some answers)



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

Thank you for your time and attention.

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