# Some Insights On:
# Life Events

## How to Be Financially Smart When Switching Jobs

**Retirement Savings**
It can be a little tricky to figure out the best way to handle retirement savings during a job switch. Before you make your move, check your 401(k) policy or ask the Human Resources department to find out whether your employer's matching contributions to your retirement plan are fully vested. (Contributions you make to a 401(k) are always yours to keep, but an employer's matching contributions can vest, or become yours, over time – it's a way for employers to motivate you to stay at the company.) If you can, waiting to leave until that time could net you thousands.

Once you've decided to take a new job, you generally have three choices about what to do with the money you've invested in your employer-sponsored 401(k) plan: R oll the funds to the new employer's retirement savings plan; leave the money where it is; or roll the funds into an IRA.

Common wisdom advocates rolling 401(k) funds to your new employer's plan, but be sure to evaluate the 401(k) options available before you go that route. If there are limited investment choices or high fees, you may be better off leaving the money where it is. Most employers will allow you to leave your money in their 401(k) plans as long as you meet a certain investment threshold (frequently $10,000).

Switching jobs is an ideal time to re-evaluate your retirement investment plans to see whether they still fit your situation and goals.

**Stock Options**
If you're lucky enough to have stock options at your current job, you'll also need to decide whether and when to exercise those options if you leave for a new employer. First, know that you can't exercise stock options if they're not vested. The vesting guidelines vary by employer, but are often tied to timeframe or company earnings thresholds. Second, you'll need to exercise your options before they expire, usually a short time (90 days or so) after departure. Handling stock options can create some complex tax issues, so it's wise to consult a tax advisor for help.

**Student Loans**
If you have student loan debt – and these days, most young college grads do – be aware that student loans are often income-sensitive, meaning your monthly salary determines your payment amount. If you transition to a much better paying job, your loan payments may get bigger.

Alternatively, you may qualify for Public Service Loan Forgiveness if you are moving from the private to the public sector, or to a non-profit or NGO.

Either way, it's smart to consult with your lender and learn whether and how your payments will be revised.

**Insurance Benefits**
Insurance benefits comprise a whopping 10 percent of a job's total compensation package on average, so be sure to evaluate these benefits before accepting a new job offer. A 2014 study by the NAIC (National Association of Insurance Commissioners) found that people who consider salary alone when changing jobs might actually be in worse financial shape after the move. Determine exactly what coverage is offered at your potential new employer, including:

- **Healthcare.** Will the new mix of deductibles, co-pays and coinsurance meet your needs or do you need supplementary coverage? Does the new employer have a mandatory waiting period before health coverage kicks in? If so, consider using COBRA to keep your current group health benefits, or purchasing a short-term plan (available through most major insurers), to cover the gap.
- **Life.** Does your current group life insurance plan have a conversion privilege? If so, that policy can continue to cover you as an individual even after you leave, saving you the hassle of going through another approval process and medical exam.

- **Disability.** You might think disability is the kind of thing that “won’t happen to me,” but in fact, a 20-year-old today has a higher than 1 in 4 risk of becoming disabled before retirement. Group disability insurance policies you have with your employer can’t follow you if you switch jobs, but many policies provide only partial income replacement anyway. It may be a better bet to consider buying your own long-term disability insurance that will follow you from job to job.

A job change may reflect a shift in your life’s priorities, set you on a different earning path and/or place you in a different tax bracket. So, it’s a good idea to make sure your overall financial plans are in sync with your new financial reality. Before making the leap to a new employer, add up your benefits at your current job and try to assess what they’re really worth. You can use this information to help you negotiate the best complete compensation package when switching jobs, and avoid leaving money on the table in the process.