



FINANCIAL STEPS TO TAKE FOLLOWING A JOB CHANGE: CHECKLIST AND GUIDE

yourtailoredwealth.com





The average tech professional changes jobs every 2-4 years. Although exciting, a job change can also be pretty stressful if you're not prepared.

This is a simple checklist and step-by-step guide to follow after a job change to better position wealth to achieve long term goals.

This checklist is designed to make sure your financial situation is covered so you can remain laser-focused on the next challenge. Enjoy!

-Dan from Tailored Cents



- ✓ Understand Your Compensation Package
- ✓ Optimize Your Paycheck Tax Withholding
- ✓ Create a Tax-Efficient Plan
- ✓ Reassess Your Monthly Budget with Your New Income
- ✓ Steer Your Retirement Plans: Old Job to New Job
- ✓ Get the Most from Your Company Stock
- ✓ Healthcare Coverage and Your Career Transition
- ✓ Integrating Your Job Change into Your Financial Blueprint

1



Understand Your Compensation Package

Before jumping ship, get a clear picture of what's in your new compensation package to gain some perspective on whether this new gig will help you reach your financial goals in the timeline you aim to reach them.



Here's the breakdown:

💰 **Salary:** How does your regular paycheck align with your living expenses and savings goals?

💰 **Commission:** Get the specifics if your pay partially depends on performance. What are your targets, and what will it take to hit them?

💰 **Bonus:** Clarify the criteria to qualify, amounts, and likelihood of achievement for bonuses or extra perks if they're being offered.

📈 **Equity:** How are the shares you're getting, if any, valued? When are you permitted to sell them?



Before anything else, get clear on how your new job's pay structure can support your financial ambitions.

2



Optimize Your Paycheck Tax Withholding

Who likes giving the IRS an interest-free loan? Other than the IRS, probably no one.

Head over to the [IRS.gov](https://www.irs.gov)'s withholding calculator before or shortly after getting your new gig. It's your financial tuning fork, ensuring you're not overpaying or underpaying your taxes.

Tax Withholding Estimator

Use your best estimates for the year ahead to determine how to complete Form W-4 or W-4P so you don't have too much or too little federal income tax withheld.



Your result Edit your information

Print

Your result

Based on the information you entered, you're withholding more tax than you need to from your paycheck.

Expected tax withholding	\$48,000
Anticipated tax obligation*	\$41,950
Projected refund	\$6,050

* This is your expected tax liability for the 2024 tax year reported on the 2024 Form 1040 due to be filed by April 15, 2025.

Important Note: This estimate depends on the accuracy of your information. The IRS does not guarantee the accuracy of this estimate and accepts no liability resulting from your use of this estimation.

The IRS calculator at work (example)

Getting this right means optimizing your paycheck—maximizing your take-home pay without a hefty tax bill later. This is especially crucial for tech professionals, where bonuses and equity can complicate tax matters.

☀ If you've got a hefty severance, commission, or bonus on the horizon, adjust your W-4 before these big payouts hit your bank account to prevent the IRS from assuming you're raking in millions annually, which could skew the tax on your lump sum.



For example, an \$80k bonus could be taxed as if you were earning \$1.92 million a year! Instead of being taxed at 24% on the federal level, it would be taxed at 37%—and at the state level, let's say CA, your state tax would be 13.3% instead of 8%.

That's a difference of 18.3% more in taxes at the federal and state levels—an unnecessary loss of nearly \$15k from just one check.



A balanced withholding means more money in your pocket now for investments, savings, or whatever new expenditure you've been eyeing.

3 Create a Tax-Efficient Plan

On-Target Earnings (OTE) can be complex, with a mix of salary, bonuses, and equity.

To add to the complexity of the matter, a job change year can often be an atypical income year – you might have a phase where you're out of work, resulting in lower income, or you might receive a sign-on bonus, boosting your income unexpectedly. Or, you may not be immediately eligible for bonuses due to the timing of your job switch.

These variations present unique tax planning opportunities specifically in the year you change jobs.

Getting savvy with tax planning ahead of time will help you avoid the surprises that come with abnormal income years and maximize what you actually get to keep from your earnings.

Determine the optimal contribution percentage to your tax-deferred accounts like 401(k)s. Know when to keep stacking your 401k, plan for a Roth conversion, or explore a Life Insurance Retirement Plan (LIRP.)

Identify any other potential deductions, strategies, and tax credits that apply to your situation.



For example, **tax loss harvesting** is a strategy that belongs in any high-earners toolkit; by selling off losing stocks, you could reduce your ordinary (salary) income by \$3,000 per year or offset other capital gains 1:1. The best part– the balance can carry forward indefinitely until it's used up.



Understanding the nuances of your compensation and tax opportunities sets a foundation for financial growth and stability in the next steps of your tech career.



Planning to switch jobs?

Let's make sure your finances stay on track. Schedule a quick "**Job Change Financial Assessment**" to see how your move affects your financial plans.

Click here to book your spot easily online: [Schedule Now.](#)



4 Reassess Your Monthly Budget with Your New Income

A well-adjusted budget is your roadmap to financial confidence in your new role, and this is the perfect time to recalibrate.

Your new salary or total compensation package might actually mean more or less monthly income. Dive into your current budget and align it with your new earnings. This isn't just about adjusting for more splurges or tightening the belt—it's about establishing a **firm touchpoint with your current financial situation**.

"[only] what gets measured, gets managed,"
- legendary management consultant Peter Drucker

Whether you use your own bookkeeping system or automated personal finance trackers like Tiller, you may be surprised by the disparity between what you think you're spending and what you actually are.

A new job comes with a slew of factor changes:

- [] benefits
- [] relocations
- [] commuting costs,
- [] and other work-related expenses

Your goal is to ensure that your budget reflects your current income reality, helping you stay on track toward your financial goals, whether it's saving for a dream vacation, investing in the newest tech gadgets, or building that emergency fund.



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5 Steer Your Retirement Plans: Old Job to New Job

Don't let your 401(k) linger in limbo. If you leave your 401(k) with a past employer, you could be making an easily avoidable financial misstep.

You don't want to erode your savings over time by juggling multiple accounts with varying fees and limited investment options if a better, more streamlined way of doing things exists.

That's why it's useful to consider rolling your old 401(k) into your new employer's plan or into an IRA.

Option #1: If your new employer's plan allows, rolling your old 401(k) into the new one can streamline your retirement savings. Consider the new plan's investment choices and fee structures. If the new plan offers more robust investment options and reasonable fees, it might be a quick and easy way to consolidate your savings.

Option #2: Consolidate your old 401(k)s into an IRA (traditional or Roth.). IRAs often come with lower fees than 401(k) plans and have a wider selection of investment options, allowing you to tailor your portfolio to your financial goals and risk tolerance.

I recommend checking out [The Power of Zero: How to Get to the 0% Tax Bracket and Transform Your Retirement](#) to better understand the difference between tax-deferred and tax-free buckets.

A financial planner can be invaluable in either scenario because they can provide tailored insights into which option aligns best with your goals and the fees you may incur from moving money between tax-deferred and tax-free buckets.



While exploring your new employer's retirement options, don't overlook the Roth 401(k) option. It's a powerful tool for future tax-free growth, available regardless of income level, bypassing the complexities of a backdoor Roth IRA. This could be a pivotal addition to your retirement strategy, allowing you to diversify your tax liabilities and potentially save more in the long run.



Get the Most from Your Company Stock

Company stock has a substantial potential to shape your financial future. Here's how to handle stock from your former and new employer:

Develop a strategy for the stock you hold in your previous company.

It might be tempting to hold onto these shares, especially if you believe in the company's future. However, it's worth considering balancing your investments to avoid being overly concentrated in one stock.

Consider the tax implications of selling the stock, the diversity of your overall investment portfolio, and how the stock's growth potential or dividend distributions fit into your long-term financial goals.

Understand the terms and conditions associated with stock options or grants at your new job.



- *When can you exercise options?*
- *What are the vesting periods?*
- *How can you maximize the value of new company stock while managing potential tax liabilities?*

Reduce your taxes as much as legally possible.

Strategies to minimize taxes on company stock exist, such as considering the timing of when you sell shares to qualify for long-term capital gains tax rates or utilizing specific selling strategies like the "specific identification method" to identify which shares to sell.



The "specific identification method" is useful when you own shares that were acquired at different times and prices, allowing you to specifically identify and select which shares you want to sell, which can have significant tax implications.

When you sell shares, the IRS requires you to calculate your capital gain or loss based on the difference between the sale and purchase prices (also known as the cost basis). If you've purchased shares of the same stock at different times and prices, you can choose which shares to sell to optimize your tax situation.

For example, if you want to minimize capital gains taxes, you might sell shares that have a higher cost basis, reducing the taxable gain. Conversely, if you want to offset gains with losses (tax loss harvesting), you might sell shares that have a lower cost basis, increasing your realized loss.

Check out my [in-depth guide on managing equity compensation](#) at Tailored Cents.

Remember, each job change is an opportunity to reassess and optimize your retirement strategy. **The name of the game is consolidation and keeping your retirement savings strategy active and aligned with your goals.**



Dive into the retirement options available at your new job.

- How much can you contribute?
- Should you go traditional 401(k) or a Roth?
- How much does your new employer match your 401(k)?

Understanding the nuances of each can significantly impact your retirement nest egg.

Determining how to maximize any employer match is crucial to ensure you're not leaving free money on the table.

If your new employer's retirement options are limited or non-existent, explore alternative ways to save for retirement, like setting up an IRA.

Your retirement planning should be dynamic, evolving with your career and life changes.

7



Healthcare Coverage and Your Career Transition

Health insurance costs an arm and a leg these days, and the right healthcare coverage can be as crucial as your salary when moving to a new job.

It's not just about picking a plan; it's about making an informed decision that aligns with your (and often your family's) health needs.

Start with these three primary focal points:

1. Assess and Compare: Dive into the details of your new employer's healthcare plans. Compare premiums, deductibles, co-pays, and the network of providers. It's not just about the cost—it's about the value.

2. Maximize HSA Benefits: If your new plan is a High Deductible Health Plan (HDHP), it likely comes with the option to contribute to a Health Savings Account (HSA).



HSAs are triple-tax-advantaged: your contributions are tax-deductible, the money grows tax-free, and withdrawals for qualified medical expenses are not taxed. HSAs can be invested, potentially growing your healthcare dollars for future needs.

3. Strategic Enrollment: When transitioning jobs, you'll have a special enrollment period to make these decisions without having to wait for the annual open enrollment. This is your window to assess your options without rushing.

Choosing the right healthcare plan is a significant decision in your job transition because it **impacts your wallet, health, and confidence.**

8 Integrating Your Job Change into Your Financial Blueprint

A job transition is a pivotal financial moment in our life story.

Updating your financial plan to reflect this new chapter ensures that your short-term **adjustments align with your long-term ambitions.**

Conduct a holistic review of your overall financial plan. Consider how your new income, benefits, retirement options, and healthcare choices impact your financial landscape.



- *Are your savings goals still on track?*
- *Do you need to adjust your emergency fund?*
- *How does this change influence your debt repayment plans?*

Don't end up paying for benefits you're going to be getting for free. Make sure to integrate your new job's perks into your financial plan.

Ensure your updated plan continues to align with your long-term financial goals, whether that's home ownership, education funding, or retirement. A job change is an opportunity to reassess and recalibrate, ensuring every financial decision moves you closer to your aspirations.

Consider consulting a financial planner to integrate these changes into your financial plan effectively. They can provide perspective, insights, and strategies tailored to your unique situation.



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