Tips to Help Smooth Your Job Transition

Presented by Christa Canavan

Starting a new job can be an exciting and rewarding time. As you prepare to leave one position and begin a new one, use the tips below to help make the transition as seamless as possible—and keep your financial plan on track.

When Leaving Your Old Job

As excited as you may be about moving on to a new job, it's important to first tie up loose ends at your old one. Be sure to cover the bases below, and don't forget to save all documentation related to your separation.

Meet with a human resources specialist or benefits counselor to review your benefits. Find out which benefits you will lose—and may need to replace—and which benefits you can take with you.
For example:

- Benefits such as employer-provided health, disability, or life insurance will expire. COBRA can help you fill any gaps in health coverage, but be sure that you understand how the program works and how much it costs.
- You may be entitled to back pay, vacation days and paid time off, or future pensions. Ask how any such compensation will be handled.

Decide what to do with your qualified retirement plan assets, such as your 401(k). If your employer contributed to your account, determine what portion, if not all, of those contributions are vested. You will not lose the vested amount upon departure. Then, decide how you will manage those assets when you leave your job. You have several options:

- You can move your plan assets to an individual retirement account (IRA). With a direct (trustee-to-trustee) transfer, the funds maintain their tax-deferred status and avoid any penalties.
- You can leave the account with your old employer, if permitted. This may be a good option if you are satisfied with the plan's investment choices and costs.
- You can withdraw the assets. Unless you meet specific conditions, however, your employer may withhold a percentage for estimated taxes, and you may pay additional taxes and penalties.

Determine the value of any stock options and decide on a plan of action. If you have vested stock options, find out how you have to exercise them—for example, are accelerated expiration schedules in place? If financially possible, exercise any options that are "in the money" (the exercise price is lower than the market value).

Review your life insurance and disability insurance policies. Employer-provided life insurance is active only while you are employed. You may be able to convert your policy to an individual policy offered by the same insurance company, for which you would pay the premiums. If you were given the option to buy additional insurance through your employer's plan, you may be able to keep this coverage for yourself, depending on the policy. Keep in mind, however, that the premium for this coverage will likely be higher.

Assess your other benefits plans. If you have an executive benefits plan or a nonqualified deferred compensation plan, be sure to understand your options. Many plans require a lump-sum distribution, which may affect your taxes.

When Starting a New Job

Meet with a human resources representative and ask detailed questions about your new benefits package. Take the time to assess your options so that you can make the right decisions during your enrollment periods.

Don’t forget to:

- Enroll in the new retirement savings plan as soon as possible to full advantage of any employer match. Consider increasing your contribution to the maximum allowed. Small changes can add up to larger savings.
- Choose the health insurance option that best matches your needs. Find out when open enrollment takes place in case you wish to make changes in the future.
- Review your life and disability insurance coverage to ensure that you have adequate protection.
- Fill out beneficiary designations for your insurance policies and savings plans. Once the information is processed, check the confirmation for accuracy.
- Finally, review your federal and state tax status. A salary change may affect your withholding requirements, estimated tax payments, and investment strategies.

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