

## May 30, 2023 – Wealth Planning Commentary

### Taking a break from work (perhaps unintentionally)?

Today's labor market is competitive overall, but certain sectors, such as Technology, have experienced a slump in the past year. Tech layoffs are pervasive and are affecting successful individuals and families.

In the last few years, a familiar scenario is a tech employee experiencing a liquidity event such as an IPO or large stock sale. Employees in this situation may have accumulated some wealth, but still depend on substantial income from work to supplement their lifestyle. Often these individuals increased their spending after the windfall. This is also known as 'lifestyle creep'. There is a heightened risk of layoffs right now, and some high-income earners are worried. For those concerned about a sudden change of employment, we'd like to shed some light on common issues.

Equity compensation may be subject to an accelerated vesting schedule, which may result in undesirable tax consequences. In some situations, incentive stock options will convert to non-qualified stock options upon termination. It may be beneficial to start exercising incentive stock options if a layoff is likely.

Sometimes terminated employees are awarded severance pay. This amount may not cover basic living expenses, therefore supplemental withdrawals from savings and investment accounts may be necessary to maintain a lifestyle. A review of the spending plan may help identify areas where reductions may be prudent. Shifting asset allocation may be an option to generate more income. It's also important to know how much time is available before there is a significant reduction in savings.

Employee benefits such as group health insurance and life insurance are likely to stop at termination. Former employees can sometimes elect to continue these benefits, but the new premiums are typically higher. It is important to review this coverage and evaluate other cost-effective options. Retirement plans should also be considered. 401(k) plans can be rolled over into an IRA, if suitable. Any deferred compensation plans that are accessible should be evaluated for potential payouts.

Our job is to help you navigate tough times and apply the planning process to address your concerns. Please reach out to your wealth manager with questions.

#### Disclosures

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