

It can be exciting changing jobs, whether you're simply changing companies in the same or similar occupation, or taking the big leap from one career to an entirely different one. A career change also presents one with opportunities and decisions regarding their financial plans.

Employee Benefits – Decisions, Decisions!



With a new job, one will very likely have a new menu of employee benefits to choose from, such as:

- Health Insurance
- Short Term Disability
- Long Term Disability
- Life Insurance
- Long Term Care Insurance
- Critical Illness Insurance
- Retirement Plans

Some employers may offer other supplemental coverages, such as dental, vision, accident, and hospital indemnity insurance.

If you're an executive, you may be offered a supplemental retirement benefit in addition to the standard qualified retirement plans like a 401(k), 403(b), or 457 deferred compensation plan. These supplemental retirement plans are generally referred to as “nonqualified plans” but are called a wide variety of names – Supplemental Executive Retirement Plan (aka SERP), Section 162 Bonus Plan, 401(k) Mirror, Salary Continuation Plan, Split-Dollar Plan, or a generic Executive Deferred Compensation Plan.

The purpose of these executive benefit plans is to counter the reverse-discrimination that regular retirement plans make against the highly compensated.

Unless your employer is paying 100% of the cost of an employee benefit, most benefit packages require a new employee to elect the benefits they want, or to opt-out if the employee doesn't want or need a particular benefit.

The Most Important Benefit – A Surprise

While many employees consider health insurance the most important employee benefit, from a risk management standpoint, it is secondary to paycheck protection, or disability income insurance. If an employer offers this coverage, one should seriously consider participating.

If one gets sick or hurt, and cannot earn an income, who will pay for their health insurance? This is why disability income insurance is so vital. When one needs health insurance the most is often the time when they may not be able to earn an income that provides the health insurance.

The Big Risk – Protect the Paycheck

If one cannot work due to sickness or injury, then disability income insurance replaces their paycheck. In general, employer sponsored group disability plans only replace two-thirds of an employee's salary. The question is: Will it be enough? Since the employer writes off the premiums on their taxes, the benefits paid to a disabled employee are taxable. This is why a supplemental disability policy is a good idea, especially for single parents, and single people who cannot rely on financial support from another person.

If one cannot pay their bills on two-thirds of their paycheck, then they should purchase individual disability income insurance to make sure their bills are paid during a period of disability.

IRA Rollover – Defer Taxes, Avoid the Penalty Tax

If one had a qualified retirement plan at their previous employer, then they have a decision to make. One choice is to leave the money where it is, although if the plan balance is less than \$5,000, the employer may not allow this.

Another choice is to rollover the plan balance into an IRA, with a bank, insurance company, or securities brokerage.

The third choice is to cash out of the old plan. This is usually a taxable event, and prior to age 59½ there is a penalty tax on top of the income taxes due.

Family Protection – Life Insurance

With every career change, it is always a good idea to review one's life insurance coverages. While some employers may offer group life insurance as an employee benefit, as well as supplemental life insurance through payroll deduction, these two coverages may not be enough to protect your family if a breadwinner dies prematurely.

When one's income changes with their new career, it is a good idea to meet with a life insurance agent to review their coverages and make sure their loved ones are protected.

Selecting employee benefits requires serious decisions, with significant financial implications for you, and your family. If your employer doesn't provide you with professional guidance, then you should consider getting help from a [qualified advisor](#) to help you navigate the financial decisions that come with a career change. I would like to apply for the job.

For an initial consultation, contact me today.