

Changing careers

THINGS TO REMEMBER

Many of us define ourselves by our careers, and changes – even when positive – can create stress in our lives. Change can result from several factors: boredom, lack of growth within a company or industry, opportunity to make more money, pursuing a dream job, the desire to be your own boss or even a lifestyle change. Regardless of the circumstances, it pays to think through some key decisions before making the leap to a new venture or preparing yourself to be in the job market again. Here are some considerations to help minimize emotional and financial repercussions and to ease the transition of either leaving a job or seeking a lifestyle change.

VOLUNTARILY CHANGING CAREERS

At a certain point in our lives, this kind of change will have repercussions beyond finding a new parking spot. A career change could affect you financially, personally and professionally.

STEP 1: THINK ABOUT WHY YOU WANT TO LEAVE

- **Are you burned out or bored?** You may not need to abandon your career entirely. Maybe a new job in the same industry could brighten your future.
- **Looking for more?** If you're seeking greater earning potential or job opportunities, consider if the prospects are limited throughout the industry or just within your company. That will help you decide if you truly want to change careers or seek greener pastures.

Seeking a lifestyle change?



You may want to switch careers based on a desired lifestyle change. If you're married, you may want one spouse to stay at home while the other works. Let's look at some things to consider before going from two incomes to one.

Evaluate your family's financial situation. If you're carrying significant debt, this may not be the time to consider this decision. If having one spouse at home is important to you, take a hard look at your needs and wants and decide where you can reduce expenses in order to make it happen.

Be realistic about your partner's job security. There are no guarantees in the workplace, but you should have an idea of the strength of the current company and the industry's prospects. Even if you believe the job is relatively secure, you may want to have a large cash fund available to cover emergencies or to bridge the gap if the working spouse is terminated or becomes unable to work.

Do the math. Evaluate the true cost of two people working. Yes, you'll have less income but you may also have lower taxes, clothing and dry-cleaning bills, transportation costs and car maintenance. You'll also save on childcare and perhaps housekeeping services. On the other hand, consider the long-term costs of not working. For example, you may not be able to save enough for retirement and you'll forgo any employer match on 401(k) contributions. It also may be difficult to re-enter the workforce when you're ready.

- **Want to be your own boss?** There's a lot to think about before starting a small business. You can get an idea of what it takes to be an entrepreneur at [sba.gov](https://www.sba.gov).
- **Seeking to learn something new?** Perhaps going back to school is in order. But think about whether you can afford to do so and what your job prospects might be upon graduation. How long can you live on savings or your spouse's income?
- **Are you letting your emotions take control?** Making hasty career decisions when upset could backfire. Avoid doing anything rash, and take the time to discuss your options with your family before making a change.

STEP 2: STRATEGICALLY PURSUE OPPORTUNITIES

If you truly want to change careers, you'll need to:

- **Get a clear idea of what you want from your new career.** List your priorities. For example, is a higher salary of the utmost importance or is work/life balance more important? Would you prefer less travel or the option to work from home?
- **Assess your skills and interests in a chosen field.**
- **Calculate what you'd give up if you left your current employer.** Know the value of all your benefits – including insurances, retirement plans and profit sharing – and when you'll be vested. That will help you evaluate any future job offers and determine the timing of a move.
- **Consider further education to develop the required skills.**
- **Update your resume and pursue job openings.**
- **Explore options and network within the new industry.** Volunteering or part-time work may be beneficial to test your interest in your potentially new career.
- **Create a financial buffer to cover any transition costs not paid by the new employer.**

TIP

Remember to keep track of job-seeking expenses. Some of them may be tax deductible if you're seeking a job in the same field. Visit <https://www.irs.gov/newsroom/job-search-expenses-can-be-tax-deductible-2017>

Leaving? Don't leave your 401(k) behind.



You've got options when it comes to your employer-sponsored retirement plan.

Roll it over. A self-directed IRA allows you to defer taxes and could provide more investment options for you and your financial advisor to consider. You'll also likely have more options when it comes to naming beneficiaries. If you like, you can roll over the old plan into an IRA and start a new 401(k) to take advantage of any matching contributions from your new company.

Please note: not all employer plans accept rollovers.

Con: usually fee involved, potential termination fees.

Take it with you. Transfer your retirement assets to your new company's plan. You may be able to take advantage of any match that your new employer offers. Keep in mind, there may be a waiting period and your investment options may be limited.

Cash out. If you're under 59½ and don't meet certain exceptions, you're likely to face taxes and other penalties with this option. You'll also need to be disciplined enough to replace this retirement nest egg. Consult your financial and tax professionals first before going this route.

Do nothing. Keeping money in the old plan may be easy, but you may not be able to make new contributions and you'll no longer be eligible for any employer match. And some plans charge higher fees for participants who are no longer employees. It also may be easier to forget to adjust your asset allocation as your life changes.

Before making any decisions, consult your tax and financial professionals to make sure you understand applicable penalties, taxes or fees associated with the above options.

STEP 3: MONEY TALKS

Career changes can be ruled by emotion, but it's important to think clearly about the financial side of things before and after you get a job offer.

Have you thought about how a new career will affect your short- and long-term financial goals? You may need to reassess your goals and how they might change if you accept a different job. Discuss the potential ramifications with your family. If your goals are changing, be sure to work with your financial advisor to update your financial plan accordingly.

What are the ramifications if you leave? Will they be worth it? You'll need to consider everything from the value of your benefits to contract stipulations. For example, if you're close to being vested for stock options, 401(k) matches and deferred compensation, you may want to wait longer before leaving. You don't want to leave money on the table if you don't have to. Or if you're contractually tied to the company for a specified period of time, consider the consequences of breaking the contract.

Have you compared the total compensation package? Compare both the salaries and benefits (including your out-of-pocket costs), as well as the intangibles that come along with the new job. If you're taking a pay cut, but believe you'll have great job satisfaction, consider that, too.

STEP 4: TIE UP LOOSE ENDS

Once you've landed a job in your new career, you'll want to:

- Update employer contact information, where applicable.
- Request direct deposit to maintain continuity of payroll deposits.
- Register for benefits as soon as possible. Take advantage of COBRA insurance to fill any gap in coverage during this transition.
- Stay on top of any tax-related paperwork. Work with your advisors to determine your new tax liabilities.
- Take advantage of any pay increase to boost savings or pay down debt.
- Reassess your financial situation and make necessary financial plan revisions to fit your goals and stage of life.

TIP

Before you accept any offers, negotiate a salary and benefits. Use online tools to assess what you should be making in your market and adjust for any cost-of-living changes. Some companies allow you to negotiate stock options and vacations, as well. Also consider the new company's culture, stability, future outlook and opportunities for growth before committing to the new gig.

We're here to help

As you contemplate your professional future, keep in mind that we're available to help you assess how a career change will impact your financial plan. We can serve as a sounding board to help you make a smooth transition and offer financial advice as you move on to the next step.

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