SUCCESSFULWOMEN

TIMELY INVESTMENT AND FINANCIAL PLANNING TOPICS

Sorting through complicated compensation plans

Managing earnings tax efficiently may be just as important as the compensation package itself.

You've worked hard to rise through the ranks. As a corporate executive, you know all too well the demands on your time, the importance of decisions you have to make, and the stewardship required to keep your company thriving. It's a demanding job. And managing the significant wealth that accompanies it takes skill, attention to detail and a lot of planning.

Executive compensation packages usually consist of short-term and long-term incentives that come in a variety of forms, above base salaries. They might include annual bonuses and stock options – both of which come in many forms. It might feel like a lot to wade through, especially when you start thinking about the next chapter for you, whether that's preparing for retirement or a new phase in your career.

How should you draw upon your income options in the most tax-efficient way? Do you need to consider how your investments in company stock will affect you years down the line? These are questions best to ponder while you can adjust how you're managing your bonuses, stock grants and stock options.

Here are some tips for sorting through these complex compensation plans.

Ask for an accounting of your total benefits and compensation. It's becoming more common for companies with generous perks to share total compensation package figures with employees. As an executive, you'll want to know the rules around exercising stock options, vesting schedules and policies about how to draw deferred compensation. Understanding these policies will help you avoid equity concentration down the line as well.

(continued on next page)

Starboard Wealth Advisors, Inc.
5574-B Garden Village Way, Suite 1
Greensboro, NC 27410
T 336.763.4190 // T 855.633.9014
www.starboardwealthadvisors.com

Hank Persia, CFP®
President & Owner, Starboard Wealth Advisors, Inc. Financial Advisor

Brandon Persia, AAMS®
Partner, Starboard Wealth Advisors, Inc.
Financial Advisor & Investment Advisor Representative, RJFS

Mary Persia
Client Services Manager

Complicated compensation plans (cont.)

Consider if you can delay lump-sum payments until you're no longer drawing a salary. When you retire, you'll likely be at your maximum earnings, and adding lump-sum payments from your nonqualified deferred compensation plan and accumulated stock awards could significantly boost your adjusted gross income as well as your tax obligations. You may be given the choice to take a lump-sum payout in the near term or push payments out five to 10 years, essentially creating a predictable income stream. Your decision is irrevocable, so think through the implications carefully with your accountant and professional advisors.

Work with your advisor to determine your cash-flow needs in the near future. If you're going to be exiting the organization, whether it's to retire or do something else, you may be relying on cashing in stock to bolster your income. In your calculations, be sure to include your tax liability when exercising stock options. If you're planning to retire, think about what you'll need to fund health coverage or other insurance as well.

Concentrate on equity concentration. Executive compensation often includes substantial equity in your company's stock. And you may be attached to it. After all, you helped build the company and are proud of what you've accomplished. It could be hard to imagine a time when the stock may falter. But there's no sure thing in investing, so it makes sense to diversify your holdings to limit overexposure to just one investment.

> Tip: Pay close attention to the vesting rules. Your window to exercise vested stock options may accelerate upon retirement, and unvested restricted stock and performance shares may be forfeited when you are no longer an employee. If you have unvested awards, consider including them when negotiating your retirement package.

Work with your accountant to sell your stock over time so you don't trigger unnecessary tax consequences, violate any insider trading regulations, or infringe on any holding rules established by your company. Then work with your advisor to invest the proceeds in a more diverse range of securities. Putting strategies in place for diversifying is best done sooner rather than later, before the situation becomes an issue.

Delay Social Security. If you're retiring in the near future, consider delaying Social Security as long as possible so that the payments don't coincide with years when you have to take large, deferred compensation payments. Avoid unnecessarily increasing your marginal tax bracket and, therefore, your overall tax burden if you can.

> Tip: The Securities and Exchange Commission's Rule 10b5-1 allows you to strategically sell an established number of shares at regular intervals to avoid perceptions of insider trading.

Take into account proposed tax code. Every year there is the potential for tax changes that affect executive compensation. You may need to make changes to your income or investment strategy to reduce potential tax burdens. It's worth revisiting every year and pulling in your advisor and accountant to recalibrate if necessary.

ooo

Keep in mind that these are general guidelines. Depending on your unique situation and the plans you're making for the future, there may be specific actions you could take to minimize your tax consequences. Consult with your accountant and advisor to determine what will work best for you and your family. ■

NEXT STEPS

If your executive compensation package is getting complex:

- Bring together your accountant, financial advisor and attorney for a meeting to discuss your vision for the future
- Keep an eye on tax code changes that may affect your tax responsibility year to year
- Enjoy the wealth you've worked so hard to earn; be sure to write that into your plans

Sources: The Wall Street Journal; Harvard Law School Forum on Corporate Governance and Financial Regulation

The friendship wealth gap

Don't let money drive a wedge between you and your bestie.

Money plays a part in all relationships, and friendships are no exception. In its simplest form, it's that awkward moment at brunch when the waiter asks if you want separate checks. It can also appear in some major ways, like when you hear a good friend is planning a blowout destination wedding in Aruba. The bottom line is that while you share some great memories with your friends, you probably don't share identical financial situations. Here are some do's and don'ts for dealing with mixed-income friendships.

Do ask your friends for input.

Even if you're the resident events coordinator for your group, consider surveying everyone or asking them to pitch ideas for get-togethers. It will be more inclusive for everyone to suggest activities that align with their budget.

Don't make assumptions.

There are perceptions about certain job roles and industries – or maybe you've even checked Glass-door to see how much your friends are raking in. But you can't assume anyone's budget or financial situation. Some might be paying off student loans, caretaking for children or an elderly family member, or be relied upon as the primary breadwinner in their household.

Do give your friends time.

When you're planning something that may cost a pretty penny, give plenty of notice that you'd like your friends to join you. A longer lead time means they have the chance to save up for that fancy birthday dinner or night at the theater if they want to join you. Last-minute plans might not be possible if they're working on a tight budget.

Don't hold it over their head if they take a pass.

Understand that not only do your friends' finances differ, but so do their priorities. Even if you've given plenty of notice, a girls' trip to Vegas might not be as important as taking her kids to Disney World this summer. While you might be well-positioned to do both, you shouldn't assume that your friend is.

Do offer to pay if it's in your budget.

It's nice to treat a friend who doesn't have as much discretionary income. That might not mean you'll cover the cost of their flight across the country, but consider offering to buy cocktails one night while you're away or covering the cost of a rental car in your destination city. After all, having their company might be worth it to you – and that's OK! It's OK, too, if they politely decline.

Don't be afraid to have an honest conversation.

The dialogue may not include swapping exact salary figures (though that is becoming increasingly common among women in an effort to close the wealth gap), but it's fine to talk about money with your close friends. If you can openly tell each other that something isn't in the budget or you have other priorities that take precedence, there will be a mutual respect and understanding.

If we make money less of a taboo topic with friends, we might not only learn a thing or two by swapping stories, but we'll all feel more comfortable making memories that fit squarely in our budgets.

NEXT STEPS

When making plans with friends, consider:

- Sourcing ideas from everyone in the group to ensure it fits within your friends' budgets
- Giving plenty of heads up if there's a big-ticket event you'd like your crew to take part in
- Having an open dialogue about finances to build mutual respect and understanding

Sources: theeverygirl.com; huffpost.com; tampabay.com

How to address career breaks

No longer red flags, resume gaps are getting a rebrand.

It's no secret the pandemic disproportionately affected women's careers – and the loss is still apparent. According to an article by the Society of Human Resources Management, while women gained 188,000 jobs in January 2022, they are still short by more than 1.8 million jobs lost since February 2020. Men, however, have regained all the jobs they lost due to the public health crisis.

As women embark on this uphill battle to gain traction in the jobs market, one very real concern is how to address resume gaps.

A JOB SEEKER'S GUIDE

First, you should know career breaks are common, especially for women. Research conducted by LinkedIn revealed 65% of women surveyed have experienced a career break at some point, which included reasons like parental leave, medical leave and mental health breaks.

LinkedIn recognized the need to add "career break" job titles in the experience section of users' profiles to allow members to mark the time they stepped away from work. There are 13 new titles, including caregiving, career transition, bereavement, personal goal pursuit, voluntary work, and health and well-being break, for example. When it comes to your resume, you can mirror these terms.

You might be wondering if you should draw so much attention to the career break by noting it on LinkedIn or your resume in the first place. Maybe it will just slide under the radar if the resume screener doesn't look closely at the dates, right? But, according to LinkedIn, more than half of hiring managers surveyed said they are more likely to contact a candidate that provides context about their career gap than those who don't.

Your resume or an interview is the perfect time to provide a little more information about the career break. It may make the prospect more comfortable for you if you plan to talk about relevant transferrable skills you gained or sharpened during your time away from the paid workforce. Be prepared to make the connection about your caretaking responsibilities fine-tuning time management skills or your volunteer work exposing you to large-scale project management.

A HIRING MANAGER'S TIP

Career gaps are just not the red flags they used to be. There are a variety of reasons women step away from work for a while. And many absences, even if they weren't planned, are times of growth and learning. If you're in the hiring seat, it's your job to determine if a candidate is qualified for the position you're looking to fill, so make a point to focus on the skills they can bring to the business now.

You can further break the stigma by talking about career gaps in a positive way and as part of your story. If you hire others, be sure you give candidates the opportunity to show you how a previous career break makes them a better potential employee. ■

NEXT STEPS

If you're ready to jump back into your career, be sure to:

- Map transferrable skills you gained during your career break to the position you're applying for
- Provide context for why you stepped away from work if you're comfortable sharing, even if you generalize it
- Speak to your advisor about financial and other budgetary changes you should consider

Sources: shrm.org; shrm.org; protocol.com; news.linkedin.com