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HOW TO MAXIMIZE YOUR MICROSOFT BENEFITS PACKAGE

By Jonas Means

As an employee of Microsoft, you know that the company appreciates their staff. It's no surprise that their employee benefits package offers a variety of valuable financial, healthcare, and insurance benefits. As a Fortune 500 company and one of the top 100 places to work that's known for its long list of perks, the Microsoft benefits package is competitive and lucrative for many employees.

At Cutler Investment Group, we are specialists in helping corporate professionals, such as Microsoft employees, make the most of their company's retirement plan and other benefits. As independent financial advisors familiar with Microsoft's plan, we'd like to share some insight for how to maximize your company benefits and help you work toward your dream of retirement and financial goals on the fastest and most secure path possible.

KEY BENEFITS OF MICROSOFT'S BENEFITS PACKAGE

First, let's quickly review some of the key benefits that Microsoft offers their employees focusing on retirement:

- **Retirement Savings Plan:** To help employees prepare for retirement and meet their retirement goals, Microsoft offers a 401(k) plan which provides a 50% match on contributions
- **Stock Purchase Plan:** Take part in Microsoft's success through its stock purchase plan. By taking part, you're provided a purchase price of 10% less than the closing price of Microsoft's stock during a defined purchase period.
- **Health Savings Account (HSA):** Along with two medical insurance options and competitive dental and vision plans, Microsoft also provides an HSA account, which they contribute to on your behalf.

Beyond these three popular benefits, Microsoft also provides donation matches, gym membership reimbursements, software discounts, extensive parental leave, and an on-campus health center.

THE MICROSOFT 401(K) PLAN

One of the most recognized and widely available retirement plans is a 401(k). Historically, in the United States, homes and retirement plans rank as the largest assets for our population. This is because we systematically put money towards these items and train ourselves to live off of the remainder of our paychecks. The Microsoft 401(k) plan can be a powerful tax-advantaged savings and investment tool.

MAXIMIZING YOUR 401(K) CONTRIBUTIONS

Currently, Microsoft matches \$0.50 for every pre-tax or Roth dollar you contribute. This is a significant benefit, as it allows you to maximize your contributions. If you were to contribute the maximum amount for 2017—\$18,000—Microsoft will give an additional \$9,000 in matching contributions. It's recommended you contribute up to the maximum amount in order to take advantage of this match. For employees interested in saving even more, you have the ability to convert additional \$20,000 of taxable contributions into a Roth IRA. This money is not taxed when withdrawn, and grows tax free similar to your 401(k).

THE MICROSOFT STOCK PURCHASE PLAN

Microsoft's stock purchase plan serves as an effective way to purchase Microsoft stock at a discount. Each quarter, employees can purchase Microsoft stock at a 10% discount off the market price during a defined purchase period.



THE MICROSOFT HEALTH SAVINGS ACCOUNT (HSA)

Health Savings Accounts, or HSAs, are more financially powerful than you may realize. One important benefit of a HSA is that the dollars contributed to this account are never taxed when used for qualified expenses. This offers participants a significant savings on healthcare expenses when paid with funds from their HSA. Additionally, Microsoft contributes to your HSA, helping you cover some of your medical costs.

HSAS ARE NOT “USE IT OR LOSE IT” ACCOUNTS

Many people confuse HSAs with FSAs, or Flexible Savings Accounts. With an FSA, any unused funds in excess of \$500 are forfeited at the end of the year. HSAs are different, though. Account balances simply roll over from year to year, allowing for growth and accumulation of savings. As long as you are eligible, you can continue to contribute to your account tax-free and let the money grow tax-free for use at any time in the future, whether near or distant.

HOW TO MAXIMIZE YOUR HSA

The HSA is a valuable tool, but employees tend not to max out their accounts because they don't realize they can save the money for the future. For tax year 2017, \$6,750 is the maximum contribution per family, with those over 55 permitted an additional \$1,000 as a catch-up contribution.

The obvious and typical use of an HSA is to pay for medical expenses as they occur. Many people, however, have turned their account from a current pay-as-you-go way of reducing taxes on medical expenses to a retirement savings vehicle. They pay for current medical expenses out of pocket but maximize their HSA contributions and let them grow for use during retirement.



TIME OFF

Time off can be an overlooked benefit that can translate to a lot of money. Microsoft provides new mothers 8 weeks of paid maternity disability leave, and may also take short-term disability (STD) leave starting 2 weeks in advance of their scheduled due date. Fathers also receive two weeks off. For births, adoptions, or foster placements parents will receive 12 weeks of fully paid parental leave to bond with their new family. Additionally, employees receive at least 15 vacation days per year and 10 sick days.

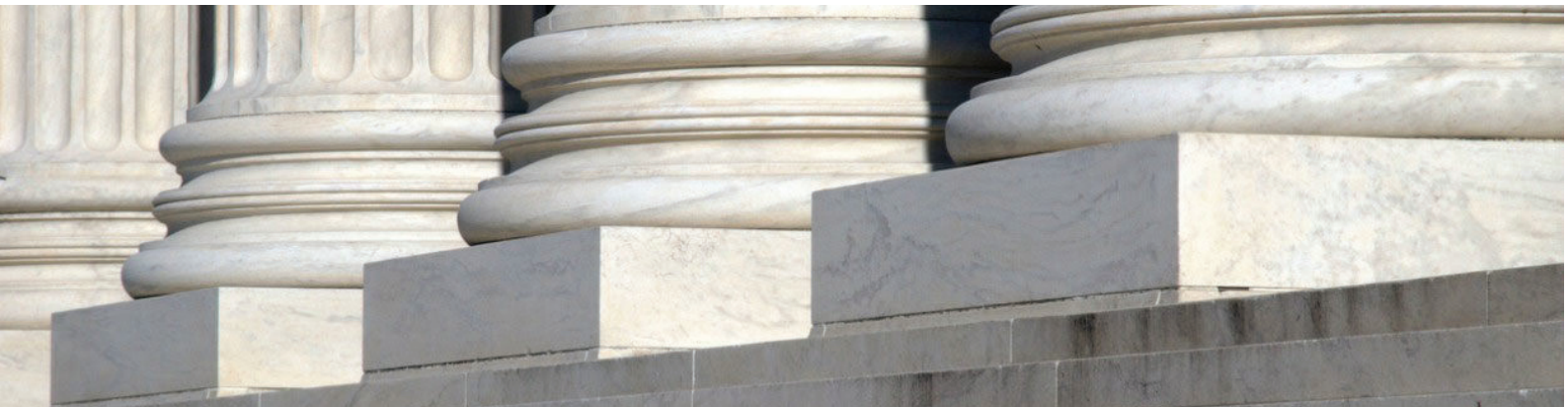
Along with the standard time off, Microsoft offers a Sabbatical Policy. Eligible employees who have worked 10 years or more with the company are allowed a paid eight weeks sabbatical from work. This is a significant benefit some employees may not realize they can access if needed.

GAINING CONFIDENCE WITH YOUR MICROSOFT BENEFITS

Whether you've been building your nest egg for years or are just starting to save for retirement, you want to feel confident that you are maximizing your opportunities. Here are a few ways you can aim to accomplish this.

1. Start with a Solid Foundation

Choosing the funds and amounts in your 401(k) can be confusing. You don't want to pick them at random or settle on an investment out of confusion. While you can re-adjust your allocation, it's ideal to start on the right foot. When setting up your account, take the time to speak with a financial professional who can help you determine your time horizon and risk tolerance.



2. Avoid High-Cost Investments

Should the market take a hit, you will want to avoid losing as much as possible. One way to do so is to keep your fees in check. Many plan participants don't realize they are paying fees in their employee-sponsored retirement plans, such as administration fees, expenses charges, or investment management fees. Keep an eye out for hidden fees or high costs, as they can quickly eat away at your assets. Remember that gross return less costs equals net return.

3. Maintain Proper Asset Allocation

Your portfolio should be reviewed annually to make sure it still reflects your appropriate level of risk. If it doesn't, it may need rebalancing to keep your portfolio on the right track. Rebalancing consistently is one of the most proactive measures an investor can take to avoid the pain of a market downturn. At Cutler, we regularly review client allocations to make sure they are aligned with client goals and risk tolerance.

4. Take Advantage of Your HSA

It is no surprise that healthcare is often a major expense in retirement, especially as you age. In fact, it has been found that typical retiree medical expenses are often as much as \$500 per month per person. Remember, your HSA should not be your retirement savings, since funds are only tax-free for qualified medical expenses. Nevertheless, when used in conjunction with IRAs and 401(k)s to pay for non-medical expenses, they can be a very powerful way to build your nest egg.

5. Use Your Time Off

Many Microsoft employees gearing up for retirement don't understand their annual PTO benefits. It's important to determine the specific benefits for your department so you can take full advantage. Use your time off to recharge, stay healthy, and maintain a healthy work-life balance.

6. Get Educated

Knowledge is essential for making informed decisions. Get a clear view of the benefits available to you and speak with an advisor to evaluate how you can maximize them for your financial future and retirement.



HOW CAN WE HELP?

At Cutler Investment Group, our clients look to us for advice that defines risk, and manages that risk through a longstanding philosophy. We believe in income, dividends, and diversification. Whatever your investment needs, we can work with you to identify your situation and structure a potential solution.

We've worked with numerous employees of Microsoft and we can help you navigate your available options and develop a well-rounded financial strategy. By offering one-on-one financial planning and wealth management services, we strive to serve as your go-to financial resource and worry less about your finances and investments.

We'll work together to guide you through the process of identifying what retirement goals are most important to you. Our services include comprehensive planning, retirement planning, and investment solutions customized for each client's personal situation.

To get started, call 206.624.5863 or email jonas@cutler.com.

ABOUT JONAS MEANS

Jonas Means is a financial advisor with Cutler Investment Group, based in Bellevue, Washington. With more than two decades of experience in financial services, he specializes in providing comprehensive wealth management with fiduciary care. He oversees the financial affairs for a select group of families, retirees, corporate executives, and business owners, and strives to help people solve complex financial problems and feel confident in their future. To learn more about Jonas, visit www.cutler.com or connect with him on LinkedIn.

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