

The Best Fall in Years For Job Seekers: **By Annelena Lobb**

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Job-seekers from rank-and-file workers to senior executives are preparing their résumés for what may be the strongest fall hiring season in years.

Numerous indicators suggest the job market is brightening after a long gloomy spell. The national unemployment rate, at 5%, is at the lowest level since September 2001; job searches are becoming shorter and job changes are becoming more frequent.

The "job quit" rate, which approximates the opportunities for workers to switch jobs, rose every month this year compared with year-earlier levels, according to the federal Bureau of Labor Statistics. Job searches in the second quarter took 3.1 months, down from the year-earlier quarter, when it took an average of 3.8 months to find employment, according to outplacement firm Challenger, Gray & Christmas.

There's stepped-up activity on the employer side, too, with a growing number of companies posting open positions. Heidrick & Struggles, an executive-search firm, has seen an increase this year in both employers seeking new executives as well as executives looking for new employment. Executive-recruitment firm Korn/Ferry International, meanwhile, says business rose 40% this fiscal year from the previous year. And more companies are adopting variable-pay programs, such as bonuses, that are based on performance, as new projections have executive-pay increases holding steady next year.

But while finding new employment may be getting easier, making the switch to a new employer is increasingly complicated. With changes in tax laws and a growing selection of benefits to keep track of (such as flexible spending and health-savings accounts), it's become just as critical to have a job-exit strategy as a job-hunting plan.

Some steps are obvious, like comparing the old benefits package with the new one. Others are too often afterthoughts, such as checking deadlines for company-match payouts in 401(k)s, making sure there aren't gaps in your insurance coverage, and closing or transferring retirement-savings accounts. Financial planners advise clients to start dealing with such matters before accepting a new job -- otherwise you could pay a hefty price.

Here are some things to consider:

Retirement-savings plans. First, it's important to check the timetable for any significant company contributions to retirement plans. It may be worth delaying your departure date to get them.

There are many options for what to do with your old 401(k) plan, the first of which is to drain all the money out of the account. People under age 59½ often do so, but they get hit with federal and

state income taxes and a 10% penalty to Uncle Sam. Some planners advise leaving the money in the old plan if you're happy with the investments you have. (It's usually allowed, as long as the balance is more than \$5,000.)

Those who might later wish to take a loan from their 401(k), on the other hand, should roll funds into the new plan after checking with human resources to see if the move allowed. But the most-flexible option is to roll the money into an individual retirement account, which lets you pick among many investments, including mutual funds, annuities, and individual securities, says Doug Flynn, a financial planner in Garden City, N.Y.

Karin Maloney Stifler, a financial planner in Hudson, Ohio, encourages her clients to order a direct rollover when they transfer money, in which your old plan provider moves money directly to another 401(k) or IRA -- so you don't have to. You never take receipt of the money, so you don't risk missing the 60-day deadline for transfers and owing taxes and penalties.

Some of these considerations apply to other kinds of retirement accounts, too. Those with a defined-benefit pension plan who withdraw a lump sum before age 59½ will pay income taxes and a 10% penalty, unless they roll the money into an IRA. The same holds for profit-sharing plan distributions, if the plan is part of retirement savings. (If you're over 55 and retired, however, you won't pay the 10% penalty on a profit-sharing plan distribution.)

With a profit-sharing plan, how much you'd receive depends on that year's profits and the percentage paid out. The plan valuation often occurs on the calendar year, says Samer Hamadeh, chief executive of job-search site Vault.com. If the valuation is soon, you may want to wait to leave until after the contribution is made to your account. Everyone with a profit-sharing stake should receive a summary plan description that tells when the plan is valued and when profits are distributed.

Flexible-spending accounts. If you have a flexible-spending account, you've set aside some of your pretax annual salary to pay for many medical expenses that are eligible under Internal Revenue Service rules, such as eyeglasses, co-payments and some over-the-counter medications, unless your employer prohibits them. The entire sum you've chosen to set aside is available as of the start of the plan year -- typically Jan. 1 -- though it's deducted in equal amounts from your paychecks throughout the year.

You must spend the money within a calendar year; recent legislation added a 2½-month grace period, though your employer isn't required to offer it. Only expenses incurred during the employee's period of coverage are eligible for reimbursement. But if you spend the entire sum in the account before it's all been taken from your paychecks, then switch jobs, you aren't required to repay the difference, says Scott Halstead, chief executive of WageWorks, which sells FSAs and other health-spending accounts and consults with companies on them. The result: You're allowed to spend more than you've actually put in the account.

Health-savings accounts. Health-savings accounts are a little different. To be eligible for an HSA, your employer must have a qualifying high-deductible health plan. Personal contributions are tax-deductible; employers may also contribute. Total annual contributions are capped at the

deductible or at \$2,650 for an individual or \$5,250 for a family, whichever is less. The money doesn't vanish if you don't spend it within a set period of time; it grows tax-free in the account. Before age 65, if you withdraw funds other than for eligible expenses, you'll pay taxes and a 10% penalty; after 65, if you withdraw for nonmedical expenses, tax will still apply, but the penalty will not.

If you have an HSA, however, sit tight -- those leaving a job take the money with them, including any employer donations, even if the account was opened through a company plan. (Some employers spread their contributions over the year, rather than provide a lump sum on Jan. 1, to reduce their exposure.)

Health insurance. Many employees are only eligible for new health insurance after a few months at a new job, so there's usually a lapse between the time an old policy ends and a new one begins. Employees typically can elect to extend old benefits under the Cobra law, which lets them continue coverage at group rates for 18 months after leaving a job. One caveat: Since the company is no longer subsidizing a portion of the premium, it could cost you substantially more on the open market. Cobra covers both medical and dental insurance, but Ms. Stifler recommends getting major dental work before leaving, then using Cobra for medical insurance only.

Stock options. It's common to see a 90-day deadline from your last day at work to exercise vested stock options, unless you're fired. Employees hold either nonqualified stock options or incentive stock options, which are treated differently for tax purposes. If you're granted a batch of options, it's often the case that 25% of them will vest each year over four years. Upon vesting, many people engage in cashless exercises, receiving the spread between the option price and the stock's market value. They pay ordinary income taxes on any profits. For example, if you're granted 10,000 options with a strike price of \$8.50, 25% are vesting, and the company stock is trading at around \$30, you could make around \$50,000 (\$21.50 per option), before taxes, if you engage in a cashless exercise before you leave. Others buy and hold their options, hoping to reduce their taxes.