

The background of the entire page is a low-angle, dark blue-tinted photograph of a Microsoft building. The building's glass facade reflects the sky, and the Microsoft logo and name are visible on the upper part of the structure. In the top-left corner, there are four large, overlapping light blue circles.

Financial Planning for Microsoft Staff.

Five Tips for Enhancing Your Financial Future

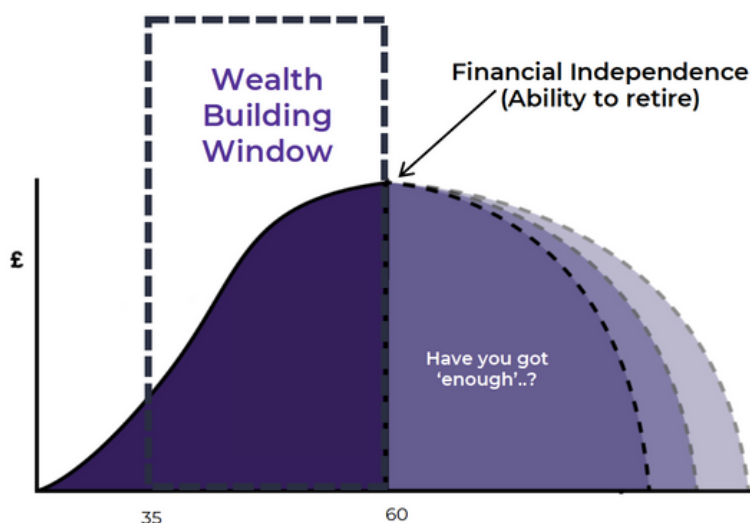
THE PROBLEM & OPPORTUNITY

As a Microsoft employee, your financial situation is unique.

Your position has several interesting financial planning implications: competitive salary, multiple bonus types, employee stock purchase plans, stock awards, matched pension funding, multiple benefit options, etc.

You receive a wide-ranging compensation package, yet many people in your position are too busy to examine how to get the most out of these benefits and avoid some of the pitfalls.

Building your wealth efficiently involves making smart decisions and managing many moving parts. It's a difficult juggling act when you're working so hard.



So, what do you need to know?

1. HOW TO MINIMISE THE TAX BURDEN?

With tax being your largest lifetime expenses, tax planning should be a priority...

Without a sufficient strategy, taxes can be a major drag on building your wealth. It's likely that tax is your biggest expense over the course of your life, so what are some of the strategies that can help you minimise the burden?

Pension planning

Your pension is often the most tax-efficient pot to invest money. For many Microsoft employees, £1,000 pension contribution can cost just £480 due to tax relief.

Optimising your pension contributions while ensuring you do not breach your Annual Allowance can make a huge difference to your growing net worth and financial future.

Stock management

A large part of your compensation is probably in MS stock. Both the ESPP & Stock Plans need careful management to ensure you're not growing a hefty Capital Gains Tax charge or receiving dividend income, tax-inefficiently.

Useful strategies can include selling newly vested shares, managing a 'sell' plan for stock you've held for a long period & potentially even transferring some stock to your spouse to use their allowances too. This can often save you £1,000's in taxes.

Tax-advantaged accounts

The use of tax-advantaged investment accounts allow your money to work harder for you without a 'tax drag'.

While annual investment performance isn't something you can control, the avoidance of paying unnecessary tax by holding the 'wrong' type of investment pot can drastically eat into your returns.

Avoiding 'tax traps'

Optimisation is one thing, but on your compensation the most impactful action you can take is to proactively avoid getting stung with large tax bills in the first place.

The most common culprits are:

- ⌚ Tapered Pension Annual Allowance
- ⌚ 62% income tax trap
- ⌚ Annual bonuses taken as income
- ⌚ Capital Gains Tax on Vested Stock

2. HOW TO MANAGE RISK?

Your Investment
Portfolio

To be prepared is half the victory...

The opportunity to achieve your financial goals is high. Based on your career trajectory things should be okay. But what if they aren't..?

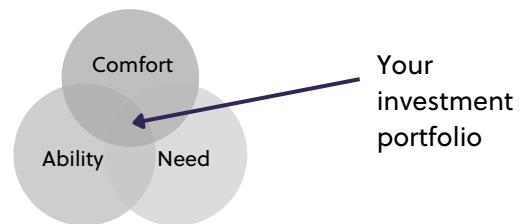
Financial Safety-Net

Premature death and long-term illness. These are the 2 major life events that can result in financial catastrophe.

If you're highly dependent on future earnings you must consider protecting against losing them. Without this, your financial planning is built on sand. Ensuring you choose the right benefit levels gives you and your family financial security and peace of mind.

Investment risk

The question of how much risk you should take depends on how comfortable you are with uncertainty, your need for returns and your ability to absorb negative outcomes. Of course, not taking enough risk with your investments can be just as risky



– i.e. not making your money work hard enough for you to achieve your long-term objectives.

It's likely that a large proportion of your wealth is tied up in investments in one form or another – your pension, your house, your Microsoft stock and any other assets you have.

Choose your benefits wisely

Microsoft has an exceptional benefits package that incorporates both a financial safety net and wide investment options, and it is important to get the right balance for you.

3. HOW SHOULD YOU INVEST?

Building wealth is simple, but not easy...

You have the ability to build your wealth at a high rate & achieve financial independence early.

Investment Mix

Whether it's your pension, ISA, or any other investment: the most important determinant of how fast you can grow your money is how you allocate it between stocks and bonds.

There is a clear trade-off: allocating more of your portfolio to riskier assets increases your long-term expected returns, but also increases the volatility of those returns and the range of potential outcomes.

For example, many people find that the 'default' strategy in their pension is moving to a lower risk (and return) portfolio sooner than they'd actually choose.

Diversify

How much of your current and future financial wealth is tied up in Microsoft? Think salary and stock options. That's a lot of eggs to have in one basket!

Most Microsoft employees have benefited greatly from their concentrated position.

However, they also recognise that it makes sense to spread their wealth and put more eggs in different baskets. Having a plan to gradually diversify is a very important part of risk management.

Evidence-based investing



4. HOW MUCH IS ENOUGH?

To be financially independent is to have the peace of mind that comes with having enough...

You are incredibly busy and there aren't enough hours in the day. But what's it all for..? What future are you trying to create..?

Financial independence

Retirement might not be your goal, but understanding how long you have to continue working for is incredibly powerful.

Knowing when you'll become financially independent (i.e. when work becomes optional) will give you confidence and clarity.

This isn't about retiring as soon as possible, it's about having the option to continue working, without the pressure, which often makes work a lot more enjoyable!

Your financial plan

A financial plan encompasses your future spending, income and available capital. It helps you shed light on whether or not you are 'on track' for the future you're working so hard for.

It may be overwhelming to try and map out your financial future with all the moving parts, but thinking about these key questions is a great way to start:

- ? What are the big milestones you want to achieve in the next 5 years?
- ? When is the earliest you could retire and maintain the lifestyle you want?
- ? Do you have a framework for making smart, financial decisions that benefit you over the long-term?

What's Your Number?

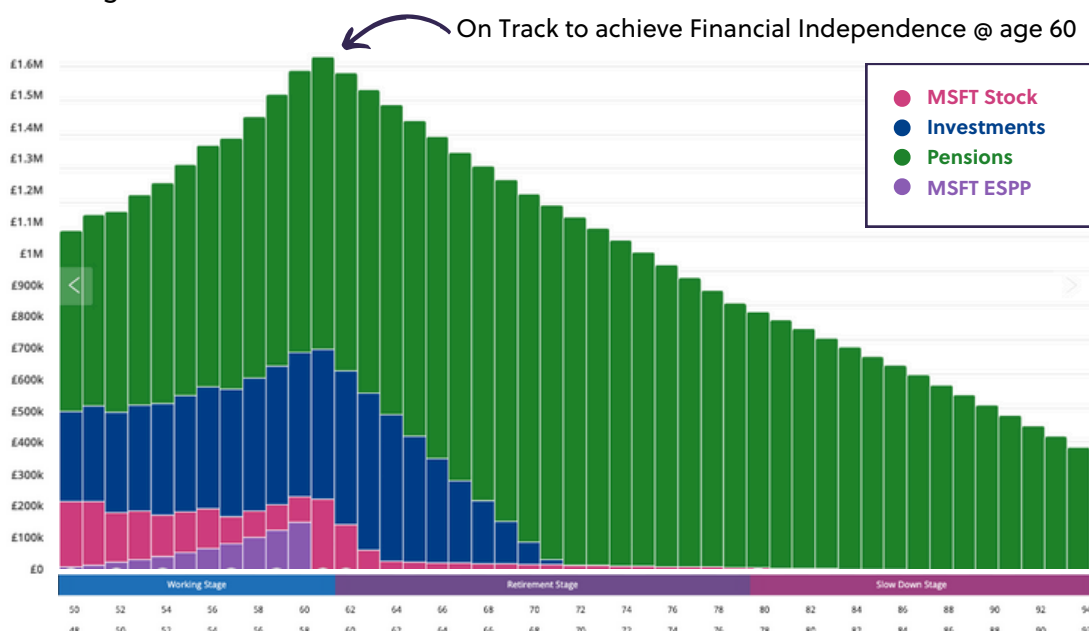
Everyone has a number, whether they know it or not.

Your number = the amount of money you need to provide the income you want for the rest of your life.

The 'right' way to answer this is to use financial planning software to model your family's net worth (see below) from now until the end of your life. This includes your expected income, regular outgoings, one-off expenses and investments.

With prudent assumptions it can provide a visual representation of your financial future, as well as helping to answer big questions like:

- 🎯 "Can I afford to pay for my kids to go to private school / University?"
- 🎯 "How much house can we afford?" Or "what if we plan on downsizing?"
- 🎯 "How much can we spend if we retire X years earlier?"



5. A CASE STUDY

Tom's story...

When we were approached by Tom last year, he wanted some help getting his finances in order. Here's what we did...

1. Total tax savings

We restructured Tom's finances to help save income tax, capital gains tax and future inheritance tax.

2. Portfolio optimisation

As part of Tom's tax reduction plan we diversified his overall portfolio away from MSFT stock and made his financial planning far less reliant on the future of one company. He now has a balanced portfolio built on robust data and research, while also keeping investment costs very low.

3. Organisation & time-saving

Consolidating old pensions, reviewing investments and RSUs. Busy with work and family, Tom valued taking this burden off his shoulders and putting it onto ours.

4. Financial safety-net

We reviewed Tom's insurance cover, including his Microsoft benefits and private insurances. We structured the insurance to better meet his (and his family's) needs and reduce the costs.



5. Financial independence

We created a financial plan for Tom. This showed him that he could retire 5 years earlier than he thought possible and achieve the retirement income he wanted.

6. Summary

- ✓ £27,000 pa better off (tax savings)
- ✓ More robust, lower-risk portfolio
- ✓ Hours of time saved
- ✓ Improved financial safety net
- ✓ A clear plan for the future
- ✓ Able to retire 5 years sooner

6. EXPLORE WORKING WITH US

Our team help people like you

At Frazer James, we specialise in working with Microsoft employees. We understand your pain points and the unique complexities that you face.



Book Initial Consultation

Our Offer

- 🤝 A relaxed, initial consultation with one of our professional, independent advisers.
- 🤝 Discussion on how you can improve your financial planning & areas of opportunity.
- 🤝 Highlight areas where we can add value as your adviser.
- 🤝 Give you insights into tax reduction strategies & investment options.
- 🤝 No cost or commitment.



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