Five Simple Steps to a Comfortable, Happy Retirement

An overview

This short guide outlines five practical steps that have consistently shown up in our coverage of long-term planning for technology employees and other high earners.

It is not a substitute for personal advice. The point of the steps below is to make later conversations with your CPA, your benefits team, or a fee-only advisor more productive.

Step 1: Capture every dollar of employer match

The highest-confidence return available

The 401(k) employer match is the single highest-confidence return any employee can earn. Contribute at least enough each pay period to receive the full match.

The mechanical pitfall is front-loading deferrals - hitting the IRS limit by mid-year and missing per-paycheck match in the back half. Spread deferrals across all 26 paychecks.

Step 2: Use the after-tax space

Mega-backdoor Roth, in plain language

Most large-employer 401(k) plans permit after-tax contributions on top of the standard pre-tax / Roth deferral limit, with conversion to Roth either in-plan or via in-service withdrawal.

The gap between the standard deferral cap and the total annual addition limit is often tens of thousands of dollars per year - and is the most-underused tax-advantaged space available to senior employees.

Step 3: Manage employer-stock concentration

Sell at vest by default

As an employee, you already have salary, bonus, unvested RSUs, and career capital tied to the same company. Holding vested RSUs adds further exposure on top of all of that.

Selling at vest produces almost no incremental tax bill (the cost basis is the vest-day price). The decision to hold concentrated employer stock should be deliberate, not the result of inaction.

Step 4: Invest for thirty years, not thirty months

Boring beats clever

A simple portfolio of low-cost, broad-market index funds - US, international, and bonds in a ratio appropriate to your horizon - has beaten roughly 90 percent of actively managed alternatives over 20-year periods, after fees.

The boring answer is the right answer for almost every long-horizon investor.

Step 5: Plan for the tax bill before it arrives

Withholding is usually wrong

RSU income, bonuses, and other supplemental wages are withheld at a default 22% federal rate by IRS rule. For most senior tech employees, this is well below the marginal rate actually owed.

Adjust 401(k) deferrals, add additional withholding on the W-4, or make quarterly estimated payments. Project early in the year and again after each large vest.

Read the full guides at progresswealthmanagement.com