00:00:09:10 - 00:00:35:17

Speaker 1

Welcome, my name is Andrew Baron and this is, Well… It Depends! The podcast where I address financial decisions that can't be answered with a simple yes or no. In this episode, I ask the question, Is too much of my wealth tied to my employer? But before we begin a short disclaimer, this is being recorded on November 21st, 2023.

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The contents of this podcast are strictly for informational purposes only, and nothing said should be taken as investment, tax or legal advice. It's important to consult with a professional before making any financial decisions as the strategies discussed may not be suitable for you specifically.

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Speaker 1

Getting into it, is too much of my wealth tied to my employer? Well… It Depends! Let's start off by looking at the advantages. Many employers offer benefits, such as 401k stock matching options, stock bonuses and employee stock option plans. These are powerful wealth building tools. That can help you achieve your financial goals.

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Additionally, for highly compensated employees and executives, deferred compensation retirement plans may be available, which let you save above and beyond what's available in traditional retirement accounts.

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Speaker 1

Now let's shift our attention to the downsides. One major risk is an over allocation to a single company stock. While it’s greater faith in your employer, putting too much of your wealth in a single company is extremely risky. If the company faces financial challenges or experience the stock price decrease, this can have a significant impact on your net worth. Another consideration is an overreliance on your employer for your livelihood.

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Speaker 1

If you’re salary, bonus and retirement accounts are all linked to your employer, you may have challenges if the company or industry suddenly experiences difficulties.

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Speaker 1

So how do you find the right balance? It's crucial to consider your financial goals, risk tolerance and unique circumstances. While company benefits are valuable, it's essential to diversify your investments beyond your employer. Another consideration is your job stability. Are there outside employment opportunities? Or is your company the dominant player? Then consider how this affects your job security and perhaps even home prices.

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Speaker 1

 To recap. While there may be significant wealth accumulation opportunities provided by the benefits from your employer, it's important to diversify your wealth to avoid an overreliance from a single entity. So to answer the question, is too much of my wealth tied to my employer? Well… It Depends!

Speaker 1: Andrew Baron, CFP®, EA