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SPECIAL REPORT

Impacted by Microsoft Layoffs? Here's Your Financial Gameplan

With thousands of Microsoft professionals recently laid off—and many more facing uncertainty—we've updated one of our most-read resources from the last major round of layoffs. We received positive feedback from clients and readers that it brought much-needed clarity during a difficult time.

Whether you've already received notice or are concerned your role may be at risk, this guide walks through the most important financial steps to help you stay on track.

If you find it helpful, please share it with others who may benefit.

What We Know About the Microsoft Layoffs

Microsoft announced May layoffs impacting 6,000 employees globally—including 1,985 in Washington state. Additional rounds this summer are expected to impact several more employees.

Understanding Your Separation Details and How They Fit Into Your Financial Plan

If you've been impacted, it's important to review your personal separation agreement carefully. Microsoft's standard severance package for this round reportedly includes 12 weeks of base pay plus 2 additional weeks per year of service—though your personal package can vary based on your tenure and level.

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These details are critical not just for understanding your immediate options, but for building a financial plan that accounts for:

- The timing of cash flow and severance deposits,
- Your health insurance transition (COBRA vs. alternative plans), and
- Strategic planning around RSU vesting and potential career shifts.

If you're unsure how to fit all the pieces together, work with a Certified Financial Planner who can help map this into your larger financial picture. Here is a template of the steps we suggest you take:

Step 1: Review Your Health Insurance and Medical Spending Options

Health insurance continuity is one of the most important pieces to address during a job transition. Based on past layoff waves, Microsoft has offered a period of **COBRA coverage at no cost to the employee**, though the devil is in the details. COBRA allows you to keep your current health plan for up to 18 months—providing critical continuity of care for you and your family. It is important to review how many months Microsoft will cover the cost for.

Once that coverage ends, it's important to have a continuity plan. Options to consider include:

- Joining your **spouse's employer plan**, if available,
- Securing **coverage through a new employer**, or
- Exploring **private insurance or ACA marketplace plans**, which may offer subsidies based on your adjusted income.

Also, don't overlook your **Flexible Spending Account (FSA)** if you've been contributing to one. FSAs are generally use-it-or-lose-it, and you may only have until your termination date (or COBRA election) to spend any remaining funds. Check your balance and spend down eligible medical expenses like prescriptions, contact lenses, or future appointments before that window closes.

 Related: [How to Navigate Early Retirement Health Insurance at Microsoft](#)

Step 2: Bolster Your Emergency Fund and Leverage Your Vested Stock

Most people don't have the kind of emergency reserve that can carry them through a 6–12 month job gap. Now is the time to **target 6 months of essential expenses** in a liquid, stable reserve.

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Reviewing **your vested RSUs** and strategically selling certain lots is a great way to build this reserve. When RSUs vest, you're taxed on them immediately—so the fair market value of the shares on vesting day becomes your cost basis. That means if you sell shortly after they vest, you may have **little or no taxable gain**—making this an efficient way to access liquidity.

It's important to review the **tax lots of your Microsoft stock** before selling. In some cases, you may be holding shares with minimal gains that can be sold with limited tax impact, while others may carry a larger built-in gain. Knowing what you own—and what it's worth—can help you strategically decide what to sell and when.

One little-known rule: If you turn **age 55 or older in the year you are laid off**, you may be able to access your **401(k) penalty-free** if you follow the proper steps. This can be an important backup option for liquidity—but be sure to consult a Certified Financial Planner to make sure you qualify and handle it correctly.

Make sure to invest your emergency fund in a **high-yield savings account or a quality short-term bond fund**, which are currently yielding attractive rates and remain fully liquid.

Step 3: Understand the 55 and 15 Rule—And How It Can Work for You

If you are turning 55 in the calendar year you separate from Microsoft and have achieved 15 consecutive years of full-time service, you may be eligible to continue receiving RSU vests even after your separation. We've seen this provision apply in past layoff scenarios and it can be a critical income stream during your transition.

It's important to confirm your eligibility directly with Microsoft HR, as your personal tenure, start date, and service history will determine whether you qualify.

If you do qualify, your **unvested RSUs will continue to vest on their regular schedule**—even though you are no longer employed. This ongoing vesting can help provide a level of financial stability as you navigate next steps, or even bridge the gap to retirement or your next role.


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Step 4: Prepare for a Potential High-Income Tax Year

If your role is impacted in 2025, it could turn out to be one of your highest-income years on record—especially if you've been at Microsoft for a long time. Between a lump-sum **severance payout** (which typically hits at once) and any **continued RSU vesting** (if you qualify under the 55 and 15 rule), many professionals may actually show more income this year than in a typical working year.

In addition, if you land a new job in the second half of the year or decide to apply for unemployment benefits, you could further increase your taxable income. Washington State **unemployment benefits** are typically available for up to 6 months—even if you've received a severance—and can amount to **more than \$25,000**. Keep in mind: this income is taxed as **ordinary income**.

If 2025 ends up being a high-income year for you, now is the time to look at strategies that can reduce your tax burden while strengthening your financial picture, as well as planning for estimated tax payments to avoid penalties.

 **Contact our office** to review your income projection and identify tax planning strategies that best align with your goals.

Step 5: Manage Your Microsoft Stock Concentration Risk

For most Microsoft professionals, concentrated exposure to Microsoft stock remains the biggest financial risk. We have found many Microsoft professionals have more than half of their investments held in Microsoft stock. If Microsoft (or the tech industry) gets hit with a catastrophic event, or even underperforms other investments for a period of time, this can take a very strong financial picture off course.

While Microsoft stock has rebounded from its earlier dip in 2025, there's still plenty of uncertainty ahead. This recovery creates a window of opportunity to come up with a strategy for your Microsoft overconcentration.

Strategies to consider include:

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- **Selling newly vested RSUs** (already taxed as income) to avoid additional capital gains,
- **Harvesting specific tax** lots with minimal built-in gains,
- **Reallocating your 401(k)** to reduce company stock exposure without triggering taxes,
- **Establishing a collar hedge** if you're not ready to sell but want to protect downside.

We help clients analyze their total Microsoft exposure and create a personalized plan to bring it in line with their goals, income needs, and risk tolerance. Don't wait for the next market dip to make a change—use this period of strength to diversify smartly.

Now is the Time to Reassess Your Financial Plan

A job loss is one of the biggest financial turning points a person can face—and that makes this the perfect time to revisit (or create) your financial plan. Especially for those nearing retirement, or if you've been considering a change anyway, this could actually be a golden opportunity to reevaluate your goals and end up in a better place.

From cash flow and taxes to healthcare and investing, updating your financial game plan can give you the confidence and structure needed to move forward wisely.

Schedule a no-cost session with one of our Certified Financial Planners to review your full situation. **Even if you're already working with an advisor, this is a valuable opportunity to gain an outside perspective and ensure your plan is calibrated for the road ahead—providing you with greater confidence in the steps you take during this transition.

👉 [Schedule a Session](#)

team@stablerwm.com | (425) 646-6327 | www.stablerwealthmanagement.com

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