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YOUR MONTHLY GUIDE TO STRATEGIES FOR MAXIMIZING YOUR WEALTH AT MICROSOFT

Action Steps to Take in the Final Years Before Retiring from Microsoft

When Microsoft professionals think about retirement planning, the focus is often on the moment they stop working. Notifying their manager. Turning on income. Making benefit elections. While those steps matter, they overlook the most important reality of retirement.

By the time you are a few months from retirement, many of the most impactful decisions are already behind you.

For those within a few years of retirement or work optionality, the biggest risk is not market volatility or a single bad decision. It is failing to take the right actions early enough, while there is still time to adjust.

Work Backward From Your Target Date

Most retirement checklists focus on what to do at retirement. A more effective approach is to work backward from your target date.

Start by writing down your intended retirement or work optional date. This is not a commitment, but a planning anchor. From there, define the life you are retiring into. Where you want to live. How you want to spend your time. What a typical week looks like.

Only after this exercise does the financial plan come to life.

From here you can translate that lifestyle into a realistic spending plan. This starts with your current spending, adjusted for what will change in retirement. Some expenses decline, but others often increase, especially in the early “go go” years. Travel, healthcare, hobbies, and gifting are common examples.

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This spending plan becomes the foundation for every other decision. Without it, cash flow projections, tax planning, and investment decisions are disconnected and far less effective.

The Final Working Years Carry the Most Leverage

With a clear spending target, you can evaluate cash flow. What income currently hits your bank account, and what will replace it in retirement is the lifeblood of your retirement plan. This highlights the savings gap between today and your target date and helps prioritize where new savings should go.

For Microsoft professionals, this often means revisiting the **savings hierarchy.** Maximizing the 401(k) to capture the Microsoft match remains foundational. For those eligible, the Health Savings Account can also be one of the most powerful tools available.

Beyond that, decisions become more nuanced. Catch up contributions, Mega Backdoor Roth strategies, deferred compensation elections, and ESPP participation all need to be evaluated in the context of your tax picture and retirement timeline.

Stock awards also play a central role. Treating RSUs as cash bonuses rather than long term buy and hold investments can reduce concentration risk, fund tax advantaged accounts, and increase flexibility heading into retirement.

Health Insurance and Taxes Often Determine Timing

For many early retirees, health insurance is the biggest unknown.

Retiring before Medicare at age 65 often creates a gap between employer coverage and Medicare eligibility. COBRA can provide a short-term bridge, but it is not a long-term solution. Once COBRA ends, health insurance costs can rise significantly without careful planning.

ACA health insurance premiums are tied directly to gross taxable income (MAGI), which means actions taken years before retirement often matter more than decisions made after you stop working. Building tax flexibility ahead of retirement allows you to better manage income during this pre Medicare window and avoid unnecessary health insurance costs. This is why health insurance is so often the limiting factor for early retirement.

We have worked with a number of Microsoft professionals who initially felt well prepared for retirement because they had built significant deferred compensation balances that would provide income during the first several years after leaving Microsoft. . In many cases, this

income was layered on top of continued RSU vesting after retirement due to meeting the 55 and 15 rule. Once retirement began, however, the lack of coordinated planning became clear. The combination of deferred compensation payouts and ongoing stock income pushed taxable income well above expectations during the critical pre-Medicare years, dramatically increasing health insurance costs and, in some cases, risking their retirement.

Many people assume they will be in a lower tax bracket in retirement. Without planning, that assumption is frequently wrong. Health insurance subsidies, Medicare surcharges, capital gain timing, and one-time expenses can all create higher effective tax rates than expected.

Running tax projections both now and in retirement helps identify these risks early and informs decisions around Roth versus pretax savings, deferred compensation, and how to position assets for future large expenses.

Bringing the Plan Together

As retirement approaches, one's investment strategy must align. Dollars needed in the near term should not be exposed to long term market risk, while long term dollars must continue to grow and keep pace with inflation. Many portfolios remain too aggressive heading into retirement simply because allocations were never adjusted as the purpose of the money changed.

Retirement is not a single decision. It is a multi year planning process. The earlier cash flow, taxes, investments, and insurance decisions are aligned, the smoother the transition tends to be. If retirement is within the next two years, now is the time to trial run your plan. Stress test income, taxes, and investments. Identify gaps while there is still time to fix them.

That preparation is what turns retirement from a leap of faith into a confident next step.

If you would like help reviewing how these planning decisions apply to your situation, we invite you to contact us here. We offer a complimentary second-opinion meeting to help ensure your retirement plan is aligned with your goals.

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