Starting a New Job

Tips from Money Guru Jean Chatzky

Whether it's your first time in the workforce, or you're transitioning from one company to another, there are a number of line items you have to cross off when starting a new job. Here's your list.

☐ In transition:

COBRA. It may be terrific for your psyche to have a (small) gap between winding down one job and starting the next. But you don't want that gap where your health insurance is concerned. Talk to your former employer about extending your benefits under COBRA (the Consolidated Omnibus Budget Reconciliation Act allows you to do so for 18 months). It will likely cost more than you're currently paying, but you can also shop for a plan on HealthCare.gov even if it's not an open enrollment period. Note: You have 60 days after your coverage lapses to opt into COBRA or to shop for a different plan. Just don't go without coverage: medical emergencies are the single biggest factor in bankruptcies every year.

☐ Consider your retirement plan options:

Likewise, decide what you want to do with the assets in your former company's retirement plan. Generally, as long as you have $5,000 or more, you have four choices: Leave the money where it is, roll it into your new employer's plan (if allowed), roll it into an IRA, or take a cash distribution. Compare the costs of each option and the plan offerings (is one investment menu preferable to another?) and make the decision. If you decide to make a move, make sure the check for the balance is made out to the new plan administrator—not to you. If you do mistakenly receive a check in your name, do not endorse or cash it. Instead, send it to your new plan administrator within 60 days to avoid taxes and penalties. If you do decide to take a cash distribution, keep in mind that the implications may be severe (you'll pay income taxes at your current rate plus a 10% penalty and you'll no longer be able to rely on that money for retirement).

☐ Get a handle on your new benefits:

Even before you start a new job, questions about benefits—Is there a retirement plan? When can I join? —should be on the tip of your tongue. Sit down with someone in human resources (or, if it's a small company, the person hiring you) and run through the list of health, insurance, and retirement benefits available to you. If no one offers to do this with you, ask.

☐ Weigh your health insurance options:

These days, you may or may not be given a choice in health insurance. If you are, it's likely you'll be deciding between a high-deductible health plan coupled with a health savings account or a more traditional HMO or PPO. In making this decision, take into account all of the costs: your health plan premium, out-of-pocket costs, and any incentives or contributions your employer may offer for signing up for a high-deductible health plan (HDHP) with a health savings account (HSA). Look at doctors you're loyal to, and prescriptions you take, to see if they're covered by particular plans. And though the options your employer offers are typically the most cost effective, compare with those available to your spouse and on the HealthCare.gov exchange.

☐ Enroll in retirement:

If your company offers a retirement plan, consider enrolling as soon as you can, and think about contributing at least enough to grab any matching dollars. A rule of thumb: Fidelity suggests that you save at least 15% annually (including employer contributions) with retirement as a top priority. If 15% seems like a lot, some plans offer auto-escalation, which will automatically increase your contribution by a percentage point or two annually until you're maxing out. If your employer doesn't automatically bump up your contributions, schedule a calendar reminder to do it yourself. And, if your new employer doesn't offer a retirement plan, you could DIY by contributing to another vehicle like an IRA, a Roth IRA, or even an after-tax savings account. Every dollar saved today will have an impact on how much you have at retirement.

☐ Consider life and disability insurance:

Group life policies offered through employers typically don't provide a huge death benefit, but they often have the advantage of being inexpensive, not requiring a physical and—should you change jobs—allowing you to continue the coverage at a reasonable rate. The same is true of group disability insurance; it often provides the only affordable way to access long-term disability insurance. This is particularly important for single individuals or those in couples who don't have another wage earner to fall back on.

☐ Keep records of job-hunting expenses:

Come tax time, you can write off some of what you spent on your job search, as long as you're continuing in the same field and your expenses top 2% of your adjusted gross income (they go in the miscellaneous deduction category). If this is your first job, you can deduct moving expenses (and you don't even need to itemize).

☐ Review at open enrollment:

Don't take a passive approach with your benefits, which could change in a year's time. During your company's open enrollment period (which is usually during the fourth quarter of each year), review your insurances and retirement plan to see if you should add, drop, or change anything for the following year.