HUMBOLDT
Financial Ltd

Financial Planning for Tech Employees

5 key decisions to make

Humboldt is a financial planning firm that specialise in helping tech employees manage their financial affairs. This guide identifies the key challenges faced by tech employees and provides a strategy for making the most of the opportunity.

The problem & opportunity

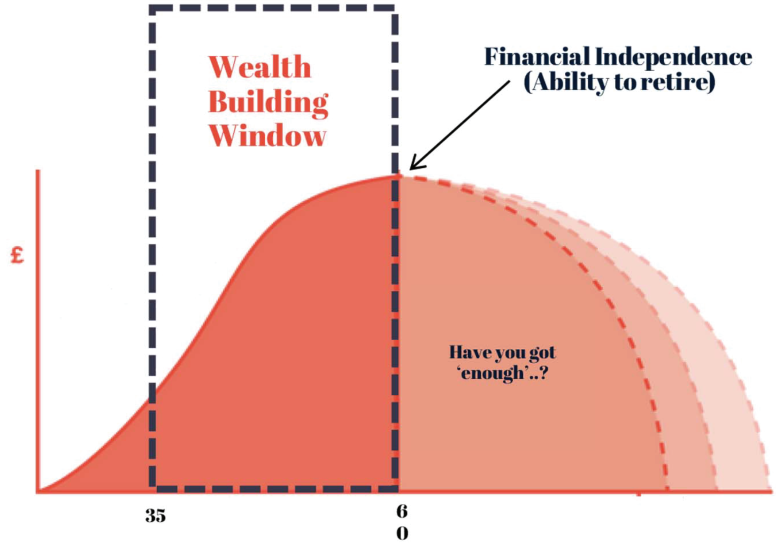
As a tech employee, your financial situation is unique.

Your position has several interesting financial planning implications: competitive salary, multiple bonus types, employee stock purchase plans, stockawards, matched pension funding, multiple benefit options, etc.

You receive a wide-ranging compensation package, yet many people in your position are too busy to examine how to get the most out of these benefits and avoid some of the pitfalls.

Building your wealth efficiently involves making smart decisions and managing many moving parts. It's a difficult juggling act when you're working so hard.

So what do you need to know?



1 How to minimise the tax burden?

Tax management is a serious priority. Left unchecked, it can be a major drag on building your wealth. It's likely that tax is yourbiggest expense, so what are some of the strategies that can help you minimise the burden?

Pension planning

Your pension is often the most tax-efficient pot to invest money. For many tech employees £1,000 pension contribution can cost just £480, due to tax relief.

Optimising your pension contributions while ensuring you do not breach your Annual Allowance can make a huge difference to your growing net worth and financial future.

Stock management

A large part of your compensation is probably in tech companies stock. Both the ESPP & Stock Plans need careful management to ensure you're not growing a hefty Capital Gains Tax charge or receiving dividend income, tax - inefficiently.

Useful strategies can include selling newly vested shares, managing a 'sell' plan for stock you've held for a long period & potentially eventransferring some stock to your spouse to use their allowances too. This can often save you £1,000's in taxes.

Tax-advantaged accounts

The use of tax-advantaged investment accounts allows your money to work harder for you without a 'tax drag'.

While investment performance isn't something you can control, the avoidance of paying unnecessary tax by holding the 'wrong' type of investment pot can drastically eat into your returns.

Avoiding 'tax traps'

Optimisation is one thing, but on your compensation the most impactful action you can take is to proactively avoid getting stung with large tax bills in the first place.

Here are the most common

- The Tapered Annual Allowance
- Lifetime Allowance
- The 60% tax trap
- Annual bonuses taken as income
- Capital Gains Tax on Vested Stock Units

2 How to manage risk?

The opportunity to achieve your financial goals is high. Based on your career trajectory things should be

Financial safety-net

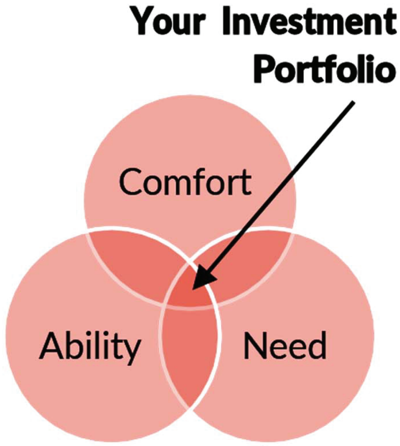
There are 2 major events in life that are unforeseeable and can result in financial catastrophe: premature deathand long-term illness.

If you're highly dependent on future earnings you must consider protecting against losing them. Without this, your financial planning is built on sand. Ensuring you choose the right benefit levels gives you and your family financial security and peace of mind.

Investment risk

The question of how much risk you should take depends on how comfortable you are with uncertainty, your need for returns and your ability to absorb negative outcomes.

Of course, not taking enough risk with your investments can be just as risky – i.e. not making your money work hard enough for you to achieve your long- term objectives.



It's likely that a large proportion of your wealth is tied up in investments in one form or another - your pension, your house, your tech companies stock and any other assets you have.

Choose your benefits wisely

Tech companies has an exceptional benefits package that incorporates both a financial safety net and wide investment options and it is important to get the right balance for you.

Matching your benefits with what you really need (and adapting this as time goes by) is a critical step inprotecting against risk.

3 How should you invest?

You have the ability to grow your wealth at a very high rate.

Investment Mix

Whether it's your pension, ISA, or any other investment: the most important determinant of how fast you can grow your money is how you allocate it between stocks and bonds.

There is a clear trade-off: allocating more of your portfolio to riskier assets increases your long-term expected returns, but also increases the volatility of those returns and the range of potential outcomes.

For example, many people find that the 'default' strategy in their pension is moving to alower risk (and return) portfolio sooner than they'd actually choose.

Diversify

How much of your current and future financial wealth is tied up in tech companies? Think salary and stock options. That's a lot of eggs to have in one basket! Most tech employees have benefited greatly from their concentrated position.

However, they also recognise that it makes sense to spread their wealth and put more eggs in different baskets. Having a plan to gradually diversify is a very important part of risk management.

Stay low-cost

The impact of costs on performance are often underrated and understated, especially when considering the compounding effects over long periods of time.

Do you know the total charges you pay out of your investments?

Keep calm when markets drop

Study after study shows that one of the most important factors determining whether you're a successful investor is how you react when your investments drop

This isn't an 'if', it's a 'when', and great individual investors understand that keeping calm and sitting tight through volatile periods has shown to vastly improve returns than aiming to buy & sell.

4 How much is enough?

You are incredibly busy and there aren't enough hours in the day. But what's it all for?

What future are you trying to create?

Financial independence

Retirement might not be your goal, but understanding how long you have to continue working for is incredibly powerful.

Knowing when you'll become financially independent (i.e. when work becomes optional) will give you confidence and clarity. This isn't about retiring as soon as possible, it's about having the option to continue working, without the pressure, which often makes work a lot more enjoyable!

"A goal without a plan is just a wish"

Your financial plan

A financial plan encompasses your future spending, income and available capital. It helps you shed light on whether or not you are 'on track' for the future you're working so hard for.

It may be overwhelming to try and map out your financial future with all the moving parts,but thinking about these key questions is a great way to start.

What expenses and investments. are the big milestones you want to achieve in the next 5 years?

When is the earliest you could retire and maintain the lifestyle you want?

What are the 3 actions you can take now to improve your finances in the future? Do you have a framework for making smart.

financial decisions that benefit you over?

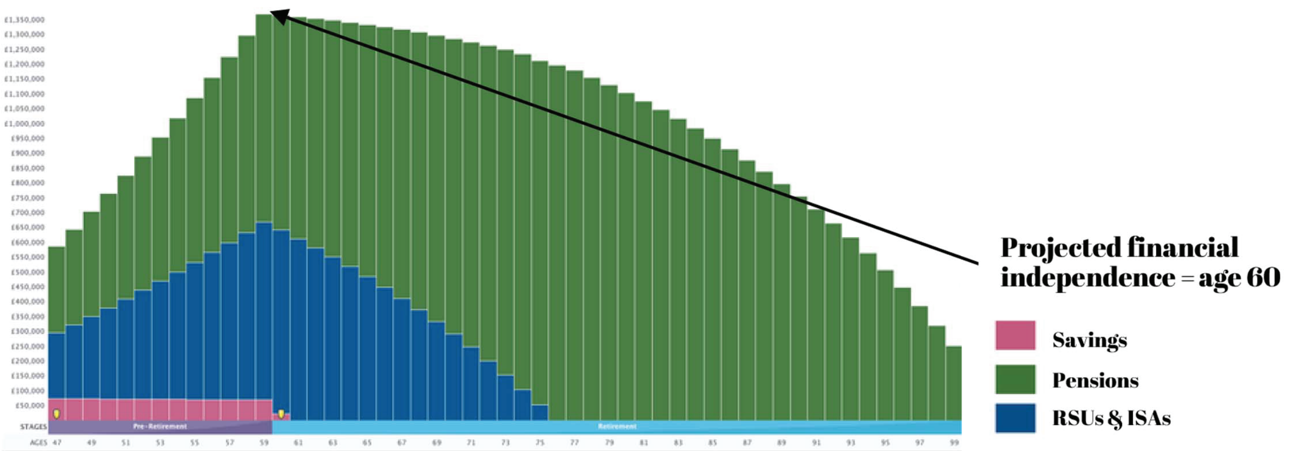
What's your number?

Everyone has a number, whether they know it or not. Your number = the amount of money you need to provide the income you want for the rest of your life.

The 'right' way to answer this is to use financial planning software to model your family's net worth (see below) from now until the end of your life. This includes your expected income, regular outgoings, one-off expenses and investments.

With prudent assumptions it can provide a visual representation of your financial future, as well as helping to answer big questions

- "Can I afford to pay for my kids to go to private school / University?"
- "How much house can we afford?""What if we plan on downsizing?"
- "How much can we spend if we retire X years earlier?"



HUMBOLDT
Financial Ltd

5 A case study...

Tom's story...

When we were approached by Tom last year, he wanted some help getting his finances in order. Here's what we did...

1 Total tax savings

We restructured Tom's finances to help save income tax, capital gains tax and future inheritance tax.

2 Portfolio optimisation

As part of Tom's tax reduction planning we diversified his overall portfolio and made his future far less reliant on the future of one company. He now has a balanced portfolio built on robust data and research, while also keeping investment costs very low.

3 Organisation & time-saving

Consolidating old pensions, reviewing investmentsand RSUs. Busy with work and family, Tom valued taking this burden off his shoulders and putting it onto ours.

4 Financial safety-net

We reviewed Tom's insurance cover, including his corporate benefits and private insurances. We structured the insurance to better meet his (and his family's) needs and reduce the costs.

5 Financial independence

We created a financial plan for Tom. This showed him that he could retire 5 years earlier than he thought possible and achieve the retirement income he wanted.

6 Summary

- £27,000pa better off (tax savings)
- More robust, lower-risk portfolio
- Hours of time saved
- Improved financial safety net
- A clear plan for the future
- Able to retire 5 years sooner
- Peace of mind

6 Should you work with an adviser?

Our team help people like you

Our bias on this topic is obvious. Still, we are in a unique position to help answer this question specifically for tech executives, so let's attempt to do so.

1 Do-it-yourself?

If you really enjoy personal finance & reading through HMRC tax manuals on Sundays then I would encourage you to do that. Cover each area of this guide & create your own financial path?

2 Consult with an adviser?

If you feel your time would be better spent on your career, family, etc. and attempting to juggle these financial areas would be burdensome, then finding the right adviser is crucial.

A good adviser that understands your

unique situation will deliver value above & beyond their cost. Ultimately, helping you get a handle on every area of your finances.

3 H-I-T-S?

Of course, some people choose the 'Head- In The- Sand' option. Hopefully this guide has given you some insight into why you're likely to be losing out by adopting this approach.

Our offer

Humboldt offers a relaxed, initial consultation with one of our professional advisers.

With no cost and no commitment, this meeting is to get to know each other.

Book initial consultation