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FINANCIAL

# IBM Employee Playbook: Maximize Your Pay, Perks, and Planning

*A Practical Guide for IBM Professionals*

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Charlie Burguières and David Holloway are Financial Planners with LPL and offer securities and investment advisory services through LPL Enterprise (LPLE), a Registered Investment Advisor, Member FINRA/SIPC, and an affiliate of LPL Financial. LPLE and LPL Financial are not affiliated with Platinum Point Financial.

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# IBM Employee Benefits: How to align your benefits with your life

## Introduction

A career at IBM can be financially rewarding and provides unique benefits. As an IBM employee you have access to significant employee benefits that create a need to navigate complex tax and retirement planning. This e-book outlines your employee benefits, how to best leverage them and our planning insights.

At [Platinum Point Financial](#) our practice focuses on the unique planning needs of tech professionals. Our service model caters to the busy lives of professionals with a goal of giving you more time back to focus on your career and family. With a combined 25years of experience we have provided financial guidance to many tech executives, professionals and their families.



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## Chapter 2: IBM Retirement Plan

### **IBM Retirement Benefit Account (RBA)**

- 1. This is a cash balance pension plan, and separate from the 401(k) plan.**
- 2. Contributions are not required for the automatic 5% match.**
- 3. IBM guarantees a 6% annual rate of return through 2026. From 2027 through 2034, the rate of return will be based on the 10-year US Treasury yield, with a minimum of 3% return per year.**
- 4. This structure provides a low-risk option with limited upside growth unlike the 401(k) plan.**

### **IBM 401(k) Plan**

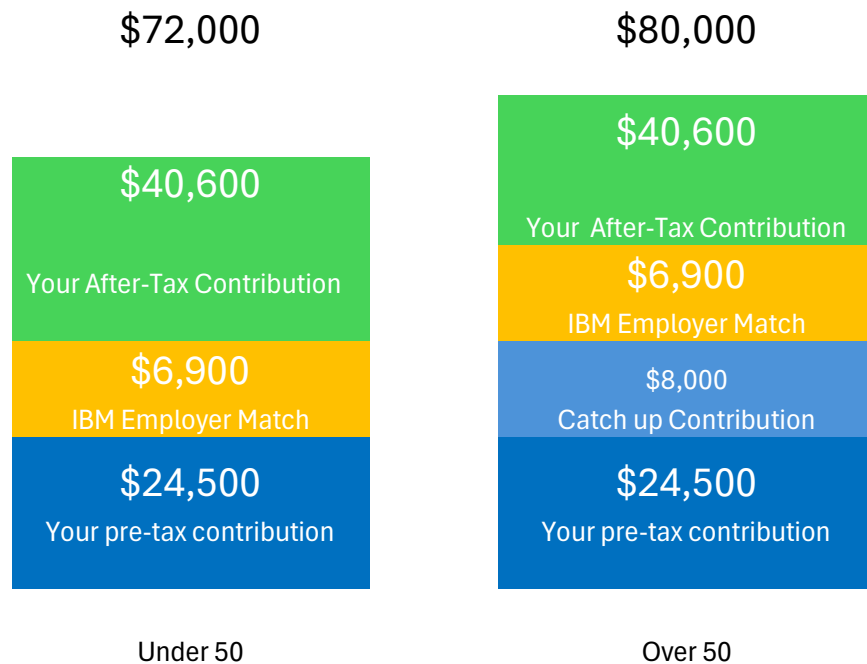
- 5. Contributions – IBM offers both pretax and Roth 401k option**
    - Pre-Tax Contribution**
      - 1. Your contribution to your 401k will come out before being taxed thus reducing your taxable income for the year.**
      - 2. Your earnings and contribution will all be taxed when you withdraw the money after the age of 59 ½.**
      - 3. You can contribute up to the IRS limit for the given year.**
    - Roth 401k Contribution**
      - 1. Your contribution to your Roth 401k will come out after paying taxes, this will not reduce your taxes in the current year but the earnings and contribution will grow tax free for the rest of your life.**
      - 2. You will be able to withdraw the money from the Roth 401k tax free after the age of 59 ½**
      - 3. You can contribute up to the IRS limit for the given year.**
- 2. Matching – IBM non longer matches anything on the 401(k) plan.**

### 3. After-Tax Account (Mega Backdoor Roth)

- The limit for total 401k contributions in 2026 is \$72,000 (not including catch-up). This means you can put an additional \$47,500 into your IBM 401k.
- Once you set up the after-tax account the next step is to convert the after-tax contributions to the Roth 401k side so your earnings will also grow tax free.
- See the table below for a real world example

## 2026 IRS 401(k) Limits

Examples are based on an IBM employee who earns an annual salary of \$345,000 and the full employer match of \$6,900



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## Chapter 3: IBM Stock Options

What are Restricted Stock Units (RSUs)

- RSUs are a form of employee compensation that rewards long-term engagement by granting shares through a vesting schedule
- Once vested, they are taxed as income, and employees can sell or retain the shares potentially benefiting from capital gains.

Vesting Schedule:

- Year One – 25% will vest at the end of year one
- Year Two – 25% will vest at the end of year two
- Year Three – 25% will vest at end of year three
- Year Four – the final 25% will vest at the end of year four

Taxation of RSUs

- **Taxation at Vesting** – When RSUs vest they are taxed as ordinary income based on the stock's fair market value at the time. IBM will typically withhold a portion of the shares to cover this tax liability.
- **Tax Treatment Upon Sale** - When you sell your vested RSUs, any profit (the difference between the sale price and the vesting price) is subject to capital gains tax. If sold within a year, it is taxed as short-term capital gains, equivalent to ordinary income. If held for over a year, long-term capital gains rates apply, which are generally lower.
- **Double Taxation Concern** - RSUs are often subject to what's referred to as "double taxation." First, you are taxed when the RSUs vest as ordinary income. Later, if you sell the shares for a profit, you pay capital gains tax on the increase in value from the vesting date to the sale date.

## Employee Stock Purchase Plan:

ESPP is an account where you can purchase IBM stock at a discount. IBM offers a 15% discount for their employees in this account. The IRS max contribution of to this plan is \$25,000 annually.

There are semi annual offerings to this plan. This falls on January 1 and July 1 each year. The enrollment window for this year is 2-3 weeks before these dates.

If you want to leave this plan, you can at any point.

## Taxation:

When you buy under a ESPP plan, the discount you receive is taxed as ordinary income. You will also recognize the income & pay tax on it when you sell the stock. When you sell the stock, the income can be either ordinary income or capital gains depending on how long you held the stock.

## Our Insight:

Think of RSUs as part of your salary from IBM and treat them as cash flow in your financial plan. You can leverage the sale of the RSUs to help max out the after-tax account (Tax free money vs taxable).

Selling a portion or all your RSUs will provide the cash flow and income to help with your financial goals (college savings, vacations, taxable investment account, etc.)

If you have RSUs from years ago with a very low cost basis and are charitably inclined you can open a donor advised fund or give some of the stock directly to a charity that you support.

The most important thing is to ensure you have a plan for the RSUs. Holding just because you hope the stock continues to rise is not a great strategy. Working with an advisor to define what your goals are and more importantly having a strategy will each tranche of RSUs can reduce the risk in your overall investment portfolio, reduce taxes and ensure you are achieving all your financial goals.

With ESPP, investing in any one company's stock can be risky as we all know. It is vital that you know how and when to enroll to the plan and understand the tax implications.

## [Chapter 4: IBM Insurance Options](#)

### **Health Savings Account**

- 1. IBM employees are offered several types of traditional health plans that include vision & dental.**
- 2. A Health Savings Account (HSA) is available if you are enrolled in a high-deductible health plan (HDHP).**
- 3. The HSA is a triple tax-advantaged account, offering pre-tax contributions, tax-deferred growth, and tax-free withdrawals as long as they are used for qualified medical expenses. The 2026 limit for individuals is \$4,400 and \$8,750 for families. IBM contributes \$500 per person up to a \$4,500 maximum. There are no limits on what can rolled over year to year in the HSA.**

### **Flexible Spending Account**

- 1. A Flexible Spending Account (FSA) is offered as well and is a pre-tax benefit account that allows employees to set aside money for qualified medical expenses.**

**2. A key difference to the HSA is that you do not need to be enrolled into a HDHP to utilize the FSA. An FSA is also not as tax-advantaged as an HSA.**

**3. IBM employees can contribute \$3,400 for 2026 for any out-of-pocket medical expenses. If you are expecting a large expense for the year, this can be a great tool to take advantage of. Keep in mind, you can only roll over \$680 of unused funds in the FSA in the following year.**

## **Life Insurance**

- **IBM currently provides twice your annual base salary for Basic Life and AD&D Insurance at no cost to you.**
- **You can buy supplemental life insurance coverage for yourself, payable to your designated beneficiaries if you die, in the amount of 1-10 times your base annual earnings, up to \$2,000,000.**
- **You can buy life insurance to cover your spouse/domestic partner in amounts of \$25,000 or half to five times your base annual salary, up to \$250,000 not to exceed 100% of your total amount of life insurance (basic and supplemental).**
- **You can buy life insurance to cover your children in certain amounts up to \$20,000.**
- **An accelerated death benefit is available in certain situations involving a terminal illness.**
- **You can buy supplemental AD&D insurance to cover just yourself, or yourself and your eligible dependents, in amounts of one to ten times your basic annual earnings, up to \$2,000,000.**
- **Depending on your situation, a private-term policy may be a better option.**

## **Disability Insurance**

- **IBM provides both short term & long-term disability insurance at no cost to you, for employees working 30+ hours a week**
- **Both plans provide partial income (60% of eligible salary up to certain limits) if you become medically disabled.**
- **Depending on your situation and compensation, purchasing supplemental disability coverage to account for more of your total income may be a prudent option.**

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## Conclusion

Financial success for IBM employees is not accidental—it requires strategic planning at every stage. Whether you're managing RSU's, building wealth, or preparing for retirement, the right financial strategies can set you up for long-term prosperity.

This eBook is not intended for specific financial advice. Your unique family and financial situation need a plan catered to you. If you do not currently have plan tailored for you and your family or have not reviewed your plan recently, please reach out for a consultation.

## WORK WITH US

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