IBM Employee Playbook:

Managing Your Pay, Perks, and Planning

A Practical Guide for IBM Professionals

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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 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 25 years 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)

- This is a cash balance pension plan and separate from the 401(k) plan.
- IBM provides an automatic 5% contribution after 1 year of employment.
- You are full vested after 1 year of employment.
- 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.
- This structure provides a low-risk option with limited upside growth unlike the 401(k) plan.
- If you leave IBM you can keep the balance at IBM and receive a pension in retirement, rollover to an IRA, rollover to another qualified plan or cash it out.

IBM 401(k) Plan

- **Contributions –** IBM offers both pretax and Roth 401k option
  - **Pre-Tax Contribution**
    - Your contribution to your 401k will come out before being taxed thus reducing your taxable income for the year.
    - Your earnings and contribution will all be taxed when you withdraw the money after the age of 59 ½.
    - You can contribute up to the IRS limit for the given year.
  - **Roth 401k Contribution**
    - 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.
    - Qualified withdrawals from the Roth 401k are tax free after the age of 59 ½
    - You can contribute up to the IRS limit for the given year.

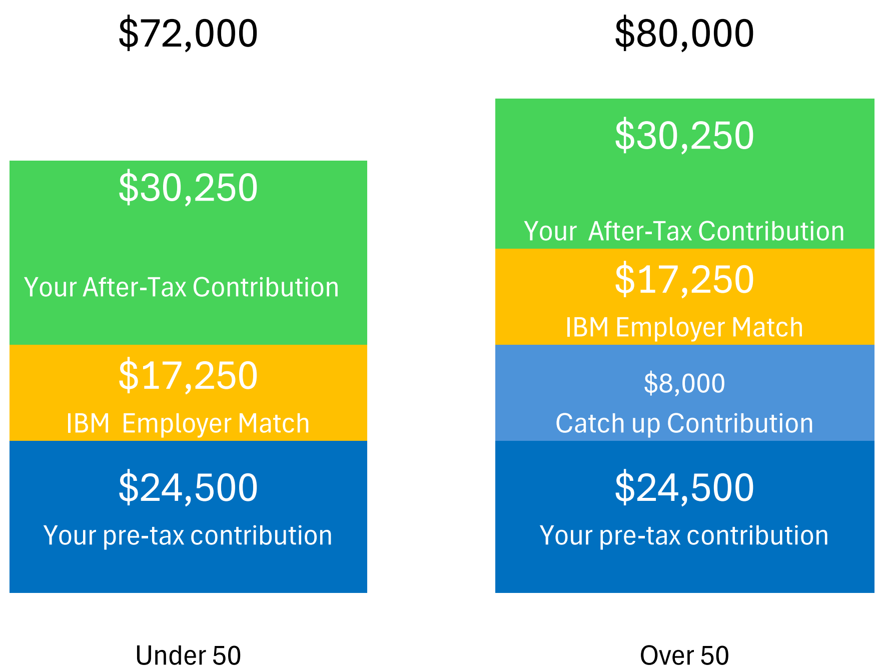
- **Matching –** IBM no longer matches on the 401(k) plan.

After-Tax Account (Mega Backdoor Roth)

- The limit for total 401k contributions in 2025 is $70,000 (not including catch-up). This means you can put an additional $46,500 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 $17,250



Chapter 3: IBM Stock Options

What are Restricted Stock Units (RSUs)

- RSUs are a form of employee compensation that rewards long-term engagement buy 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. You can purchase up to 10% of your salary up to 25,000 annually.

- There are semiannual 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 an 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 hold 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).

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 planning strategy. Working with an advisor to define what your goals are and more importantly having a strategy will each tranche of RSUs can manage the risk in your overall investment portfolio, mitigate taxes and seek to ensure you are pursuing all your financial goals.

With ESPP, investing in any one's company 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

- IBM employees are offered several types of traditional health plans that include vision & dental.

- A Health Savings Account (HSA) is available if you are enrolled in a high-deductible health plan (HDHP).

- 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 2025 limit for individuals is $4,300 and $8,550 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

- 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.

- 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.

- IBM employees can contribute $3,300 for 2025 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 $660 of unused funds in the FSA in the following year.

Life Insurance

- IBM currently provides one-times 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 $4,000,000.

- Depending on your situation, a private-term policy may be a better option.

Disability Insurance

- If you have less than 5 years of service IBM will pay 100% of your salary for 13 weeks, then 66.7% for the next 13 weeks. With 5 years or more of service IBM will pay 100% of your salary for 26 weeks.

- In your first 5 years of service, you can enroll in an employee paid LTD plan. After 5 years of service, you are automatically enrolled for coverage that provides 50% of your salary and you can purchase additional coverage up to 66.7% of your salary. The 50% option has a monthly maximum of $20,000 and the 66.7% option has a monthly maximum of $26,667.

- Depending on your situation and compensation, purchasing supplemental disability coverage to account for more of your total income may be a prudent option.

Conclusion

Financial independence for IBM employees is not accidental — it requires strategic planning at every stage. Whether you're managing RSU's, navigating the RBA 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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Let's review your financial plan and ensure you are on track to manage your financial goals!

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A mega backdoor Roth is a strategy that may help you save beyond standard 401(k) and Roth IRA contribution limits. It involves making after-tax contributions to a traditional 401(k) plan, and then immediately converting those funds into a Roth account. The strategy may allow for potential tax-free growth and qualified tax-free withdrawals in retirement. Taxes and plan rules around mega backdoor Roth conversations can be complex, so consider consulting a finanical advisor or tax professional before using the strategy. There is no assurance that these techinques are suitable for all investors or will yield positive outcomes.