ENCORE

Financial Planning Guide for Google Employees

A Comprehensive Resource from PCM Encore

Introduction

Google was founded in 1998 by Larry Page and Sergey Brin during their doctoral research at Stanford University. The company originated from a project focused on improving methods for indexing, analyzing, and retrieving information available on the internet. Its foundational technology, the PageRank algorithm, introduced a structured approach to evaluating web pages, forming the basis of Google's early search architecture.

In the years following its establishment, Google expanded its operations across multiple areas of technology, including online advertising platforms, cloud computing services, productivity and collaboration tools, mobile operating systems, and consumer devices. Core offerings such as Gmail, Google Maps, Chrome, and the Android operating system support a broad set of communication, information access, and software development activities for individuals and organizations.

In 2015, Google was reorganized under the newly formed parent company, Alphabet Inc. This restructuring was undertaken to differentiate Google's core internet centric services from other long-term research, investment, and experimental initiatives operating within the Alphabet portfolio. Today, Google remains Alphabet's principal operating subsidiary, with responsibilities that include the development of information systems, large scale computing infrastructure, software applications, and associated technologies.

As a Google employee, you likely have access to one of the most comprehensive compensation and benefits packages in any industry. However, navigating the complexities of equity compensation, retirement planning, and tax optimization requires specialized knowledge and strategic planning.

At PCM Encore, we work with technology professionals across leading companies to help navigate equity compensation, coordinate financial planning, and develop tax-efficient investment strategies. This guide breaks down the key components of typical tech company benefits and provides actionable insights to help you make informed financial decisions.

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Your Retirement Benefits

401(k) Plan Overview

Most technology companies offer robust 401(k) plans with competitive features. While specific details vary by employer, common elements include:

- **Company match:** Many tech employers offer generous matching contributions, often ranging from **50% to 100%** of employee contributions up to a certain limit, typically set at the IRS annual limit
- Vesting schedules: Matching contributions may vest immediately (100%) or follow a graded vesting schedule. Check your plan documents for specific details
- Contribution limits: For 2026, employees can contribute up to $24,500 ($32,500 if age 50+, $35,750 if age 60-63)
- Investment options: Most plans offer a range of investment options including low-cost index funds, target-date funds, and actively managed funds
- **Note:** Catch-up contributions (if age 50+) are typically not eligible for the employer match, though this varies by plan

Maximizing Your Retirement Strategy

Contribution Hierarchy: Consider this approach to maximize your retirement savings:

1. **Contribute enough to get the maximum employer match -** This is "free money" and should be your first priority
2. **Consider after-tax contributions** for potential Mega Backdoor Roth conversions (up to the IRS total contribution limit, if your plan allows)
3. **Evaluate additional savings vehicles** like taxable brokerage accounts or HSAs

The Mega Backdoor Roth Strategy

Some tech company 401(k) plans allow after-tax contributions beyond the standard $24,500 limit, up to the total contribution limit of $72,000 for 2026 (including employer contributions). These after-tax dollars can potentially be converted to a Roth account, creating tax-free growth opportunities.

Key Consideration: Not all plans offer this feature. Your retirement plan may be held at one custodian while your equity compensation is held elsewhere. A holistic financial plan coordinates across all your accounts, regardless of custodian.

Deferred Compensation Plans (DCP)

Program Overview

Some technology companies offer Deferred Compensation Plans (DCPs), typically exclusively for employees at senior levels (often VP-level and above, or employees earning above certain compensation thresholds). This non-qualified supplemental savings plan allows you to defer and invest taxable income until a future year when your income - and therefore your tax rate - may be lower.

Important Note: DCPs are not offered by all technology companies and are typically reserved for highly compensated employees. Check with your HR department to determine if you're eligible.

The DCP is typically administered directly by your company's treasury department and is designed for highly compensated employees looking to manage their tax liability strategically.

How DCP Work

DCPs typically allow you to defer your salary and/or your bonus. Enrollment periods vary by company, along with maximum deferral amounts. At many technology companies, you may defer up to 50-75% of your base salary and up to 100% of your annual cash bonus. Salary deferrals work like a 401(k) deduction from each paycheck. Importantly, you are making a cash flow decision far in advance.

Note: Specific enrollment periods, deferral percentages, and timing vary significantly by employer. Always consult your plan documents.

Tax Considerations

Key Tax Benefits:

- Contributions are made pre-tax, reducing your current year's taxable income
- Funds grow tax-deferred while invested
- Distributions taxed as ordinary income when received (ideally in a lower tax bracket year)

State Tax Strategy: Tax treatment varies by plan design and state law. Some plans tax distributions based on the state where you worked when the compensation was earned (typically for distribution periods of 9 years or less), while others tax based on your residence at distribution (typically for distribution periods of 10+ years). This can create planning opportunities if you're considering relocating in retirement. The specific rules depend on both your employer's plan design and applicable state tax law.

Critical Restrictions and Risks

Enrollment Windows: Missing your enrollment window typically means waiting a full year to participate. Mark your calendar for your company's specific election periods.

Changes are Difficult: It is typically difficult and cumbersome to make changes to a distribution election after the initial choice was made. Care should be given to the initial decision. Specific rules vary by plan – consult your plan documents for your specific scenario.

Credit Risk: Unlike your 401(k), DCP funds are not held in a separate trust. They remain a general obligation of your employer. While most technology companies are financially strong, these deferrals are subject to the company's credit risk. In the unlikely event of bankruptcy, DCP participants are unsecured creditors.

Deferred Compensation Plans (DCP)

Strategic Considerations

The DCP Decision: The DCP can be a powerful tax planning tool, but it's not right for everyone:

Consider the DCP if:

- You're in the highest federal tax brackets (35% or 37%)
- You've already maxed out your 401(k) contributions
- You have sufficient cash flow to maintain your lifestyle with reduced paychecks
- You anticipate being in a lower tax bracket in retirement
- You're comfortable with the credit risk of your employer

Proceed with Caution if:

- You haven't maximized your 401(k) match (always capture the company match first)
- Deferring salary would prevent you from maximizing other benefits (like ESPP participation, if available)
- You need the income for near-term goals or cash reserves
- You're uncertain about your long-term employment with the company

PCM Encore's Approach: We can help eligible employees model the tax impact of DCP participation alongside all your other compensation elements. The DCP works best when coordinated with your 401(k), mega backdoor Roth (if available), RSU vesting schedule, and overall cash flow needs. We'll help you determine optimal deferral amounts and distribution strategies that align with your retirement timeline and tax situation.

Google Stock Units (GSUs)

Google employees receive a significant portion of their total compensation through **Google Stock Units (GSUs),** which form a core component of Alphabet's equity compensation program. GSUs vest over time typically monthly – based on the vesting schedule in the employee's offer letter, and each vesting event represents taxable income. Understanding how GSUs vest, how they are taxed, and how they should be integrated into your broader financial plan is essential for maximizing the value of your equity compensation.

How GSUs Work

GSUs are granted as part of employee's equity package and convert into Alphabet stock as they vest. Unlike stock options, GSUs always retain value if the underlying shares have value. Each vesting event triggers taxable income based on the fair market value of Alphabet stock at vesting, and Google withholds taxes at a statutory federal rate (typically 22% for most employees), which may be insufficient for high income earners. This can create an additional tax balance due at yearend if not planned for properly.

Key Details:

- **Vesting schedule:** GSUs typically vest monthly over several years, depending on your grant agreement
- **Tax treatment at vesting:** Each vested share is treated as ordinary income based on its market value at vesting, and Google withholds taxes accordingly (usually at 22% federal withholding, plus state taxes where applicable). High earners may owe more at tax time
- **Trading windows:** Google employees may be restricted by blackout periods tied to earnings cycles. Many employees use 10b5-1 trading plans to automate compliant selling during restricted windows
- **Share sale flexibility:** Once GSUs vest and withholding occurs, you may sell immediately or hold as part of a long-term strategy
- **Concentration risk:** Because GSUs vest continuously and automatically, employees often accumulate large positions in Alphabet stock. Managing concentration risk is a critical part of long-term planning

Eligibility

Most full time Google employees receive GSU grants as part of their overall compensation package. The size of an employee's initial grant is determined by factors such as their role, organizational level, and work location. Employees in higher level positions typically receive larger equity grants, reflecting the greater impact their responsibilities have on the company's performance.

Tax Treatment of GSU Sales

The tax you pay on GSU sales depends on how long you hold the shares after they vest:

If sold immediately upon vesting:

- No capital gains tax (or minimal), because there is little to no change in value
- Most taxes are already paid through the supplemental wage withholding

If held after vesting:

- **Short term capital gains** apply if held ≤ 1 year after vesting
- **Long term capital gains** apply if held > 1 year after vesting
- Additional taxes may apply for high income earners (e.g., NIIT)

GSUs do **not** follow ESPP rules (like qualifying vs. disqualifying dispositions). Instead, GSUs follow **standard capital gains tax rules** after vesting.

Google Stock Units (GSUs)

GSU Grants:

- **New Hire Grants:** Initial GSUs granted to employees when they join Google, based on the value stated in their offer
- **Annual Refresher Grants:** Yearly GSUs awarded during performance reviews to maintain competitive compensation
- **Promotional Grants:** Additional GSUs granted when an employee moves to a higher level or role
- **Special Recognition Grants:** Occasional GSUs awarded for exceptional work or high impact contributions

Strategic Considerations

The Immediate Sale Strategy: Selling GSUs promptly upon vesting is a widely adopted approach among employees seeking to reduce risk and streamline financial planning. This strategy allows employees to:

- Reduce concentration in Alphabet stock
- Avoid market risk
- Minimize capital gains tax exposure
- Increase liquidity for diversification or personal goals

The Hold Strategy: A long-term holding strategy may appeal to employees who have a strong belief in Alphabet's long term growth prospects. Under this approach, vested shares are retained with the intention of benefiting from potential price appreciation. However, this approach introduces several considerations:

- Market and company specific risk
- Potential short term or long-term capital gains taxes
- Exposure to blackout periods or trading limitations
- Increased concentration in employer stock

Hybrid Strategy: A blended approach - selling a portion of vested shares while retaining some for potential appreciation - offers a balanced alternative. This method enables employees to:

- Manage concentration risk while preserving upside potential
- Mitigate tax impacts by staggering sales across multiple tax years
- Utilize 10b5-1 plans to automate sales and reduce timing risk
- Align equity compensation decisions with longer term financial objectives

This strategy is often favored by employees seeking to balance growth potential with prudent risk management.

Our Perspective: The "right" strategy depends on your overall financial picture, tax situation, and existing equity holdings in your company. PCM Encore can help you evaluate this decision within your holistic wealth plan.

Advanced Topics for Technology Professionals

Rule 10b5-1 Trading Plans

What is a 10b5-1 Plan?

A Rule 10b5-1 trading plan is a pre-established written plan that allows company insiders to sell stock during blackout periods. While most technology employees are not "insiders" subject to Form 4 filings, 10b5-1 plans can benefit anyone subject to trading restrictions.

Key Features:

- Must be established during an open trading window
- Requires a cooling-off period (typically 90 days) before first trade
- Sets predetermined prices, dates, or formulas for sales
- Provides an affirmative defense against insider trading allegations

Who Should Consider a 10b5-1 Plan?

- Form 4 filers (executives and board members)
- Employees with large, concentrated positions
- Those wanting systematic, disciplined diversification
- Anyone seeking to sell during otherwise blackout periods

PCM Encore's Approach: We have the ability to work with Morgan Stanley's trading desk to draft and implement 10b5-1 plans for our clients. Even if your equity is held at another custodian, we can assist in setting up a 10b5-1 trading arrangement at another custodian and transfer proceeds back to your primary account.

Form 144: Restricted Stock Sales for Affiliates

What is Form 144?

Form 144 is an SEC filing required when company "affiliates" (officers, directors, and certain large shareholders) sell restricted or control securities.

Who Must File Form 144? At most technology companies, this typically includes:

- All board members
- C-suite executives (CEO, CFO, General Counsel, etc.)
- Other executives designated as reporting persons
- Any shareholder who owns 10% or more of the company's stock

Regular employees are generally not considered affiliates and don't file Form 144, regardless of how much stock they sell.

Filing Thresholds for Affiliates: If you are an affiliate, you must file Form 144 when selling more than 5,000 shares OR $50,000 in value within any 3-month period.

Key Requirements:

- Must be filed concurrently with or before the sale
- Sales limited to the greater of 1% of outstanding shares or average weekly volume
- Public disclosure of all sales
- Available on the SEC's EDGAR database

Why This Matters: If you're subject to Form 144 requirements, your stock sales become public information. Strategic planning around timing, volume, and public perception becomes critical. We help you navigate these considerations with discretion and compliance.

Why Work with PCM Encore

ENCORE

We Understand Tech Company Benefits

We work with employees from various technology companies and understand the nuances of equity compensation packages. We're familiar with:

- How trading windows affect your liquidity planning
- The interplay between ESPP, RSUs, and retirement contributions
- Tax considerations across different jurisdictions
- The complexity of coordinating multiple custodial relationships

Holistic Wealth Management

Your compensation is just one component of your financial life. We help you with:

- **Tax planning:** Strategic RSU sales, tax-loss harvesting, and retirement account optimization
- **Estate planning:** Ensure your wealth transfers efficiently to heirs
- **Risk management:** Appropriate insurance coverage for your income level
- **Education planning:** 529 plans and other strategies for children's education
- **Real estate:** Purchase planning and mortgage strategies
- **Charitable giving:** Tax-efficient strategies including donor-advised funds

Custody-Agnostic Approach

We work with both Fidelity and Morgan Stanley. You don't need to consolidate accounts or change custodians to work with us. We'll meet you where you are and integrate all your accounts into a unified financial plan.

We coordinate across all these platforms effectively

Experience with Technology Professionals

We work with employees from various technology companies including public and pre-IPO organizations. This experience provides insights into:

- Industry compensation trends and structures
- How different companies structure equity benefits
- Strategies that work for tech professionals at various career stages
- Pre-IPO and liquidity event planning

Common Questions from Technology Professionals

I have $10-15 million in company stock. How do I diversify without triggering huge taxes?

This is one of the most common situations we encounter. Strategic diversification often involves:

- Systematic selling programs spread over multiple years
- Tax-loss harvesting in other accounts to offset gains
- Charitable giving strategies using appreciated stock
- Exchange funds: Pooling your concentrated position with other investors' concentrated positions to achieve diversification while deferring capital gains
- Qualified Opportunity Zone investments to defer capital gains, while considering direct indexing strategies to manage tax implications effectively
- Timing sales relative to other income events
- Potentially using options strategies (covered calls, collars) to reduce volatility

When should I start selling my RSUs after they vest?

There's no one-size-fits-all answer. We typically recommend:

- Evaluating your total company holdings relative to net worth
- Establishing target allocation percentages
- Creating a systematic rebalancing program
- Considering tax implications of your overall financial picture
- Factoring in your career stage and income stability

Should I max out my 401(k) or pay down my mortgage?

The answer depends on:

- Your mortgage interest rate vs. expected investment returns
- Your tax bracket and the value of 401(k) deductions
- Your employer match (we always recommend capturing this first)
- Your overall debt-to-asset ratio
- Your psychological comfort with debt

I'm considering early retirement. Am I ready?

Key factors to evaluate:

- Do you have sufficient liquid assets to cover 10+ years of expenses?
- How will you bridge healthcare until Medicare at 65?
- What happens to your unvested equity? Does your company have special retirement provisions?
- Have you modeled various market scenarios?
- Will you pursue consulting or other income?

Getting Started with PCM Encore

Maximizing the value of your compensation and benefits requires specialized expertise and proactive planning. At PCM Encore, we aim to serve as your partner in navigating these complexities.

Our Process:

1. **Initial Consultation:** We learn about your financial situation, goals, and concerns
2. **Comprehensive Analysis:** We review your equity compensation, existing holdings, and overall financial picture
3. **Strategy Development:** We create a customized plan addressing equity compensation, taxes, retirement, and wealth building
4. **Implementation:** We help execute your plan, coordinating with your existing custodians
5. **Ongoing Management:** We meet regularly to adjust your plan as your life and company offerings evolve

We work with:

- Recent hires navigating their first equity grants
- Mid-career professionals accumulating substantial equity positions
- Senior employees planning for retirement or early retirement
- Individuals managing concentrated stock positions

Next Steps:

If you're ready to have a conversation about your equity compensation and financial future, we'd welcome the opportunity to speak with you.

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