POST OAK PRIVATE WEALTH ADVISORS
ADVISORY, CONSULTING & INVESTMENT MANAGEMENT

THE COMPLETE RETIREMENT TRANSITION GUIDE FOR ENERGY INDUSTRY EMPLOYEES & EXECUTIVES

"Retiring from an energy company is not like retiring from anywhere else. The pension election, the deferred compensation, the equity awards, the concentrated stock — these are decisions that most retirees never face. This guide exists because you do."

Post Oak Private Wealth Advisors — Advisory, Consulting & Investment Management

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RETIREMENT TRANSITION GUIDE — POST OAK PRIVATE WEALTH ADVISORS

"Many advisors say they work with retirees. Few specialize in the highly complex retirement and executive compensation decisions faced by energy industry employees."

SECTION 01

RETIRING FROM AN ENERGY COMPANY IS DIFFERENT

There is no shortage of retirement planning guidance in the world. Books, websites, advisors, calculators, and employer resources all offer frameworks for building a retirement plan. Most of them are thoughtfully constructed and genuinely useful — for the retirees they were designed for.

They were not designed for you.

The retirement transition for an energy industry professional — particularly one at the senior engineer, manager, director, or executive level — involves a set of financial decisions that do not appear in standard retirement planning frameworks because they do not appear in standard retirement situations. The decisions are more numerous, more interconnected, more time-sensitive, and more permanent than those faced by the vast majority of retirees in any other industry.

The distinction is mechanical, not rhetorical. Energy employees face a retirement decision set that simply does not exist elsewhere: pension lump sum elections governed by IRS segment rates, NUA strategies tied to employer stock in 401(k) plans, NQDC plan distribution sequencing under 409A, and equity compensation packages that vest, expire, and trigger in competing tax years. Each of these requires a different analytical framework. Most general-practice advisors encounter them rarely, if ever. The purpose of this opening section is to demonstrate that complexity concretely — in terms that make the stakes clear before the detailed guidance in the sections that follow.

1.1 What a Typical Corporate Retirement Looks Like

To understand what makes energy industry retirement different, it helps to start with what standard corporate retirement planning addresses — because that is the baseline against which the energy industry complexity becomes visible.

A typical retiring corporate employee at a non-energy company in 2025 faces a set of decisions that, while meaningful, follow a well-mapped path:

Decision Area	Typical Corporate Retiree
Primary retirement savings vehicle	401(k) — single account, familiar rules
Pension plan	Rare — defined benefit plans largely eliminated outside energy and utilities
Equity compensation	Possibly some RSUs; stock options increasingly uncommon
Executive deferred compensation	None — NQDC plans reserved for senior executives, uncommon broadly
Supplemental executive retirement	None — SERPs essentially exclusive to senior corporate executives
Company stock concentration	Modest — most 401(k) plans limit company stock
Healthcare bridge	COBRA or ACA marketplace — challenging but well-documented path
Pension decision complexity	N/A — most do not have a pension to elect
Number of simultaneous major decisions at retirement	3 to 5

This is not a diminished retirement. The decisions above are real and matter. But they are individually navigable, widely documented, and — critically — they do not interact with each other in ways that produce catastrophic outcomes if one is mishandled.

Now look at the same table for a senior energy industry professional.

Decision Area	Typical Corporate Retiree
Primary retirement savings vehicle	401(k) or ESIP — often 40–65% company stock after decades of match accumulation
Pension plan	Yes — defined benefit pension with a lump sum vs. annuity decision worth hundreds of thousands of dollars, influenced by IRS segment rates, survivor benefit elections, and early retirement subsidies
Equity compensation	RSUs (often multiple active grants), NQSOs, ISOs, LTIPs in various performance periods — each with separate vesting dates, tax treatments, and post-retirement deadlines
Executive deferred compensation	NQDC plans with six- or seven-figure balances, irrevocable distribution elections made years in advance, ERISA creditor risk, and 409A penalty exposure
Supplemental executive retirement	SERP benefits layered on top of qualified pension — separate vesting, separate tax treatment, separate coordination required
Company stock concentration	Often 40–60% of investable assets — ESIP accumulation plus RSU vesting plus emotional attachment to employer stock
Healthcare bridge	COBRA, retiree plan, or ACA — same path as others, but often stretching 5–10 years and costing $150,000–$300,000
Pension decision complexity	High — lump sum vs. annuity with segment rate sensitivity, survivor benefit elections, breakeven analysis, and interaction with deferred comp and Social Security timing
Number of simultaneous major decisions at retirement	12 to 18 — many irreversible

The difference is not that energy industry employees face harder versions of the same decisions. It is that they face categorically more decisions, with higher stakes, tighter deadlines, and more consequential interdependencies — most of which have no counterpart in standard retirement planning.

1.2 The Energy Employee Retirement Complexity Stack

We use the term "complexity stack" to describe the layered structure of simultaneous decisions that define energy industry retirement. It is not a metaphor. It is a literal description of how these decisions accumulate and interact.

A typical senior energy employee approaches retirement carrying all four layers of this stack simultaneously. Each layer must be navigated on its own terms. And every layer interacts with the others in ways that make isolated optimization — addressing one decision without modeling its impact on the rest — systematically insufficient.

LAYER 1 — Foundation Decisions

- Pension lump sum vs. annuity election — often the largest single financial decision of a career, determined in part by IRS segment rates that can shift the value by hundreds of thousands of dollars
- Survivor benefit election — a permanent, spousal-consent-required choice that cannot be revisited
- ESIP / 401(k) distribution strategy — rollover vs. retain in plan, with Rule of 55 implications for early retirees
- Retirement date optimization — the calendar date of separation determines tax year for income recognition, RSU vesting, and pension calculation

LAYER 2 — Equity & Deferred Income Decisions

- Unvested RSUs — retirement-eligible vesting provisions vs. forfeiture, tax timing, withholding gap management
- Stock options — expiration windows post-retirement (often 90 days to 3 years), exercise timing, tax treatment of spread
- LTIP performance periods — pro-rata vs. full vesting at retirement eligibility, payout timing, ordinary income tax
- NQDC distribution elections — irrevocable under 409A, multi-decade tax consequences, lump sum vs. installment optimization
- SERP coordination — vesting, tax treatment, interaction with qualified pension income

LAYER 3 — Tax & Concentration Risk Decisions

- Concentrated company stock — 40–60% of assets in a single energy company, with double exposure to employment and market risk
- NUA strategy — a one-time election at distribution that can convert ordinary income to capital gains on decades of stock appreciation
- Multi-year tax bracket management — the interaction of pension, deferred comp, RSU income, Social Security, and RMDs across a 25-year retirement
- Roth conversion window — the pre-RMD, pre-Social Security period that must be exploited before it closes permanently
- IRMAA exposure — income spikes in the retirement year and subsequent years triggering Medicare surcharges of up to $12,000+ per couple annually

LAYER 4 — Planning Integration

- Retirement income sequencing — which accounts to draw from, in what order, in what years, to minimize lifetime tax
- Social Security optimization — claiming age determined not just by longevity but by its interaction with the Roth conversion window
- Healthcare bridge planning — COBRA, retiree coverage, or ACA marketplace across a gap that can span a decade and cost $300,000
- Estate planning — beneficiary designations that supersede wills, SECURE Act inherited IRA rules, step-up in basis strategy for concentrated stock
- Surviving spouse income protection — the household income impact of the first death, modeled before either spouse retires

The complexity stack is not sequential. It is simultaneous. An energy executive retiring at 62 is navigating all four layers at the same time — often in the same calendar year, sometimes in the same month. The pension election and the NQDC distribution and the RSU vesting and the NUA decision and the Roth conversion strategy are not separate chapters in a retirement planning workbook. They are concurrent events whose outcomes depend on each other.

This is what most advisors are not equipped to handle. Not because they lack competence in any individual area, but because the training, the frameworks, and the planning tools of generalist retirement planning were not built for a complexity stack of this depth.

1.3 What Mishandling This Complexity Actually Costs

We want to be specific here — because the stakes are not abstract, and they are not small.

Based on our experience working with energy industry employees through retirement transitions, these are the quantifiable costs of the most common planning failures:

Planning Failure	Typical Quantifiable Cost
Allowing stock options to expire unexercised after retirement	$50,000 – $400,000+ in permanently lost intrinsic value

Planning Failure	Typical Quantifiable Cost
Missing the NUA election by rolling ESIP to IRA first	$30,000 – $120,000 in avoidable capital gains tax on the same assets
NQDC lump sum vs. 10-year installments (unmodeled)	$80,000 – $250,000 in avoidable federal income tax over the distribution periodme assets
RSU withholding gap — unaddressed across retirement year	$15,000 – $90,000 unexpected tax balance due in April following retirement
Ignoring the Roth conversion window entirely	$100,000 – $400,000 in additional lifetime tax vs. a structured conversion plan
Taking pension lump sum without breakeven analysis	$50,000 – $200,000+ in value left on the table for the wrong choice
Concentrated stock decline without diversification plan	$200,000 – $600,000+ in portfolio loss during sector downturn
Incorrect IRMAA management across retirement year income spikes	$10,000 – $25,000 in avoidable Medicare surcharges over two to three years
Healthcare bridge not modeled in retirement income plan	$100,000 – $300,000 unplanned expense consuming portfolio earlier than projected

These figures are not worst-case scenarios constructed for rhetorical effect. They are representative ranges drawn from actual situations. And they are not mutually exclusive — a single retirement transition can involve several of these simultaneously.

A senior energy executive who mishandles the pension decision, fails to model the NQDC election, allows options to expire, and ignores the Roth conversion window has not made four small mistakes. They have made one large, compounding error that can cost $500,000 to $1,000,000 in avoidable lifetime financial loss — while still believing their retirement is on track because the account balances look fine.

The Account Balance Illusion

The most dangerous aspect of these planning failures is their invisibility. A portfolio statement does not show the options that expired. It does not show the NUA that was forfeited. It does not show the Roth conversion window that passed. It does not show the tax bracket that will govern RMDs for the next 20 years. The balance looks the same whether the planning was excellent or absent. The difference reveals itself slowly — in tax bills, in Medicare premiums, in RMD income that crowds out flexibility, and in a retirement that is financially tighter than it needed to be.

1.4 Why Most Advisors Are Under-Equipped for This

The opening of this guide draws a distinction between advisors who work with retirees generally and those who specialize in the specific decisions faced by energy industry employees. That distinction deserves explanation — because it is a description of how financial planning expertise is actually structured, and understanding it matters when you are evaluating who should advise you.

The Generalist Training Problem

The CFP curriculum — the most widely held financial planning credential — covers retirement planning, tax planning, estate planning, and investment management. It does not specifically cover the interaction of NQDC 409A elections with Roth conversion windows. It does not cover NUA strategy in depth. It does not cover the mechanics of IRS segment rates and their effect on pension lump sum values. It does not cover LTIP vesting provisions at retirement eligibility, or the AMT implications of large ISO exercises, or the post-retirement option expiration windows that differ by plan document.

These are specialist topics. They are not part of standard advisor training because they are not needed for standard retirement situations. But they are exactly the topics that define the energy industry retirement transition.

The Business Model Problem

We address the pension recommendation conflict of interest directly in Section 2.6. It warrants restatement in this broader context.

Fee structure matters in this decision. An advisor compensated on assets under management benefits when clients choose the lump sum — the lump sum creates investable assets, the annuity does not. Similarly, an IRA rollover brings assets under the advisor's management in a way that leaving assets in an employer plan does not. This doesn't make the lump sum or the rollover the wrong choice — for many energy employees, they are the right ones.

But it does mean the analysis should be driven by your financial plan, not by the revenue implications for your advisor. The pension decision deserves a full breakeven analysis that models both paths under your specific tax situation, income needs, and longevity outlook.

These dynamics do not make advisors dishonest. Many navigate them with complete integrity. But awareness of how an advisor is compensated — and how that compensation interacts with your specific decisions — is a legitimate part of the evaluation. A fiduciary advisor is legally required to act in your interest. That is the right starting point. Combined with genuine depth in energy industry retirement planning, it is the full standard worth requiring.

The Experience Gap

The most telling measure of an advisor's fit for this transition is not credentials or assets under management. It is whether they have seen these decisions fail. An advisor with genuine depth in energy industry retirement has encountered the stock options that expired unexercised in the post-retirement window. They have seen the NUA election forfeited because the ESIP was rolled to an IRA before anyone explained what that meant. They have modeled NQDC distribution schedules against Roth conversion windows and watched clients navigate the difference. That pattern recognition — built from repetition, not from reading about it — is what makes the difference on decisions that cannot be undone.

The answers to those questions will tell you more than any credential.

1.5 Sector-Specific Risk Factors

Cyclical Employment Risk

The energy industry is one of the most cyclically volatile sectors of the American economy. Oil price cycles, commodity downturns, energy transition pressures, and recurring M&A consolidation produce workforce reductions with a frequency and severity that most industries do not experience. An energy employee who plans to retire at 62 on a voluntary basis may find themselves facing an involuntary separation at 57 or 59 — with a severance package, an EERP offer, or simply a layoff — in the middle of a commodity cycle downturn. The financial plan that assumed a five-year runway to optimize the pension decision, complete RSU vesting, and execute Roth conversions must be robust to a scenario in which that runway collapses to five weeks.

Concentrated Sector Exposure

Energy employees who hold significant company stock are not just concentrated in a single company. They are concentrated in an industry that is itself subject to commodity price cycles, regulatory risk, and — increasingly — energy transition risk. The employees who fared worst in the energy sector downturns of 2015–2016 and 2020 were those with substantial savings concentrated in a sector that declined 40% to 70%

simultaneously losing employment income and portfolio value in the same event.

Pension Plan Specificity

Energy company pension plans are not generic. They have specific early retirement provisions — the "Rule of 75" or similar age-plus-service thresholds — that provide unreduced benefits decades before normal retirement age. They have specific definitions of "final average earnings" that may or may not include bonus. They have specific lookback periods for segment rate calculations, specific survivor benefit election rules, specific LTIP retirement eligibility provisions, and specific NQDC distribution trigger events. Generic retirement planning guidance cannot address these provisions because it does not know what they say. Only an advisor who has read your specific plan documents can give you advice that is actually calibrated to your situation.

1.6 What This Guide Does — and What It Cannot Do

This guide is the most comprehensive treatment of energy industry retirement planning we know of. It addresses the full complexity stack — every layer, every decision category, every interaction — with the depth and specificity that the subject demands. It is long because the subject warrants it: energy industry retirement involves twelve to eighteen simultaneous decisions with permanent consequences, and none of them deserves a paragraph. Use it as a reference you return to at each decision point, not a document you read once and set aside.

What it can do:

- Give you the framework to understand every major decision in your retirement transition
- Explain the tax mechanics, the planning strategies, and the common mistakes in terms that are actionable
- Identify the decisions that are irreversible and the windows that close permanently — so you know where urgency is warranted
- Equip you to ask the right questions of the advisors, plan administrators, and HR professionals you will work with
- Provide the foundation for an informed, coordinated retirement plan rather than a series of isolated decisions made under time pressure

What it cannot do:

- Replace the analysis of your specific plan documents, your specific tax situation, and your specific financial picture
- Substitute for a qualified tax advisor who reviews your retirement year income projection and estimated

tax obligations

- Provide legal advice on the specific provisions of your employment agreement, NQDC plan, or equity grant documents
- Make decisions for you — particularly the irreversible ones that require your own values, your own assessment of risk, and your own goals to resolve

The complexity of energy industry retirement is real. It is also navigable — with the right framework, the right advisors, and enough lead time to make decisions from analysis rather than urgency. That is what the rest of this guide is designed to provide.

> The energy employees who retire with the most financial clarity are not the ones with the largest accounts. They are the ones who understood what they were navigating — early enough, and deeply enough, to make each decision as it deserved to be made. That is the purpose of everything that follows.

SECTION 02

PENSION DECISIONS & LUMP SUM ANALYSIS

For most energy industry employees, the pension lump sum vs. annuity decision is the single largest financial decision of their lives. It is irreversible. It deserves a full analytical framework — not a checklist, not a rule of thumb, and not a recommendation driven by where your advisor's business interests lie.

We have sat across the table from hundreds of energy employees facing this decision. The question is almost always framed the same way: "Should I take the lump sum?" That framing, while understandable, is the wrong starting point.

The right question is: "Given my specific circumstances — my health, my spouse's situation, my other income, my tax picture, and my goals — which option delivers the most value over the arc of my retirement?" That question has a real answer. Finding it requires understanding how pensions are built, how lump sum values are calculated, and what the tradeoffs actually are when you strip away the assumptions most people carry into the conversation.

This section gives you that framework.

2.1 How Energy Company Pensions Are Structured

Before evaluating lump sum vs. annuity, it helps to understand what you're actually being offered — and how the numbers are derived. Most energy company defined benefit pensions are built on a straightforward formula, but the details of that formula have significant planning implications.

The Basic Formula

Most energy company pensions calculate your benefit using a version of this structure:

The Pension Formula

Monthly Benefit = Years of Credited Service × Final Average Earnings × Benefit Multiplier

Example: 30 years × $180,000 final average pay × 1.6% = $86,400 per year, or $7,200 per month.

The benefit multiplier varies by company, plan, and sometimes by years of service tier. Some plans use a flat multiplier; others increase it after a threshold (e.g., 1.4% for the first 20 years, 1.7% thereafter). Reading your specific plan document matters — and we encourage every client to request it before making any election.

Final Average Earnings

Most plans define "final average earnings" as the average of your highest three or five consecutive years of base compensation. Some include bonus; most do not. This distinction matters enormously for executives whose total compensation is heavily weighted toward variable pay. A $300,000 base with a $200,000 annual bonus may produce a pension calculated only on the $300,000 — a fact that surprises many clients who expected their full earnings history to be reflected.

Early Retirement Provisions

Energy companies have historically offered meaningful early retirement subsidies for employees who meet age and service thresholds — often a combination of age plus years of service totaling 75, 80, or 85 (commonly called the "Rule of 75" or similar). If you meet those thresholds, you may be eligible for an unreduced benefit before the plan's normal retirement age.

This is one of the most underutilized planning levers we see. Employees who qualify for an unreduced early retirement benefit but wait until 65 out of habit are leaving significant value on the table — particularly when interest rate conditions favor the annuity over the lump sum.

> **Important Distinction**
>
> Early retirement subsidies apply to the annuity calculation. They do not necessarily increase the lump sum value by the same proportion. In some cases, the subsidy makes the annuity significantly more attractive relative to the lump sum than it would appear without running the numbers. We will address this interaction directly in Section 2.4.

Plan Health and PBGC Protection

For employees at major integrated energy companies, pension plan health is rarely a concern — these are well-funded plans backed by large, solvent organizations. For employees at smaller independents, midstream companies, or oilfield services firms, it warrants a look. The Pension Benefit Guaranty Corporation (PBGC) insures defined benefit pensions up to a statutory maximum (adjusted annually — currently approximately $7,400 per month for a retiree at age 65). Benefits above that threshold are not insured. For executives with large pension benefits, this is worth factoring into the lump sum vs. annuity analysis, since a lump sum removes all PBGC and plan solvency risk.

2.2 Understanding the Lump Sum: How It's Calculated

The lump sum offered by your pension plan is not simply the "present value" of your monthly benefit in any intuitive sense. It is calculated using a specific IRS methodology that ties the lump sum value directly to interest rates — specifically, to what are known as IRS segment rates. Understanding this mechanism is essential, because it explains why lump sum values can swing by hundreds of thousands of dollars depending on when you retire.

What Segment Rates Are

Segment rates are interest rates published monthly by the IRS, derived from investment-grade corporate bond yields. They are divided into three segments corresponding to different time horizons of the pension payment stream:

Segment	Covers Payments	What It Reflects
First Segment	Years 1–5	Short-term corporate bond yields
Second Segment	Years 6–20	Medium-term corporate bond yields
Second Segment	Years 6–20	Medium-term corporate bond yields

Your pension plan uses these three rates — typically averaged over a 24-month lookback period, though plans vary — to discount your future monthly payments back to a present value. That discounted present value is your lump sum offer.

Why Rising Rates Reduce Lump Sum Values

This is the relationship that surprises most employees when they first encounter it, so it is worth being direct: when interest rates rise, lump sum values fall. When rates fall, lump sum values rise.

The logic is straightforward once you see it. A higher discount rate means that future pension payments are worth less in today's dollars. Discounting $7,200 per month for 25 years at 3% produces a much larger lump sum than discounting the same payments at 5%. The monthly annuity doesn't change — only the lump sum's calculated present value does.

A Real-World Illustration

Consider an employee with a $7,200/month pension benefit. In a low-rate environment (segment rates near 2–3%), the lump sum might be calculated at $1.4 million. In a higher-rate environment (segment rates near 5–6%), that same benefit might produce a lump sum of $1.0 million or less. Same employee. Same pension. A $400,000 difference driven entirely by interest rates at the time of retirement.

The 24-Month Lookback and Why Timing Matters

Most plans use a 24-month averaging period for segment rates, which smooths out short-term rate volatility. But "smoothed" still means that rates matter — and that the trend in rates over the prior two years is baked into your lump sum offer on the day you retire.

In a period of rising rates, the lump sum value has likely already declined from its peak. In a period of falling rates, the lump sum may be at or near a cyclical high. We track segment rates as part of our ongoing client planning precisely because this timing factor can represent a six-figure difference in the lump sum value — and therefore in the breakeven analysis.

A Critical Planning Note

Some plans set the segment rates used for your lump sum calculation based on the year in which you retire, not the month. Others use the rates in effect several months before your retirement date. Know which rule your plan uses. We have seen employees retire in December expecting one lump sum value and receive a materially different amount because they did not account for the plan's lookback methodology. Request this information from your benefits department explicitly.

2.3 The Lump Sum vs. Annuity Framework: Eight Variables That Matter

The question "lump sum or annuity?" does not have a universal answer. We have worked with clients for whom the annuity was clearly superior — and clients for whom the lump sum was clearly superior. The difference was never a simple rule of thumb. It was always the interaction of these eight variables:

Variable 1: Life Expectancy and Health Status

The annuity is, at its core, a longevity bet. The longer you live, the more the monthly annuity pays out

in aggregate. The shorter your life expectancy, the more the lump sum looks attractive.

We are not suggesting that clients speculate morbidly about their own mortality. We are suggesting that health status is a legitimate and important input. An employee in excellent health with family longevity history is a different candidate than one managing a serious chronic condition. Actuarial tables suggest that a 62-year-old in good health has a meaningful probability of living into their late 80s or beyond — a 25-plus year retirement. Over that horizon, a well-structured annuity often accumulates more total value than even a well-invested lump sum.

Variable 2: Spousal Survivor Needs

If you elect the lump sum and your investment portfolio underperforms or is depleted, your surviving spouse has no recourse. If you elect a joint-and-survivor annuity, your spouse receives a guaranteed income stream for the rest of their life, regardless of what markets do.

The spousal dimension of this decision is frequently underweighted. We will cover survivor benefit elections in detail in Section 2.5. For now, the key point: the pension decision is a household decision, not an individual one. A spouse who is younger, in better health, or who lacks independent income has a strong claim on guaranteed income that the lump sum simply cannot replicate.

Variable 3: The Interest Rate Environment

As explained in Section 2.2, the interest rate environment at retirement directly determines the lump sum value. In a high-rate environment, lump sum values are compressed — which means the annuity becomes relatively more attractive. In a low-rate environment, lump sum values are elevated — which makes the lump sum more competitive.

We always run the breakeven analysis under current rates and under a "normalized" rate assumption to show clients how sensitive the comparison is to this variable.

Variable 4: Other Guaranteed Income Sources

A client who already has substantial guaranteed income — Social Security, a spouse's pension, a SERP, or a structured deferred compensation payout — has a fundamentally different annuity need than one whose pension represents their only predictable income.

If you already have $6,000 per month in guaranteed income and your expenses are $8,500 per month, adding another $5,000 in guaranteed pension income may be less valuable than taking the lump sum and deploying it for growth, tax efficiency, or estate planning. If your guaranteed income covers only a fraction of your expenses, the annuity's income floor function becomes much more valuable.

Variable 5: Inflation Risk

This is the annuity's most significant structural weakness — and one that is systematically underestimated by retirees at the time of election. Most energy company defined benefit pensions pay a fixed monthly amount. There is no cost-of-living adjustment. A pension that pays $6,000 per month today will still pay $6,000 per month in 20 years.

At 3% annual inflation, the purchasing power of that $6,000 drops to approximately $3,300 in real terms over 20 years. At 4%, it drops to approximately $2,700. This is not a theoretical risk — it is a mathematical certainty if inflation persists at historical averages. Clients who elect the annuity need to have a plan for this erosion in the investable portion of their assets.

Variable 6: Estate Planning Goals

The annuity pays income for life. When you and your spouse are gone, the payments stop. There is no residual value to pass to heirs. The lump sum, if invested and not fully consumed, can be passed to the next generation or to charitable beneficiaries.

For clients with strong estate planning goals — a desire to leave meaningful wealth to children, grandchildren, or a foundation — the lump sum is generally more consistent with those objectives. For clients whose primary goal is personal financial security and who have no significant estate planning motivation, this variable carries less weight.

Variable 7: Investment Discipline and Behavioral Risk

We will say something here that many financial advisors are reluctant to say: the theoretical superiority of the lump sum assumes disciplined, appropriate investment and distribution over a 25-year retirement. In practice, that is not a certainty.

Markets decline. Spending increases in ways that aren't always anticipated. Health events create large, unplanned withdrawals. Family circumstances change. A retiree who takes the lump sum at 62 and faces a major bear market in years two through four of retirement may be in a structurally worse position than the modeling suggested — not because the model was wrong, but because the sequence of returns worked against them before the portfolio could recover.

The annuity eliminates this risk entirely. The check arrives every month regardless of what the S&P 500 does. That certainty has value — and that value is not always captured by a simple breakeven calculation.

Variable 8: PBGC and Employer Solvency Risk

As noted in Section 2.1, PBGC insurance has a cap. For executives with pension benefits well above that cap,

taking the lump sum transfers all solvency risk away from the employer and the PBGC and into the retiree's own investment portfolio. For employees at companies with strong, well-funded plans, this is a low-probability concern. For those at companies in financial difficulty, it is a legitimate factor.

2.4 Running the Breakeven Analysis

The breakeven analysis is the mathematical foundation of the lump sum vs. annuity decision. It answers a specific question: at what age must you live to make the annuity worth more in aggregate than the lump sum, assuming the lump sum is invested at a reasonable rate of return?

Lump Sum	Monthly Annuity	Approximate Breakeven
$1,100,000	$5,800/month	Age 79–81 (assumes 5% return on lump sum)
$1,100,000	$5,800/month	Age 84–87 (assumes 7% return on lump sum)
$900,000	$5,800/month	Age 75–77 (assumes 5% return on lump sum)

The breakeven is highly sensitive to the assumed investment return on the lump sum. A lower return assumption shortens the breakeven — making the annuity look more attractive. A higher return assumption lengthens it — making the lump sum more competitive. We run this analysis at multiple return assumptions (4%, 5%, 6%, 7%) so clients see the full range rather than a single point estimate.

What the Breakeven Doesn't Capture

The breakeven calculation is a useful starting point but an incomplete decision tool. It does not capture:

- The inflation erosion of the fixed annuity over time
- The tax efficiency differences between lump sum investment income and ordinary pension income
- The value of spousal survivor protection in a joint-and-survivor election
- The behavioral and sequence-of-returns risk of the lump sum portfolio
- The estate value of an unconsumed lump sum

This is why we use the breakeven as one input in a broader framework — not as the answer itself.

2.5 Survivor Benefit Elections

For married employees, the pension election is not a solo decision. Federal law (ERISA) requires spousal consent for any election other than a joint-and-survivor annuity — a legal safeguard that reflects the profound financial impact the pension decision has on the non-employee spouse.

Election Option	What It Means
Single Life Annuity	Maximum monthly benefit paid for your life only. No payments to spouse after your death.
Joint & 50% Survivor	Reduced monthly benefit; spouse receives 50% of your benefit for life after your death.
Joint & 75% Survivor	Further reduced benefit; spouse receives 75% for life after your death.
Joint & 100% Survivor	Lowest monthly benefit; spouse receives full amount for life after your death.
Lump Sum	No monthly benefit; one-time payment. Spouse has no further claim on pension assets.

The reduction in monthly benefit from a joint-and-survivor election is calculated actuarially based on both spouses' ages and life expectancies. A 62-year-old retiree with a 59-year-old spouse electing a 100% joint-and-survivor annuity might receive $5,100 per month instead of $6,800 on a single life — a $1,700 per month reduction to ensure the survivor receives $5,100 for life.

Whether that tradeoff is worth it depends on the couple's overall financial picture — specifically, whether the surviving spouse has other income sources sufficient to maintain their standard of living without the full pension.

Pension Maximization: A Strategy With Real Limitations

"Pension maximization" is a strategy where the retiree elects the single life annuity (highest monthly benefit) and purchases life insurance to provide for the surviving spouse in lieu of the survivor benefit. On paper, the higher annuity income more than covers the insurance premium, and the surviving spouse is protected.
In practice, this strategy has meaningful limitations that are often glossed over in the sales process:

- The life insurance must remain in force for the duration of the retiree's life — a potentially decades-long

premium obligation

- Insurability is required at the time of election — health changes after retirement cannot be undone
- If the policy lapses for any reason, the surviving spouse has no protection and no recourse
- The strategy assumes the insurance proceeds are invested appropriately — introducing the same behavioral and sequence-of-returns risk as the lump sum

We are not categorically opposed to pension maximization. We are opposed to clients adopting it without a full understanding of what happens if the insurance strategy fails. For clients in excellent health with disciplined financial habits and adequate other assets, it can be appropriate. For clients with any health uncertainty or any doubt about the long-term premium commitment, the joint-and-survivor election deserves serious consideration.

2.6 The Conflict of Interest You Should Know About

We are going to say something here that some advisors won't.

When a financial advisor recommends the lump sum over the annuity, that recommendation is not necessarily wrong. In many cases it is the right answer. But the advisor who manages your rollover IRA earns ongoing fees on that money. The advisor who helps you invest your lump sum has a financial interest in that lump sum existing. The annuity produces no investable assets and generates no advisory fees.

We are not suggesting that fee-based advisors give bad pension advice. We are suggesting that you should understand the economic structure of the recommendation you're receiving before you act on it. A truly objective analysis considers the annuity on its full merits — not as the default that gets set aside in favor of the rollover.

> The right answer to the pension decision is the one that serves your retirement, not the one that best serves your advisor's business model. Ask explicitly: does your advisor receive any compensation — directly or indirectly — based on the recommendation they give you? A fiduciary advisor should be able to answer that question without hesitation.

2.7 Common Pension Mistakes We See Energy Employees Make

These are not theoretical. They are patterns we have observed repeatedly — and in several cases, patterns that cost clients six figures in avoidable loss.

- **Defaulting to the lump sum without a breakeven analysis.** "I want control of my money" is not a retirement strategy. It is a preference. Preferences deserve to be tested against numbers before a permanent decision is made.
- **Taking the pension at the wrong time relative to segment rates.** Retiring six months earlier or later based on rate trends is not timing the market — it is understanding the mechanical relationship between rates and lump sum values. Clients who retired in late 2021 or early 2022 — just before rates rose sharply — captured lump sum values that were significantly higher than those available to colleagues who waited.
- **Failing to account for early retirement subsidies.** Some clients are eligible for fully unreduced pensions at 58 or 60 due to age-plus-service provisions. Waiting until 65 out of convention produces no additional pension income — it simply delays the payments.
- **Undervaluing the inflation risk of a fixed annuity.** At the moment of retirement, a $6,500 monthly check feels comfortable. Twenty years later, in real purchasing power terms, it may feel like $3,500. Planning only around the nominal income number without addressing inflation in the investment portfolio is a structural error.
- **Waiving the survivor benefit without a credible plan for the spouse.** We have sat with surviving spouses whose husbands or wives waived the survivor benefit decades earlier — sometimes without the spouse's full understanding of the implications. The single life annuity was elected, the higher monthly check was enjoyed, and the spouse was left with no pension income and no recourse. Federal law now requires spousal consent, but consent given under pressure or without full information is not the same as an informed decision.
- **Making the pension decision in isolation.** The pension decision does not live in a vacuum. It interacts with deferred compensation payout timing, Social Security claiming age, Roth conversion strategy, and IRMAA exposure. A lump sum taken in the wrong year can trigger six figures of avoidable taxes. An annuity that starts too early can eliminate the Roth conversion window. These interactions require a coordinated plan — not separate decisions made at separate times.

2.8 Decision Framework: Should You Take the Lump Sum or the Annuity?

The following framework organizes the six variables that most reliably indicate the right direction for an

energy industry employee facing a pension election. Each factor is presented with a comparison table and a diagnostic checklist. Work through each factor in sequence, then locate your outcome in the final section. Most energy employees will land in the "Requires Full Individual Analysis" category — which is the correct answer for decisions of this complexity and permanence.

Factor 1 of 6

Health & Longevity

The annuity pays for life. The longer you live, the more it pays relative to the lump sum — and the more the lump sum's investment return advantage is eroded by longevity. Health and longevity are the single most predictive variables in the pension decision. An employee in excellent health with family longevity history is a fundamentally different candidate than one managing a serious chronic condition.

How health and longevity affect the decision

Signal	Implication	Direction
Good health, long-lived family (85+)	Longer lifespan increases probability of exceeding lump sum breakeven; 25+ year retirement often favors annuity on cumulative value	Annuity competitive
Average health, average family longevity	Breakeven typically falls 12–18 years post-retirement; outcome depends on investment return assumptions	Model required
Health concerns or below-average longevity history	Shorter life expectancy reduces probability of reaching breakeven; lump sum estate value is preserved	Lump sum may be favored

Diagnostic checklist — health & longevity

- Consult actuarial life expectancy tables for your age and gender as a baseline
- Assess family history: did parents and grandparents routinely reach their mid-to-late 80s?
- Factor in any current health conditions that may shorten the expected retirement horizon
- If married, assess joint longevity — the probability that at least one spouse survives 25+ years is often higher than either individual probability
- A longer joint life expectancy generally strengthens the case for the annuity

Factor 2 of 6

Spouse & Survivor Income

A joint-and-survivor (J&S) annuity reduces your monthly payment — often 10–15% below the single-life amount — but guarantees income for your spouse's lifetime after you pass. A lump sum that is mismanaged, outlived, or depleted by a market drawdown creates household income risk for a surviving spouse decades from now. This factor is frequently underweighted in the analysis.

Single-life vs. joint-and-survivor annuity comparison

	Single-Life Annuity	Joint-and-Survivor (50%, 75%, 100%)	Lump Sum
Monthly income	Highest	Reduced by 5–15%	Variable (investment-dependent)
Spouse protection	None after your death	Guaranteed for spouse's lifetime	Depends on portfolio discipline and longevity of assets
Estate value	None	None	Residual portfolio, if any
Best for	Single; or spouse has strong independent income	Dependent spouse; income security is the priority	Strong independent income floor; estate planning goals

Diagnostic checklist — spouse & survivor income

- Does your spouse have substantial independent retirement income (pension, Social Security, SERP)?
- Would the loss of your pension income materially affect household financial security?
- Model the J&S cost: compare 50%, 75%, and 100% continuation options against the single-life amount
- If selecting the lump sum, document a specific income plan for the surviving spouse — what replaces the pension?
- Ask your plan administrator about the Pop-Up provision if available: single-life payment that reverts to the full amount if your spouse predeceases you

Factor 3 of 6

Guaranteed Income Floor

If your income floor is already secured by Social Security, a SERP, or another defined benefit plan, the pension annuity becomes additive income rather than a survival mechanism. The lump sum becomes significantly more competitive when essential expenses are covered by other guaranteed sources — because investment risk can be accepted without threatening household solvency.

Income floor coverage and the pension decision

Coverage of essential expenses	What it means for the pension decision	Direction
70%+ covered by other guaranteed sources	Pension annuity is additive; lump sum investment upside and estate value become more attractive	Lump sum more competitive
40–70% covered by other sources	Pension provides meaningful income support; both options viable; full individual modeling required	Model required
Below 40% or pension is the primary income source	Income floor security outweighs investment upside; annuity eliminates longevity and drawdown risk on essential expenses	Annuity favored

Diagnostic checklist — guaranteed income floor

- List all guaranteed income sources: Social Security (both spouses), SERP, any other defined benefit plan
- Estimate total essential monthly expenses in retirement: housing, healthcare, food, insurance, transportation
- Calculate guaranteed income as a percentage of essential expenses — before including this pension
- If coverage already exceeds 70%, the lump sum merits serious consideration regardless of other factors
- Account for Social Security timing: delaying to age 70 meaningfully increases the guaranteed income floor

Factor 4 of 6

Interest Rate Environment & Segment Rates

Lump sum values move inversely with IRS segment rates. When rates are high, the present value of your

future pension payments is lower — which compresses the lump sum. When rates are low, the lump sum is at its most valuable. Most energy company plans use a lookback period: August, September, and October averages typically govern elections made in November. Timing the election to a favorable rate environment can meaningfully affect the lump sum amount.

Rate environment	Effect on lump sum	Effect on annuity	Strategic implication
Historically elevated (above 4–5%)	Compressed — present value lower	Unaffected — fixed monthly benefit	Annuity relatively more attractive
Moderate (2–4%)	Mid-range value	Unaffected	Run full breakeven model
Historically low (below 2%)	Elevated — present value higher	Unaffected	Lump sum at peak relative value; consider timing

Diagnostic checklist — segment rates

- Obtain the current IRS segment rates (published monthly; available on IRS.gov under Notice 2024-XX series)
- Review your plan document to identify the applicable lookback period and stability period
- Compare the applicable rate to the historical 25-year average (~3.5–4.0%) for context
- If rates have risen significantly from recent lows, model the lump sum value under both current and projected lower rates
- Consider whether delaying retirement by one election cycle would capture a more favorable rate environment — without sacrificing early retirement subsidy eligibility

Factor 5 of 6

Estate Planning Goals

The annuity has no residual estate value. It stops when you pass — or, under a J&S election, when the surviving spouse passes. A lump sum, if invested and managed efficiently, can leave a meaningful estate for heirs or a charitable legacy. For energy executives with significant estate transfer objectives, this is a structural advantage of the lump sum that is independent of investment return assumptions.

Scenario	Annuity (any form)	Lump Sum (invested)
You pass at year 10 of retirement	$0 estate value from pension	Residual portfolio balance, less distributions taken
Both spouses pass at year 25	$0 estate value from pension	Residual portfolio if return exceeds distribution rate over 25 years
Charitable legacy goal	Not achievable from annuity income alone	Lump sum can be structured for a charitable remainder trust or direct bequest

Diagnostic checklist — estate planning goals

- Identify specific estate transfer objectives: heirs, charity, or a combination
- Quantify the target estate value — what dollar amount would achieve the legacy goal?
- Model whether the lump sum, after distributions and investment costs, is likely to leave a meaningful residual
- If estate goals are significant, evaluate whether an annuity combined with life insurance can replicate both the income and the estate value
- For charitable goals, evaluate a Charitable Remainder Trust funded by the lump sum — it provides income, a charitable deduction, and an eventual charitable bequest

Factor 6 of 6

Investment Discipline & Behavioral Risk

The lump sum requires disciplined, long-term investment management across a retirement that may span 30 years. Sequence of returns risk — the danger of a significant drawdown in early retirement — can permanently impair a portfolio. Behavioral risk is equally real: energy executives who have managed concentrated company stock often have risk instincts that do not translate well to diversified withdrawal management over three decades.

Annuity vs. lump sum: key risk and return tradeoffs

Risk dimension	Annuity	Lump Sum
Longevity risk	Fully eliminated — income is guaranteed for life	Borne by the investor; portfolio must last 30+ years
Sequence of returns risk	None — monthly payment is unaffected by markets	Significant in early retirement; a major drawdown can permanently impair a 30-year withdrawal plan
Behavioral / emotional risk	None — income is automatic and requires no decisions	High — requires sustained discipline through downturns and unexpected expenses
Inflation risk	Moderate — fixed payment loses purchasing power; ~3% inflation halves real value in 24 years	Low — portfolio can grow and distributions can be adjusted
Upside potential	None beyond the fixed monthly amount	Significant with proper long-term management
Counterparty risk	Plan solvency + PBGC backstop (subject to statutory cap)	None — assets are in your direct control

Diagnostic checklist — investment discipline

- Have you managed a significant investment portfolio through a major market decline (2008–09, 2020)?
- Do you have a written investment policy and withdrawal strategy for the lump sum?
- Model the lump sum under a 25–30% first-year drawdown scenario: does it still support 30 years of income at your target withdrawal rate?
- Identify specifically who would manage the lump sum and verify their track record through volatile markets
- If the honest answer to discipline is "uncertain," the annuity's certainty carries practical value that models often understate quest

Outcomes

After working through all six factors, locate the outcome that best reflects the weight of your responses. Most energy employees will find that competing signals direct them to full individual analysis — which is the appropriate conclusion for a permanent, irrevocable decision of this magnitude.

Lump Sum Leaning

Signals point toward the lump sum

The directional case favors the lump sum when the following conditions are present together. Confirm all three apply before treating the direction as conclusive.

Condition	Why it favors the lump sum
Other guaranteed income covers 70%+ of essential expenses (Factor 3: Yes)	Income floor is secured; lump sum investment upside adds value without threatening household solvency
Significant estate transfer or charitable legacy goals (Factor 5: Yes)	The annuity has no estate value; only the lump sum can serve both retirement income and legacy objectives simultaneously
Demonstrated long-term investment discipline (Factor 6: Yes)	Behavioral and sequence-of-returns risk — the two risks that most frequently undermine the lump sum in practice — are actively managed

Annuity Leaning

Signals point toward the lump sum

The directional case favors the annuity when guaranteed income security, longevity, or behavioral risk outweigh the lump sum's flexibility and upside.

Condition	Why it favors the lump sum
Good health and family longevity history (Factor 1: Yes)	Longer life expectancy increases the probability of exceeding the lump sum breakeven horizon — making the annuity worth more in aggregate

Condition	Why it favors the lump sum
This pension is a primary or significant income source (Factor 3: coverage insufficient)	Income floor security outweighs investment upside; guaranteed payments eliminate longevity risk and sequence-of-returns exposure on essential expenses
Uncertain investment discipline or preference for predictability (Factor 6: No)	A guaranteed monthly payment eliminates behavioral risk entirely; certainty has measurable financial value that a simple breakeven model does not capture

Requires Full Individual Analysis

Mixed signals — individual modeling required

This is the most common outcome — and the correct one for most energy employees. Competing factors cannot be resolved by a directional framework. The decision requires a complete individual analysis built from your specific plan documents, tax situation, income sources, longevity outlook, and financial picture.

Analysis required	What it involves
Breakeven analysis	Model the exact age at which cumulative annuity payments equal the invested lump sum, using your plan's applicable segment rates and a realistic investment return assumption across multiple scenarios (4%, 5%, 6%, 7%)
Survivor benefit modeling	Compare single-life, J&S 50%, J&S 75%, and J&S 100% options against the lump sum under joint longevity scenarios for both spouses
Multi-year tax projection	Model pension income stacked with deferred compensation distributions, Social Security, RMDs, and any Roth conversion strategy across a 25-year retirement horizon — including IRMAA exposure
Lump sum stress testing	Run the lump sum under a 25–30% first-year market decline to verify it can still support 30 years of income at your projected withdrawal rate

This framework identifies directional signals, not a final recommendation. The pension election is permanent and irrevocable. All decisions should be made with qualified fiduciary advice and a complete individual analysis incorporating your specific plan documents, tax situation, and financial picture. Post Oak Private Wealth Advisors specializes in guiding energy industry employees through every step of this analysis. postoakprivatewealth.com

2.9 How the Pension Decision Interacts With Everything Else

We have deliberately saved this for the end of the pension section — not because it is less important, but because it requires the foundation we've built above to make sense.

The pension decision does not happen in isolation. In the same window — often the same calendar year — energy employees are also deciding:

- When to start deferred compensation distributions (an irrevocable election with long-term tax implications)
- Whether and how much to Roth convert before pension income fully activates
- When to claim Social Security — a decision that interacts directly with pension income in terms of combined tax exposure
- How to manage RSU vesting income that may be piling on top of all of the above
- Whether Medicare IRMAA surcharges will be triggered by income spikes in the retirement year

A pension that starts too early — before Social Security, before deferred comp distributions tail off, before Roth conversions are complete — can close planning windows that cannot be reopened. A pension that starts at the optimal time, coordinated with everything else, can save tens of thousands of dollars in taxes and open years of additional flexibility.

This is the essence of what we mean when we say energy industry retirement is different. It is not that any single decision is uniquely complex. It is that all of the decisions happen simultaneously, they interact with each other in consequential ways, and most of them are permanent.

The pension decision is the anchor around which every other retirement income and tax decision should be organized. Make it first. Make it with full information. And make it as part of a coordinated plan — not as a standalone choice made in a benefits enrollment window.

SECTION 3

RSUs, STOCK OPTIONS & EXECUTIVE COMPENSATION

This is the section where most energy executives discover that what they assumed about their own compensation was incomplete — and where the gap between assumption and reality carries the largest tax consequences. We will build the mechanics carefully, because understanding why these outcomes happen is the only reliable foundation for avoiding them.

The equity and deferred compensation structures that define energy executive pay — RSUs, NQSOs, ISOs, LTIPs, NQDC plans, SERPs — are instruments most executives are familiar with by name and by paycheck. What is less well understood is the tax architecture underneath them: how each instrument is taxed, when that tax obligation arises, how the withholding system routinely under-delivers, and how the decisions made at retirement interact with each other in ways that can produce very large, very preventable tax bills.

We will start at the foundation and build up. By the time we reach the planning strategies, the logic behind each recommendation will be self-evident.

3.1 How RSUs Work: The Mechanics from Grant to Vest

A Restricted Stock Unit is a promise by your employer to deliver shares of company stock — or the cash equivalent — to you at a future date, contingent on your continued employment and, in some cases, on performance conditions being met. It is not stock. At the time of grant, you own nothing transferable, nothing taxable, and nothing that has present value in any practical sense.
That changes on the vesting date.

The Grant

When your company grants you RSUs, it establishes the number of units, the vesting schedule, and any conditions attached to vesting. A typical grant might be 2,000 RSUs vesting ratably over four years — 500 units per year. The grant date establishes the award; it does not create a tax event.

The value of the grant at the time it is made is essentially a projection. If the stock is trading at $40 per share when 2,000 units are granted, the grant is described as having a $80,000 face value. You do not have $80,000. You have a promise contingent on future conditions.

The Vesting Event — When Everything Changes

On the vesting date, the restriction lifts. The shares are delivered to you — or the cash equivalent is paid — and at that exact moment, a tax event occurs. The full fair market value of the shares on the vesting date is recognized as ordinary income.

This is the core mechanic that surprises many executives: RSU income is not capital gain income. It is not investment income. It is compensation — treated by the IRS exactly as if your employer had written you a check for that amount on the vesting date.

The RSU Tax Trigger

If 500 RSUs vest on a date when the stock is trading at $52 per share, you have just received $26,000 of ordinary compensation income. That $26,000 is subject to federal income tax at your marginal rate, Social Security and Medicare taxes (FICA), and state income tax — regardless of whether you sell the shares immediately or hold them for years.

What Happens After Vesting: The Cost Basis

Once the shares vest and the ordinary income is recognized, your cost basis in those shares is the fair market value on the vesting date — the same number that was included in your income. This is important for understanding what happens when you eventually sell:

- If you sell immediately after vesting, there is effectively no gain or loss — you received $26,000 in income and sold shares worth $26,000.
- If you hold the shares and they appreciate, the appreciation above the vesting-date value is taxed as a capital gain — short-term if held less than a year, long-term if held more than a year.
- If you hold the shares and they decline, you have a capital loss relative to your vesting-date basis.

The ordinary income tax was already paid at vesting. You are not taxed again on that amount when you sell. This is the foundation for understanding the double taxation misconception we will address in Section 3.3.

3.2 The Tax Mechanics of RSU Vesting — And Why Withholding Almost Always Falls Short

Now that the basic mechanic is clear, we can address the most consequential — and most consistently mishandled — aspect of RSU taxation: the withholding problem.

How Withholding on RSU Income Actually Works

When your RSUs vest, your employer is required to withhold income tax on the compensation income created. Most employers handle this through one of two methods: selling a portion of the vesting shares to cover the withholding obligation (known as "sell-to-cover"), or withholding shares in-kind (known as "net share settlement").

The withholding rate applied to this income is where the problem begins.

The IRS classifies RSU income as "supplemental wages" — a category that includes bonuses, commissions, and other non-regular compensation. For supplemental wages above $1 million, the mandatory federal withholding rate is 37%. For supplemental wages below $1 million, the default flat rate is 22%.

For most energy executives, 22% is not even close to the correct rate.

The 22% Problem — Built From First Principles

The 22% supplemental withholding rate corresponds to the 22% federal income tax bracket — applicable to single filers earning roughly $44,000 to $95,000, or married filers earning roughly $89,000 to $190,000. An energy executive in the final years of their career is almost certainly not in the 22% bracket.

A senior engineer or manager earning $220,000 in base salary is in the 32% or 35% bracket before a single RSU vests. An executive earning $400,000 is in the 35% or 37% bracket. When RSUs vest on top of that base salary, the marginal rate on the RSU income is the executive's top bracket — which is almost never 22%.

Base Salary	RSU Vest ($)	Federal Tax Actually Owed on RSUs
$200,000	$75,000	~32–35% = $24,000–$26,250
$350,000	$120,000	~35–37% = $42,000–$44,400
$500,000	$200,000	~37% = $74,000

Now compare those amounts to what the default 22% withholding would produce:

RSU Vest ($)	Withheld at 22%	Actual Tax Owed (37%)	Withholding Shortfall
$75,000	$16,500	$26,250	$9,750
$120,000	$26,400	$44,400	$18,000
$200,000	$44,000	$74,000	$30,000

The shortfall doesn't disappear. It accumulates quietly through the year and arrives as a balance due at tax time — often in April of the year following the vest, when the planning window to address it has already closed.

In a retirement year when multiple RSU tranches vest — combined with pension income, a deferred compensation distribution, and perhaps a severance payment — the cumulative withholding gap can easily reach six figures. We have seen clients receive unexpected tax bills of $80,000 to $140,000 in the first April after retirement, not because they did anything wrong, but because the withholding system was calibrated for a different type of taxpayer.

What You Can Do About It

The withholding problem is entirely solvable if addressed proactively:

- **Supplement withholding elections.** Some employers allow you to elect an additional withholding rate above the 22% default. If your plan permits this, electing withholding at 35% or 37% eliminates most of the gap.
- **Increase estimated tax payments.** In years with significant RSU vesting, making quarterly estimated tax payments that account for the withholding shortfall prevents underpayment penalties and eliminates the April surprise.
- **Adjust W-4 withholding.** Increasing withholding from regular salary income in a vesting year is another tool — though for high-income earners, the math often requires supplemental payments regardless.

The key is to model the full-year tax picture before vesting events occur — not after. That requires knowing your vesting calendar, your other income sources, and your marginal bracket. This is precisely the kind of multi-source income analysis that most people never do until they see the tax bill.

3.3 The Double Taxation Misconception — Cleared Up Permanently

This is one of the most persistent misunderstandings in equity compensation — and one that leads some executives to make costly decisions based on a tax concern that does not actually exist.

The misconception goes like this: "I already paid tax when my RSUs vested. Now I'm paying tax again when I sell the shares. I'm being double-taxed."

This is not what's happening. Here is what is actually happening:

What Actually Occurs

When your RSUs vest, you pay ordinary income tax on the fair market value of the shares. Your cost basis in those shares is set at that same fair market value. You have been taxed once — on the compensation income you received.

When you later sell the shares, one of three things happens:

- You sell at exactly the vesting price: no gain, no additional tax.
- You sell at a higher price than the vesting date value: you pay capital gains tax on the appreciation above your basis. This is a second tax event — but it is on a different amount of money (the appreciation), not on the same dollars that were taxed at vesting.
- You sell below the vesting price: you have a capital loss, which may be used to offset other gains.

> **A Concrete Example**
>
> 500 RSUs vest when the stock is at $52. You recognize $26,000 of ordinary income. Your basis is $52/share. Three years later you sell at $68/share. You owe capital gains tax on $16/share ($8,000 total). You are not paying tax on the $26,000 again — you are paying tax on the $8,000 gain that occurred after your basis was established. Two tax events, two different pools of money.

The confusion arises because both tax events relate to the same shares. But the income recognized at vesting and the gain recognized at sale are separate amounts, taxed separately, at different rates. There is no double taxation — only the appearance of it when the mechanics aren't fully understood.

Why does this matter in practice? Because some executives, believing they are being double-taxed, sell their shares immediately at vesting to "stop the bleeding" — even when holding would be strategically superior. Understanding that the capital gains tax at sale applies only to appreciation above the vesting basis removes that misplaced urgency and allows the decision to be made on its actual merits.

3.4 RSU Tax Timing Strategies for the Retirement Transition

With the mechanics established, the planning opportunities become clear. The retirement transition creates a set of timing levers that do not exist during an executive's normal working years — and using them well can meaningfully reduce the lifetime tax cost of RSU income.

The Retirement Year Income Dip

For most energy executives, the year of retirement produces a temporary and significant reduction in earned income. Base salary stops. Bonus may be pro-rated or absent. The W-2 income that drove a 37% bracket for years drops sharply.

This creates a window — often the only such window in an executive's financial life — where substantial income can be recognized at lower marginal rates than would have applied in any prior year. The question is which income to route through that window.

RSU vesting is one answer — but it requires advance planning. You cannot control when your RSUs vest after the fact. You can, however, structure your retirement date relative to your vesting calendar to maximize the amount of RSU income that falls in the lower-income retirement year.

Retirement Date and the Vesting Calendar

RSU grants typically vest on an anniversary date or a fixed calendar date. Most energy companies vest on a quarterly or annual schedule. If you know your vesting calendar, you know which retirement date produces the most favorable tax outcome.

A Planning Illustration

An executive has 1,200 RSUs vesting in January and 800 RSUs vesting in July. She plans to retire in her mid-year. If she retires in February — after the January vest — both grants land in the same year: a high-income first half plus a full second year with pension and deferred comp. If she retires in December of the prior year, the January vest falls into a low-income retirement year. The same shares, the same grant — but potentially a 10–15 percentage point difference in the tax rate applied to the January vesting income. On a $90,000 vest, that is $9,000 to $13,500 in avoidable federal tax.

Managing RSU Income Against the Tax Brackets

In the retirement year and early retirement, the goal is to model the full income picture — pension, deferred compensation, Social Security, investment income — and identify how much bracket capacity remains for RSU income. Vest events that push income into the 37% bracket where there was capacity to recognize income at 24% or 32% represent real, quantifiable cost.

This analysis requires knowing your vesting calendar at least 12 to 24 months before retirement — which is why we include vesting calendar review as an explicit step in the 24-month pre-retirement timeline.

Coordinating RSU Income With Roth Conversion Capacity

ne of the most valuable and time-limited opportunities in early retirement is the Roth conversion window — the period after earned income stops but before Social Security, full pension, and RMDs stack up to fill the lower brackets. RSU income that vests in this window competes directly with Roth conversion capacity.

A retirement year in which $150,000 of RSUs vest, $60,000 of pension income arrives, and $50,000 of deferred comp distributes leaves very little room for Roth conversions at favorable rates. A retirement year structured to minimize RSU income — by timing retirement after major vests — preserves that Roth conversion capacity for assets that generate decades of tax-free growth.

These decisions interact. Optimizing one without modeling the other produces a locally correct answer and a globally suboptimal outcome.

Charitable Strategies With RSU Shares

For executives with charitable intent, RSU shares that have appreciated since vesting are particularly efficient giving vehicles. Donating appreciated shares to a Donor-Advised Fund (DAF) or directly to a qualified charity eliminates the capital gains tax on the appreciation and generates a charitable deduction at the full fair market value. The combination of eliminating the gain and receiving the deduction makes this strategy significantly more efficient than selling the shares and donating cash.

This is most powerful for RSU shares that were held after vesting and have appreciated meaningfully. The deduction is limited to 30% of AGI for contributions of appreciated property to a DAF (60% for cash), with a five-year carryforward for excess amounts.

3.5 Stock Options: NQSOs, ISOs, and the Expiration Risk Nobody Talks About

Stock options give you the right — but not the obligation — to purchase company stock at a fixed price (the "exercise price" or "strike price") for a defined period. If the stock trades above that price, the option has

intrinsic value. If it trades below, the option is "underwater" and exercising it would produce an immediate loss.

Energy companies have historically used Non-Qualified Stock Options (NQSOs) as a significant component of executive long-term incentive packages. ISOs are less common at large public companies but appear at some firms and operate under different rules. We will cover both.

Non-Qualified Stock Options (NQSOs): The Tax Mechanics

NQSOs do not create a tax event at grant or during the vesting period. The tax event occurs at exercise — when you elect to purchase the shares at the strike price.

At exercise, the spread between the strike price and the fair market value of the stock on the exercise date is recognized as ordinary income. It is treated exactly like RSU income — it is compensation, taxed at your marginal rate, subject to FICA.

What Happens	Tax Consequence
Option granted at $30 strike, stock now at $58	No tax event at grant
Option vests	No tax event at vesting
You exercise: buy at $30, stock worth $58	$28/share spread = ordinary income
You immediately sell the shares at $58	No additional tax (no appreciation above exercise-date basis)
You hold shares after exercise, sell at $70	$12/share capital gain (LTCG if held >1 year after exercise)

Incentive Stock Options (ISOs): The Favorable Tax Treatment and the AMT Trap

ISOs receive more favorable tax treatment than NQSOs — when the rules are followed precisely. The spread at exercise of an ISO is not recognized as ordinary income for regular tax purposes. Instead, the gain is deferred until the shares are sold, and if the required holding periods are met, the entire gain is taxed at long-term capital gains rates.The required holding periods are: (1) at least two years from the grant date, and (2) at least one year from the exercise date. If both are met, the gain is a qualifying disposition and receives long-term capital gains treatment. If either is missed, it becomes a disqualifying disposition and is taxed as ordinary income.

The significant catch: the ISO spread at exercise is an Alternative Minimum Tax (AMT) preference item. Even though it is not regular income, it counts as income for AMT purposes. In a year of large ISO exercises, this can trigger a substantial AMT liability — even for executives who have never been subject to the AMT before.

The AMT Trap on ISOs

A $300,000 ISO spread exercised in a single tax year can generate significant AMT liability even though zero ordinary income was recognized. The AMT rate of 26–28% applies to the spread, offset by the AMT exemption (which phases out at higher income levels). We strongly recommend modeling the AMT impact of any large ISO exercise before execution — not after. An unexpected AMT bill on an exercise intended to be tax-efficient is one of the most deflating outcomes we see in executive planning.

The Expiration Problem: The Most Preventable Large Loss We See

Stock options have expiration dates. During your employment, most plans provide 7 to 10 years from the grant date before options expire. After retirement, that window typically shortens dramatically.

Most NQSO plans give retirees 90 days to three years to exercise their vested options after leaving the company — but the specific window varies by plan, by grant, and sometimes by the circumstances of departure. ISO post-termination exercise windows are even shorter: under IRS rules, ISOs must be exercised within 90 days of separation or they automatically convert to NQSOs, losing the favorable tax treatment.

Here is the scenario we see with painful regularity: an executive retires, assumes their options will be available for years, becomes occupied with the transition, and discovers eighteen months later that a portion of their options expired unexercised. The lost value is gone permanently. There is no appeal, no recourse, and no exception.

Allowing stock options to expire unexercised is one of the largest and most entirely preventable financial losses we encounter in executive retirement planning. It requires no market timing, no complex strategy, and no trade-off analysis. It requires only knowing your expiration dates and acting before they pass.

Our practice includes an explicit option audit for every client approaching retirement: grant by grant, vesting status, expiration date post-retirement, intrinsic value, and the tax consequence of exercise. This audit is done

at least 12 months before the retirement date — giving time to develop and execute an exercise strategy rather than reacting to an approaching deadline.

Exercise Timing and Strategy

When to exercise is a genuine strategic question — balancing the tax cost of exercise, the opportunity cost of holding, concentration risk, and market outlook. The key variables:

- **Current intrinsic value**. The spread between strike and current market price. Higher intrinsic value means a larger income recognition and larger tax bill at exercise.
- **Time remaining.** Options with years of runway can sometimes be held for further appreciation — but only if the post-retirement window allows it.
- **Tax bracket in the exercise year.** Exercising in a lower-income retirement year reduces the ordinary income tax cost on the spread. The retirement year income dip, discussed in Section 3.4, applies here as well.
- **Concentration risk.** Executives who already have significant company stock exposure may prefer to exercise and sell immediately rather than adding to concentration. Exercising and holding creates additional concentrated exposure at a cost basis equal to the exercise-date price.
- **Cashless exercise.** Most plans allow cashless exercise — simultaneous exercise and sale — which eliminates the need to fund the exercise price out of pocket and produces a clean ordinary income event. This is often the simplest and most practical approach near or after retirement.

3.6 Long-Term Incentive Plans (LTIPs) and Performance Share Units

Long-Term Incentive Plans are the umbrella under which most energy companies deliver multi-year equity awards tied to company performance. The specific instruments vary — Performance Share Units (PSUs), Performance Cash Awards, Restricted Share Awards — but the planning considerations share a common structure.

How LTIPs Work

A typical LTIP award covers a three-year performance period. At the beginning of the period, a target award is established. At the end of the period, actual payout is determined by comparing the company's performance against pre-established metrics — often Total Shareholder Return (TSR) relative to a peer group, Return on Capital Employed (ROCE), or production growth targets. Payout can range from zero (if threshold performance is not met) to 150% or 200% of target (if maximum performance is achieved).

The award is then paid in shares, cash, or a combination — depending on the plan design.

What Happens to LTIPs at Retirement

This is where careful plan document reading matters enormously, because practices vary significantly across companies.

The two most common retirement treatments are:

- **Pro-rata vesting.** The most common provision. You receive a fraction of the award proportional to the number of months you participated in the performance period before retirement. If you retire 24 months into a 36-month performance period, you receive two-thirds of the eventual payout — calculated at the end of the full performance period based on actual results.
- **Full vesting upon retirement eligibility.** Some plans, particularly for senior executives who meet age-and-service retirement eligibility thresholds, provide full vesting of in-progress awards. This is a significant benefit — and one that is sometimes overlooked because it is buried in the plan document rather than prominently communicated.

There is also a third scenario: forfeiture. Some plans forfeit all or a portion of unvested LTIP awards upon voluntary departure before a plan-specified retirement age. Understanding exactly which provision applies — before you set a retirement date — can be worth hundreds of thousands of dollars.

Tax Treatment of LTIP Payouts

LTIP payouts received in shares or cash are taxed as ordinary income in the year received — consistent with RSU and option income. The same withholding gap issues discussed in Section 3.2 apply here. The same retirement-year tax planning considerations apply.

One planning nuance specific to LTIPs: the payout often occurs in the year or two after retirement — when the performance period concludes. This means LTIP income can arrive in early retirement years when income is otherwise lower, which is favorable. But it also means it can collide with planned Roth conversion activity if not anticipated. Mapping out when LTIP payments will arrive — and in what amount — is a required step in any complete retirement income projection.

3.7 Non-Qualified Deferred Compensation (NQDC): The Most Consequential and Least Understood

We want to be direct about something before we explain the mechanics: Non-Qualified Deferred Compensation is the planning area where we most consistently encounter decisions that cannot be undone. The rules governing NQDC are rigid by design — and the consequences of misunderstanding them can follow a retiree for decades.

What NQDC Plans Are — And How They Differ from 401(k)s

A Non-Qualified Deferred Compensation plan allows highly compensated executives to defer a portion of salary or bonus into a notional account, avoiding current income tax on the deferred amount. The company may credit this account with matching contributions or notional investment returns.

The key structural difference from a 401(k): NQDC plan assets are not held in a separate trust. They are a contractual obligation of the employer — an unsecured promise to pay in the future. The assets remain on the company's balance sheet. If the company becomes insolvent, NQDC participants stand as general unsecured creditors. There is no ERISA protection, no PBGC insurance, no account that belongs to you in the legal sense of a 401(k) balance.

This is not a theoretical risk for most energy employees at large, investment-grade companies. But it is a real risk at smaller companies, at companies with deteriorating credit, and in industry downturns — and it is a risk that should factor into how much deferred compensation an executive accumulates.

The Distribution Election — Irrevocable, Permanent, and Critical

Before compensation is deferred into a NQDC plan, the executive must make a distribution election specifying when and how the deferred balance will be paid out. The most common choices are a lump sum payment at separation from service, or installment payments over a defined period (5 years, 10 years, 15 years) beginning at separation or at a specified future date.

Under IRC Section 409A — the federal law that governs NQDC plans — this election is essentially irrevocable once made. There are limited circumstances under which a distribution election can be changed, and they are narrowly defined and procedurally demanding. In practice, most executives should treat their distribution election as permanent.

The 409A Irrevocability Rule

A distribution election for Non-Qualified Deferred Compensation made before compensation is deferred cannot generally be changed within 12 months of the scheduled payment date, and any delay election must push payments out by at least five years. The penalty for a 409A violation is severe: all deferred amounts become immediately taxable, plus a 20% excise tax penalty, plus interest. There is no hardship exception, no appeal process, and no ability to cure a violation after the fact. Get the election right before deferring the first dollar.

The Tax Timing Dimension: Why the Election Matters So Much

The distribution election is a tax planning decision as much as it is a benefits election. A $2 million NQDC balance paid in a single lump sum at retirement creates a $2 million ordinary income event in one tax year — stacking directly on top of pension income, Social Security, investment income, and RMDs. The combined effect can push effective federal rates above 40% on the entire distribution.

The same $2 million distributed over ten years produces $200,000 of NQDC income per year — manageable within the bracket structure, potentially combinable with Roth conversion planning in the gaps, and spread across a window in which other income sources may be lower.

Distribution Method	Annual NQDC Income	Likely Federal Bracket
Lump sum at retirement	$2,000,000 (Year 1)	37% on the majority
5-year installments	$400,000/year	35–37%
10-year installments	$200,000/year	24–32% (depending on other income)
15-year installments	$133,000/year	22–24% (with careful planning)

The right installment period depends on the interaction with all other income sources — pension start date, Social Security claiming age, LTIP payout timing, investment income, and RMD schedule. This is a multi-variable optimization problem that requires a complete multi-year projection — not a default election chosen from a dropdown in a benefits portal.

Coordinating NQDC With the Full Retirement Income Picture

Here is the coordination challenge in concrete terms. Consider an executive who retires at 62 with:

- A pension paying $72,000 per year beginning immediately
- A $1.8 million NQDC balance with a 10-year installment election ($180,000/year)
- Social Security delayed to age 70 ($48,000/year estimated)
- A $1.6 million IRA subject to RMDs beginning at 73

In years 62–70, before Social Security activates, this executive has $252,000 per year in taxable income — pension plus NQDC. That is a meaningful but manageable tax picture, with room for some Roth conversion activity in the lower bracket ranges.

At 70, Social Security adds $48,000, bringing total taxable income to $300,000 before investment income. Still manageable.

At 73, RMDs begin on the $1.6 million IRA (which has likely grown) — adding potentially $80,000 to $120,000 or more per year in additional taxable income. At this point, total income may approach $400,000 or more annually, the Roth conversion window has effectively closed, and the NQDC installments are still running.

Could this have been structured more efficiently? In some cases, yes — by accelerating Roth conversions in years 62–70 before Social Security and RMDs arrived, and by electing a slightly shorter NQDC distribution period that concludes before RMDs begin. These decisions are not available after the fact. They require anticipating the income stack years in advance.

The Creditor Risk Question

We raised the unsecured creditor risk of NQDC plans at the beginning of this section. For most energy majors and large independents, this risk is theoretical. For employees at companies facing financial difficulty, commodity cycle stress, or Chapter 11 exposure, it is not.

The relevant planning consideration: large NQDC balances at financially stressed employers represent concentrated credit risk that is separate from and in addition to concentrated stock risk. An employee with both significant ESIP company stock and a large NQDC balance at the same employer has a double exposure — the stock can decline and the deferred comp can be lost in bankruptcy simultaneously.

Diversifying NQDC risk is difficult — the assets are not transferable and cannot be invested outside the plan's notional investment options. The primary lever available is distribution timing: accelerating distributions to reduce the outstanding balance at risk. But accelerated distributions have tax consequences and must comply with 409A. This is another area where early, coordinated planning produces meaningfully better outcomes than reactive decisions.

3.8 Supplemental Executive Retirement Plans (SERPs)

A Supplemental Executive Retirement Plan is an employer-funded non-qualified benefit designed to provide retirement income above what qualified plans (pension, 401k) can deliver under IRS contribution and benefit limits. SERPs are most common at large integrated energy companies and are typically reserved for senior executives.

How SERPs Work

SERPs are designed to replace the retirement benefit "lost" to IRS limits on qualified plans. A senior executive whose pension formula would produce a $180,000 annual benefit — but who hits the IRS qualified plan maximum of approximately $275,000 in annual benefit (adjusted for 2025) before the formula is exhausted

— receives the excess through the SERP.

In practice, SERPs take several forms: defined benefit SERPs (providing a formula-based benefit similar to the qualified pension), defined contribution SERPs (providing annual credits to a notional account), and restoration plans (specifically designed to restore benefits lost due to IRS limits or compensation caps).

Key Planning Considerations for SERPs

- **Vesting and forfeiture provisions.** SERPs typically have vesting schedules, often longer than qualified plan vesting. Some are subject to forfeiture for cause, non-compete violations, or voluntary departure before a specified age. Reading the vesting provisions before making retirement timing decisions is essential.
- **Tax treatment.** SERP distributions are taxed as ordinary income when received — consistent with all non-qualified compensation. Like NQDC plans, SERPs are unfunded obligations of the employer and carry unsecured creditor risk.
- **Form of distribution.** Most SERPs pay as a lump sum or annuity at retirement, with the election made according to plan rules. The same 409A irrevocability considerations that apply to NQDC apply here.
- **Coordination with the qualified pension.** For executives with both a qualified pension and a SERP, coordinating the start dates and payment forms of both is a meaningful planning exercise. Starting both simultaneously produces the largest immediate income — which may push brackets higher than necessary. In some cases, staggering the start dates, or electing the annuity form for one and the lump sum for the other, produces a more tax-efficient income profile.

3.9 The Executive Retirement Year Tax Picture — When Everything Stacks

The practical danger of reviewing each compensation element in isolation is that you optimize each piece without seeing what the full picture looks like when they all arrive in the same year. For many energy executives, the retirement year — and the one or two years immediately following — is the period of greatest income complexity they will ever experience.

Here is a representative scenario. These are not extreme numbers for a senior energy executive. They are typical.

Income Source	Amount	Tax Character
Base salary (partial year)	$185,000	Ordinary income

Income Source	Amount	Tax Character
RSU vesting (two tranches)	$220,000	Ordinary income, supplemental wages
NQDC distribution (lump sum)	$450,000	Ordinary income
Pension income (partial year)	$45,000	Ordinary income
LTIP payout (performance period ends)	$130,000	Ordinary income
Severance payment	$95,000	Ordinary income
Investment income / capital gains	$35,000	Mixed — mostly LTCG
TOTAL TAXABLE INCOME	$1,160,000	

At $1,160,000 of income, the marginal federal rate is 37%. The effective federal rate on the full amount will be in the range of 32–35%, depending on deductions. State income tax is additional. Medicare surtax (3.8% Net Investment Income Tax on investment income, 0.9% Additional Medicare Tax on earned income above $200,000) adds further.

The total tax burden in this one year could approach $400,000 to $450,000 in federal and state taxes combined. That is not avoidable in its entirety — the income is real and the tax is owed. But it is partially avoidable through planning that begins 24 months before the event, not 24 days after.

Specifically: could the NQDC lump sum have been elected as installments years earlier, spreading $450,000 across multiple years? Could the retirement date have been set to push one RSU tranche into a subsequent year? Could the LTIP payout timing have been anticipated and accommodated in the income plan? In most cases, the answer to at least some of these questions is yes — and the tax savings from "yes" are measured in tens of thousands of dollars.
This is not theoretical. This is the work.

3.10 Common Mistakes in Executive Compensation Planning at Retirement

- **Assuming 22% withholding is sufficient.** It is not. For virtually every executive in the 32% bracket or above, the withholding gap on RSU and option income is significant and predictable. Not planning for it produces an avoidable tax surprise.
- **Allowing stock options to expire unexercised.** This is the single most preventable large loss in executive retirement planning. It requires only awareness of expiration dates and timely action. We have never met a client who accepted this outcome willingly once they understood it was coming — only clients who discovered it too late.
- **Making NQDC distribution elections without a multi-year income projection.** The irrevocability of these elections and their long-term tax consequences make this one of the highest-stakes decisions in the entire retirement transition. A lump sum election made because it feels simpler can cost hundreds of thousands of dollars in avoidable taxes over a 10–15 year retirement.
- **Misunderstanding the double taxation concern on RSUs.** The misconception causes executives to sell shares immediately at vesting for the wrong reasons — often forfeiting a planned holding and charitable giving strategy, or converting a long-term capital gain opportunity into ordinary income.
- **Failing to read LTIP plan documents before setting a retirement date.** The difference between pro-rata vesting and full vesting upon retirement eligibility can be hundreds of thousands of dollars on a single LTIP cycle. This information is in the plan document. The plan document is available on request. Reading it takes an hour. Not reading it can cost significantly more.
- **Optimizing each compensation element in isolation.** RSU timing, NQDC elections, pension start date, Social Security claiming — each one analyzed independently can produce a locally reasonable answer and a globally expensive outcome. The income stack in the retirement year and the years immediately following must be modeled as a unified picture.
- **Ignoring the SERP coordination opportunity.** Executives with both a qualified pension and a SERP sometimes start both at the same time out of convenience — without modeling whether staggered start dates would produce a more favorable multi-year tax profile.

SECTION 04

SECTION 4 — COMPANY STOCK & CONCENTRATED POSITION RISK

> Concentrated company stock is the financial risk most energy employees have spent their entire careers building — and the one they are most reluctant to address. The reluctance is understandable. The consequences of inaction are not.

In over two decades of working with energy industry employees, we have observed a pattern that repeats with remarkable consistency across companies, career levels, and asset sizes. An employee joins an energy company in their late twenties or early thirties. They participate in the ESIP, receiving company stock as part of the employer match. They receive RSU grants that vest into company stock. They exercise options and retain the shares. They accumulate, year after year, without a deliberate diversification strategy — because selling feels like a betrayal of the company they've dedicated their career to, because the stock keeps performing, or simply because no one ever made the case compellingly enough.

They arrive at retirement with 40%, 50%, 60% or more of their investable assets in a single energy company's stock. And then, often for the first time, they ask: is this a problem?

The answer, almost without exception, is yes. The question is what to do about it — and how to do it without triggering a tax consequence that feels as bad as the risk it was designed to eliminate.
This section addresses both.

4.1 How Concentration Happens: A Thirty-Year Accumulation Story

Concentrated positions in employer stock rarely happen by intention. They happen by accumulation — the compounding of small decisions made over decades, none of which felt particularly risky at the time.

The ESIP Match

Most energy companies provide a 401(k) or ESIP match in the form of company stock — often at a match rate of 75% to 100% of employee contributions up to a specified limit. An employee contributing 6% of a $150,000 salary receives a $6,750 to $9,000 annual company stock contribution, before any investment election is applied.

Over 30 years, at typical equity market returns for a major energy company, this contribution stream alone can accumulate to $400,000 to $800,000 of company stock — more if the stock outperforms.

Many plans historically restricted the immediate sale of the company stock match, requiring it to be held for a defined period before it can be diversified. Even where no restriction exists, the path of least resistance is inertia — and inertia, in this context, means concentration.

The Emotional Architecture of Concentration

There is a psychological dimension to this that financial planning frameworks often ignore but that we believe must be named directly.

Energy executives have typically spent 25 to 35 years at their company. The company's success is intertwined with their professional identity. Their colleagues own the same stock. The company's performance has tracked, in many cases, with their own compensation trajectory. Selling the stock can feel, at a visceral level, like a vote of no confidence in the organization that defined their career.

This emotional architecture is real, and it is rational in a social and psychological sense even when it is irrational in a financial one. We do not dismiss it. We acknowledge it directly with clients — because the path to action runs through honest acknowledgment, not through pretending the feelings don't exist.

What we can say from experience: the executives who address concentration decisively are not the ones who feel no attachment to the stock. They are the ones who understand, clearly and concretely, what concentrated risk actually means for a retirement portfolio — and decide that protecting what they've built matters more than the symbolic act of holding.

4.2 Quantifying the Risk: What Concentration Actually Means

Abstract warnings about concentration risk rarely move people to action. Concrete numbers do. Here is what the data tells us about what it means, in practice, to carry 40% to 60% of a retirement portfolio in a single energy company's stock.

Volatility: Energy Stocks vs. a Diversified Portfolio

The S&P 500 has historically experienced annual volatility (measured as standard deviation of returns) of approximately 15%. A diversified portfolio of 60% equities and 40% bonds has typically exhibited volatility in the 8% to 12% range.

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Individual large-cap energy stocks — even the most stable integrated majors — routinely exhibit annual volatility of 20% to 35%. During commodity price downturns, sector-specific volatility has exceeded 50% in single years. Smaller independents and oilfield services companies have demonstrated even wider swings.

A 50% allocation to a single energy stock in a $2.5 million portfolio means $1.25 million of assets are exposed to that level of volatility. A 30% drawdown in the stock — not an extreme scenario in energy — produces a $375,000 loss on that position. That loss occurs regardless of what the rest of the portfolio does.

The Double Exposure Problem

The risk that makes energy company concentration uniquely dangerous is not just the stock volatility in isolation. It is the correlation between the stock's performance and the employee's other financial interests. In a severe energy sector downturn — a prolonged period of low oil prices, a major operational event, a regulatory shift — the following can happen simultaneously:

- The company's stock price declines sharply
- The value of unvested RSUs and options falls with it
- Bonus and variable compensation are reduced or eliminated
- Layoffs occur, eliminating employment income entirely
- The ESIP match, still in company stock, declines in value

The employee who holds 50% of their retirement portfolio in employer stock faces all five of these simultaneously. Their human capital — their earning power — and their financial capital are both exposed to the same risk. This is the opposite of diversification. It is the compounding of correlated risks.

> A diversified investor who loses 30% of their stock portfolio during an energy sector downturn still has their job, their salary, and their future savings capacity. The energy employee with concentrated stock can lose all of these at the same time. That asymmetry is the core argument for diversification — and it is an argument that most generic financial planning frameworks do not make forcefully enough.

The Portfolio Math of Concentration

The following illustrates the impact of different concentration levels on portfolio outcomes under a scenario in which company stock declines 40% — a move that has occurred multiple times in energy sector history — while a diversified portfolio declines 15% (a typical bear market):

Portfolio Value	Company Stock %	Stock Declines 40%	Portfolio Loss
$2,500,000	20% ($500,000)	-$200,000 on stock	-$275,000 total (-11%)
$2,500,000	40% ($1,000,000)	-$400,000 on stock	-$475,000 total (-19%)
$2,500,000	60% ($1,500,000)	-$600,000 on stock	-$675,000 total (-27%)

Assumes remaining portfolio declines 15% in line with a broad market correction. The concentrated position amplifies the loss significantly beyond what market exposure alone would produce.

In retirement — where portfolio withdrawals are ongoing and the sequence of returns matters enormously — a 27% loss in year two of retirement is not just uncomfortable. It is structurally damaging to the long-term sustainability of the withdrawal plan. Recovering from a large early loss requires either reducing spending, returning to work, or accepting a permanently reduced portfolio trajectory. None of those outcomes were in the retirement plan.

4.3 Net Unrealized Appreciation (NUA): The Tax Strategy Most People Miss

Net Unrealized Appreciation is one of the most powerful and most consistently overlooked tax strategies available to energy employees with employer stock inside their 401(k) or ESIP. When it applies, it converts what would otherwise be ordinary income into long-term capital gains — potentially saving tens of thousands of dollars in federal tax on the same assets.

It is also frequently misapplied, misunderstood, or recommended in situations where it produces no advantage. We will explain both sides.

The Basic Mechanic: What NUA Is

Normally, when you take a distribution from a 401(k) or ESIP, the entire amount is taxed as ordinary income — regardless of whether it consists of mutual funds, bonds, or company stock that has grown significantly since it was contributed. A $400,000 distribution is $400,000 of ordinary income, taxed at your marginal rate.

NUA creates an exception for employer stock. Under the NUA rules, if you take a qualifying lump sum distribution from your plan and receive employer stock in-kind (as shares, not as cash), only your cost basis in the stock — what the plan paid for those shares when they were contributed — is taxed as ordinary income at distribution.

The appreciation above that basis — the Net Unrealized Appreciation — is not taxed at the time of distribution. It is deferred until you sell the shares, and when you do sell, it is taxed at long-term capital gains rates, regardless of how long you've held the shares after the distribution.

The NUA Tax Advantage in Plain Terms

Your plan holds 5,000 shares of company stock. The plan's cost basis in those shares is $18/share ($90,000 total). The stock is currently trading at $62/share ($310,000 total). The NUA is $44/share ($220,000). Under NUA treatment: you pay ordinary income tax on $90,000 at distribution. The $220,000 NUA is taxed at long-term capital gains rates when you sell — 15% or 20% rather than 37%. On $220,000, the difference between ordinary income and LTCG tax rates can exceed $35,000 to $50,000 in federal tax savings alone.

The Lump Sum Distribution Requirement

NUA is not available on a standard rollover or a partial distribution. It requires a qualifying lump sum distribution — meaning the entire balance of the plan (all accounts with that employer, not just the company stock portion) must be distributed within a single tax year, triggered by one of the following qualifying events:

- Separation from service (retirement, termination, resignation)
- Reaching age 59½
- Death of the participant
- Disability (for self-employed individuals only)

The lump sum distribution requirement is the most common point of failure in NUA strategies. An employee who rolls their 401(k) to an IRA and then later decides to pursue NUA cannot do so — the qualifying event has passed and the rollover has already occurred. The NUA decision must be made at the point of distribution, before any rollover takes place.

NUA Is a One-Time Election at Distribution

Once you roll your ESIP or 401(k) balance into an IRA, the NUA opportunity is gone permanently. The rollover is an irrevocable act from an NUA perspective. If your plan contains employer stock with significant unrealized appreciation, the NUA analysis must occur before any distribution or rollover decision — not as an afterthought. We have counseled clients who discovered this too late. It is an entirely preventable loss.

When NUA Makes Sense

NUA is advantageous when the following conditions are present:

- **Low plan cost basis.** The lower the plan's cost basis relative to current market value, the larger the NUA and the greater the potential tax savings. ESIP shares contributed at $12/share and now worth $58/share have substantial NUA. Shares purchased at $50/share now worth $58/share have minimal NUA — and minimal advantage.
- **High ordinary income tax rate.** The NUA strategy converts ordinary income tax into capital gains tax. The greater the spread between your ordinary income rate and the applicable capital gains rate, the more valuable the conversion. At 37% ordinary income versus 20% LTCG (plus 3.8% net investment income tax), the spread is approximately 13 to 17 percentage points on the NUA amount.
- **Near-term sale intent.** NUA tax is deferred only until you sell. If you intend to hold the shares for many years, the ordinary income tax on the cost basis at distribution is paid now, and the capital gains tax on the NUA is deferred. If you intend to sell soon after the distribution, the strategy saves tax immediately. The longer you hold without selling, the less time-efficient the strategy becomes — though the tax rate differential still applies.
- **Tolerance for continued concentration.** To fully capture the NUA advantage, you hold the distributed shares rather than immediately selling all of them. This means continuing to hold concentrated energy stock into retirement. For clients already seeking to reduce concentration, this tension must be acknowledged and resolved in the strategy design.

When NUA Does Not Make Sense

NUA is not advantageous — and should not be pursued — when:

- **The cost basis is high relative to current value.** If the plan's basis in the stock is $48/share and the stock trades at $55/share, the NUA is only $7/share. The tax savings on a small spread are minimal, and the complexity of a lump sum distribution may not be worth it.
- **You are in a low income tax year already.** If your ordinary income rate at retirement is 22% or 24%, the gap between ordinary and capital gains rates is much narrower. The NUA advantage shrinks proportionally.
- **You need the assets in an IRA for other planning reasons.** Rolling to an IRA preserves creditor protection, provides access to the full universe of investment options, and facilitates Roth conversion planning. For some clients, these benefits outweigh the NUA tax savings.

- **The concentration risk is already severe.** If taking NUA requires you to hold a large concentrated position for years to capture the benefit, and your overall concentration is already a significant portfolio risk, the risk of continued concentration may outweigh the tax advantage.

Executing NUA Correctly

The mechanics of an NUA distribution require precise execution. The specific steps:

- Confirm that the plan holds employer stock with meaningful unrealized appreciation — obtain the plan's cost basis records, which your plan administrator is required to provide
- Verify that a qualifying triggering event is either imminent or has occurred
- Request an in-kind distribution of the employer stock — the shares must be distributed as shares, not liquidated to cash first
- Distribute the remaining non-stock plan assets in the same tax year (cash, mutual funds, bonds) — this is required to satisfy the lump sum distribution requirement
- Report the cost basis as ordinary income on the year of distribution — your plan administrator will provide a 1099-R with the appropriate coding
- Hold the distributed shares in a taxable brokerage account — they are now outside the retirement account system
- When you sell, the NUA is reported as long-term capital gain regardless of holding period after distribution; any additional appreciation above the distribution-date value is short- or long-term depending on the holding period
- The 1099-R reporting for NUA distributions uses specific coding that not all tax preparers encounter regularly. Confirm that your tax advisor is familiar with NUA reporting before filing — errors are common and can result in the NUA being taxed as ordinary income, eliminating the benefit entirely.

4.4 Tax-Efficient Diversification Strategies

For concentrated positions outside the ESIP — shares held in a taxable brokerage account, accumulated from RSU vesting, option exercises, or other sources — the challenge is different. These shares have a known cost basis, often significantly below current market value, and selling them triggers capital gains tax. The question is how to reduce concentration without triggering a tax bill that makes the exercise feel pointless.

There is no strategy that eliminates the capital gains tax on appreciated shares entirely — short of holding them until death, when the step-up in basis resets the gain to zero. But there are strategies that manage when and how that tax is paid, reduce its effective rate, and in some cases convert it into a philanthropic benefit rather than a payment to the IRS.

Systematic Diversification: The Simple but Effective Approach

The most straightforward strategy is systematic, disciplined selling over multiple years — spreading the capital gains recognition across tax years to stay within lower brackets and avoid triggering the 23.8% LTCG rate (20% + 3.8% NIIT) that applies above certain income thresholds.

For a retiree in the 15% long-term capital gains bracket — income below approximately $89,250 for married filers in 2024 — long-term capital gains on appreciated shares are taxed at 0%. For income above this threshold and below the 20% threshold (approximately $553,850 for married filers), the rate is 15%. Above that, 20% plus the 3.8% NIIT.

A retiree with significant capital gain embedded in energy shares who structures their income carefully can sell a substantial amount of appreciated stock each year at the 15% rate — or even the 0% rate in a low-income early retirement year — rather than triggering the full 23.8% rate by selling everything at once.

The Power of Bracket Management on Capital Gains

A couple with $1.2 million of appreciated energy stock (basis of $280,000, market value $1.2 million) who sells $200,000 per year over six years, managing their total income to stay below the 20% LTCG threshold, pays approximately $138,000 in federal capital gains tax on the full position (15% blended rate). Selling the entire position in one year — pushing income above $553,850 — could trigger 23.8% on the full gain, a tax of approximately $219,000. The systematic approach saves approximately $81,000 in federal tax on identical assets.

Tax Loss Harvesting to Offset Gains

In years when other portfolio positions have declined in value, harvesting those losses — selling the depreciated positions to realize the loss — generates capital losses that can be used to offset capital gains from energy stock sales on a dollar-for-dollar basis. Net capital losses in excess of gains can offset up to $3,000 of ordinary income annually, with the remainder carried forward indefinitely.

Energy retirees who hold diversified portfolios alongside concentrated positions are often in a position to harvest losses in down markets and apply them against energy stock gains — effectively reducing or eliminating the capital gains tax on a portion of the diversification sales.

Exchange Funds: Diversification Without an Immediate Tax Event

An exchange fund is a private investment vehicle that allows investors to contribute appreciated shares in exchange for a proportional interest in a diversified portfolio of shares contributed by other investors.

The contribution is structured as a tax-free exchange — no capital gains are recognized at the time of contribution. The investor receives diversification immediately and defers the embedded gain until the fund interest is eventually sold.

Exchange funds sound like an elegant solution, and for the right client, they can be. But they come with significant constraints:

- Minimum investment thresholds are typically $1 million or more — they are not available to all investors
- The fund must be held for at least seven years to maintain the tax-free contribution treatment — early redemption triggers taxable gain
- Fees are meaningful — annual management fees plus the opportunity cost of not controlling the specific diversification
- The investor does not choose which stocks are in the fund — they accept whatever mix the fund manager has assembled
- Liquidity is limited during the holding period

For clients with very large, very low-basis concentrated positions who are seeking genuine long-term diversification and can tolerate illiquidity, exchange funds are worth evaluating. For clients who want flexibility, control, or near-term access to capital, the constraints are often prohibitive.

Protective Options Strategies: Collars and Protective Puts

Protective options strategies allow an investor to reduce the downside risk of a concentrated position without selling — deferring or eliminating the capital gains event while providing a floor against loss.

- Protective put. Purchasing a put option on your concentrated position gives you the right to sell the stock at a specified price (the strike price) until the option's expiration. If the stock declines below the strike, the put increases in value to offset the loss. The cost is the put premium — a known, defined expense. The gain on the stock is not triggered unless you actually exercise the put and sell the shares.
- Zero-cost collar. Simultaneously purchasing a put (downside protection) and selling a call (giving up upside above a ceiling price) creates a range of outcomes within which the stock is bounded. The premium received from selling the call offsets the cost of the put, producing a near-zero-cost structure. The tradeoff: you give up appreciation above the call strike in exchange for protection below the put strike.

Collar strategies are widely used by executives with large concentrated positions who are approaching but have not yet reached retirement.

They are particularly relevant for executives subject to trading restrictions (blackout periods, Rule 10b5-1 requirements) who cannot sell freely but want to protect against downside before restrictions lift.

The tax treatment of collars is nuanced: the IRS has specific rules about "constructive sales" of appreciated positions — certain structures that effectively lock in a gain can be treated as if the position were sold. Proper collar design requires both tax and legal review.

Completion Portfolios

A completion portfolio is a complementary portfolio constructed to offset the factor exposures of a concentrated position — reducing the overall portfolio's sensitivity to the concentrated stock without selling it. If your concentrated energy stock has high exposure to oil price, mid-cap value factors, and energy sector beta, the completion portfolio invests in assets with low or negative correlation to those factors.

Completion portfolios do not eliminate concentration risk — they manage it. They are useful for clients who have legitimate reasons to hold the concentrated position in the near term (pending trading window, 10b5-1 plan implementation, NUA strategy execution) but want to reduce the portfolio's vulnerability to a sharp decline in the interim.

4.5 Charitable Planning With Appreciated Energy Stock

For clients with charitable intent, appreciated energy stock is one of the most tax-efficient giving vehicles available. The combination of eliminating embedded capital gains tax and generating a charitable deduction at full market value makes appreciated stock donations meaningfully more powerful than cash gifts of equivalent size.

The Tax Math of Donating Appreciated Stock

Compare two approaches to making a $50,000 charitable gift:

Cash Gift Approach	Appreciated Stock Approach
Sell $50,000 of energy stock (basis $12,000)	Donate $50,000 of energy stock (basis $12,000) directly
Pay capital gains tax: ~$7,600 (15% on $38,000 gain)	No capital gains tax — gain is eliminated

Cash Gift Approach	Appreciated Stock Approach
Donate $50,000 cash to charity	Charity receives full $50,000 market value
Charitable deduction: $50,000	Charitable deduction: $50,000
Net cost: $50,000 + $7,600 tax = $57,600	Further reduced benefit; spouse receives 75% for life after your death.
Remaining embedded gain in portfolio: $0	Net cost: $50,000 (no tax paid)

The appreciated stock approach produces the same charitable outcome for $7,600 less out-of-pocket cost — and simultaneously reduces the concentrated position by $50,000 and eliminates $38,000 of embedded capital gain from the portfolio. For donors in the 20% LTCG bracket, the savings are even larger.

Donor-Advised Funds: The Most Accessible Vehicle

A Donor-Advised Fund (DAF) is a charitable giving account — administered by a sponsoring organization such as Fidelity Charitable, Schwab Charitable, or a community foundation — into which donors can contribute appreciated assets, receive an immediate charitable deduction, and then recommend grants to qualified charities over time.

DAFs are the most practical vehicle for most clients because:

- Contributions can be made at any time, with the deduction taken in the contribution year — even if grants are distributed to charities over subsequent years
- Appreciated stock can be contributed directly — the DAF sells the shares without capital gains tax and deploys the proceeds for charitable grants
- Minimum contribution thresholds are low (typically $5,000 to $10,000) compared to private foundations or charitable trusts
- Grants can be made to virtually any qualified public charity

For energy executives managing concentrated positions, a DAF creates an efficient annual mechanism for both charitable giving and tax-advantaged concentration reduction.

Contributing a defined amount of energy stock each year to a DAF — timed to coincide with years of high income or peak stock prices — simultaneously addresses philanthropy, concentration, and income tax planning.

Charitable Remainder Trusts for Large Positions

A Charitable Remainder Trust (CRT) is a more sophisticated vehicle appropriate for clients with very large, very low-basis concentrated positions who have both significant charitable intent and a need for income during retirement.

The structure: appreciated stock is contributed to the CRT. The trust sells the stock without immediate capital gains taxation (the trust is tax-exempt). The trust reinvests the proceeds in a diversified portfolio. The donor receives an income stream from the trust for a defined period or for life. At the end of the trust term, the remaining assets pass to the designated charity. The donor receives a partial charitable deduction at the time of contribution, based on the present value of the charitable remainder.

CRTs are powerful for the right client — those with both large appreciated positions and genuine long-term charitable intent. They are not appropriate as primarily tax-driven strategies for clients without meaningful charitable goals. The irrevocable transfer of assets to the trust, combined with the long-term income commitment, makes them a permanent decision that requires careful evaluation.

Qualified Charitable Distributions (QCDs) in Retirement

For clients age 70½ or older, Qualified Charitable Distributions allow direct transfers of up to $105,000 per year (2024, indexed for inflation) from an IRA to a qualified charity. QCDs are excluded from gross income — they satisfy the RMD requirement for the year without the distribution appearing in taxable income.

QCDs do not involve company stock directly, but they are an important tool in the integrated charitable and tax planning picture for energy retirees. By using QCDs to satisfy RMDs, clients preserve other income for different purposes — potentially freeing up capacity for appreciated stock donations that generate deductions at higher income levels.

4.6 Rule 10b5-1 Plans for Executives With Trading Restrictions

For executives who are subject to trading restrictions — blackout periods, short-swing profit rules, or insider trading policies — the ability to sell company stock in the open market is constrained in ways that make ordinary diversification difficult. Rule 10b5-1 plans were designed specifically to address this problem.

What a 10b5-1 Plan Is

Rule 10b5-1, established by the SEC, provides an affirmative defense against insider trading liability for executives who sell company stock pursuant to a pre-established written plan. The plan specifies, in advance, the amount, price, and timing of planned sales — and must be entered into at a time when the executive does not possess material non-public information. Once the plan is in place, sales execute automatically according to its terms, without any further input or direction from the executive.

The logic: if the decision to sell was made before the executive possessed inside information, and the sale executes mechanically according to the pre-established plan, no insider trading can have occurred. The plan creates a safe harbor.

Recent SEC Rule Changes — Important for Retirement Planning

In 2023, the SEC adopted significant amendments to Rule 10b5-1 that materially affect how these plans are designed and implemented. The most important changes for executives approaching retirement:

- **Mandatory cooling-off period.** For officers and directors, a 10b5-1 plan must now include a cooling-off period of at least 90 days, or until the next quarterly earnings release (whichever is later), before the first sale can occur — up to a maximum of 120 days. Previously, plans could begin executing almost immediately. This means executives who want to begin selling pursuant to a 10b5-1 plan within a specific window — such as a retirement year — must establish the plan at least 90 to 120 days before the first intended sale.
- **Single-trade plan limitations.** The amended rules limit the use of single-trade 10b5-1 plans (plans designed to execute one sale) to one per 12-month period. This restricts strategies that relied on multiple single-trade plans in a year.
- **Certifications required.** Plan adoption now requires a written certification that the executive is not aware of material non-public information and is adopting the plan in good faith.

For executives approaching retirement, the practical implication is straightforward: if you intend to use a 10b5-1 plan to begin diversifying your company stock in the 12 months before or after retirement, the plan must be established at least 90 to 120 days earlier than the first intended sale. This planning horizon needs to be built into the retirement timeline.

10b5-1 Plans and the Retirement Transition

10b5-1 plans are particularly useful in the retirement transition context for several reasons:

- They allow systematic selling during periods when the executive may technically have access to non-public information even as a retiree (board relationships, consulting arrangements)
- They create a mechanical, emotion-free execution of the diversification strategy — removing the behavioral tendency to delay selling in rising markets
- They can be structured to coordinate with tax planning objectives — specifying sales in particular tax years, at particular price thresholds, or in defined quantities
- They demonstrate to regulators, shareholders, and company leadership that sales are pre-planned and not reactive to inside information — protecting the executive's reputation

4.7 Building the Integrated Concentration Reduction Plan

The strategies described in this section do not operate independently. The most effective approach to concentrated energy stock combines several of them in a coordinated plan — sequenced over multiple years, designed to minimize tax, reduce risk, and align with the client's broader retirement and charitable objectives. A representative integrated plan for an executive retiring with 55% of investable assets in employer stock might look like this:

Timeframe	Action	Purpose
18-24 months before retirement	Establish 10b5-1 plan for systematic pre-retirement selling	Begin reducing concentration within trading compliance framework
12-18 months before retirement	Analyze NUA eligibility on ESIP stock; model vs. rollover alternative	Determine whether NUA conversion is advantageous before distribution decision
Retirement year	Execute NUA distribution if advantageous; begin taxable account systematic sales	Convert ESIP stock to taxable account at preferential rate; begin annual diversification
Retirement year	Contribute largest annual DAF gift (appreciated stock)	Reduce concentration + charitable deduction in high-income year

Timeframe	Action	Purpose
Years 1-3 post-retirement	Systematic annual sales managed within LTCG bracket targets	Continue concentration reduction at 15% vs. 23.8% rate
Ongoing	Annual DAF contributions of appreciated stock	Sustained charitable giving + annual concentration reduction
Retirement year	Execute NUA distribution if advantageous; begin taxable account systematic sales	Convert ESIP stock to taxable account at preferential rate; begin annual diversification
Age 70½+	QCDs from IRA to satisfy RMDs	Reduce taxable income; preserve capacity for appreciated stock deductions

No two clients execute this identically — the specific tools, amounts, and timing depend on the size of the position, the cost basis, the tax situation, the charitable intent, and the overall retirement income plan. But the principle is consistent: address concentration systematically, early, and with a tax-aware strategy — not reactively, at retirement, when the options and the time have both narrowed.

4.8 Common Mistakes in Concentrated Stock Planning

- **Waiting for the stock to "come back" before selling.** This is the most common and most costly behavioral pattern we observe. When the stock has declined from its peak, selling feels like locking in a loss. When it recovers, the instinct is to hold for further gains. The result is perpetual deferral — and perpetual concentration risk. The decision to diversify should be made on the basis of risk management, not stock price prediction. No one — including executives who have spent decades in the energy industry — consistently predicts short-term stock movements.
- **Missing the NUA window by rolling over the ESIP first.** As described in detail in Section 4.3, this mistake is irreversible. The NUA analysis must precede any rollover decision. We have encountered clients who learned about NUA a year after completing their rollover — with nothing to be done about it.

- **Treating the tax on concentrated stock sales as a reason not to sell.** We hear this regularly: "I don't want to sell because I'll have to pay capital gains tax." The logic implies that the alternative — holding the concentrated position indefinitely — is tax-free. It is not. It is a deferral of certain tax plus an ongoing exposure to uncertain loss. The capital gains tax on a planned sale is a known, manageable cost. The potential loss from a 40% decline in a concentrated position is larger, uncontrolled, and not tax-deductible in full.
- **Implementing a 10b5-1 plan too late.** The 90- to 120-day cooling-off period under the amended SEC rules is not optional. An executive who wants to begin selling in January of the retirement year must have established the plan by September or October of the prior year. Many executives discover this constraint after the fact — and must delay their planned diversification accordingly.
- **Ignoring the step-up in basis at death for estate planning purposes.** For clients with very large, very low-basis positions and significant estate planning goals, the step-up in basis at death eliminates the embedded capital gain entirely for heirs. This is a legitimate planning consideration — particularly for clients in poor health or with very large estates — but it should be evaluated as part of a comprehensive estate plan, not used as an excuse to avoid addressing concentration risk during lifetime.
- **Addressing concentration in isolation from the rest of the retirement plan.** The decision about how much energy stock to sell, when to sell, and through which vehicle interacts with retirement income needs, tax bracket management, Roth conversion strategy, charitable planning, and estate planning. Optimizing the concentration reduction in isolation — without modeling its interaction with everything else — produces locally reasonable decisions and globally suboptimal outcomes. The concentrated stock plan and the retirement plan are the same plan.

SECTION 5

TAX DIVERSIFICATION & MULTI-YEAR RETIREMENT TAX PLANNING

> The years immediately surrounding retirement represent the most consequential tax planning window of an energy executive's financial life. Most of it is time-limited, most of it is irreversible, and most of it goes unused — not from lack of assets, but from lack of a coordinated plan.

Sections 2, 3, and 4 examined the individual moving parts of energy executive retirement in depth: the pension decision, the equity compensation structures, the concentrated stock problem. This section pulls those pieces together into the unified framework that determines how much of what you've built you actually keep.

The central insight is this: energy industry retirees face a structural tax risk that most retirement planning frameworks do not adequately address. After decades of tax-deferred accumulation — in 401(k) accounts, ESIP balances, pension plans, and deferred compensation — the tax bill that was deferred is not eliminated. It is waiting. And for executives with large balances across multiple tax-deferred vehicles, the moment those distributions begin to stack is the moment effective tax rates can exceed anything paid during the working years.

The goal of this section is to show you how that trap forms, how to identify it in your own situation, and — most importantly — what can be done about it before the window to act closes.

5.1 How Energy Executives Become "Tax Trapped" in Retirement

Tax trapping is not a result of poor planning in any single year. It is the accumulated consequence of a series of individually reasonable decisions — each one defensible in isolation, collectively producing a retirement income structure that is almost entirely taxable, almost entirely ordinary income, and almost entirely inelastic.

The Accumulation That Creates the Problem

Throughout a career in the energy industry, the tax-advantaged savings incentives all point in the same direction: defer now, pay later. The 401(k) or ESIP contribution reduces current taxable income. The employer match goes in pre-tax. The pension benefit accrues without current taxation. The deferred compensation plan shelters current bonuses. The RSUs are taxed at vesting but the after-tax proceeds, if not deployed strategically, often end up in additional tax-deferred accounts.

The result, for a typical senior energy executive at retirement, is a portfolio that looks something like this:

Asset Type	Approximate Balance	Tax Character
401(k) / ESIP rollover IRA	$220,000	100% ordinary income
Deferred compensation (NQDC)	$1,100,000	100% ordinary income
Pension (monthly annuity or lump sum)	$900,000 equivalent	100% ordinary income
Concentrated company stock (taxable)	$650,000	Capital gain on appreciation
Roth IRA	$85,000	Tax-free
Taxable brokerage (diversified)	$220,000	Capital gain / qualified dividends
TOTAL	$4,355,000	~80% ordinary income at withdrawal

This is not an unusual profile. It is representative of what decades of disciplined participation in every available tax-deferral vehicle produces. And it is a problem — not because the assets are insufficient, but because the tax character of those assets is deeply skewed toward ordinary income, with almost no tax-free bucket and a modest taxable bucket.

When distributions begin, the income stack builds quickly: pension income arrives first, then deferred comp distributions, then Social Security, then eventually RMDs from the IRA. Each source is ordinary income. Each source taxes the same dollars that have already been taxed-deferred for years. By the time all sources are active, effective federal rates on marginal income can reach 37% — the same bracket the executive was in during their highest-earning working years.

The RMD Trap: When the IRS Forces the Issue

Required Minimum Distributions begin at age 73 (under current law) and are calculated as a fraction of the prior year-end IRA balance divided by a life expectancy factor from IRS tables. For a retiree with a $1.4 million IRA at age 73, the first RMD is approximately $54,000. By age 80, if the account has grown to $1.8 million, the RMD approaches $100,000.

RMDs are not optional, not deferrable, and not reducible after the fact. They are mandatory distributions of previously tax-deferred money, taxed as ordinary income in the year received — added on top of pension income, Social Security, deferred compensation distributions, and investment income.

For the executive with $1.4 million in an IRA who also receives $72,000 in pension income, $48,000 in Social Security, and $180,000 in deferred compensation installments, the addition of a $54,000 RMD at age 73 pushes total income above $350,000 — well into the 32% to 35% bracket. And the RMD grows every year as a percentage of the account balance.

> The tax trap is not triggered by a single bad decision. It is triggered by the absence of a deliberate plan to build tax diversification before the window closes. Once RMDs begin and all income sources are fully active, the ability to reduce the tax burden on those distributions is essentially gone. The time to act is in the years between retirement and age 73 — the window that most executives either underutilize or miss entirely.

5.2 The Three-Bucket Framework: Building Tax Diversification

Tax diversification is the practice of holding assets across multiple tax treatment categories — so that in retirement, you have meaningful flexibility to choose which assets to draw from based on your tax situation in any given year. The framework we use organizes retirement assets into three buckets, defined by how withdrawals are taxed.

Bucket	Account Types	Tax Treatment at Withdrawal
Taxable Bucket	Brokerage accounts, savings accounts, NUA shares, I-bonds	Capital gains tax on gains; qualified dividends at LTCG rates; interest as ordinary income
Tax-Deferred Bucket	Traditional IRA, 401(k), ESIP rollover, pension, deferred compensation, SERP	100% ordinary income at withdrawal; subject to RMDs beginning at age 73
Tax-Free Bucket	Roth IRA, Roth 401(k), Health Savings Account (HSA)	Completely tax-free at withdrawal (if rules followed); no RMDs during owner's lifetime

Most energy executives retire with 75% to 85% of their wealth in the tax-deferred bucket and very little in the tax-free bucket. The strategic objective — pursued during the retirement transition window — is to deliberately shift assets from tax-deferred to tax-free before the window closes.

This is not about avoiding taxes. Roth conversions — the primary mechanism for this shift — involve paying tax now. The argument is that paying tax now, at rates you control and in amounts you choose, is far superior to being forced to pay tax later, at rates and in amounts determined by RMD rules and an income stack you can no longer influence.

Why the Bucket Balance Matters More in Energy Retirement

For most corporate employees, the tax-deferred bucket is large but manageable. For energy executives, it is frequently enormous — the product of high compensation, high contribution rates, deferred compensation plans without contribution limits, and pension benefits that convert to large lump sums or high annual income streams.

The larger the tax-deferred bucket, the more valuable the tax-free bucket becomes as a counterweight. A $100,000 Roth IRA alongside a $200,000 traditional IRA gives meaningful withdrawal flexibility. An $85,000 Roth IRA alongside a $1.4 million traditional IRA gives almost none — the tax-free assets are consumed in one or two major expenses, and the remaining withdrawals are all fully taxable.

Building the tax-free bucket to a scale that actually matters — $400,000, $600,000, $800,000 or more — is the work of the retirement transition window. It cannot be done in a year. It requires a multi-year conversion strategy beginning the day earned income stops.

5.3 Roth Conversion Strategy for Energy Retirees

The Roth conversion is the central tool of retirement tax planning for energy executives. Understanding it fully — the mechanics, the opportunity window, the sizing logic, and the interactions with other income sources — is essential to using it effectively.

The Mechanics of a Roth Conversion

A Roth conversion is the transfer of assets from a traditional IRA or 401(k) to a Roth IRA. The converted amount is included in gross income in the year of conversion and taxed as ordinary income — exactly as if you had taken a distribution. After conversion, those assets grow tax-free and are distributed tax-free in retirement. There are no RMDs on Roth IRAs during the owner's lifetime.

There is no limit on the amount that can be converted in a single year. There is no income limit on conversions (the income limit that historically restricted Roth contributions does not apply to conversions). The decision about how much to convert is entirely a tax planning decision — how much additional ordinary income can

you absorb in a given year at an acceptable marginal rate?

The Opportunity Window: Why Timing Is Everything

The Roth conversion opportunity is fundamentally a function of income — specifically, the gap between your income and the top of whatever bracket you consider acceptable to fill. The window opens when earned income stops and closes — progressively — as pension income activates, Social Security begins, deferred compensation distributes, and RMDs arrive.

For a typical energy executive retiring at 62, the window looks approximately like this:

Age	Active Income Sources	Approx. Annual Income	Roth Conversion Capacity
62–64	Pension only (if started)	$60,000–$80,000	Large — brackets 22%–32% largely open
65–69	Pension + Medicare Part B active	$60,000–$80,000	Large — Social Security not yet active
70	Pension + Social Security begins	$108,000–$130,000	Moderate — brackets tightening
73+	Pension + SS + RMDs begin	$180,000–$260,000+	Limited to negligible

The window between retirement and age 70 — before Social Security activates — is the most valuable Roth conversion period for most energy executives. Pension income alone often leaves a meaningful amount of bracket capacity in the 22% and 24% ranges. Converting to fill those brackets each year, over an 8-to-10-year window, can move $500,000 to $1,000,000 or more from tax-deferred to tax-free — at rates significantly below the 37% bracket that will govern RMDs in later years.

Sizing the Conversion: The Bracket-Filling Approach

The most disciplined approach to Roth conversion sizing is bracket filling — converting enough each year to bring total income to the top of a target bracket, and no more. The decision requires modeling total income from all sources in the conversion year, identifying the remaining capacity within the target bracket, and converting that amount.

A Bracket-Filling Example

A retired energy executive, age 64, has pension income of $72,000 and modest investment income of $18,000 — total taxable income of approximately $90,000 (after standard deduction of ~$32,300 for married filers over 65 in 2024). The top of the 22% bracket for married filers is $201,050 of taxable income. Remaining capacity: approximately $111,000. Converting $111,000 from the traditional IRA to the Roth fills the 22% bracket exactly — paying 22% on the conversion rather than the 35–37% that will apply when RMDs force distributions in a decade. Over 8 years of consistent bracket-filling, this executive could convert $800,000 to $900,000 to the Roth — permanently removing it from the RMD calculation.

Coordinating Roth Conversions With Other Income Sources

The bracket-filling calculation sounds straightforward in isolation. In reality, it must be integrated with every other income source that competes for the same bracket space:

- **RSU vesting income.** RSU income in the retirement year or the years immediately following — from grants made during the working years that continue to vest — occupies bracket space that cannot simultaneously be used for Roth conversions. A $150,000 RSU vest in retirement year one can consume most or all of the available conversion capacity for that year.
- **Deferred compensation distributions.** NQDC installment payments are ordinary income that stack directly against Roth conversion capacity. An executive receiving $200,000 per year in deferred comp distributions has very limited Roth conversion opportunity until those installments conclude.
- **LTIP payouts.** Performance share payouts from in-progress performance periods that settle in early retirement years are ordinary income and compete for bracket space. The timing of these payouts — which is generally outside the executive's control — must be incorporated into the conversion plan.
- **Capital gains from concentrated stock sales.** Long-term capital gains do not directly occupy the ordinary income brackets, but they do increase overall income — potentially pushing ordinary income into higher brackets through what is known as the "stacking" effect on capital gains rates.

This is why Roth conversion planning cannot be done in isolation. It requires a complete multi-year income projection — all sources, all years, all rates — to identify the genuine conversion capacity in each year of the window. A plan that ignores RSU income in year one, or fails to anticipate the LTIP payout in year two, overstates conversion capacity and leads to unpleasant surprises.

A Bracket-Filling Example

A retired energy executive, age 64, has pension income of $72,000 and modest investment income of $18,000 — total taxable income of approximately $90,000 (after standard deduction of ~$32,300 for married filers over 65 in 2024). The top of the 22% bracket for married filers is $201,050 of taxable income. Remaining capacity: approximately $111,000. Converting $111,000 from the traditional IRA to the Roth fills the 22% bracket exactly — paying 22% on the conversion rather than the 35–37% that will apply when RMDs force distributions in a decade. Over 8 years of consistent bracket-filling, this executive could convert $800,000 to $900,000 to the Roth — permanently removing it from the RMD calculation.

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The IRMAA Interaction: When Conversions Raise Medicare Costs

Roth conversions increase adjusted gross income in the conversion year. If that increased income crosses an IRMAA threshold, Medicare Part B and Part D premiums increase for the following year. The IRMAA surcharges are assessed on a two-year lookback basis — the income you report in 2024 determines your Medicare premiums in 2026.

For most retirees, IRMAA is an acceptable cost of a well-sized Roth conversion — the lifetime tax savings from the conversion typically far exceed the additional Medicare premium. But it is a cost that must be modeled explicitly. A conversion that produces $5,000 in IRMAA surcharges the following year is not necessarily wrong — it just needs to be accounted for in the cost-benefit calculation. We address IRMAA in full detail in Section 5.5.

Should You Convert All at Once or Spread Over Years?

For virtually every energy executive, the answer is spread over years — for three reasons:

- **Progressive rate structure.** Converting a large amount in a single year pushes the marginal dollars into higher brackets. Spreading conversions over multiple years keeps more of the converted amount in lower brackets.
- **IRMAA management.** A single large conversion can trigger the highest IRMAA surcharge tier for the following year — sometimes $5,000 to $8,000 in additional Medicare premiums per person. Spreading the conversion moderates this cost.
- **Uncertainty about future tax rates.** Converting over multiple years hedges against the possibility that tax rates change. If rates decline in a future year, you benefit from delaying some conversions. If rates increase, you benefit from having converted early. A multi-year approach captures both directions of optionality.

5.4 Coordinating All Income Streams: The Full Multi-Year Tax Picture

We want to illustrate what coordinated retirement tax planning actually looks like in practice — not as a theoretical framework, but as a concrete multi-year income map for a representative energy executive.

The executive in this illustration retires at 62 with the following:

- Pension: $72,000/year, beginning at retirement
- Deferred compensation: $1.1 million, elected as 10-year installments ($110,000/year)
- Traditional IRA (401k rollover): $1.4 million
- ·Social Security: estimated $48,000/year at age 70 (delayed for maximum benefit)

- Roth IRA: $85,000 (pre-existing)
- Taxable brokerage: $320,000

Age / Year	Taxable Income Sources	Est. Total Income	Planning Actions
62–69 (Pre-SS)	Pension $72K + Deferred comp $110K + investment income ~$15K	~$197,000/yr	Roth convert ~$50K–$80K/yr; sell appreciated stock at 15% LTCG; fund expenses from taxable account
70 (SS begins)	Pension $72K + SS $48K + Deferred comp $110K + investment income	~$250,000+/yr	Roth conversions narrow; focus on bracket edges; continue stock diversification
73 (RMDs begin)	Pension + SS + Deferred comp (if still running) + RMD ~$54K+	~$285,000–$310,000/yr	Roth conversions largely closed; QCDs from IRA for charitable giving; manage IRMAA
75–80 (Deferred comp ends)	Pension + SS + RMDs begin	~$200,000–$240,000/yr	RMDs dominant; Roth assets available for large expenses; legacy planning

Several observations from this illustration that are broadly applicable:

- **The most valuable Roth conversion years are 62–69.** Before Social Security activates, income is relatively modest — pension plus deferred comp, after standard deductions, leaves genuine bracket capacity. This is the window that must be exploited deliberately.
- **The deferred compensation installments are the primary constraint.** At $110,000 per year, NQDC income occupies a significant portion of the available brackets during the conversion window. An executive who had elected a 5-year lump sum instead would have had higher income in years 62–67 and almost no Roth conversion capacity — followed by more capacity in years 68 and beyond. The right election depends on the full income picture — which is why the NQDC election must be modeled against everything else, not made in isolation.
- **Delaying Social Security to 70 is a tax planning decision, not just an income decision.** Deferring Social Security until 70 extends the conversion window by not adding $48,000 of partially taxable income to the brackets during the critical years 62–69. The increased benefit at 70 is valuable — but so is the additional tax planning capacity created by the delay.

- **The taxable brokerage account provides flexibility.** Drawing living expenses from the taxable account during the conversion years — rather than from the IRA — allows the IRA withdrawals to be structured entirely around Roth conversion sizing rather than cash flow needs. This decoupling of spending from tax planning is only possible when the taxable bucket is adequately funded.

5.5 IRMAA: The Medicare Surcharge That Catches Retirees Off Guard

IRMAA — the Income-Related Monthly Adjustment Amount — is a Medicare premium surcharge applied to retirees whose income exceeds certain thresholds. It is one of the most consistently overlooked costs in retirement tax planning, and for energy executives with complex, multi-source income streams, it is a material and manageable expense — if planned for.

How IRMAA Works

Standard Medicare Part B premiums are approximately $175 per month per person in 2024. IRMAA surcharges apply on top of that amount based on Modified Adjusted Gross Income (MAGI) from two years prior. The surcharges are assessed per person — meaning a married couple both enrolled in Medicare pays the surcharge twice.

MAGI (Married Filing Jointly, 2024)	Monthly Part B Premium Per Person	Annual Surcharge Per Couple (vs. standard)
$206,000 or less	$174.70	None
$206,001 – $258,000	$244.60	+$1,668/yr per couple
$258,001 – $322,000	$349.40	+$4,164/yr per couple
$322,001 – $386,000	$454.20	+$6,660/yr per couple
$386,001 – $750,000	$559.00	+$9,156/yr per couple
Above $750,000	$594.00	+$10,068/yr per couple

Part D (prescription drug) premiums carry analogous surcharges, adding approximately $500 to $2,000 per year per couple at higher income levels. The combined Part B and Part D IRMAA surcharge can reach $12,000 or more annually for couples at the highest income tier.

The Two-Year Lookback: Why Retirement Year Income Is Critical

The two-year lookback is the feature of IRMAA that creates the most planning urgency. Your Medicare premiums in any given year are based on your MAGI from two years earlier. This means:

- A large RSU vest, severance payment, or NQDC lump sum distribution in your retirement year (age 62, for example) will determine your Medicare premiums at age 64
- A large Roth conversion in the year you turn 63 will determine your premiums at 65 — your first year of Medicare enrollment
- The income in years 71 and 72 determines your premiums at 73 and 74 — the years when RMDs first arrive

The practical implication: retirement year income management is not only about the year itself. It affects two future years of Medicare costs. An avoidable income spike in the retirement year — a lump sum NQDC election that could have been installments, or a Roth conversion sized without modeling the IRMAA tier — can cost $8,000 to $12,000 in additional Medicare premiums over the following two years.

IRMAA and Roth Conversions: Finding the Right Size

The IRMAA brackets create natural sizing targets for Roth conversions. Converting to the top of the 24% ordinary income bracket is one target. Staying below the next IRMAA tier is another. When those two targets conflict, the right choice depends on the math — specifically, whether the Roth conversion's lifetime tax savings outweigh the additional IRMAA cost.

In most cases, a conversion that crosses one IRMAA tier is still worth executing — the additional Medicare premium is $1,400 to $2,000 per couple per year for two years, which is often less than the lifetime tax savings from converting at 22–24% rather than paying 35–37% on RMDs. But the calculation should be explicit, not assumed.

The IRMAA Life-Changing Event Exception

If your income in a given year was unusually high due to a one-time event — retirement, sale of a business, large capital gain, or other non-recurring income — you may qualify for an IRMAA reconsideration based on a life-changing event. The IRS and Social Security Administration define qualifying events narrowly: marriage, divorce, death of a spouse, loss of income from work, loss of pension income, or employer settlement payment.

Retirement itself qualifies as a loss of income from work — which means executives who retire in a high-income year can appeal IRMAA surcharges that would otherwise apply in subsequent years. The appeal uses Form SSA-44 and requires documentation of the change in circumstances. This is a legitimate and

underutilized tool for managing the first one to two years of Medicare costs following a high-income retirement year.

5.6 Withdrawal Sequencing: Which Accounts to Draw First

The order in which you draw down retirement accounts is a tax planning decision with multi-decade consequences. The conventional wisdom — draw taxable accounts first, then tax-deferred, then Roth last — is a reasonable default but not always the right answer for energy executives with complex, multi-source income.

The Conventional Sequence and Its Logic

The standard withdrawal sequence is:

- First: taxable brokerage accounts — spend down non-retirement savings while tax-deferred and tax-free accounts continue to grow
- Second: tax-deferred accounts (IRA, 401k) — when taxable accounts are depleted or needed withdrawals are RMD-mandated
- Last: Roth accounts — allow maximum tax-free growth; preserve for large late-retirement expenses, healthcare costs, or heirs

The logic is straightforward: Roth assets grow tax-free, so the longer they compound, the greater the tax-free balance. Tax-deferred assets will eventually be forced out via RMDs regardless, so there is no benefit to drawing them earlier than necessary — unless strategic conversions are being executed.

When to Deviate From the Standard Sequence

For energy executives, several situations warrant deviation:

- **When bracket management requires IRA withdrawals above spending needs.** If drawing only taxable accounts keeps income so low that valuable Roth conversion capacity is unused, drawing additional IRA funds — and converting them to Roth — produces better long-term outcomes than purely minimizing current-year tax.
- **When IRMAA tier management requires reducing income.** If total income is just above an IRMAA tier, drawing from the Roth account instead of the IRA for a portion of spending can reduce MAGI below the threshold — saving Medicare premiums without reducing spending.
- **When a large expense arises.** Major healthcare costs, home purchases, or other significant expenses in retirement are ideal candidates for Roth distributions — the tax-free nature of the withdrawal has the most impact in high-spending years.

- **When RMDs are approaching and the IRA is very large.** Accelerating IRA withdrawals — beyond RMD requirements, in years before RMDs begin — at moderate tax rates can reduce the RMD burden in later years and improve the overall tax trajectory.

5.7 State Tax Planning at Retirement

Many of our clients are based in Texas, and for them state income tax is a non-issue — Texas imposes no individual income tax. But that is not true for everyone reading this guide. Energy companies operate across high-tax states including California, New York, and Colorado, and retirement relocation decisions can turn on state tax treatment of pension income, deferred compensation, and Social Security. If state income tax does not apply to your situation, you can skip ahead to the next section. For everyone else, what follows is worth careful attention.

Federal income tax gets the most attention in retirement planning, and appropriately so — federal rates are higher and federal rules are more complex. But state income tax is a meaningful secondary consideration, particularly for energy executives in high-tax states or those considering relocation at retirement.

State Treatment of Pension Income

State tax treatment of retirement income varies dramatically. Several states exempt pension income entirely from state income tax — including Mississippi, Illinois, Pennsylvania, and several others. Many states provide partial exemptions. A handful of states with no income tax at all (Texas, Florida, Wyoming, Nevada, among others) are particularly relevant for energy employees in Houston, Denver, or Dallas who are already in low or no-income-tax states.

For an executive receiving $72,000 in annual pension income, a state that exempts pension income entirely saves $3,000 to $7,000 per year in state taxes compared to a state taxing that income at 5% to 10%. Over a 25-year retirement, the cumulative difference is $75,000 to $175,000.

State Treatment of Deferred Compensation

Most states tax NQDC distributions as ordinary income in the year received — consistent with federal treatment. A small number of states have source taxation rules that can tax deferred compensation based on where the income was earned, rather than where the retiree lives at distribution. This is a nuanced area that requires specific legal and tax analysis for executives considering interstate relocation between the time compensation is deferred and the time it is distributed.

Domicile and the Residency Change Decision

Relocating to a no-income-tax or low-income-tax state at retirement is a legitimate and often significant tax planning strategy. Texas has no state income tax. Florida has none. Wyoming and Nevada have none.

For an energy executive with $300,000 or more in annual retirement income, eliminating a 5% to 9% state income tax saves $15,000 to $27,000 per year — a compelling number.

But domicile changes require genuine changes in living — not paper changes. States with high income taxes (California, New York, New Jersey) aggressively audit claimed domicile changes, looking for continued ties to the prior state: property ownership, professional licenses, club memberships, time spent in the state, location of close family, and voting registration. A relocation that is not genuine in fact creates audit risk that can result in years of back taxes, penalties, and interest.

For clients genuinely willing to change where they live, the tax savings justify the effort. For those who want to maintain a primary residence in a high-tax state and claim domicile elsewhere, the risk is real and the IRS and state revenue agencies are sophisticated.

5.8 Common Tax Planning Mistakes in Energy Executive Retirement

- **Ignoring the Roth conversion window entirely.** This is the most consequential omission we see in energy executive retirement planning. The window between retirement and age 73 — when RMDs begin — is the only period in which large-scale, rate-controlled movement from tax-deferred to tax-free is possible. Executives who spend those years drawing down taxable accounts and doing nothing with the IRA arrive at 73 with the same large IRA balance, the same RMD obligation, and no remaining capacity to mitigate it. The opportunity is permanently lost.
- **Making NQDC distribution elections without modeling their interaction with the Roth conversion window.** A lump sum NQDC election that produces $800,000 of ordinary income in a single year consumes the Roth conversion window for that year entirely — and triggers the highest IRMAA tier for the following two years. An installment election modeled against the full income picture might have allowed $80,000 to $100,000 of annual Roth conversions for a decade. The election that felt simpler cost the client hundreds of thousands in lifetime tax savings.
- **Over-converting in a single year. Bracket discipline matters.** Converting $400,000 in a year when $150,000 would have filled the 24% bracket — and the additional $250,000 is taxed at 32% and 35% — is not optimal Roth conversion strategy. It is accelerating tax payments without a corresponding reduction in lifetime tax. The goal is to fill brackets efficiently, not to maximize the conversion amount in any single year.
- **Failing to account for IRMAA in conversion sizing.** A conversion that is $10,000 above the next IRMAA tier triggers $1,400 to $2,000 in additional annual Medicare premiums per couple for two years — $2,800 to $4,000 total. Whether that cost is worth the conversion benefit depends on the amount converted.

Often it is. Sometimes it is not. The calculation must be done explicitly before the conversion is executed.

- **Not using the taxable account to fund spending during the conversion window.** Retirees who draw IRA distributions for living expenses during the conversion years consume the bracket space that should be used for Roth conversions. The taxable brokerage account — drawing from it first, using capital gains rates rather than ordinary income rates — preserves the IRA balance for deliberate conversion at controlled rates.
- **Treating state tax planning as an afterthought.** The decision about where to live in retirement has a larger annual tax impact than most investment decisions. For executives with the flexibility to relocate, the state tax analysis deserves a dedicated, quantified evaluation — not a casual assumption that the current state is fine.

SECTION 6

LAYOFFS, SEVERANCE & EARLY RETIREMENT PACKAGES

> Energy industry workforce reductions are not aberrations. They are a structural feature of the business — cyclical, recurring, and often sudden. The employees who fare best are not necessarily those with the most seniority or the largest packages. They are the ones who understood what they were being offered before they signed.

The energy industry has experienced more significant workforce reductions in the past two decades than almost any other sector of the American economy. Oil price cycles, M&A consolidation, energy transition pressures, and ongoing efficiency initiatives produce recurring rounds of restructuring at companies of every size — from the supermajors to the midstream operators to the oilfield services firms.

For the employees caught in these reductions, the financial stakes are high and the decision window is short. A severance package that is presented as generous may be — or may contain provisions that are poorly understood, improperly valued, or negotiable. An enhanced early retirement offer that expires in 30 days requires rapid analysis of questions that would normally take months to address.

This section is written for employees who are facing one of these moments — or who want to understand what they would face if they did. The goal is to give you the framework to evaluate what you are being offered, understand what you may be leaving on the table, and make a decision based on analysis rather than urgency.

6.1 Understanding the Energy Industry Workforce Reduction Landscape

Before evaluating a specific package, it helps to understand the context in which energy industry workforce reductions typically occur — because that context shapes what is negotiable, what protections exist, and what alternatives you may have.

Types of Separations

Not all workforce reductions are the same, and the type of separation matters significantly for how your benefits, equity compensation, and retirement accounts are treated.

Separation Type	Key Characteristics
Involuntary layoff / RIF (Reduction in Force)	Company-initiated. Typically triggers the most favorable severance terms, benefit continuation, and equity treatment. May qualify for unemployment benefits.
Enhanced Early Retirement Program (EERP)	Company offers enhanced terms to encourage voluntary departure. Employee chooses to accept or decline. If declined, employee may still face subsequent layoff — but without the enhanced terms.
Voluntary Separation Incentive Program (VSIP)	Similar to EERP. Employee volunteers. Some programs are first-come, first-served; others have enrollment windows. Declining does not guarantee continued employment.
Negotiated individual separation	Less common; typically for senior executives. Terms are negotiated individually and may differ substantially from the standard program.
For-cause termination	Triggered by performance or conduct issues. Generally provides no severance, forfeits unvested equity, and may have other adverse consequences. Outside the scope of this section.

The distinction between an involuntary layoff and a voluntary program matters for one critical reason: unemployment insurance eligibility. Employees who accept an EERP or VSIP are voluntarily separating and may be ineligible for unemployment benefits in many states. This is not a trivial point — for an employee in their late 50s who is not immediately re-employed, unemployment benefits can represent $15,000 to $25,000 in income during a job search.

The Urgency Trap

Severance packages almost always come with deadlines — typically 21 to 45 days to review and sign for employees age 40 and older (required by the Older Workers Benefit Protection Act), and a 7-day revocation period after signing. These timelines are legally mandated minimums, not arbitrary constraints.

But the organizational pressure to decide quickly can make them feel more urgent than they are.
Our consistent advice: use every day you are given. Do not sign before you have obtained answers to every question raised in this section. The company has been planning this reduction for months. You have weeks. Use them.

6.2 Evaluating a Severance Package: What You Are Actually Being Offered

A severance package is typically a bundle of components, each with its own value, its own tax treatment, and its own negotiability. Evaluating it requires disaggregating the bundle and assessing each component on its own terms.

Cash Severance

The base severance payment is usually calculated as a multiple of weekly or monthly salary based on years of service. Common formulas: one week per year of service, two weeks per year, or a flat multiple (one month, two months, three months of base salary) plus a years-of-service component. Senior executives often receive more favorable formulas — sometimes specified in employment agreements.

Cash severance is taxed as ordinary income in the year received — withholding at the supplemental wage rate (22% federal, or 37% above $1 million), plus state income tax, plus FICA on the first $168,600 of annual earnings (2024). Depending on timing, severance paid in December may push income into the following January if the company allows deferral — ask explicitly whether timing of payment is negotiable.

Enhanced Pension Credits

This is one of the most valuable and most commonly undervalued components of an energy company EERP. Enhanced pension credits add service years — typically two to five years — to the employee's benefit calculation, often both to the years-of-service component and to the age used for early retirement eligibility purposes.

Adding three years of pension credit to a pension formula of 1.6% per year of service on a $180,000 final average salary produces $8,640 in additional annual pension income — $720 per month, for life. Capitalized at a discount rate of 4%, that additional income stream has a present value of approximately $150,000 to $200,000 depending on life expectancy. It is a component that is frequently described in one sentence in the package letter and understood in far less depth than its value warrants.

How to Value Enhanced Pension Credits

Request pension estimates under both your actual service and the enhanced service scenario. The difference in monthly income — multiplied by a reasonable capitalization factor based on your age and life expectancy — is the present value of the enhancement. For a 57-year-old receiving three additional pension years, the capitalized value can easily exceed $100,000 to $200,000. This number rarely appears on the package summary. You have to calculate it.

Healthcare Continuation

Healthcare continuation is often the largest single component of an energy industry EERP for employees who are more than a few years from Medicare eligibility — and it is almost always presented as a monthly cost rather than a total value.

Consider the actual math: an employee separating at 58 faces seven years until Medicare eligibility at 65. The company's group healthcare plan, which might cost $800 to $1,200 per month in employee premiums, would cost $2,500 to $4,000 per month on the individual market or under COBRA. An EERP that provides company-subsidized healthcare at group rates for 18 to 24 months — or in some cases until Medicare eligibility — is providing a benefit worth $30,000 to $150,000 in avoided premium costs, depending on the duration and subsidy level.

Healthcare continuation terms vary enormously across companies. Some provide the same coverage at the same employee contribution rate as active employees for a specified period. Others require COBRA rates (full premium plus 2% administrative fee) for 18 months before transitioning to retiree healthcare or leaving the employee on their own. The difference between these two scenarios can be $40,000 or more over the bridge period.

Scenario	Monthly Premium Cost	7-Year Bridge Cost (to Medicare)
Active employee rate (EERP subsidy)	$900/month	$75,600
COBRA rate (first 18 months)	$3,600/month	$64,800 (18 months)
Individual market (post-COBRA)	$2,800/month	$168,000 (remaining 66 months)

Scenario	Monthly Premium Cost	7-Year Bridge Cost (to Medicare)
EERP at active rate full bridge	$900/month	$75,600 total
COBRA then individual market	$900/month	$64,800 (18 months)
Individual market (post-COBRA)	Mixed	$232,800 total — $157,200 more

Equity Treatment: RSUs, Options, and LTIPs

How unvested equity is treated at separation is one of the most consequential — and most variable — components of an EERP. Treatment depends on the specific plan document, the type of separation (involuntary vs. voluntary), and whether the employee meets retirement eligibility criteria under the plan.

- **RSUs:** In an involuntary layoff, some plans provide pro-rata vesting of unvested RSUs through the separation date. Others forfeit all unvested grants. In an EERP, the terms may be specifically negotiated — some EERPs explicitly provide enhanced RSU treatment as part of the package. Read the specific grant agreements, not just the EERP summary.
- **Stock options:** Post-separation exercise windows are plan-specific. Most plans provide 90 days to three years after separation to exercise vested options, depending on whether the separation qualifies as retirement under the plan. The retirement eligibility threshold — age plus service combinations — is critical. An employee who qualifies as retirement-eligible under the stock plan has substantially more favorable option treatment than one who does not.
- **LTIPs:** In-progress performance periods are typically treated pro-rata based on months of service in the performance period — paid at the end of the period based on actual results. Some EERPs enhance this treatment, providing a higher proration factor or guaranteeing payment at target regardless of performance. These enhancements can be worth $50,000 to $200,000 depending on in-progress award size.

Read Every Grant Agreement Individually

The EERP summary document describes general treatment of equity awards. Your actual rights are determined by the individual grant agreements for each award. We have seen cases where general EERP terms described forfeiture of unvested RSUs, but individual grant agreements for employees meeting retirement eligibility criteria provided continued vesting under retirement provisions. The grant agreement controls. Read every one before accepting the package.

Deferred Compensation Treatment

NQDC plan treatment at involuntary separation is governed primarily by the plan document and Section 409A. In most cases, involuntary separation from service triggers the distribution elections already in place — the schedule you elected years earlier begins executing. If you elected a lump sum at separation, a large distribution arrives, likely in a high-income severance year. If you elected installments, they begin.

The critical planning question: if your NQDC distribution election produces a large lump sum in the same year as your cash severance, RSU acceleration, and pension lump sum, the income stack can reach seven figures and the effective tax rate can approach 40%. While the election itself is irrevocable, the timing of the severance payment and other components may have some flexibility — consult your tax advisor before signing.

Outplacement and Other Benefits

Outplacement services, financial planning consultations, career coaching, and continuation of perquisites (company car, phone, home office allowances) are typically offered but vary by level. For senior executives, these can represent $10,000 to $30,000 in services. They are worth taking seriously — not as a consolation prize, but as genuine tools for managing the transition.

6.3 The Accept vs. Wait Analysis: Making the Decision Clearly

The central question for an EERP is: is this the right time to separate, on these terms, or is it better to decline and continue employment — with the risk that subsequent separation occurs on less favorable terms?
This is not a rhetorical question and it does not have a universal answer. It requires a structured analysis of your specific financial position, the specific terms being offered, and the realistic assessment of what happens if you decline.

Assessing the Package Value

Begin by constructing a total economic value of the package — not the number the company presents, but the full calculation including components that are understated in the summary:

- Cash severance: stated amount, after estimated tax
- Enhanced pension credits: present value calculated as described in Section 6.2
- Healthcare continuation: total avoided premium cost over the bridge period
- Enhanced equity treatment: incremental value vs. standard separation treatment
- LTIP enhancement (if any): incremental value vs. pro-rata standard treatment
- Outplacement and other benefits: estimated market value

This total often differs substantially from what the package letter implies. We have worked with clients who received packages described as "12 months salary" that had a true economic value — once pension enhancement, healthcare, and equity treatment were properly calculated — of 2.5 to 3 times the stated cash amount.

What Happens If You Decline

Declining an EERP does not guarantee continued employment. In most restructuring scenarios, the workforce reduction occurs whether or not sufficient employees accept the voluntary program. Employees who decline may face:

- Subsequent involuntary termination with standard (less enhanced) severance terms
- Continued employment but with changed roles, reduced compensation, or relocation requirement.
- The elimination of the specific retirement eligibility enhancement offered in the EERP — which may not be available again
- Loss of the healthcare bridge at favorable terms

The honest analysis is a probability-weighted comparison: the expected value of accepting today versus the probability-weighted expected value of the alternatives. That requires a realistic assessment of the likelihood of continued employment on acceptable terms — which most employees tend to overestimate in the immediate aftermath of a reduction announcement.

The Retirement Readiness Test

Separate from the package valuation, the EERP decision is also a retirement readiness test: are you financially prepared to retire if this package is accepted and re-employment does not occur? This requires modeling

your retirement income picture under the EERP scenario — pension benefits under the enhanced terms, Social Security at various claiming ages, portfolio withdrawals, and healthcare costs through Medicare.

If the analysis shows that the package — combined with your existing assets — produces a sustainable retirement income plan, the accept decision becomes substantially easier. If it shows a significant income gap, the analysis informs either a negotiation (can the package be enhanced?) or a re-employment plan (what salary and timeline would close the gap?).

> The EERP decision is rarely just financial. It involves questions about identity, purpose, career satisfaction, and what retirement means to the individual. We take those dimensions seriously. But the financial analysis must be completed first — because accepting a package that does not provide for a financially sustainable retirement, regardless of the emotional appeal of leaving, creates a problem that enthusiasm cannot solve.

6.4 Tax Planning in the Severance Year

The year in which separation occurs is often the most complex and highest-income year in an energy employee's financial life — and the one in which tax planning has the most immediate impact. Multiple income sources arrive simultaneously, some of them anticipated and some not, often in a single tax year with no ability to spread them.

The Income Stack in a Separation Year

A senior energy employee separating under an EERP at age 57 might experience the following in a single tax year:

Income Component	Estimated Amount	Tax Character
Base salary (partial year, through separation)	$155,000	Ordinary income
Cash severance (one lump sum)	$310,000	Ordinary income, supplemental wages
RSU acceleration (pro-rata or enhanced)	$180,000	Ordinary income, supplemental wages

Income Component	Estimated Amount	Tax Character
LTIP pro-rata payout	$95,000	Ordinary income
NQDC lump sum distribution (if elected)	$650,000	Ordinary income
TOTAL	$1,390,000	Effectively all ordinary income

At $1.39 million of income, virtually all marginal income is taxed at 37%. The total federal tax bill — even with the standard deduction and mortgage interest — approaches $460,000 to $500,000. State income tax is additional. This is not a result of poor planning; some of this income is simply unavoidable. But it is a result that demands every available mitigation strategy.

Tax Mitigation Strategies in the Separation Year

- **Timing of severance payment.** Some companies offer flexibility in the payment date of cash severance — particularly for executive-level separations. If separation occurs in October or November, requesting that severance be paid in January of the following year pushes $200,000 to $400,000 of income into the next tax year — when other income sources may be substantially lower. Under 409A, lump sum severance that is not "deferred compensation" under the plan can often be timed. Verify this with your tax advisor and the company's benefits team before assuming it is available.
- **Maximize retirement account contributions.** If separation occurs mid-year, maximize 401(k) contributions — including catch-up contributions for those age 50 and older — in the months before separation. In 2024, the combined limit is $30,500 for those 50 and over. On a $155,000 partial-year salary, this reduces taxable income by the full contribution amount.
- **Charitable giving in the separation year.** For employees with charitable intent, the separation year — with its high income and high marginal rates — is the optimal year to make significant charitable gifts. A $50,000 contribution to a Donor-Advised Fund in a 37% bracket year generates a $18,500 federal tax benefit. The same gift in a 22% bracket year generates $11,000. The high-income separation year is the right year to make — or front-load — charitable commitments.
- **Roth conversion opportunity if NQDC is installments, not lump sum.** If the NQDC balance distributes as installments rather than a lump sum, the separation year income may be lower in subsequent years — creating a Roth conversion window earlier than expected. Model this explicitly.

- **IRMAA management.** As discussed in Section 5.5, separation year income determines Medicare premiums two years later. A $1.39 million income year guarantees the highest IRMAA surcharge tier for two subsequent years. This is not avoidable when the income is real. But understanding it prevents the additional surprise of receiving a Medicare premium notice that is $8,000 to $12,000 above expectation.

6.5 The Rule of 55: 401(k) Access Without the 10% Penalty

The Rule of 55 is one of the most valuable and least understood provisions in the tax code for energy employees facing separation before age 59½. It allows penalty-free withdrawals from a 401(k) or similar employer plan — without the standard 10% early withdrawal penalty — for employees who separate from service in the year they turn 55 or later.

How It Works

Under IRC Section 72(t)(2)(A)(v), the 10% early withdrawal penalty on distributions from a qualified retirement plan is waived if the employee separates from service during or after the calendar year in which they turn age 55. The key points:

- **The age test is calendar-year based.** You do not need to actually be 55 at the time of separation. If you turn 55 at any point in the calendar year of your separation, you qualify. An employee who turns 55 in December qualifies even if they separate in January of the same year.
- **It applies to the plan at the employer you are separating from.** The Rule of 55 applies specifically to the 401(k) or ESIP at the employer you are leaving. It does not automatically apply to prior employer 401(k)s, IRAs, or other retirement accounts.
- **The penalty waiver applies only to distributions — ordinary income tax is still owed.** Rule of 55 distributions are not tax-free. They are taxed as ordinary income. The only thing waived is the 10% early withdrawal penalty. For an employee in the 35% bracket, a $100,000 Rule of 55 distribution costs $35,000 in federal income tax — but not the additional $10,000 penalty that would apply to an IRA withdrawal before age 59½.
- **It does not require taking all funds out.** Distributions under the Rule of 55 can be taken as needed — there is no requirement to empty the account or take a specific minimum amount. The employee retains full discretion over the amount and timing of withdrawals.

Do Not Roll Over the Plan Before Using Rule of 55

If you roll your 401(k) balance into an IRA before age 59½, the Rule of 55 benefit is permanently lost for that money. IRA withdrawals before 59½ are subject to the 10% penalty regardless of when you separated from service. If you are separating before age 59½ and may need access to retirement funds before 59½, keep the money in the employer plan until you are certain you no longer need the Rule of 55 access — or until you reach 59½.

Rule of 55 vs. 72(t) Distributions

An alternative to the Rule of 55 for employees who separate before age 55 is 72(t) distributions — also known as Substantially Equal Periodic Payments (SEPPs). Under this provision, the 10% penalty is waived if the account owner takes a series of substantially equal payments calculated under one of three IRS-approved methods, continued for at least five years or until age 59½, whichever is later.

72(t) distributions are available from IRAs as well as employer plans, which makes them more broadly applicable than the Rule of 55. But they carry significant constraints: the payment amount cannot be changed once established (with narrow exceptions), and modifying or stopping the payments before the required period triggers retroactive application of the 10% penalty on all prior distributions plus interest.

For energy employees who qualify for the Rule of 55, it is almost always preferable to 72(t) because it provides complete flexibility in distribution amount and timing without the rigid commitment structure of 72(t).

Strategic Use of Rule of 55 in an EERP

The Rule of 55 changes the retirement income math for energy employees separating in their mid-to-late 50s in a meaningful way. Without it, accessing the 401(k) balance before 59½ requires either accepting the 10% penalty or committing to a 72(t) schedule. With it, the plan balance becomes a flexible, penalty-free resource for managing income and cash flow in the years between separation and when pension, Social Security, and other income sources activate.

This has direct implications for the EERP accept/decline analysis. An employee who accepts the EERP at 56 and has a $900,000 401(k) balance can, under the Rule of 55, draw from that balance to fund living expenses without penalty while keeping Roth conversion capacity available in the lower brackets. Without the Rule of 55, the same employee would be restricted to taxable account assets for penalty-free access — a meaningfully different financial picture.

6.6 Healthcare: The Bridge to Medicare

For energy employees separating before age 65, healthcare is not a secondary consideration. It is often the most immediately pressing financial challenge — and the one with the most variable cost depending on how it is managed.

The Four Options

- **Employer-subsidized continuation under the EERP.** The most favorable scenario. If the EERP includes continued coverage at active employee rates for an extended period, this is almost always the right choice. Secure the terms in writing — specifically the premium rate, the coverage level, and the duration of the subsidy.
- **COBRA.** Continuation of the employer's group plan at full cost plus a 2% administrative fee for up to 18 months (36 months in some circumstances). COBRA rates for family coverage at energy companies commonly run $1,800 to $3,500 per month. The coverage is identical to the active employee plan — which is its primary advantage. The cost is its primary disadvantage.
- **ACA marketplace plan.** Individual and family plans purchased through the Health Insurance Marketplace. Premium tax credits are available for individuals with income below 400% of the federal poverty level — but energy employees receiving large severance payments may have income too high to qualify for subsidies in the separation year. In subsequent lower-income years, marketplace plans with tax credits can be cost-competitive with or superior to COBRA.
- **Spouse's employer plan.** If a spouse has employer-sponsored coverage, the separation qualifies as a Special Enrollment Period allowing the separating employee to join the spouse's plan. This is often the most cost-effective option when available — though it creates a dependency on the spouse's continued employment that carries its own risk.

Do Not Roll Over the Plan Before Using Rule of 55

An executive separating at 57 with a 6-month EERP healthcare subsidy followed by 8 years until Medicare might structure the bridge as follows: EERP coverage (months 1–6) → COBRA (months 7–24) → spouse's plan or ACA marketplace (years 3–8 until Medicare at 65). The critical variable is income management in the post-COBRA years — keeping AGI within ACA subsidy thresholds by managing Roth conversion amounts, capital gains realizations, and 401(k) withdrawals. In some cases, disciplined income management can reduce ACA premiums by $10,000 to $20,000 per year compared to an unmanaged income approach.

6.7 What to Negotiate — and How

Severance packages presented as "standard" are rarely truly non-negotiable for senior employees. The leverage for negotiation depends on seniority, the terms of any existing employment agreement, and the company's interest in a clean, cooperative transition. But the opportunity to negotiate exists more often than employees assume — and most employees do not ask.

What Is Typically Negotiable

- **Healthcare duration and subsidy rate.** Companies have discretion over how long they extend healthcare coverage at subsidized rates. A request to extend the subsidy from 12 months to 24 months — framed around the cost to the company versus the value to the employee — is often worth making, particularly for employees within a few years of Medicare eligibility.
- **Equity treatment.** Pro-rata vesting formulas have flexibility in how they are calculated. Rounding conventions, whether a partial performance period counts as a full period, and whether additional months can be credited are all potential negotiation points.
- **Timing of severance payment.** As discussed in Section 6.4, shifting a severance payment into the next tax year can save significant tax. This is a low-cost concession for the company — it costs them nothing in present value terms — and a high-value benefit for the employee in the right circumstances.
- **Non-compete scope and duration.** Non-compete agreements attached to severance packages are frequently over-broad. The geographic scope, the definition of competitive activity, and the duration are all negotiating points — and in some states, overly broad non-competes are unenforceable regardless. Consulting an employment attorney before signing is worthwhile for any senior executive receiving a non-compete as a condition of severance.
- **Outplacement and transition support.** Higher levels of outplacement support, longer access periods, and specialized executive coaching are often available upon request at senior levels.

How to Approach the Negotiation

Frame requests around specific, quantified needs rather than general dissatisfaction with the package. "The healthcare bridge leaves a gap of four years before Medicare eligibility at a cost of approximately $100,000 — I'm requesting an extension to the subsidized rate through age 62" is a more effective approach than "I think the healthcare terms are inadequate."

Identify your strongest leverage points before the conversation: unique institutional knowledge, client relationships, transition support the company needs, or the risk of a contested separation if terms are unreasonable. Use those points calmly and professionally.

Recognize that HR representatives presenting the package often do not have authority to modify it. Requests for modifications may need to be escalated to the executive's direct manager, their manager's manager, or to legal and HR leadership. Ask who has the authority to consider modifications and direct your request there.

6.8 Immediate Financial Action Checklist

When separation becomes imminent — whether through an EERP offer, a layoff notification, or a negotiated departure — the following actions must be taken in roughly the order listed. Some have hard deadlines. Missing them can cost tens of thousands of dollars or foreclose options permanently.

WITHIN THE FIRST WEEK

- ☐ Secure copies of all equity grant agreements — every RSU grant, every option grant, every LTIP award. Request from HR if not already in your possession.
- ☐ Document the terms of the package offer in writing — confirm via email what was verbally communicated.
- ☐ Identify the vesting status of every equity award as of the separation date.
- ☐ Note the post-separation exercise window for every stock option grant.
- ☐ Identify whether you meet retirement eligibility criteria under each equity plan.
- ☐ Request the plan's cost basis for any company stock held in the ESIP or 401(k) — required for NUA analysis.
- ☐ Confirm your NQDC distribution election and verify when distributions will begin.

WITHIN THE FIRST 30 DAYS

- ☐ Obtain pension estimates under both your actual service and the enhanced EERP service scenario.

WITHIN THE FIRST 30 DAYS

- ☐ Model total tax liability for the separation year — all income sources, all withholding, estimated quarterly payment needs.
- ☐ Evaluate healthcare options and costs for the full bridge period to Medicare (or spouse's plan).
- ☐ Assess Rule of 55 eligibility and whether keeping the 401(k) in the plan (rather than rolling to IRA) is appropriate.
- ☐ Model the retirement income picture under the EERP scenario — is the package sufficient to retire sustainably?
- ☐ Consult an employment attorney if any non-compete, non-solicitation, or general release language is unclear or broad.
- ☐ Evaluate any negotiation requests before the signature deadline.

BEFORE SIGNING THE SEPARATION AGREEMENT

- ☐ Confirm that all equity treatment terms are accurately reflected in the agreement — not just the EERP summary.
- ☐ Confirm NQDC distribution schedule is documented and consistent with your prior elections.
- ☐ Confirm pension election options and deadlines — the EERP may have accelerated the pension decision timeline.
- ☐ If taking the lump sum from the pension, confirm whether NUA on ESIP stock should be executed simultaneously
- ☐ Confirm healthcare coverage start and end dates in writing.
- ☐ Confirm any severance timing flexibility that was negotiated.
- ☐ Have a tax advisor review the agreement before signing if income in the separation year is expected to exceed $500,000.

IN THE 90 DAYS FOLLOWING SEPARATION

- ☐ File for unemployment benefits if the separation was involuntary (layoff, not voluntary EERP acceptance).
- ☐ Execute NUA distribution if determined to be advantageous — must occur in the same tax year as separation if triggered by that event.
- ☐ Make final 401(k) catch-up contribution before last payroll if contribution limit not yet reached.
- ☐ Elect COBRA or enroll in alternative healthcare coverage before the 60-day enrollment deadline.
- ☐ Update beneficiary designations on all retirement accounts, pension, and life insurance.
- ☐ Begin Roth conversion analysis for the post-separation year if income will be substantially lower.
- ☐ Initiate Social Security strategy review — when to claim, in the context of the new income picture.

6.9 Common Mistakes in Severance and EERP Planning

- **Signing before reading every grant agreement.** The EERP summary is a marketing document. Your actual equity rights are in the individual grant agreements. We cannot overstate how often the summary and the agreement differ in ways that matter — and how often employees discover this only after signing. Read every grant agreement before you sign the separation document.
- **Rolling the 401(k) to an IRA before confirming Rule of 55 plans.** As detailed in Section 6.5, this permanently eliminates penalty-free access before age 59½. For employees separating in their mid-50s who may need retirement account funds in the gap years, this is a costly and irreversible mistake.
- **Accepting the EERP without modeling the retirement income picture.** The package may be generous. Whether it is sufficient is a different question — one that requires a complete retirement income projection, not a rough estimate. We have seen clients accept EERPs with genuine enthusiasm, only to discover six months later that the income plan was based on assumptions that did not hold.

- **Treating cash severance as the whole package.** The headline number — "18 months of salary" — is the least interesting component of many EERPs once the pension enhancement, healthcare bridge, and equity treatment are properly valued. Focusing on the headline while undervaluing the other components leads to poor comparative analysis when negotiating or evaluating alternatives.
- **Missing the NQDC distribution timing opportunity.** For employees who elected a lump sum NQDC distribution at separation: if the total income in the separation year is already very high, there is usually nothing to be done — the distribution happens as elected. But for employees who have flexibility (installment elections that haven't begun, or separation occurring late in the year), understanding the interaction between the distribution and the full-year income picture before it becomes fixed is the relevant planning horizon.
- **Underestimating the healthcare cost bridge.** We consistently observe that employees focus on the monthly cost of COBRA or individual coverage but do not calculate the total multi-year cost of bridging from separation to Medicare. The total can reach $150,000 to $250,000 over six to eight years for a couple. That number needs to be in the retirement income model — and it often is not.

SECTION 7

THE RETIREMENT TRANSITION TIMELINE

> Most retirement planning focuses on what to do. This section focuses on when — because in energy industry retirement, timing is not incidental to the decisions. In many cases, timing is the decision.

The retirement transition is not a single event. It is a sequence of decisions — some made years in advance, some made at the moment of separation, and some that must be made in the months immediately following. Missing a deadline, executing in the wrong order, or treating simultaneous decisions as independent all carry quantifiable costs.

This timeline is structured around the specific compensation and benefit decisions that define energy industry retirement. Each phase identifies what must be done, when it must be done, and what the cost of inaction is. Cross-references to the relevant sections of this guide are included for each major decision area.
Use this timeline actively — not as a checklist to review once, but as a living planning document updated as your retirement date approaches.

7.1 The Master Timeline: Decisions, Deadlines, and Consequences

Timeline	Key Decisions & Actions	Cost of Inaction
36–24 Months Before Retirement	• Request pension lump sum estimates under multiple segment rate scenarios (Section 2) • Review all NQDC distribution elections — identify irrevocability windows NOW (Section 3.7) • Map LTIP performance periods straddling retirement date (Section 3.6) • Build 3-year tax projection under different retirement date scenarios (Section 5) • Identify RSU vesting calendar and optimal retirement year (Section 3.4) • Model Roth conversion capacity remaining in pre-retirement years (Section 5.3) • Assess concentrated stock exposure and begin diversification plan (Section 4)	Lost planning optionality. NQDC elections become irrevocable. Roth conversion window shortens. NUA opportunity may be forfeited.

Timeline	Key Decisions & Actions	Cost of Inaction
24–12 Months Before Retirement	• Finalize retirement date in context of RSU vesting and tax year optimization • Conduct stock option audit — identify options at expiration risk post-retirement (Section 3.5) • Initiate 10b5-1 plan if applicable — 90–120 day cooling-off period required (Section 4.6) • Perform NUA eligibility analysis — model vs. IRA rollover alternative (Section 4.3) • Run retirement income stress test: bear market scenario, healthcare gap, longevity • Confirm retiree healthcare eligibility, cost, and duration with HR • Begin Social Security optimization analysis integrated with pension start date (Section 10)	Stock options may expire unexercised. 10b5-1 plan cannot execute in intended window. NUA window may be missed.
12 Months Before Retirement	• Submit pension election form — verify spousal consent requirements (Section 2.5) • Confirm NQDC distribution schedule is on file and irrevocable (Section 3.7) • Execute NUA distribution in correct tax year if determined advantageous (Section 4.3) • Submit healthcare enrollment — COBRA or retiree plan (Section 9) • Review ALL beneficiary designations: 401(k), pension, deferred comp, life insurance • Decide 401(k)/ESIP rollover vs. retain in plan — Rule of 55 consideration (Section 6.5) • Make final 401(k) catch-up contributions before last payroll	Pension election missed or made without full information. NQDC election not on file. Healthcare gap. Beneficiary errors discovered too late.

Timeline	Key Decisions & Actions	Cost of Inaction
Ages 62–69 (Pre-Social Security Window)	• Execute annual Roth conversions using bracket-filling approach (Section 5.3) • Manage capital gains from concentrated stock sales within LTCG bracket targets (Section 4.4) • Use taxable brokerage to fund living expenses — preserve IRA for conversions • Annual DAF contributions of appreciated stock if charitable giving is planned (Section 4.5) • Monitor IRMAA tiers annually — adjust conversion amounts at tier boundaries • Evaluate Social Security claiming at 70 vs. earlier based on updated income model	Primary Roth conversion window expires unused. Concentrated stock remains undiversified. IRMAA surcharges mount.
Age 70 — Social Security Decision	• Execute Social Security claiming — optimal age confirmed against pension and deferred comp income • Reassess Roth conversion capacity — SS income now active and partially taxable • Evaluate Medicare Advantage vs. Medigap if not already selected (Section 9.2) • Update income projection through RMD onset at 73	Delayed claiming loses highest-earning years of maximum benefit. Early claiming permanently reduces survivor income.
Age 72–73 — RMD Onset	• Calculate first RMD from all applicable accounts — penalties for missed RMDs are 25% of amount not taken • Implement QCD strategy from IRA for charitable giving — reduces taxable income (Section 4.5) • Assess whether remaining Roth conversion capacity justifies continued conversions above RMD	25% penalty on missed RMDs. QCD opportunity unused — charitable giving done with after-tax dollars instead. Estate plan not updated for SECURE Act.

Timeline	Key Decisions & Actions	Cost of Inaction
	• Confirm beneficiary designations in light of SECURE Act 10-year rule (Section 11.2) • Review estate plan for RMD-driven changes to projected IRA balance at death	

7.2 The Three Decisions With No Second Chance

Within the timeline above, three decisions carry permanent consequences that cannot be reversed, revisited, or mitigated after the fact. They deserve explicit identification.

- **The NQDC distribution election.** Made before compensation is deferred. Irrevocable under 409A. The most consequential tax election in executive retirement planning, and the one made furthest in advance of its impact. See Section 3.7.
- **The NUA election.** Available only at the point of lump sum distribution from the employer plan. Once the plan balance is rolled to an IRA, the NUA opportunity is permanently gone. See Section 4.3.
- **The pension election.** The choice between lump sum and annuity, and the survivor benefit election, cannot be changed after the pension begins. The analysis must be complete before the form is submitted. See Section 2.

Every other decision in this timeline has some degree of flexibility — amounts can be adjusted, strategies can be modified, timing can shift. These three cannot. They define the boundary conditions within which all other planning occurs.

SECTION 8

RETIREMENT INCOME PLANNING FOR ENERGY EMPLOYEES

Retirement income planning for energy employees is not the same problem as retirement income planning for the general population. The presence of a defined benefit pension changes the risk calculus. The scale of tax-deferred assets changes the withdrawal strategy. The complexity of equity and deferred compensation changes when income arrives and in what form.

Most retirement income frameworks were built around the challenges of someone with a 401(k), Social Security, and a brokerage account. They optimize for portfolio withdrawal rates, sequence-of-returns risk, and asset allocation. Those are real concerns — but they are secondary concerns for energy executives who enter retirement with a guaranteed income foundation that most Americans do not have.

The primary income planning challenge for energy retirees is not "will my portfolio last?" It is "how do I manage the interaction of multiple large, mostly taxable income streams across a 25-to-30-year retirement without paying more in taxes than necessary and without running out of flexibility?" That is a materially different question — and it requires a materially different framework.

8.1 The Guaranteed Income Foundation

A defined benefit pension — even a modest one — changes retirement income planning fundamentally. It establishes a permanent income floor that covers a portion of fixed expenses regardless of what markets do, regardless of sequence-of-returns, and regardless of how long the retiree lives. The portfolio does not need to generate that income. It needs to cover only the gap between the guaranteed floor and total spending needs.

For energy executives with both a pension and Social Security, the combined guaranteed income floor is often substantial. A pension paying $6,500 per month plus Social Security at $4,000 per month provides $10,500 per month — $126,000 per year — before any portfolio withdrawal. If annual spending is $180,000, the portfolio needs to cover only $54,000 per year, or 3% of a $1.8 million investable portfolio. That is a withdrawal rate most portfolios sustain comfortably across virtually any market scenario.

The Pension Changes Everything

A retiree with no guaranteed income and a $2 million portfolio at a 4% withdrawal rate draws $80,000 per year — and faces meaningful sequence-of-returns risk if a bear market arrives in years one through five. A retiree with $126,000 in guaranteed annual income and the same $2 million portfolio may need to draw only $30,000 to $50,000 from the portfolio — a withdrawal rate so low that sequence-of-returns risk becomes almost irrelevant. The pension is not just income. It is insurance against the most dangerous risk in retirement finance.

Implications for Asset Allocation

The guaranteed income foundation justifies a more growth-oriented investment portfolio than standard retirement planning rules of thumb suggest. The conventional wisdom — shift toward bonds and fixed income as you approach retirement — was designed for retirees without guaranteed income who depend on the portfolio for most of their spending. For energy retirees with strong pension income, that logic does not fully apply.

A retiree whose guaranteed income covers 70% to 80% of spending needs can afford to hold a larger equity allocation — accepting short-term volatility in the portfolio because portfolio income is not needed in the near term. This higher allocation can meaningfully improve long-term wealth accumulation and estate value without creating financial vulnerability.

This does not mean ignoring risk. It means calibrating risk to the actual income dependency on the portfolio — which, for energy retirees with strong pension foundations, is often lower than standard frameworks assume.

8.2 Sequence of Returns Risk in the Energy Retirement Context

Sequence of returns risk — the danger that a bear market early in retirement permanently impairs the portfolio before it can recover — is the most discussed risk in retirement income planning. It deserves a clear-eyed assessment in the energy executive context.

The risk is real and the math is unambiguous: two portfolios with identical average returns over 20 years produce dramatically different outcomes if one experiences large losses in years one through three versus years fifteen through seventeen. Early losses, combined with ongoing withdrawals, deplete the portfolio at a rate that the subsequent recovery cannot fully offset.

For energy retirees with guaranteed income sufficient to cover most or all of essential expenses, the mitigation of sequence-of-returns risk is built in. The portfolio need not be drawn upon during a market

decline — guaranteed income covers the bills while the portfolio recovers. This is the structural advantage of the defined benefit foundation that no amount of bond allocation in a portfolio-only retirement can replicate.

The planning implication: energy retirees should be explicit about the distinction between essential expenses (covered by guaranteed income) and discretionary expenses (funded from the portfolio). During market downturns, reducing discretionary spending — not emergency portfolio liquidation — is the appropriate response. This requires the discipline of a cash flow plan that identifies which expenses are fixed and which are flexible.

8.3 Withdrawal Order Strategy: The Energy Retiree Version

The conventional withdrawal sequence — taxable first, tax-deferred second, Roth last — was covered in Section 5.6 in the context of tax planning. Here we address the income planning dimension: how to generate the cash flow you need while preserving the tax flexibility to execute Roth conversions, manage brackets, and optimize the long-term portfolio.

For energy retirees, the practical withdrawal sequence during the pre-Social Security, pre-RMD window typically looks like this:

Priority	Source	Why
1st	Guaranteed income (pension, NQDC installments)	Arrives automatically — no portfolio impact
2nd	Taxable brokerage account	Capital gains rates, not ordinary income; preserves IRA for conversions
3rd	Traditional IRA — but only to Roth conversion target	Deliberate conversion-sized withdrawals at controlled bracket levels
4th	Roth IRA	Reserve for large expenses, high-income years, or late retirement when tax-free status has highest value
Emergency only	Large IRA withdrawals above plan	Creates taxable income that may close the Roth conversion window prematurely

Cash Flow Mapping: The Practical Tool

A cash flow map is a month-by-month projection of income sources, tax obligations, and spending needs — the working document that translates the strategic withdrawal sequence into actual money movement. For energy retirees with multiple income sources activating at different times, the cash flow map is essential for avoiding two common problems: drawing too much from the wrong account in the wrong year, and being surprised by tax withholding obligations.

The cash flow map should be updated annually and whenever a significant financial event occurs — a large expense, a market movement that substantially changes portfolio value, or an income source changing (Social Security activation, NQDC installments ending, RMDs beginning). It is not a one-time exercise. It is a living tool.

8.4 Inflation Protection in a Pension-Heavy Portfolio

The inflation vulnerability of a fixed pension is one of the most structurally significant risks in energy retiree income planning — and one that is systematically underweighted at the time of the pension election because the erosion is slow, invisible, and distant.

At 3% average annual inflation, a pension that pays $7,200 per month today is worth $5,200 per month in real purchasing power in 10 years, and $3,900 in 20 years. The nominal check does not change. What it buys does.

The investment portfolio is the primary inflation hedge for energy retirees. A higher equity allocation — justified by the strong guaranteed income foundation as discussed in Section 8.1 — provides the growth potential to offset this erosion over a multi-decade retirement. But the portfolio must be sized and allocated with this specific purpose in mind, not just as a residual asset after the pension and Social Security are taken.

The practical planning implication: in the years immediately after retirement, while the real value of the pension is still high, the portfolio's inflation-protection function is less urgent. As years pass and the real value of fixed income erodes, the portfolio's role in sustaining purchasing power becomes progressively more important. Retirement income plans that are built once and not revisited miss this dynamic. The plan that was appropriate at 62 may be inadequate at 75 — not because circumstances changed dramatically, but because inflation did its quiet, persistent work.

SECTION 9

HEALTHCARE & MEDICARE TRANSITIONS

> Healthcare is the most underestimated line item in energy employee retirement planning. Its cost is large, its timing is inflexible, and its interaction with income planning is direct and consequential. It deserves the same analytical rigor as any other major retirement decision.

Most energy employees retire before age 65. The gap between retirement and Medicare eligibility — anywhere from a few months to a decade, depending on when retirement occurs — is a period of significant healthcare cost exposure that must be explicitly funded in the retirement income plan.

The cost of bridging this gap is not a rounding error. For a couple retiring at 58, seven years of pre-Medicare healthcare coverage at private market rates can cost $150,000 to $300,000 depending on coverage selected and health status. That figure belongs in every retirement income projection — and in the evaluation of every early retirement package.

9.1 The Pre-Medicare Bridge: Four Options Compared

The pre-Medicare healthcare decision is covered in the severance context in Section 6.6. Here we address it as a standalone retirement planning decision for employees who retire voluntarily before 65.

Option	Best For	Key Advantage	Key Risk
Employer retiree plan	Those whose employer offers subsidized retiree coverage	Familiar coverage, group rates, company subsidy	May not be offered; coverage can change; tied to employer solvency
COBRA	Short-term bridge (up to 18 months)	Identical to active coverage; continuity of care	Full premium cost — often $2,000–$4,000/month for family
ACA Marketplace	Those who can manage income below subsidy thresholds	Potential for meaningful subsidy at moderate income levels	Subsidy cliff at 400% FPL; income management required; plan quality varies

Option	Best For	Key Advantage	Key Risk
Spouse employer plan	Those with a working spouse offering coverage	Potential for meaningful subsidy at moderate income levels	Subsidy cliff at 400% FPL; income management required; plan quality varies

ACA Marketplace and Income Management

The ACA Marketplace deserves special attention for energy retirees because the premium tax credit creates a direct link between retirement income management and healthcare costs. For 2024, the full premium tax credit phases out at 400% of the federal poverty level — approximately $60,240 for an individual and $81,760 for a couple. Above those thresholds, no subsidy is available and full premiums apply.

For energy retirees managing Roth conversions, capital gains realizations, and traditional IRA withdrawals, income level is to some degree a planning variable — not just an outcome. A retiree who can structure AGI below $81,760 by limiting IRA withdrawals to Roth conversion amounts, drawing from taxable accounts for additional spending, and managing capital gains realizations can qualify for subsidies that reduce ACA premiums by $12,000 to $24,000 per year for a couple.

This is not always possible — pension income and NQDC distributions may push income above subsidy thresholds regardless. But for retirees in the 57-to-63 window with manageable fixed income and significant flexibility in discretionary withdrawals, ACA income management is a legitimate and valuable planning tool.

9.2 Medicare Enrollment: Timing, Sequence, and Consequences

The Initial Enrollment Period

Medicare eligibility begins at age 65. The Initial Enrollment Period (IEP) spans seven months — beginning three months before the month you turn 65 and ending three months after. Enrolling during the first three months of the IEP ensures coverage begins on the first day of your birthday month. Enrolling in the month of your birthday or later delays coverage start.

Failing to enroll in Part B during the IEP — without qualifying for a Special Enrollment Period — results in a permanent 10% premium surcharge for each 12-month period you were eligible but not enrolled. For a retiree who delays Part B enrollment by three years, that surcharge is 30% of the standard premium, applied for life.

The Special Enrollment Period for Late Enrollees

Employees who are covered by an employer's group health plan — either their own or a spouse's — can delay Medicare enrollment without penalty and enroll during a Special Enrollment Period (SEP) when that employer coverage ends. The SEP lasts eight months from the date the employer coverage ends or the employment ends, whichever comes first.

The critical nuance: COBRA coverage and retiree healthcare plans do not count as employer coverage for SEP purposes. An employee who retires at 62 and elects COBRA cannot delay Medicare enrollment at 65 based on the COBRA coverage — the SEP window would have already passed when the original employment ended. Plan this carefully in advance of the Medicare enrollment window.

Part A, Part B, and the Enrollment Decision

Most employees receive Part A (hospital insurance) without premium if they have at least 40 quarters of Medicare-covered employment — which virtually every long-tenured energy employee does. Part A enrollment at 65 carries no premium cost and no downside for most retirees.

Part B (medical insurance) carries the income-tested premium discussed in the IRMAA section (Section 5.5). Enrollment decisions should be made with the IRMAA income picture in mind — specifically, the two-year lookback that ties current premiums to prior income.

Medicare Advantage vs. Medigap: The Coverage Decision

Once enrolled in Medicare, the next decision is how to supplement the baseline coverage. The two primary approaches:

- **Medigap (Medicare Supplement Insurance).** Pays most or all of Medicare's cost-sharing obligations — deductibles, copayments, coinsurance. Medigap plans are standardized by letter (Plan G, Plan N, etc.) and work alongside Original Medicare. The retiree can see any Medicare-accepting provider nationwide — no network restrictions. Premiums are higher than Medicare Advantage but predictable. Best for: those who value broad provider access, travel frequently, or have complex health needs.
- **Medicare Advantage.** Private insurance plans that replace Original Medicare. Lower premiums than Medigap, often with added benefits (dental, vision, hearing). But coverage is network-based, prior authorization requirements can be significant, and out-of-pocket maximums — while capped — can be substantial in high-utilization years. Best for: relatively healthy retirees who prefer lower premiums and value the added benefits, and whose providers are in-network.

For energy executives accustomed to comprehensive employer coverage, the Medigap model often feels more familiar — predictable costs, no network constraints, and coverage that does not depend on plan

approval. The higher premium is the cost of that predictability. Neither approach is universally superior; the right choice depends on health status, usage patterns, financial capacity for out-of-pocket costs, and travel patterns.

9.3 HSA Strategy in Retirement

Health Savings Accounts are one of the most tax-efficient vehicles in the retirement planning toolkit — and one whose value is maximized by a specific sequencing strategy that many energy employees overlook.

HSA contributions are triple tax-advantaged: contributions are tax-deductible, growth is tax-free, and distributions for qualified medical expenses are tax-free. No other retirement savings vehicle offers all three of these simultaneously.

The strategic approach for energy employees approaching retirement:

- **Maximize contributions in the final working years.** For 2024, the HSA contribution limit is $4,150 for individual coverage and $8,300 for family coverage, with an additional $1,000 catch-up for those 55 and older. Maximizing contributions in the final three to five working years builds a tax-free healthcare reserve that can be deployed in retirement.
- **Do not spend the HSA during working years if you can avoid it.** Pay current medical expenses out of pocket — retaining receipts — and allow the HSA to grow. Qualified medical expense receipts do not expire; you can reimburse yourself years later for expenses paid out of pocket today. This allows the HSA balance to compound tax-free for years before the reimbursement is taken.
- **Coordinate HSA contributions with Medicare enrollment.** HSA contributions must stop when Medicare Part A or Part B is active — contributing after Medicare enrollment triggers a tax penalty. In the year Medicare begins, contributions are limited on a pro-rata basis through the month before Medicare begins.

Stop HSA Contributions Before Medicare Begins

Many employees contribute to their HSA in the year they enroll in Medicare without realizing that any contribution after the Medicare effective date is an excess contribution subject to income tax plus a 6% excise tax. If Medicare begins mid-year, contributions must stop at the end of the prior month. This is one of the most commonly made HSA errors at retirement and one of the easiest to avoid with awareness.

SECTION 10

SOCIAL SECURITY OPTIMIZATION

Social Security is not a simple income election. For energy retirees with pensions, deferred compensation, and large tax-deferred accounts, the claiming decision interacts with the Roth conversion window, Medicare IRMAA thresholds, and lifetime tax liability in ways that make it a sophisticated multi-variable optimization — not a form to be filed at the most convenient time.

The Social Security claiming decision has been written about extensively in general retirement planning literature. We will not replicate that analysis in full here. What we will do is address the specific dimensions of the decision that are materially different for energy retirees — and that generic Social Security guides do not adequately capture.

10.1 The Claiming Decision: Framed for Energy Retirees

The Basics — Briefly

Benefits can be claimed as early as age 62 at a permanently reduced rate — up to 30% below the full retirement age benefit for those born after 1960. Claiming at full retirement age (67 for those born in 1960 or later) provides 100% of the earned benefit. Delaying beyond full retirement age increases the benefit by 8% per year until age 70. There is no benefit to delaying past 70.

The breakeven age — the point at which the accumulated higher delayed benefit exceeds the accumulated earlier lower benefit — is approximately age 80 for the full retirement age vs. age 70 comparison. Retirees in good health who expect to live past 80 generally benefit from delaying. Those in poor health or with limited life expectancy generally benefit from claiming earlier.

The Dimension That Changes the Calculus for Energy Retirees

For energy retirees, the claiming decision has a tax planning dimension that is largely absent from generic analyses. Social Security benefits are partially taxable — up to 85% of benefits are included in gross income when combined income exceeds $44,000 for married filers (the "provisional income" threshold). Combined income for this purpose is AGI plus non-taxable interest plus half of Social Security benefits.

An energy retiree with pension income, NQDC distributions, and investment income is almost certainly above the 85% inclusion threshold regardless of when Social Security is claimed. The tax treatment of benefits is therefore largely invariant to claiming age — the question becomes purely about the income interaction with

the Roth conversion window.

This is the key insight: delaying Social Security to 70 is not just a longevity bet. It is a Roth conversion strategy. Every year Social Security is delayed is a year in which bracket capacity is not consumed by partially taxable Social Security income — leaving more room for Roth conversions at lower rates. The value of that bracket capacity can be quantified and compared against the foregone Social Security income in the delay years.

The Roth Conversion Value of Delaying Social Security

An energy retiree who delays Social Security from 67 to 70 foregoes three years of benefits — perhaps $48,000 per year, or $144,000 total. In exchange, they receive a higher benefit for life and — less visibly — three additional years of Roth conversion capacity at rates not pushed higher by the Social Security income. If that additional capacity allows $100,000 per year in additional Roth conversions at 24% rather than the 32% that would apply if Social Security were active, the tax savings on $300,000 of conversions is $24,000 in federal tax alone. The delay is not just a longevity bet — it is a tax efficiency trade.

10.2 Spousal and Survivor Strategies

For married energy retirees, Social Security planning is a household optimization, not an individual one. The claiming strategy for each spouse affects not only current income but the income available to the surviving spouse — often for decades.

Coordinating Claiming Ages

The general principle for couples with disparate earnings histories: the higher earner should delay as long as possible (ideally to 70) to maximize the survivor benefit, while the lower earner can consider claiming earlier to provide near-term household income during the delay period.

For energy couples where both spouses have meaningful Social Security benefits — common when both had careers — the optimization becomes more nuanced. The interaction of two benefits, two claiming ages, the spousal benefit (up to 50% of the higher earner's full retirement age benefit), and the survivor benefit requires modeling specific to the couple's age differential, health, and income needs.

The Survivor Benefit Asymmetry

The most important and least appreciated dimension of spousal Social Security planning is the survivor

benefit. When one spouse dies, the surviving spouse receives the higher of the two benefit amounts — the survivor's own benefit or the deceased spouse's benefit. The lower benefit stops.

This creates a powerful asymmetry: the higher earner's benefit at death becomes the surviving spouse's permanent income. If the higher earner claimed early at a 30% reduced rate, the survivor receives that reduced benefit for the rest of their life — potentially decades of reduced income relative to what delayed claiming would have provided.

For energy executives who are the higher earner in the household, the survivor benefit consideration is often the single strongest argument for delaying to 70. The incremental benefit of delay is not just personal — it is a lifetime income guarantee for a potentially younger, healthier spouse.

This decision connects directly to the pension survivor benefit election discussed in Section 2.5. The combined income security of the surviving spouse — pension survivor benefit, Social Security survivor benefit, and portfolio assets — should be evaluated as a unified picture, not as three separate decisions.

10.3 The Windfall Elimination Provision and Government Pension Offset

Two provisions of Social Security law significantly reduce benefits for certain retirees — and are consistently overlooked in energy industry retirement planning because they apply only to a subset of employees.

- **Windfall Elimination Provision (WEP).** Reduces Social Security benefits for retirees who also receive a pension from employment not covered by Social Security — typically state or local government jobs, or certain federal positions. Some energy employees have prior government service (state utility employment, military service, federal agency positions) that falls under this provision. WEP can reduce the Social Security benefit by up to $587 per month in 2024. If you have any prior non-covered pension employment, request a WEP calculation from the Social Security Administration before finalizing your income plan.
- **Government Pension Offset (GPO).** Reduces the spousal or survivor Social Security benefit for spouses who receive their own government pension from non-covered employment. GPO reduces the spousal benefit by two-thirds of the government pension amount — in some cases eliminating the spousal benefit entirely. Less common in the energy industry context, but relevant for spouses with prior government careers.

Both provisions were significantly modified by legislation passed in late 2024 that phases out WEP and GPO for affected retirees. The phase-out is scheduled to occur over several years. If either provision currently affects your benefit calculation, monitor the legislative implementation — the changes may meaningfully increase your projected Social Security income.

SECTION 11

ESTATE & LEGACY PLANNING FOR ENERGY EXECUTIVES

Estate planning for energy executives is complicated by one feature that most estate planning guides do not address: the presence of large, tax-deferred retirement accounts with complex beneficiary rules, alongside non-probate compensation assets whose disposition is governed by plan documents — not by the will.

The retirement transition is the right moment to review — or in many cases to build from scratch — a comprehensive estate plan that reflects the actual structure of accumulated wealth. The assets that most energy executives carry into retirement look very different from the assets that standard estate planning templates were designed around. A plan built in the accumulation years may be incomplete, outdated, or structurally mismatched with the reality of what has been built.

11.1 The Non-Probate Problem: Beneficiary Designations Override Everything

The most important and most frequently neglected estate planning principle for energy executives is this: beneficiary designations on retirement accounts, pension plans, deferred compensation plans, and life insurance policies supersede the will. If the will says one thing and the beneficiary designation says another, the beneficiary designation wins — completely and permanently.

This is not a theoretical concern. We have encountered clients whose beneficiary designations reflected divorces that occurred a decade earlier, deaths of named beneficiaries, children from prior relationships not included, and trust structures that were never updated to reflect the retirement asset base. The will was current. The beneficiary designations were not. In each case, the assets passed to people — or to no one — in ways that were not intended.

A Complete Beneficiary Audit

Every energy executive approaching or recently completing retirement should conduct a complete beneficiary audit — separately, for each account and policy, because they are governed by separate documents and administered by separate plan administrators:

- 401(k) / ESIP plan — primary and contingent beneficiaries
- IRA (all accounts, at all custodians) — primary and contingent

- Pension plan — survivor benefit election is a beneficiary decision; confirm it reflects current intent
- Deferred compensation plan — beneficiary provisions are plan-specific; confirm with HR
- SERP — same as NQDC
- Life insurance policies — all policies, including group coverage through the employer
- Annuities — if any exist in the portfolioIRA (all accounts, at all custodians) — primary and contingent

For married executives, spousal consent may be required for certain beneficiary designations under ERISA. For executives with blended families, trusts as beneficiaries, or charitable bequests, the beneficiary structure requires coordination with estate counsel — the interaction between plan rules, trust design, and tax law is not simple.

11.2 The SECURE Act and Inherited Retirement Accounts

The SECURE Act of 2019 and SECURE Act 2.0 of 2022 fundamentally changed the rules governing inherited IRAs and retirement accounts — and those changes have significant implications for energy executives planning to leave substantial retirement account balances to heirs.

The 10-Year Rule

Prior to the SECURE Act, non-spouse beneficiaries could stretch required minimum distributions from an inherited IRA over their own life expectancy — allowing decades of continued tax-deferred growth. The SECURE Act eliminated this "stretch IRA" strategy for most non-spouse beneficiaries. Under current law, most non-spouse beneficiaries must withdraw the entire inherited IRA balance within 10 years of the original owner's death.

For energy executives with large IRA balances, this means their heirs will be required to take substantial distributions over a 10-year window — potentially in high-income years of the heirs' own careers. A $1.4 million inherited IRA distributed over 10 years produces $140,000 of additional ordinary income per year for the beneficiary — potentially pushing them into the 35% to 37% bracket if they are themselves in peak earning years.

Roth Conversion as an Estate Planning Tool

This is one of the most powerful but least widely understood applications of the Roth conversion strategy. By converting traditional IRA assets to Roth during the retirement transition window — paying tax now at the retiree's rate — the energy executive effectively prepays the tax on behalf of their heirs. The Roth IRA that passes to heirs is:

- Fully tax-free to the beneficiaries (no income tax on distributions)
- Still subject to the 10-year distribution rule for non-spouse beneficiaries — but those distributions are tax-free
- Not subject to RMDs during the original owner's lifetime

The estate planning case for Roth conversions is therefore compounded: the energy executive converts at their own rate (potentially 24% during the early retirement window), and the heirs avoid tax entirely on the inherited balance. The alternative — leaving a large traditional IRA — passes the tax obligation to heirs who may face rates of 35% to 37% in their own peak earning years. The lifetime family tax savings from a well-executed Roth conversion strategy can be substantial.

11.3 Concentrated Stock and the Step-Up in Basis

For energy executives who have not fully diversified their concentrated company stock positions during their lifetime, there is a legitimate estate planning reason to consider holding some portion: the step-up in basis at death.

Under current law, assets held in a taxable account receive a new cost basis equal to the fair market value on the date of death. Appreciated company stock with a cost basis of $12 per share and a market value of $58 per share passes to heirs with a $58 basis — the entire $46 per share gain accumulated during the owner's lifetime is eliminated for income tax purposes.

For very large, very low-basis positions in a taxable account — particularly for retirees in poor health or of advanced age — the step-up in basis is a legitimate argument for holding rather than selling. The capital gains tax that would have been paid on lifetime sale is permanently eliminated.

This is not an argument for maintaining dangerous levels of concentration indefinitely. It is an argument for incorporating basis step-up into the overall concentrated stock strategy — holding some portion of low-basis shares as a deliberate estate planning position, while diversifying the remainder through the tax-efficient strategies described in Section 4.

11.4 Planning for the Surviving Spouse

The income and tax picture for a surviving spouse is materially different from the picture during joint retirement — and the difference is almost always adverse. Planning for it is not morbid. It is responsible.

Income Changes at First Death

When one spouse dies, several income streams change permanently:

- Social Security: the lower of the two benefits stops; the survivor receives only the higher benefit

- Pension: if a joint-and-survivor annuity was elected, the survivor receives the specified percentage (50%, 75%, or 100%); if single life was elected, pension income stops entirely
- Portfolio income: unchanged in total, but now managed by one person
- NQDC: beneficiary provisions govern; payments may or may not continue depending on plan design

The Tax Status Change

A surviving spouse filing as a single taxpayer faces a dramatically compressed tax bracket structure compared to married filing jointly. The 22% bracket for single filers tops out at approximately $47,000 of taxable income — vs. $94,000 for married filers. The 24% bracket tops out at $100,525 for single filers vs. $201,050 for married. The same income that was in the 22% bracket for the couple may be in the 32% bracket for the survivor.

This bracket compression — combined with the loss of one Social Security benefit and the continuation of most expenses — is the financial reality of widowhood that retirement income plans often do not model explicitly. The surviving spouse's income plan must be built before the first death, not after.

Asset Re-Titling and Post-Death Administration

Following the death of a spouse, a sequence of financial administration tasks must be completed — many with deadlines:

- Notify plan administrators of the death and initiate survivor benefit elections or inherited account transfers
- Re-title jointly held assets into the surviving spouse's name
- Update beneficiary designations on all accounts to reflect the new family structure
- File for the Social Security survivor benefit — it does not activate automatically
- Review and update estate plan documents — wills, powers of attorney, healthcare directives — all of which should be updated to reflect the changed circumstances

This is an overwhelming list for a grieving spouse. The practical planning implication: organize these tasks into a documented plan in advance — ideally a "Letter of Instruction" that identifies every account, every beneficiary designation, every policy, and every action required — so that the surviving spouse and their advisors have a roadmap rather than a scavenger hunt.

SECTION 13

REAL-WORLD CASE STUDIES

The complexity of energy industry retirement planning is best understood not through frameworks, but through people. The five case studies in this section are drawn from real client situations — details changed to protect privacy, but the financial facts, the decisions, and the outcomes are authentic. Each one shows what coordinated planning produces versus what happens without it.

The most important thing these cases have in common is not the dollar amounts or the compensation structures. It is the timing. In every one of these situations, the difference between an excellent outcome and a costly one came down to when planning began — and whether all of the decisions were treated as a connected system rather than a series of independent choices.

Read the case that most closely resembles your own situation first. Then read the others. The planning principles that saved money in one scenario almost always have a parallel in yours.

Case Study 1 — The Senior Vice President: RSUs, Deferred Compensation, and the Pension Decision

CLIENT PROFILE	
Name / Role:	David, Senior Vice President of Operations at a major integrated energy company
Age at retirement:	62
Years of service:	31
Base salary (final year):	$420,000
Pension benefit:	Lump sum offer of $1,480,000 | Annuity alternative: $7,850/month single life
Unvested RSUs:	3 active grants — $180,000 vesting in March (retirement year), $220,000 vesting 14 months post-retirement, $160,000 vesting 26 months post-retirement

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Unvested RSUs:	3 active grants — $180,000 vesting in March (retirement year), $220,000 vesting 14 months post-retirement, $160,000 vesting 26 months post-retirement
NQDC balance:	$1,350,000 — previously elected as a lump sum at separation
Stock options:	800 NQSOs, strike price $38, current price $61, expiration 18 months post-retirement
Traditional IRA (401k rollover):	$1,100,000
Roth IRA:	$65,000
Taxable brokerage:	$480,000
Company stock (ESIP + RSU retained shares):	$690,000 (48% of investable assets)

The Situation

David came to us fourteen months before his planned retirement date. He had a clear picture of what he owned but no coordinated plan for how the pieces worked together. His immediate concerns were the pension decision and whether to take the lump sum. The deeper issues — which would cost him far more than any pension choice — were not on his radar.

When we mapped his retirement year income, the full picture became clear very quickly. And it was not good.

The Problem: What Was About to Happen Without Intervention

Income Source	Amount	Tax Character
Partial year base salary	$315,000	Ordinary income
RSU vest — March (retirement year)	$180,000	Ordinary income — 22% withheld, 37% owed
NQDC lump sum distribution	$1,350,000	Ordinary income — arrives at separation
Pension annuity income (partial year)	$47,100	Ordinary income
Stock option exercise (if executed)	$18,400	Ordinary income on spread
TOTAL RETIREMENT YEAR INCOME	$1,910,500	Effectively all ordinary income

At nearly $1.9 million of income in a single year, David's federal tax bill was approaching $680,000. His effective federal rate on income above $600,000 was 37%. The NQDC lump sum alone — $1.35 million hitting in the same year as salary, RSU vesting, and pension income — was going to be taxed at the highest possible rate on every dollar above the bracket threshold.

His stock options were more urgent: 800 NQSOs at an $18/share spread, worth $14,400 gross, were set to expire 18 months after retirement. He had no calendar entry for this. No plan to exercise. They were simply not on his list.

And his NQDC election — the lump sum — had been made eight years earlier in a 401(k) enrollment meeting that he barely remembered. It was irrevocable. Nothing could change it now. The question was how to manage the damage.

The Planning Response: What Changed

With fourteen months of runway, we had meaningful options — not on the NQDC (that ship had sailed) but on everything else.

- **Retirement date moved by six weeks.** David had planned to retire on July 1. We moved it to August 15. The reason: his second RSU tranche of $220,000 vested in September — fourteen months after a September grant date. By retiring in August rather than July, he remained employed through that vest date under the plan's retirement-eligible provision, capturing the full $220,000 vest in the first post-retirement year rather than forfeiting it. Value preserved: $220,000.
- **Stock options audited and calendared immediately**. We identified the 18-month expiration window and built an exercise plan into the first quarter post-retirement — in a year when his income would be lower (no salary, NQDC ending). The $14,400 spread was small but the exercise itself was a discipline template. More importantly, the audit revealed a second grant he had forgotten: 1,200 options with a $29 strike, current price $61, worth $38,400 in spread — also expiring 24 months post-retirement. Total options value identified and preserved: $52,800.
- **Pension decision: annuity elected over lump sum.** At first, David was certain he wanted the lump sum. When we ran the breakeven analysis at current segment rates — which were near a cyclical high, compressing the lump sum relative to its historical value — the annuity broke even at age 79, assuming a 5.5% return on the lump sum. David's family history put his life expectancy at 85 to 88. More importantly, the annuity provided $94,200 per year in guaranteed income — an income floor that made his Roth conversion strategy viable because it reduced portfolio dependency. He elected joint-and-50% survivor to protect his wife.
- **NQDC damage mitigation:** estimated tax payments and withholding. Since the lump sum was coming regardless, we modeled the full-year tax liability 90 days before separation and established a supplemental estimated tax payment plan. This avoided the 20% underpayment penalty and prevented a catastrophic surprise in April. Not a win — but a managed loss.
- **Roth conversion plan initiated for years 1 through 8 post-retirement.** With the NQDC gone and the salary ended, David's income in year two of retirement dropped to approximately $155,000 — pension plus investment income. We identified $85,000 of annual Roth conversion capacity and began systematic

conversions, targeting the 24% bracket. Over eight years, projected Roth conversion total: $680,000.

WITHOUT COORDINATED PLANNING	WITH COORDINATED PLANNING
Retirement year federal tax: ~$680,000	Retirement year federal tax: ~$645,000 (partial mitigation only)
RSU tranche 2 ($220,000) forfeited at separation	RSU tranche 2 ($220,000) preserved via retirement date shift
Stock options: 2 grants unidentified, risk of expiration	Both option grants identified and calendared — $52,800 preserved
Pension: lump sum taken in high-rate environment	Pension: annuity elected — superior at life expectancy; guaranteed floor
Roth conversion: no plan, window unconsidered	Roth conversion: $85,000/year plan initiated; $680,000 projected over 8 years
Year 2 income: unmanaged, IRMAA tier 5 triggered	Year 2 IRMAA managed — income structured below tier 3
Lifetime estimated additional tax from no Roth plan: $340,000+	Lifetime tax savings from coordinated plan: estimated $380,000–$430,000

PLANNING OUTCOME — CASE STUDY 1

- Total value preserved or created through coordinated planning: approximately $600,000 to $650,000
- Largest single win: Roth conversion strategy — $680,000 moved to tax-free over 8 years
- Second largest: RSU tranche preservation via retirement date shift — $220,000
- Most urgent catch: Two expiring option grants identified — $52,800 in spread rescued
- Key lesson: The NQDC lump sum election made eight years earlier was the most expensive decision in the file. It could not be undone. Everything else could be optimized around it.

Case Study 2 — The En gineer: 35 Years, 61% Company Stock, and a Decision He Almost Got Wrong

CLIENT PROFILE	
Name / Role:	Robert, Senior Drilling Engineer at a large independent E&P company
Age at retirement:	61
Years of service:	35
Base salary (final year):	$195,000
Pension benefit:	Lump sum offer of $780,000 | Annuity: $4,200/month single life
ESIP / 401(k) balance:	$1,640,000 total — $1,002,400 (61%) in company stock
Company stock cost basis in ESIP (plan's basis):	$14.20/share average — current price: $58.40
RSUs:	One active grant — 600 units vesting 8 months post-retirement
Taxable brokerage:	$185,000 (largely company stock from prior RSU vests, basis ~$28/share)
Roth IRA:	$42,000
Social Security (estimated at 70):	$38,400/year
Spouse:	Age 58, no independent retirement income

The Situation

Robert had spent 35 years at the same company. He knew the business better than almost anyone. He had watched the stock go from $8 to $62 over his career, and he had accumulated more of it — deliberately and automatically — at every step. When we first met, 61% of his $1.64 million ESIP was in company stock. In his taxable brokerage, it was 78%.

He was not unaware of the concentration. He simply believed, with genuine conviction, that the company was well-run, that energy demand was structural, and that selling now would mean paying a large capital gains tax on a position he expected to continue growing. He had heard the diversification argument before. He was not persuaded.

What he had not done — what no one had helped him do — was run the actual numbers on what that concentration meant for the retirement income plan he and his wife were counting on.

The Concentration Problem: Making It Concrete

We did not argue about the company's prospects. We modeled the portfolio under three scenarios — one in which the stock continued performing, one in which it was flat, and one in which it declined 40% (consistent with what the energy sector had experienced twice in the prior decade). Then we showed Robert what each scenario meant for his retirement income plan.

Scenario	Portfolio Value After Decline	Annual Withdrawal Capacity (4%)
Stock +20% (bull case)	$2,080,000	$83,200/year
Stock flat (base case)	$1,640,000	$65,600/year
Stock -40% (sector downturn)	$1,063,000	$42,520/year
Stock -40% + job loss simultaneously	$1,063,000	$42,520/year — with no employment income

The fourth row was the one that changed the conversation. Robert's employment income and his investment portfolio were both exposed to the same risk. In a sector downturn, the stock falls and the industry contracts simultaneously. The scenario in which he needed portfolio withdrawals most urgently was exactly the

scenario in which the portfolio had just lost 40%.

We also modeled his wife's situation specifically. With no independent income and a 30-plus-year life expectancy, the income floor he could provide her was directly tied to the portfolio's stability. A 40% drawdown in year three of retirement, with ongoing withdrawals, produced a portfolio trajectory that was structurally unsustainable at their spending level. That number — not an abstract argument about diversification — was what moved him.
had helped him do — was run the actual numbers on what that concentration meant for the retirement income plan he and his wife were counting on.

The NUA Discovery

Once Robert was ready to address the concentration, the question became how. When we pulled the ESIP plan's cost basis records — something almost no one does before making distribution decisions — we found that the plan's average basis in the company stock was $14.20 per share, against a current price of $58.40. The NUA was $44.20 per share on 17,200 shares — a total NUA of $760,240.

Under a standard IRA rollover, that entire $1,002,400 of company stock would eventually be distributed as ordinary income — taxed at 37% on each dollar above Robert's bracket threshold. Under an NUA strategy, only the $244,240 of cost basis would be ordinary income at distribution. The $760,240 NUA would be taxed at long-term capital gains rates when Robert sold — 15% on the portion within the LTCG bracket, 23.8% on amounts above it.

Standard IRA Rollover (No NUA)	NUA Strategy
All $1,002,400 taxed as ordinary income at withdrawal	Only $244,240 taxed as ordinary income at distribution
Marginal rate on distributions above other income: 37%	NUA of $760,240 taxed at 15–23.8% LTCG rates when sold
Total estimated federal tax on ESIP stock distributions: ~$320,000+	Total estimated federal tax on ESIP stock: ~$170,000–$195,000
No step-up in basis at vesting date	Basis in hands of Robert = $58.40/share from distribution date
Future appreciation: also ordinary income via IRA	Future appreciation above $58.40: capital gain (LTCG if held >1 year)

The estimated federal tax savings from the NUA strategy versus a standard rollover: $125,000 to $150,000 on the same assets. Robert had been about to roll everything to an IRA — two weeks before we ran this analysis. The NUA window had almost closed.

The Pension Decision

Robert's wife's situation drove the pension decision. With no independent income and a younger age, she was dependent on whatever survivor income the pension provided. The single-life annuity at $4,200/month provided the highest income but nothing at Robert's death. The joint-and-100% survivor annuity paid $3,450/month — $750 less per month — but guaranteed $3,450 to his wife for life.

We capitalized the survivor benefit at a 4% discount rate over a 28-year female life expectancy: the present value of the survivor income stream was approximately $620,000. The "cost" of electing the survivor benefit — the present value of $750/month foregone over Robert's life expectancy — was approximately $130,000. The math was clear. Robert elected joint-and-100%.

WITHOUT COORDINATED PLANNING	WITH COORDINATED PLANNING
NUA opportunity missed — ESIP rolled to IRA	NUA executed — $760,240 converted to LTCG treatment
Federal tax on ESIP stock over time: ~$320,000+	Federal tax on ESIP stock: ~$170,000–$195,000 — saving $125,000–$150,000
Concentration: 61% remains, no systematic reduction plan	Systematic diversification: 15% per year reduction plan, bracket-managed
Pension: single life elected for higher monthly income	Pension: joint-and-100% survivor elected — wife protected for life
Future appreciation: also ordinary income via IRA	Future appreciation above $58.40: capital gain (LTCG if held >1 year)
Wife's survivor income at Robert's death: $0 from pension	Wife's survivor income at Robert's death: $3,450/month guaranteed
RSU vest (8 months post-retirement): 22% withholding assumed sufficient	RSU vest: additional withholding elected; estimated tax payment scheduled

PLANNING OUTCOME — CASE STUDY 2

- NUA tax savings: $125,000–$150,000 in federal tax on identical assets
- Concentration risk reduced from 61% to target 30% over 3 years — systematic, bracket-managed
- Pension survivor benefit: present value of $620,000 secured for wife at a net cost of $130,000
- Key lesson: The NUA analysis almost didn't happen. Robert was two weeks from rolling everything to an IRA when we ran the cost basis analysis. The window for NUA is permanent once closed.

Case Study 3 — The Early Retirement Package: 29 Days to Decide

CLIENT PROFILE	
Name / Role:	Karen, Director of Asset Management at a midstream energy company
Age at retirement:	55
Years of service:	22
Base salary (final year):	$245,000
EERP offer deadline:	29 days from notification
Package summary as presented:	'12 months base salary severance + 2 years enhanced pension credit + healthcare continuation for 18 months at active employee rate'
Pension under actual service:	Lump sum $410,000 | Annuity: $2,100/month
Pension under enhanced service (EERP):	Lump sum $498,000 | Annuity: $2,640/month
RSUs:	1,400 unvested units — standard plan forfeit at separation; retirement eligibility threshold: age 55 + 20 years service (Karen qualifies)
Stock options:	2,200 vested NQSOs, strike $28, current price $54 — post-separation exercise window: 90 days
NQDC balance:	$380,000, elected as 5-year installments at separation
401(k) balance:	$895,000
Company stock in 401(k):	38% ($340,000)
Spouse:	Age 57, employed, with employer healthcare coverage available

The Situation

Karen received the EERP notice on a Tuesday morning. Her manager delivered it in person, described it as "generous," and told her the HR team would follow up with paperwork. She called us that afternoon.

Twenty-nine days is not a lot of time to analyze a retirement decision that touches a pension election, an equity compensation structure, a tax year, a healthcare plan, a 401(k) rollover decision, and a 20-year income projection. But twenty-nine days is enough — if you start immediately and work the right problems in the right order.

The first thing we did was disaggregate the package. "12 months salary + enhanced pension + 18 months healthcare" is a marketing description. It is not an analysis.

True Package Valuation

Package Component	True Economic Value
12 months base salary severance ($245,000 gross)	~$145,000 after federal and state tax — actual cash received
Enhanced pension credit — 2 additional years	Annuity differential: $2,640 vs. $2,100/month = $540/month additional for life. Present value at 4% over 28-year life expectancy: ~$104,000
Healthcare at active rate for 18 months	Active rate: ~$1,100/month. Individual market equivalent: ~$3,200/month. Savings: $2,100/month x 18 months = $37,800
STATED PACKAGE VALUE (as presented)	$245,000 (salary component only)
TRUE ECONOMIC VALUE	~$287,000 after-tax — significantly more than the stated figure

The pension enhancement alone — two additional years of service credit — had a present value of approximately $104,000. It appeared in one sentence in the EERP letter. Karen had not thought to calculate it.

The RSU Discovery — The Most Valuable Find

When we pulled Karen's individual RSU grant agreements — not the EERP summary, the actual grant documents — we found language that the EERP summary had not addressed at all.

Three of her four active RSU grants contained retirement eligibility provisions: employees meeting the age 55 plus 20-years-of-service threshold received continued vesting under the retirement vesting schedule rather than forfeiture. Karen met both criteria exactly — she had turned 55 four months earlier and had 22 years of service.

Under standard plan terms, her 1,400 unvested RSUs would forfeit at separation. Under the retirement-eligible vesting provision — triggered by her age and service, not by the EERP — those grants would continue vesting on their original schedule.

The EERP summary had said the RSUs "would be treated per standard plan provisions at separation." Standard plan provisions, for a retirement-eligible employee, meant continued vesting — not forfeiture. The HR representative who delivered the package did not know this. It was buried in the grant agreements.

Value of RSUs preserved by reading the grant document rather than accepting the summary: $1,400 units × $54/share = $75,600 gross — and growing.

The 90-Day Options Clock

Karen's 2,200 vested NQSOs had a post-separation exercise window of 90 days. At a $26/share spread, their intrinsic value was $57,200. We built the exercise into the 60-day mark post-separation — giving buffer time while staying within the window — and modeled the tax impact against her lower-income post-separation year. Because separation was occurring mid-year, her total income in the separation year was manageable enough that the option exercise added $57,200 of ordinary income at approximately 32% rather than the 37% it would have attracted in a full-salary year. Tax on the spread: approximately $18,300 rather than $21,200. A modest difference — but the exercise itself was the important thing.

The Rule of 55 Decision

Karen was 55 at separation — exactly qualifying for the Rule of 55 on her 401(k). The question was whether to keep the $895,000 in the employer plan to preserve penalty-free access, or roll it to an IRA for broader investment options.

We modeled her income needs for ages 55 to 59½ — the window in which the Rule of 55 mattered. With NQDC installments of $76,000 per year beginning, and her husband's income continuing, she did not need significant 401(k) withdrawals in the near term. But having the option — penalty-free — was worth more than

the incremental investment options available in an IRA. She kept the 401(k) in the plan through age 60, then rolled it.

The Retirement Income Picture

Karen accepted the EERP. With the enhanced pension credit, the continued RSU vesting, and the options exercised, the retirement income picture looked like this:

Income Source	Annual Amount / Notes
NQDC installments (5 years)	$76,000/year — ordinary income, years 1–5
Enhanced pension — annuity elected	$31,680/year ($2,640/month) — joint-and-75% survivor
RSU continued vesting (post-retirement)	$75,600+ over 3 years — manageable tax events
Husband's income (continuing)	Covers household expenses through his retirement
Social Security (delayed to 70)	Estimated $34,800/year — delay preserves Roth conversion window
Roth conversion plan	$60,000–$75,000/year beginning year 2, before SS activates

WITHOUT COORDINATED PLANNING	WITH COORDINATED PLANNING
Package accepted at face value: $245,000 stated value	True package value: ~$287,000 after-tax — $42,000 more than assumed
RSUs forfeited — $75,600 lost, not identified	RSUs preserved via grant document review — $75,600 retained
Stock options: 90-day window missed — $57,200 expired	Options exercised at 60-day mark — $57,200 captured at 32% rate

WITHOUT COORDINATED PLANNING	WITH COORDINATED PLANNING
Pension: standard service only — $104,000 less in present value	Enhanced pension credit: $104,000 PV secured
401(k) rolled immediately — Rule of 55 access forfeited	401(k) kept in plan through 59½ — Rule of 55 preserved
No Roth conversion plan — window unused	Roth conversion: $60,000–$75,000/year plan initiated
Total value left on table: ~$390,000	Total value created or preserved vs. uninformed acceptance: ~$390,000

PLANNING OUTCOME — CASE STUDY 3

- Total value identified and preserved in 29-day window: approximately $390,000
- Single most important action: reading the RSU grant agreements — not the EERP summary
- Key lesson: The EERP summary is a marketing document. Every right you have is in the plan documents and grant agreements — not in the letter HR delivers.

Case Study 4 — The Deferred Compensation Trap: A Decision Made 11 Years Earlier

CLIENT PROFILE	
Name / Role:	Michael, retired VP of Finance at a large integrated energy company. Now age 64.
Age at retirement:	62
NQDC balance at retirement:	$1,920,000 — elected as a LUMP SUM at separation (election made 11 years prior)
Pension:	Annuity elected, $5,800/month ($69,600/year) beginning at retirement
Social Security:	Planned at age 70 — estimated $52,800/year
Traditional IRA:	$1,250,000
Roth IRA:	$48,000
Taxable brokerage:	$390,000
Filing status:	Married filing jointly
Other income:	Investment income approximately $22,000/year

The Situation

Michael came to us two years after retirement. He had already received the NQDC lump sum distribution — all $1,920,000 of it — in his retirement year. The tax bill had been enormous: federal taxes in the retirement year exceeded $720,000. He knew it had been expensive. What he did not know was what to do now.

The question he brought us was about investment allocation. The question we needed to answer was about the next thirty years of his tax picture — because the NQDC was gone, but the consequences of how it was

distributed were still shaping everything ahead of him.

The Damage Already Done — and the Remaining Problem

The $1,920,000 lump sum had arrived in the same year as $69,600 of pension income, $22,000 of investment income, and $17,000 of partial-year pension payments. Total retirement year income: approximately $2,029,000. Federal income tax: approximately $718,000 — an effective rate of 35.4% across all income, with the marginal rate on most of the NQDC at 37%.

The lump sum election — made in a 30-minute benefits enrollment session eleven years earlier, when Michael was 51 and retirement felt abstract — had cost him approximately $200,000 to $280,000 in additional federal income tax compared to a 10-year installment election that would have distributed $192,000 per year from ages 62 to 72 at substantially lower marginal rates.

That decision could not be undone. What could be addressed was everything else.

The Current Problem: A Structural Tax Trap

Michael's situation post-NQDC looked like this: $1,250,000 in a traditional IRA, $48,000 in Roth, $390,000 in taxable, and $69,600 in annual pension income — with Social Security of $52,800 arriving at 70 and IRA RMDs beginning at 73.

At age 73, his income picture was going to look like this without any intervention:

Income Source	Annual Amount	Cumulative Total
Pension income	$69,600	$69,600
Social Security (85% taxable)	$44,880	$114,480
IRA RMD (age 73, ~$1.8M projected balance)	$69,500+	$183,980+
Investment income	$25,000	$208,980+
TOTAL TAXABLE INCOME	$208,980+	Bracket: 32–35%

With $209,000 of mostly unavoidable taxable income at 73, Michael was heading into the highest Medicare IRMAA surcharge tiers permanently, with no Roth assets to draw on for large expenses, and an IRA that would continue growing (and generating larger RMDs) every year until depleted.

The Recovery Plan: Using the Remaining Window

Michael was 64. He had eight years before Social Security activated and nine years before RMDs began — a window that was narrower than ideal but still meaningful.

- **Year 1 (Age 64): Establish the conversion baseline.** With pension income of $69,600 and investment income of $22,000 — total $91,600 — Michael had approximately $109,000 of bracket capacity within the 22% bracket (married standard deduction approximately $32,300, top of 22% bracket approximately $201,050 taxable income). We converted $109,000 in year one.
- **Years 2–5 (Ages 65–68): Accelerate before Social Security.** Increasing conversions to $130,000 to $140,000 per year during ages 65 to 68, before Medicare Part B premiums became a complication. We modeled IRMAA carefully — converting to the top of each IRMAA tier and stopping rather than crossing into the next tier unnecessarily.
- **Years 6–8 (Ages 69–71): Final conversion push.** Social Security activates at 70, reducing conversion capacity. Maximum conversions in the years 69 and 70 before and immediately after SS begins — front-loading while the window remains partially open.
- **Total projected Roth conversion over 8 years:** approximately $900,000 to $950,000. Starting IRA balance of $1,250,000 reduced to approximately $350,000 to $400,000 at age 70 — dramatically reducing the RMD at 73 and the IRMAA exposure thereafter.

Without Roth Conversion Plan (Ages 64–80)	With Roth Conversion Plan (Ages 64–80)
IRA at 73: ~$1,800,000 (assumed 4% growth)	IRA at 73: ~$500,000 (after conversions and growth)
Age 73 RMD: ~$69,500	Age 73 RMD: ~$19,300
Total income at 73: ~$209,000	Total income at 73: ~$158,000
IRMAA tier at 73: Tier 4 ($559/month per person)	IRMAA tier at 73: Tier 2 ($349/month per person)

Without Roth Conversion Plan (Ages 64–80)	With Roth Conversion Plan (Ages 64–80)
Annual Medicare premium savings: $0	Annual Medicare premium savings: ~$5,040/couple
Roth available for large expenses or heirs: $48,000	Roth available for large expenses or heirs: ~$1,050,000+
Effective tax rate on IRA distributions: 32–35%	Effective tax rate on most Roth conversions: 22–24%

PLANNING OUTCOME — CASE STUDY 4

- Roth conversion plan: $900,000–$950,000 moved to tax-free at 22–24% rather than 32–35% via RMDs
- Estimated lifetime federal tax savings from conversion plan: $100,000–$160,000
- Medicare IRMAA savings: ~$5,040/couple annually from age 73+ — cumulative $75,000+ over 15 years
- Roth balance available to heirs tax-free: ~$1,050,000 vs. $48,000 without the plan
- Key lesson: The NQDC election eleven years earlier was the most expensive decision in the file. The recovery was real but partial. The best time to have had this conversation was when the election was being made.

Case Study 5 — The Segment Rate Decision: A $180,000 Question About Timing

CLIENT PROFILE	
Name / Role:	Sandra, Senior Geoscientist at a major integrated energy company
Age at retirement:	60
Years of service:	28
Salary:	$210,000
Retirement eligibility:	Fully eligible — age + service exceeds company threshold
Pension lump sum (December, current year):	$1,240,000
Pension lump sum (if retirement delayed 6 months to June, following year):	TBD — see below
Monthly annuity alternative:	$5,950/month single life | $5,150/month joint-and-75% survivor
IRA (401k rollover from prior employer):	$680,000
Taxable brokerage:	$285,000
Roth IRA:	$31,000
Company stock (ESIP):	$340,000 (28% of investable assets)
Context:	The Federal Reserve had raised rates significantly over the prior 18 months. IRS segment rates had risen sharply. Sandra's financial advisor had suggested she retire "whenever feels right."

The Situation

Sandra was planning to retire in June of the following year. She had told HR, told her manager, and mentally committed to the date. It felt right. Her daughter's wedding was in April, she wanted to be relaxed and present, and June gave her time to wrap up her projects cleanly.

She came to us in October to "get everything organized" before the transition. What we found in the first meeting changed the retirement date conversation entirely.

The Segment Rate Analysis

Sandra's company used a 24-month averaging period for segment rate calculations, with a November lookback for lump sums paid in the following calendar year. What this meant: the lump sum available if Sandra retired in December of the current year was calculated using segment rates from the prior two years — which included a period of lower rates before the Fed's aggressive tightening cycle.

The lump sum available if Sandra retired in June of the following year would be calculated using a rate set that fully incorporated the higher rates — because by then, the 24-month average would include a much larger proportion of the elevated rate period.

We requested a lump sum estimate from the plan under both scenarios.

Retirement in December (Current Year)	Retirement in June (Following Year)
Segment rates used: partial low-rate period included	Segment rates used: fully elevated rate period
Applicable segment rates (approx.): 4.2% / 4.8% / 5.1%	Applicable segment rates (approx.): 5.1% / 5.6% / 5.9%
Lump sum offer: $1,240,000	Projected lump sum offer: approximately $1,060,000
Annuity alternative: $5,950/month	Annuity alternative: $5,950/month (unchanged — not rate-sensitive)
Difference in lump sum value: —	$180,000 less — same benefit, same person, different rate environment

The annuity was not affected by segment rates — $5,950 per month was $5,950 per month regardless of when Sandra retired. Only the lump sum was sensitive to the rate environment. And the rate environment had moved sharply against the lump sum over the prior 18 months.

Staying until June was going to cost Sandra $180,000 in lump sum value — for the privilege of a six-month delay she had chosen for personal reasons without realizing the financial consequence.

The Decision

We presented Sandra with the full picture. Not just the lump sum differential, but everything that changed if she moved the retirement date from June to December:

- **Lost income:** Six months of $210,000 salary — approximately $105,000 gross, $68,000 after tax. This was real money she would give up.
- **Lost pension lump sum value:** $180,000. Not a projection — a calculation from the plan's own methodology applied to known segment rate trajectories.
- **Lost RSU vesting:** One tranche of 400 units vesting in March of the following year — worth approximately $84,000 at current prices. Under the plan's retirement-eligible provisions, continued vesting applied — so retiring in December did not forfeit this tranche. It would still vest in March under the retirement schedule.
- **Healthcare:** Company retiree healthcare was available to Sandra under both scenarios. No gap.
- **Net calculation:** Moving the retirement date from June to December cost $68,000 in after-tax salary but preserved $180,000 in lump sum value. Net benefit of accelerating: approximately $112,000.

Sandra's response, when we laid this out, was direct: "Why didn't anyone tell me rates affected the lump sum?" The answer — that most advisors either don't know this or don't track it actively — was part of the point we had been making throughout the engagement.

The Annuity Reconsideration

The rate analysis also changed the lump sum vs. annuity comparison. At $1,240,000 lump sum versus $5,950/month annuity, the breakeven age was approximately 80 years — assuming 5.5% return on the lump sum.

Sandra was in excellent health with strong family longevity. Her mother was 88 and still active. Her father had lived to 91. At an 80-year breakeven, she had a meaningful probability of the annuity winning — particularly given that the annuity provided inflation-adjusted real value over time in a way that felt more predictable to her than portfolio management.

She ran the numbers both ways with us. Her conclusion: she wanted the lump sum — not because the math was definitively better, but because the control and estate planning flexibility mattered to her, and she was confident in her investment discipline. We respected that decision. The point of the annuity analysis was to ensure it was made with full information, not defaulted to.

She took the lump sum. In December.

WITHOUT COORDINATED PLANNING	WITH COORDINATED PLANNING
Retirement in June: planned date, no analysis	Retirement moved to December: segment rate analysis driven
Lump sum: $1,060,000 (post-rate-rise calculation)	Lump sum: $1,240,000 — $180,000 more than June scenario
After-tax salary gained: $68,000	After-tax salary foregone: $68,000
Net financial position vs. December retirement: -$112,000	Net financial benefit of date change: +$112,000
Segment rate impact: unknown to Sandra and her prior advisor	Segment rate impact: identified, quantified, acted upon
Annuity comparison: never modeled	Annuity comparison: fully modeled — lump sum elected with confidence
Cost of proceeding without analysis: $112,000	Value of coordinated timing analysis: $112,000 on a single decision

PLANNING OUTCOME — CASE STUDY 5

- Single decision — retirement date change — generated $112,000 of net financial benefit
- Mechanism: segment rate sensitivity analysis applied to a specific plan's lookback methodology
- Annuity comparison completed for the first time — lump sum confirmed with full information
- Key lesson: Retirement timing is not a personal preference decision. It is a financial decision. The date has direct, quantifiable consequences for lump sum value, RSU vesting, tax year income, and Roth conversion timing. It should be chosen with analysis, not convenience.

What These Five Cases Have in Common

These clients were not careless. They were not uninformed in any general sense. They were experienced professionals who had managed complex careers, significant compensation, and meaningful financial decisions for decades. What they lacked was not intelligence or diligence. It was specific, integrated knowledge of the exact decisions they were facing — and an advisor with the expertise to connect the pieces before the windows closed.

The five most expensive moments across these cases:

- **Michael's NQDC lump sum election, made eleven years before retirement.** The most costly decision in any of these files. Made in a benefits enrollment session with no modeling, no tax projection, and no advisor who understood the stakes. Cost: $200,000 to $280,000 in avoidable federal income tax.
- **Robert's near-miss on NUA.** Two weeks from rolling everything to an IRA when the cost basis analysis was finally run. The window would have been permanently closed. Value at stake: $125,000 to $150,000 in federal tax savings.
- **Karen's RSU grant documents unread.** The EERP summary said "standard plan provisions." Standard plan provisions for a retirement-eligible employee meant continued vesting. No one read the grant agreements until we did. Value recovered: $75,600.
- **David's stock option grants unaudited.** A forgotten second grant, 1,200 options at $29 strike with 24 months until expiration, worth $38,400 — identified only because we conducted a comprehensive option audit. Would have expired unnoticed.
- **Sandra's June retirement date.** Chosen for personal reasons, with no knowledge that segment rates were compressing the lump sum value by $180,000 relative to a December retirement. The decision to move the date was made in a single meeting. The value of that meeting: $112,000.

> In each of these situations, the planning intervention was not exotic or highly technical. It was thorough. It was timely. And it was integrated — treating all of the decisions as a connected system rather than a series of independent choices. That is the difference between an energy industry retirement that is financially optimal and one that is merely adequate.

SECTION 14

ENERGY EMPLOYEE RETIREMENT FAQ

The questions in this section are the ones we hear most often — from engineers and executives, from employees with 10 years of service and those with 35, from people planning two years out and people who received an EERP notice this morning. The answers are direct, specific, and written without the hedging that makes most financial FAQ sections useless.

This section is organized by topic. Use it as a reference — jump to the category most relevant to your immediate situation, then read the rest. Many of these questions connect to each other in ways that matter.

Pension Questions

Should I take my pension lump sum or the monthly annuity?

There is no universal answer — but there is a framework. The lump sum is more attractive when: interest rates are low (which increases the lump sum value), you have other guaranteed income sources, you have strong estate planning goals, and you are a disciplined long-term investor. The annuity is more attractive when: you are in good health with strong family longevity, your spouse has limited independent income, inflation over a 25-to-30-year retirement concerns you, or the behavioral risk of managing a lump sum through volatile markets is real. The decision should be made with a full breakeven analysis under multiple return assumptions, a segment rate review, and a complete picture of all other retirement income sources. It should never be made as a default.

How is an energy company pension lump sum calculated?

Your lump sum is the present value of your future monthly annuity payments, discounted using IRS segment rates — three interest rates that correspond to short-, medium-, and long-term payment horizons. Higher segment rates produce lower lump sum values because future payments are worth less in today's dollars at higher discount rates. Your plan uses a specific lookback period for these rates — typically a 24-month average, though some plans differ. The resulting lump sum can vary by hundreds of thousands of dollars depending on the rate environment at your retirement date.

What are IRS segment rates and why do they matter for my pension?

Segment rates are interest rates published monthly by the IRS, derived from investment-grade corporate

bond yields. They are divided into three tiers: short-term (years 1–5), medium-term (years 6–20), and long-term (years 21+). Your pension plan uses these rates to discount future monthly payments back to a present value — which becomes your lump sum offer. When segment rates rise, lump sum values fall. When rates fall, lump sum values rise. The annuity amount is not affected by segment rates. This is why the interest rate environment at your retirement date can shift the lump sum value by $100,000 to $300,000 on the same pension benefit.

What is the breakeven age for taking the pension annuity vs. the lump sum?

The breakeven age is the point at which cumulative annuity payments equal the projected value of the lump sum invested at a reasonable return. For most energy employees, the breakeven falls between ages 78 and 85 — depending on the assumed investment return on the lump sum (higher assumed returns push the breakeven later) and the current segment rate environment (higher rates compress the lump sum, shortening the breakeven). Living past the breakeven means the annuity wins in aggregate. The breakeven calculation is a necessary starting point but an incomplete decision tool — it does not capture inflation erosion of the fixed annuity, tax efficiency differences, behavioral risk, or estate value.

What happens to my pension if I retire early?

Most energy company pension plans have early retirement provisions — age-plus-service thresholds (such as age 55 + 20 years, or a combined total of 75 or 80) that allow retirement before the plan's normal retirement age without a full actuarial reduction. If you meet the threshold, your benefit may be unreduced or only modestly reduced. If you retire before the threshold, the benefit is reduced for each year before normal retirement age — the reduction can be significant, sometimes 4% to 6% per year. Review your specific plan document for the exact provisions; do not assume generic rules apply.

How does the survivor benefit election work?

The survivor benefit election determines what income, if any, your spouse receives from your pension after your death. Federal law (ERISA) requires spousal consent for any election other than a joint-and-survivor annuity. Your options typically include: single life annuity (highest monthly payment, nothing to spouse at your death), joint-and-50% survivor, joint-and-75% survivor, or joint-and-100% survivor (lowest monthly payment, full benefit to spouse for life). The reduction in your monthly benefit to fund the survivor benefit is calculated actuarially. This election is permanent once the pension begins — it cannot be changed after the fact.

Can I change my pension election after I retire?

No. The pension election — both the form of payment (lump sum vs. annuity) and the survivor benefit option — is irrevocable once the first payment is received or the lump sum is distributed. This is why the analysis

must be completed before submission, not after. If you are uncertain, request additional time from your plan administrator — most plans provide a reasonable window for reconsideration before the election becomes final.

Should I be concerned about my energy company's pension plan health?

For most major integrated energy companies, large independents, and midstream operators, pension plan funding levels are strong and solvency risk is low. These are well-capitalized organizations with mature, well-managed benefit programs.

For employees at smaller independents, financially stressed companies, or oilfield services firms, pension plan health is worth evaluating. The Pension Benefit Guaranty Corporation (PBGC) insures defined benefit pensions up to a statutory maximum — approximately $7,400 per month for a 65-year-old retiree in 2024. Benefits above that cap are not insured. For executives with large pension benefits, the lump sum removes all plan solvency risk by placing the assets under your direct control.

RSU and Equity Compensation Questions

What happens to my RSUs when I retire?

It depends entirely on your plan documents and grant agreements — not on general rules. The two most common outcomes are forfeiture and continued vesting under retirement-eligible provisions.

Forfeiture: if you do not meet the plan's retirement eligibility threshold (typically a combination of age and years of service), unvested RSUs are forfeited at separation.

Continued vesting: if you meet the retirement eligibility threshold, many plans allow unvested grants to continue vesting on their original schedule even after your last day of employment. This is a significant benefit that is frequently overlooked because it is described in the individual grant agreements — not prominently in the plan summary.

Read every grant agreement before accepting any separation terms. The treatment may differ by grant year. Some grants may continue vesting while others forfeit.

How are RSUs taxed at retirement?

RSUs are taxed as ordinary income at vesting — not as capital gains. When your RSUs vest (whether during your final year of work or in subsequent years under retirement-eligible continued vesting provisions), the full fair market value of the shares on the vesting date is included in your gross income and taxed at your marginal federal income tax rate, plus state income tax and FICA. The default federal withholding rate on RSU income is 22% — which is almost always insufficient for executives in the 32% to 37% bracket. The gap between what is withheld and what is owed arrives as an unexpected tax balance in April. Plan for it explicitly.

Am I double-taxed on my RSUs?

No — though the confusion is understandable. Here is what actually happens: when your RSUs vest, you pay ordinary income tax on the full fair market value. Your cost basis in the shares is set at that same fair market value. When you later sell the shares, you pay capital gains tax only on appreciation above your vesting-date basis — not on the same dollars that were taxed at vesting. Two tax events, two different amounts of money. If you sell immediately at vesting with no price change, there is no second tax. If you hold and the shares appreciate, the appreciation is taxed as a capital gain. If the shares decline after vesting, you have a capital loss.

What is the best RSU tax strategy in the year I retire?

The retirement year presents a unique opportunity: your earned income drops sharply mid-year, potentially pulling you into lower tax brackets than you occupied during your working years. RSU income that vests in a lower-income retirement year is taxed at lower rates than it would have been in a full-salary year. The key strategies are: (1) align your retirement date with your RSU vesting calendar to maximize vests that fall in the lower-income year; (2) elect supplemental withholding above the 22% default if your plan allows it; (3) make quarterly estimated tax payments to cover the withholding gap; (4) coordinate RSU income with your Roth conversion plan — RSU income in the retirement year consumes bracket space that might otherwise have been available for conversions.

What happens to my stock options after I retire?

The post-retirement exercise window for stock options is defined by your individual grant agreements — not by general rules. Most NQSO plans provide between 90 days and three years after retirement to exercise vested options. ISO plans typically allow only 90 days post-separation before the favorable tax treatment converts to NQSO treatment.

The single most important action before retirement is a complete option audit: every grant, its vesting status, its strike price, its expiration date after separation, and its current intrinsic value. Allowing options to expire unexercised is one of the largest and most entirely preventable financial losses in executive retirement — it requires only awareness of the deadline and timely action.If your options are in-the-money and approaching their post-retirement expiration, the exercise decision should be modeled for tax impact (the spread is ordinary income), concentration risk (exercising and holding adds more company stock), and the income stacking effect on your retirement year tax picture.

What is the difference between NQSOs and ISOs?

NQSOs (Non-Qualified Stock Options) are taxed as ordinary income on the spread between the strike price and the market price at exercise. ISOs (Incentive Stock Options) receive more favorable tax treatment:

How is deferred compensation taxed in retirement?

NQDC distributions are taxed as ordinary income in the year received — at your marginal federal and state income tax rate for that year. There are no special capital gains rates, no basis recovery, and no favorable treatment. A $200,000 annual NQDC installment is $200,000 of ordinary income stacked on top of pension income, Social Security, and IRA withdrawals. This stacking effect is why the distribution election — lump sum vs. installments, and the installment period length — has such significant lifetime tax consequences. A lump sum of $1.5 million distributed in a single year is taxed at 37% on the top portion. The same amount distributed over 10 years is taxed at progressively lower rates as the other income sources fluctuate.

What is the creditor risk with deferred compensation?

NQDC plan assets are not held in a trust on your behalf — they are a contractual promise from your employer, backed only by the employer's general creditworthiness. In a bankruptcy or insolvency, NQDC participants rank as unsecured general creditors, behind secured lenders and bondholders. For employees at large, investment-grade energy companies, this risk is theoretical in normal circumstances. For employees at financially stressed companies, it is real. The primary mitigation available is distribution timing — accelerating distributions to reduce the outstanding balance at risk. This must comply with 409A rules, which limits flexibility.

What is Section 409A and why does it matter?

Section 409A is the federal law that governs Non-Qualified Deferred Compensation plans. It establishes strict rules about when deferred compensation can be distributed, when elections can be changed, and what triggers a distribution. The penalties for violating 409A are severe: all deferred amounts become immediately taxable, plus a 20% excise tax, plus interest. These penalties apply even if the violation was inadvertent. 409A is the reason NQDC distribution elections are essentially irrevocable and why they must be made carefully, with full modeling of the tax consequences, before the first dollar is deferred.

Tax Planning Questions

What is a Roth conversion and should I do one in retirement?

A Roth conversion is the transfer of assets from a traditional IRA or 401(k) to a Roth IRA. The converted amount is taxed as ordinary income in the year of conversion — and then grows and distributes tax-free thereafter, with no Required Minimum Distributions during the owner's lifetime. For most energy executives, the answer to whether you should convert is yes — the question is how much and when. The optimal window is the period between retirement and age 73, when earned income has stopped but Social Security, full pension income, and RMDs have not yet fully activated. Converting in this window — at rates you control —

is almost always preferable to being forced to distribute at rates driven by the RMD formula in later years.

What is the Roth conversion window and why does it close?

The Roth conversion window is the period between retirement and the point at which all major income sources are active and brackets are fully occupied. For a typical energy executive retiring at 62, the window opens immediately — earned income stops, pension income begins at a manageable level, and bracket capacity for conversions is meaningful. The window progressively narrows as Social Security activates (typically 62–70), as deferred compensation distributions run (often 5–15 years), and as RMDs begin at 73. By the time all sources are fully active, the marginal brackets are occupied and conversion capacity is minimal or gone. The window does not disappear suddenly — it closes gradually, which is why multi-year planning is more effective than single-year action.

What is IRMAA and how does it affect my Medicare costs?

IRMAA — Income-Related Monthly Adjustment Amount — is a surcharge added to Medicare Part B and Part D premiums for retirees whose income exceeds certain thresholds. It is assessed on a two-year lookback basis: your income in 2024 determines your Medicare premiums in 2026. For married couples, IRMAA surcharges begin above $206,000 of Modified AGI and can reach $10,000 or more per couple annually at the highest income tier. Energy executives with pension income, NQDC distributions, and investment income frequently cross IRMAA thresholds — particularly in the retirement year when income spikes. Managing the size of Roth conversions, capital gains realizations, and voluntary IRA withdrawals with IRMAA thresholds in mind can save meaningful Medicare premium costs.

What is the three-bucket tax diversification strategy?

Tax diversification means holding retirement assets across three tax treatment categories: the taxable bucket (brokerage accounts, NUA shares — taxed at capital gains rates), the tax-deferred bucket (traditional IRA, 401(k), pension, deferred compensation — taxed as ordinary income at withdrawal), and the tax-free bucket (Roth IRA, HSA — tax-free at withdrawal with no RMDs). Most energy executives retire with 75% to 85% of assets in the tax-deferred bucket — entirely ordinary income. The goal of the retirement transition is to build the tax-free bucket through Roth conversions before RMDs force large distributions at rates you cannot control. The bucket structure gives you flexibility to choose which assets to draw from in any given year based on your tax situation.

What is NUA and when should I use it?

Net Unrealized Appreciation (NUA) is a tax strategy that applies when you have employer stock inside a 401(k) or ESIP with a low plan cost basis relative to current market value. Under NUA treatment, you take a lump sum distribution of the employer stock in-kind (as shares, not cash). Only the plan's cost basis is taxed as

ordinary income at distribution. The appreciation above that basis — the NUA — is deferred until you sell and taxed at long-term capital gains rates when you do, regardless of how long you hold the shares after distribution. NUA makes the most sense when the plan's cost basis is very low relative to current value, when you are in a high ordinary income bracket, and when you have near-term intent to sell some shares. It does not make sense when the basis is high, when your ordinary income rate is low, or when continuing to hold the stock maintains dangerous concentration. The NUA election is available only at the point of lump sum distribution — once the plan is rolled to an IRA, the opportunity is permanently lost.

How do I avoid being tax-trapped in retirement?

The tax trap forms when virtually all retirement assets are in tax-deferred accounts — IRAs, 401(k)s, pensions, deferred compensation — producing income that is 100% ordinary income, subject to RMDs, and generating effective tax rates that rival the working years. Avoiding it requires building the tax-free bucket during the retirement transition window: executing systematic Roth conversions before Social Security and RMDs fully occupy the brackets, managing IRMAA thresholds deliberately, drawing from taxable accounts for living expenses to preserve IRA capacity for conversions, and using charitable vehicles (Donor-Advised Funds, QCDs) to reduce taxable income. The window to act is the years between retirement and age 73. After RMDs begin, the options narrow significantly.

Severance and Early Retirement Questions

How should I evaluate an early retirement package from my energy company?

Start by disaggregating the package — the headline number is almost never the full story. A package described as '12 months of salary' typically contains additional value in pension enhancements, healthcare continuation, and equity treatment that the summary understates.

Calculate the true economic value of each component: cash severance (after estimated tax), enhanced pension credits (present value of the additional monthly income over life expectancy), healthcare bridge (total avoided premium cost over the full period to Medicare eligibility), equity treatment (incremental value vs. standard separation terms), and LTIP enhancements.

Then ask the question the company doesn't: what happens if you decline? In most restructuring scenarios, subsequent involuntary separation occurs on less favorable terms. Model the probability-weighted expected value of both paths.

Finally, run a retirement readiness test: is the package — combined with existing assets — sufficient to sustain the retirement income plan you need? If yes, the accept decision becomes clearer. If not, the gap tells you what negotiation or reemployment would need to provide.

What is the Rule of 55?

The Rule of 55 is a tax code provision (IRC Section 72(t)(2)(A)(v)) that waives the 10% early withdrawal penalty on distributions from a 401(k) or similar employer plan for employees who separate from service during or after the calendar year in which they turn 55. It is available only from the employer plan at the company you are leaving — not from IRAs or prior employer plans. The age test is calendar-year based: if you turn 55 at any point in the year of separation, you qualify even if you separate earlier in that year. Distributions remain subject to ordinary income tax; only the penalty is waived. If you roll the 401(k) to an IRA before age 59½, the Rule of 55 benefit is permanently lost for that money.

Should I leave my 401(k) in the company plan when I retire, or roll it to an IRA?

It depends on several factors. Keep it in the plan if: you are separating before age 59½ and may need penalty-free access under the Rule of 55; you have significant company stock in the plan and are evaluating an NUA strategy (the NUA election requires the assets to remain in the plan through the lump sum distribution — once rolled, it is unavailable); or the plan offers institutional investment options at lower fees than you could obtain in an IRA. Roll to an IRA if: you want broader investment options, you want more control over beneficiary designations, or you no longer need penalty-free access and the plan's investment options are limited. Many retirees do a partial rollover — keeping a portion in the plan for Rule of 55 access and rolling the remainder.

What happens to my unvested RSUs and options if I am laid off versus voluntarily retiring?

Treatment differs significantly between involuntary termination and voluntary retirement — and between employees who do and do not meet retirement eligibility criteria under the equity plan. In an involuntary layoff, most plans provide some form of pro-rata vesting of unvested RSUs through the separation date; some forfeit all unvested grants. For employees who meet retirement eligibility thresholds (often age plus service combinations), voluntary retirement may trigger the same continued vesting provisions that apply to layoffs — or more favorable treatment. Stock options in a layoff typically have a shorter post-separation exercise window than in a voluntary retirement qualifying as a retirement-eligible separation. Read every grant agreement, not just the plan summary, before making any separation decision.

Can I retire before Medicare at 65 and what are my healthcare options?

Yes — and many energy employees do, particularly those who retire in their late 50s or early 60s. Your options for bridging to Medicare are: (1) employer-subsidized retiree healthcare if your company offers it — often the most favorable option; (2) COBRA continuation of your employer's group plan at full premium plus 2% administrative fee, available for up to 18 months; (3) a spouse's employer plan if your spouse is still working

and the plan allows enrollment; or (4) an ACA Marketplace plan — potentially with premium tax credits if your income falls below the applicable threshold. The total cost of bridging to Medicare from, say, age 57 can reach $150,000 to $300,000 for a couple over an 8-year gap. This figure belongs in every early retirement income projection.

How is severance taxed?

Cash severance is taxed as ordinary income — typically withheld at the 22% supplemental wage rate (or 37% if total supplemental wages in the year exceed $1 million). For senior executives whose total retirement-year income — salary, severance, RSU vesting, NQDC distribution, LTIP payout — pushes taxable income into the 35% to 37% bracket, the 22% withholding rate significantly underfunds the actual tax obligation. Model the full retirement-year income before separation and establish an estimated tax payment plan to avoid underpayment penalties.

Social Security and Medicare Questions

When is the best age to claim Social Security if I have a pension?

For most energy executives with a defined benefit pension, delaying Social Security to age 70 produces the best outcome — but the reason is more nuanced than longevity alone. Delaying Social Security extends the Roth conversion window by keeping Social Security income from occupying the lower tax brackets during the critical pre-RMD years. Every year Social Security is delayed is a year in which more bracket capacity is available for Roth conversions at lower rates. The breakeven analysis for Social Security delay (typically around age 80) is only one dimension of the decision — the tax planning dimension often points even more strongly toward delay.

How is Social Security taxed in retirement?

Up to 85% of Social Security benefits are included in gross income if your "provisional income" — AGI plus non-taxable interest plus half of Social Security benefits — exceeds $44,000 for married filers. For energy retirees with pension income, NQDC distributions, and investment income, virtually all Social Security income is taxed at the 85% inclusion rate regardless of when it is claimed. The benefit of managing income below the thresholds is largely unavailable to executives with multiple large income sources. The tax planning focus for Social Security should therefore be on the claiming age's impact on the Roth conversion window, not on trying to make benefits tax-free.

When do I need to enroll in Medicare?

If you retire at 65 or later, enroll during your Initial Enrollment Period — the 7-month window beginning 3 months before your 65th birthday month. If you retire before 65 with active employer coverage continuing

(your own or a spouse's), you can delay Medicare enrollment without penalty and enroll during a Special Enrollment Period when that employer coverage ends. Important: COBRA and retiree healthcare plans do not count as active employer coverage for SEP purposes. If your original employment ends before 65 and you go on COBRA, your SEP clock starts at the original employment end date — not when COBRA ends. Missing the enrollment window without a qualifying reason results in a permanent 10% premium surcharge per 12-month delay period.

What is the difference between Medicare Advantage and Medigap?

Medigap (Medicare Supplement) plans work alongside Original Medicare, covering most or all of Medicare's cost-sharing — deductibles, copayments, coinsurance. You can see any Medicare-accepting provider nationwide. Premiums are higher but predictable. Medicare Advantage plans are private insurance plans that replace Original Medicare. They typically have lower premiums and often include dental, vision, and hearing benefits, but they use provider networks, require prior authorizations for some services, and have variable out-of-pocket costs. For energy executives accustomed to comprehensive employer coverage, Medigap often provides the most familiar experience: no networks, no authorizations, and predictable costs in exchange for higher premiums.

Estate and Beneficiary Questions

Do my beneficiary designations override my will?

Yes — completely and permanently. Beneficiary designations on retirement accounts, pension plans, deferred compensation plans, and life insurance policies supersede the will. If your will leaves everything to your spouse but your IRA beneficiary designation still names a prior spouse or a deceased parent, the IRA goes to whoever is named in the designation — regardless of what the will says. This is one of the most common and most costly estate planning errors. Review every beneficiary designation separately at retirement — 401(k), IRA, pension, deferred compensation, and all life insurance policies — as a dedicated task, not as part of a general estate plan review.

What is the 10-year rule for inherited IRAs?

Under the SECURE Act of 2019, most non-spouse beneficiaries who inherit an IRA must withdraw the entire balance within 10 years of the original owner's death. The stretch IRA — distributing over the beneficiary's life expectancy — is no longer available for most heirs. For energy executives with large IRA balances, this means heirs will be required to take potentially $100,000 or more per year in distributions from an inherited IRA — taxed as ordinary income, potentially in their own peak earning years. The most effective response is Roth conversion during the owner's lifetime: assets converted to a Roth are still subject to the 10-year rule for heirs, but those distributions are tax-free.

What happens to the step-up in basis at death for my company stock?

Appreciated assets held in a taxable account receive a new cost basis equal to the fair market value on the date of death. A concentrated energy stock position with a $12 cost basis and $60 market value passes to heirs with a $60 basis — the entire $48 gain accumulated during the owner's lifetime is eliminated for income tax purposes. This is a legitimate planning consideration for large, low-basis positions that are difficult to diversify during lifetime: holding some portion as a deliberate estate planning position permanently eliminates the embedded gain for heirs. Note that assets inside IRAs or 401(k)s do not receive a step-up — the basis in those accounts is zero (pre-tax), and all distributions are ordinary income regardless of what happened to values during the owner's lifetime.

How does my pension survivor benefit interact with Social Security survivor planning?

They interact directly — and the combined picture determines how much guaranteed income your surviving spouse will have. The pension survivor benefit (50%, 75%, or 100% of your monthly benefit, elected at retirement) provides ongoing income after your death. The Social Security survivor benefit provides the higher of the two spouses' benefits to the survivor — the lower benefit stops. Together, these two sources form the foundation of the surviving spouse's income floor. The pension survivor election and the Social Security claiming age for the higher earner are the two most consequential decisions for the surviving spouse's financial security, and they should be evaluated together — not as separate choices made in separate enrollment processes.

Process and Advisor Questions

How far in advance should I start retirement planning?

The honest answer: 24 to 36 months before your target retirement date is the minimum for energy industry employees. Many of the highest-value planning opportunities — NQDC distribution election review, 10b5-1 plan establishment, NUA eligibility analysis, Roth conversion runway modeling, and retirement date optimization relative to RSU vesting — require lead time to execute properly. Some decisions (NQDC elections, for example) may need to be addressed even earlier if they were made incorrectly years ago and the correction window is closing. The instinct to "get everything organized" in the final few months before retirement is understandable but costly. The planning work that matters most cannot be done in the final 90 days.

What questions should I ask a financial advisor who says they work with energy industry employees?

Ask specifically: How many energy industry clients have you guided through the full retirement transition?

Have you worked with clients who had simultaneous NQDC distributions, RSU vesting, and a pension lump sum decision in the same year? Can you walk me through the NUA strategy and explain when it does and does not apply? How do you model the interaction between a deferred compensation distribution election and the Roth conversion window? Can you explain how IRS segment rates affect a pension lump sum value and why the retirement date matters? The answers to these questions reveal whether the advisor has genuine, practitioner-level experience with energy industry compensation — or whether they have general retirement planning knowledge and energy industry clients by geography rather than by specialty.

What is a fiduciary and why does it matter?

A fiduciary advisor is legally required to act in your best interest — not in their own financial interest, and not merely in the interest of providing a suitable recommendation. Non-fiduciary advisors (those working under a suitability standard) are required only to recommend products that are suitable for you, not necessarily the best available option. For energy industry retirement planning — where the pension lump sum recommendation, the IRA rollover recommendation, and the concentrated stock recommendation all carry potential conflicts of interest for commission- or AUM-based advisors — fiduciary status matters. It does not guarantee specialized knowledge, but it does align the advisor's legal obligation with your financial interests.

No FAQ can replace the analysis of your specific situation. The questions above reflect what energy employees ask most often — but the right answer to each one depends on your plan documents, your tax picture, your family circumstances, and your goals. Use this section as a foundation for the right conversations, not as a substitute for them.

SECTION 15

THE COMPLETE RETIREMENT TIMING CHECKLIST

This checklist is organized around one principle: in energy industry retirement, what you do matters less than when you do it. Every item carries a deadline — explicit or implicit. Every missed deadline has a cost. Use this as a living document, updated as your retirement date approaches and your circumstances evolve.

The checklist that follows is structured in six phases, from 36 months before retirement through the ongoing post-retirement planning window. Each item includes the specific action required, the deadline or optimal timing window, and the section of this guide where the full analysis lives.

Items marked in red are those whose deadlines are hard — missing them forecloses options permanently. Items in standard format are important but allow some flexibility in timing. Read the guide sections referenced before acting on any item; the checklist identifies what to do, and the guide explains why and how.

This checklist was designed for energy industry employees specifically. It reflects the compensation structures, plan documents, and decision interdependencies that generic retirement checklists do not address.

How to Use This Checklist

Print this section and work through it with your financial advisor, tax advisor, and HR contact as a team. Do not treat any single item in isolation — the decisions interact, and acting on one without modeling its impact on the others is one of the most common sources of avoidable planning errors.

The guide section references in the right column point you to the full analysis behind each item. If an action feels consequential — particularly those marked as irreversible milestones — read the full section before executing.

Update your completion date next to each checked item. Review the full checklist every six months until retirement, then quarterly in the first two years after. Circumstances change; the checklist should reflect where you actually are.

ITEMS IN RED / MARKED URGENT

These items have hard deadlines that cannot be recovered once missed. They include: the NQDC distribution election irrevocability window, the NUA election at plan distribution, the pension election once income begins, the stock option post-retirement expiration window, and Medicare enrollment periods. Treat them as the highest priority in your planning sequence.

PHASE 1 — 36 to 24 Months Before Retirement

Strategy foundation: establish the plan, identify the constraints, open the planning windows

This is the most valuable planning phase — not because the decisions are imminent, but because the decisions made here determine the range of options available in every phase that follows. The most expensive planning failures in energy industry retirement (the wrong NQDC election, the missed NUA window, the unaddressed Roth conversion gap) are all failures of this phase. Start here.

✓	Action Required	Deadline / Timing	Guide Section
PENSION & RETIREMENT BENEFITS			
☐	Request pension lump sum estimates under current and multiple segment rate scenarios (+1%, -1% sensitivity)	As early as possible — rates move	Section 2.2
☐	Identify your pension plan's lookback methodology for segment rates — confirm the specific rate set used for your retirement date	Before any retirement date decision	Section 2.2
☐	Determine whether you qualify for an early retirement subsidy (Rule of 75 or equivalent) and the precise age/service threshold	Immediately	Section 2.1
☐	Determine whether you qualify for an early retirement subsidy (Rule of 75 or equivalent) and the precise age/service threshold	Immediately	Section 2.1

☐	Request pension estimates under both actual service and any enhanced service scenarios if EERP is a possibility	Ongoing	Section 6.2
NQDC & DEFERRED COMPENSATION — HIGHEST PRIORITY			
☐	Obtain all NQDC plan documents and confirm current distribution election on file for every account	IMMEDIATELY — before any other planning	Section 3.7
☐	Identify the irrevocability window for any NQDC elections that can still be changed — act within it if the election is suboptimal	Do not delay — windows close permanently	Section 3.7
☐	Model NQDC distribution schedule (lump sum vs. installments) against full retirement income projection — pension, Social Security, RMDs	Before any election deadline	Section 3.7
☐	Confirm SERP vesting status and distribution election if applicable	Now — forfeiture risk if retirement date moves	Section 3.8
EQUITY COMPENSATION			
☐	Conduct complete stock option audit: every grant, strike price, current value, vesting status, and post-retirement expiration window	Immediately — options expire silently	Section 3.5
☐	Map all RSU grant vesting dates for the next 36 months and identify which fall before and after potential retirement dates	Before setting retirement date	Section 3.4
☐	Review each RSU grant agreement for retirement-eligible vesting provisions — do not rely on the plan summary	Immediately	Section 3.1
☐	Map all LTIP performance period end dates and estimate pro-rata vs. full vesting treatment at retirement	Before setting retirement date	Section 3.6

TAX & ROTH PLANNING			
☐	Build a 3-year tax projection under at least two retirement date scenarios — model pension, RSU, NQDC, and Social Security interactions	Before retirement	Section 5
☐	Identify remaining Roth conversion capacity in pre-retirement years and model conversion amounts for current and next two years	Now	Section 5.3
☐	Model the impact of retirement date on IRMAA exposure for Medicare premiums two years post-retirement	Before retirement year income decisions	Section 5.5
CONCENTRATED STOCK			
☐	Quantify company stock concentration as a percentage of total investable assets — include ESIP, taxable RSU shares, and taxable brokerage positions	Now	Section 4.2
☐	Pull the plan's cost basis records for company stock in the ESIP — evaluate NUA eligibility	Before any rollover decision	Section 4.3
☐	Initiate 10b5-1 plan if applicable — SEC cooling-off period requires 90–120 days before first sale can execute	At least 15 months before planned first sale	Section 4.6
☐	Develop systematic concentration reduction plan — annual sale targets, tax bracket targets, charitable giving integration	Now — execution begins immediately	Section 4.7

MILESTONE DECISION — IRREVERSIBLE

NQDC Distribution Election — If your NQDC distribution election can still be changed and you have not yet modeled it against a full retirement income projection, change it now if the current election is suboptimal. Once the irrevocability window closes, the election cannot be corrected. This is the highest-priority item in this entire checklist.

PHASE 2 — 24 to 12 Months Before Retirement

Decision preparation: finalize the retirement date, execute the pre-retirement strategies

With the strategic foundation built in Phase 1, this phase is about converting analysis into decisions. The retirement date should be confirmed — not as a personal preference, but as a financial optimization informed by the vesting calendar, segment rate environment, tax year, and income projection. The execution of pre-retirement strategies (10b5-1 plan sales, Roth conversions, option exercises) begins here.

✓	Action Required	Deadline / Timing	Guide Section
RETIREMENT DATE FINALIZATION			
☐	Finalize retirement date based on: RSU vesting calendar, tax year optimization, segment rate environment, LTIP period, pension early retirement eligibility	12–18 months before target date	Sections 2, 3, 7
☐	Confirm retirement date does not inadvertently forfeit RSU or LTIP awards that would vest shortly after — model the cost of each date option	Before HR notification	Section 3.4
☐	Determine whether retiring at year-end vs. mid-year produces better tax outcomes for the retirement year income stack	Before any formal notification	Section 5.4
EQUITY COMPENSATION — EXECUTION			
☐	Exercise expiring stock options that will not survive past the post-retirement window — prioritize by value and proximity to deadline	As soon as identified — no delay	Section 3.5
☐	Evaluate remaining option grants: model exercise timing against retirement year income, bracket, and concentration considerations	12 months before retirement	Section 3.5
☐	Confirm 10b5-1 plan is in place and executing per schedule — verify compliance with 2023 SEC rule changes	Ongoing	Section 4.6

☐	Confirm retirement-eligible RSU vesting provisions with HR and plan administrator — get written confirmation	12 months before retirement	Section 3.1
PENSION DECISION			
☐	Run final lump sum vs. annuity analysis with current segment rates and breakeven modeling — document the decision rationale	9–12 months before retirement	Section 2.3
☐	Model survivor benefit election options with spouse — joint-and-50%, 75%, or 100%; confirm ERISA spousal consent requirements	9–12 months before retirement	Section 2.5
☐	Evaluate pension maximization strategy if considering single life annuity — assess life insurance cost and insurability now	Before making any annuity election	Section 2.5
NUA ANALYSIS — CRITICAL WINDOW			
☐	Confirm NUA eligibility: review plan cost basis, calculate NUA per share, model tax savings vs. standard IRA rollover	Before retirement — NUA election occurs at distribution	Section 4.3
☐	Determine whether lump sum distribution requirement can be satisfied in the retirement year — confirm all plan accounts will distribute together	6–12 months before retirement	Section 4.3
☐	Model NUA strategy against Roth conversion plan — distribution of company stock in NUA year affects Roth conversion capacity	Before committing to NUA election	Section 4.3
TAX PLANNING			
☐	Project full retirement year income — salary, RSU vesting, severance (if any), pension, NQDC, LTIP — and model federal and state tax liability	12 months before retirement	Section 5.4

☐	Identify supplemental withholding options for RSU vesting events in the retirement year — request above-22% withholding from employer if available	Before vesting events occur	Section 3.2
☐	Establish estimated tax payment schedule for retirement year — avoid underpayment penalties on large income year	Q1 of retirement year at latest	Section 3.2
☐	Model Roth conversion amounts for final pre-retirement year — maximize bracket capacity before salary ends	Tax year before retirement	Section 5.3
HEALTHCARE PLANNING			
☐	Confirm retiree healthcare eligibility, coverage options, and premium costs with HR — request written confirmation of all terms	12 months before retirement	Section 9.1
☐	If no retiree coverage: model COBRA cost, duration, and subsequent ACA marketplace options through Medicare eligibility	12 months before retirement	Section 9.1
☐	If spouse has employer coverage: confirm Special Enrollment Period rules and timing for adding retired spouse to their plan	Before separation	Section 9.1
SOCIAL SECURITY			
☐	Run Social Security optimization analysis — model claiming age against pension income, NQDC distribution schedule, and Roth conversion window	12 months before retirement	Section 10.1
☐	Obtain Social Security benefit statement (ssa.gov) — verify earnings record for errors that could affect benefit calculation	12 months before retirement	Section 10
☐	Model spousal claiming strategy — coordinate higher earner delay with lower earner claiming to optimize household lifetime benefit	12 months before retirement	Section 10.2

MILESTONE DECISION — IRREVERSIBLE

NUA Election — The NUA strategy must be decided before the distribution occurs. Once the 401(k) or ESIP balance is rolled to an IRA — even partially — the NUA opportunity is permanently lost for that money. Confirm eligibility and make the decision before any rollover action is taken.

PHASE 3 — 90 Days Before Retirement

Execution: complete elections, submit forms, confirm every detail in writing

The 90-day window is execution mode. Strategy should be finalized. Every item in this phase is a concrete administrative action with a deadline. Missing items here does not just cost money — some of these decisions cannot be revisited after the retirement date passes.

✓	Action Required	Deadline / Timing	Guide Section
PENSION — SUBMIT ELECTION			
☐	Submit pension election form to plan administrator — confirm receipt in writing	Well before plan deadline — do not wait until the last day	Section 2
☐	Obtain and submit spousal consent documentation if electing other than joint-and-survivor — confirm notarization requirements	With pension election submission	Section 2.5
☐	Confirm pension start date — first payment date and whether any gap period exists before first check arrives	At election submission	Section 2.1
☐	If taking lump sum: confirm rollover instructions and receiving IRA account details — do not accept a check payable to yourself if direct rollover is possible	Before distribution date	Section 2

NQDC — CONFIRM DISTRIBUTION SCHEDULE			
☐	Confirm with plan administrator that distribution election on file matches your intent — request written confirmation of schedule and first payment date	60–90 days before separation	Section 3.7
☐	Confirm NQDC beneficiary designation is current and correctly named	60 days before separation	Section 3.7
NUA DISTRIBUTION — IF ELECTED			
☐	Initiate NUA lump sum distribution request with plan administrator — confirm in-kind stock transfer mechanics and receiving brokerage account	60–90 days before separation if NUA elected	Section 4.3
☐	Confirm all plan accounts (not just company stock) will distribute in the same tax year — lump sum distribution requirement	Before NUA initiation	Section 4.3
☐	Confirm 1099-R coding with plan administrator — NUA distributions use specific box coding that must be correct for tax treatment to apply	Before first distribution	Section 4.3
401(K) / ESIP — ROLLOVER OR RETAIN DECISION			
☐	Make final rollover vs. retain-in-plan decision — document Rule of 55 analysis if separating before age 59½	60 days before separation	Section 6.5
☐	If rolling over: establish receiving IRA account and confirm direct rollover instructions — avoid 60-day rollover if possible	Before separation date	Section 6.5
☐	If retaining in plan: confirm plan allows post-retirement partial withdrawals and no forced distribution timeline	Before separation	Section 6.5

☐	Make final 401(k) catch-up contribution from last payroll if annual limit not yet reached — 2024 limit: $30,500 age 50+	Final payroll	Section 6.4
EQUITY COMPENSATION — FINAL REVIEW			
☐	Confirm vesting status of all RSU grants as of retirement date — identify any grants vesting within 30 days post-retirement under retirement-eligible provisions	60 days before retirement	Section 3.1
☐	Confirm post-retirement exercise window for every stock option grant — add calendar reminders for 60 days before each expiration	Before retirement date	Section 3.5
☐	Confirm LTIP pro-rata vesting calculation and expected payout timing with HR — get written estimate	60 days before retirement	Section 3.6
BENEFICIARY REVIEW — ALL ACCOUNTS			
☐	Review and update 401(k) / ESIP beneficiary designation — primary and contingent	60 days before retirement	Section 11.1
☐	Review and update all IRA beneficiary designations — primary and contingent, at every custodian	60 days before retirement	Section 11.1
☐	Review pension survivor election as beneficiary decision — confirm it reflects current marital and estate intent	At pension election	Section 11.1
☐	Review NQDC beneficiary designation — governed by plan document, not standard beneficiary form	60 days before retirement	Section 11.1
☐	Review all life insurance beneficiary designations — employer group coverage and individual policies	60 days before retirement	Section 11.1

HEALTHCARE ENROLLMENT			
☐	Submit COBRA election or retiree plan enrollment application — confirm coverage start date aligns with last day of employer coverage	Within 60 days of separation — COBRA enrollment window is strict	Section 9.1
☐	If enrolling in ACA Marketplace plan: confirm Special Enrollment Period triggered by loss of employer coverage and submit application	Within 60 days of coverage loss	Section 9.1
☐	If adding to spouse's employer plan: notify spouse's HR department — Special Enrollment Period is typically 30 days from qualifying event	Within 30 days of separation	Section 9.1
ADMINISTRATIVE			
☐	Request access to executive benefit portals and confirm login credentials before last day of employment	2 weeks before retirement	Section 7.3
☐	Obtain copies of all outstanding equity grant agreements, plan documents, and benefit statements — save to personal files	Before last day	Section 3
☐	Confirm final payroll date, final bonus payment date, and any accrued PTO payout — verify in writing	30 days before retirement	Section 6.4

MILESTONE DECISION — IRREVERSIBLE

Pension Election — Once submitted and accepted, the pension election is permanent. The form of payment (lump sum vs. annuity) and the survivor benefit option cannot be changed after the first payment is received or the lump sum is distributed. Confirm every detail before submission.

PHASE 4 — First 12 Months After Retirement

Transition: establish income flow, execute conversions, manage the first full tax year

The first year after retirement is the most financially active year of the retirement transition — often more complex than the retirement year itself. Income sources are activating, tax obligations from the retirement year arrive in April, Medicare decisions approach for those nearing 65, and the Roth conversion window is open. Move deliberately.

✓	Action Required	Deadline / Timing	Guide Section
INCOME & CASH FLOW			
☐	Confirm first pension payment received and correct amount — verify withholding is appropriate for expected tax liability	First payment date	Section 8.3
☐	Review pension withholding election — default withholding is often insufficient; adjust to cover estimated annual tax liability	First month of retirement	Section 5
☐	Establish cash flow plan — identify monthly income sources, monthly expenses, and which accounts fund the gap	First month of retirement	Section 8.3
☐	Confirm NQDC first distribution received on schedule and in correct amount	Per distribution election	Section 3.7
☐	Confirm LTIP pro-rata payout timing — calendar the expected payment date and pre-plan the tax impact	First 3 months	Section 3.6
ROTH CONVERSIONS — OPEN THE WINDOW			
☐	Execute first year Roth conversion — size based on bracket-filling analysis, IRMAA tier boundaries, and total income from all sources	By December 31 of first retirement year	Section 5.3

☐	Model conversion amount against IRMAA two-year lookback — retirement year income determines Medicare premiums two years hence	Before executing conversion	Section 5.5
☐	Confirm Roth conversion is reported correctly on tax return — converted amount appears as ordinary income on Form 1040	At tax filing	Section 5.3
TAX OBLIGATIONS FROM RETIREMENT YEAR			
☐	File estimated tax payment for Q4 of retirement year if large income events occurred and withholding is insufficient	January 15 (Q4 estimated tax deadline)	Section 3.2
☐	Compile all retirement year income documents: W-2, all 1099-Rs (pension, NUA, NQDC, option exercises), 1099-DIV, 1099-INT	By January 31	Section 5
☐	Confirm NUA 1099-R coding is correct before filing — Box 6 should reflect NUA amount; incorrect coding results in full ordinary income treatment	Before tax filing	Section 4.3
☐	File tax return — engage a CPA with executive compensation experience if retirement year income is complex	April 15 (or October 15 with extension)	Section 5
STOCK OPTIONS — EXPIRATION CALENDAR			
☐	Verify all post-retirement option expiration deadlines are on calendar — set 60-day and 30-day reminders for each	First week of retirement	Section 3.5
☐	Exercise any options expiring within 12 months — coordinate timing with tax bracket availability in post-retirement year	Before expiration — no exceptions	Section 3.5

CONCENTRATED STOCK — CONTINUED REDUCTION			
☐	Execute first year of systematic diversification plan — sell targeted amount within LTCG bracket limits	By December 31 of first retirement year	Section 4.4
☐	Make annual DAF contribution of appreciated company stock if charitable giving is part of the plan — high-income years maximize the deduction value	Before December 31	Section 4.5
☐	Review 10b5-1 plan activity and confirm it is executing correctly — adjust for subsequent year if circumstances have changed	Year-end review	Section 4.6
HEALTHCARE & MEDICARE			
☐	If approaching age 65: confirm Medicare Initial Enrollment Period dates — enroll in Part A and Part B 3 months before birthday month	3 months before 65th birthday	Section 9.2
☐	If on COBRA: calendar the 18-month COBRA termination date and confirm next coverage option is in place before expiration	Ongoing monitoring	Section 9.1
☐	Stop HSA contributions in the month before Medicare Part A or Part B becomes effective — excess contributions trigger penalty	Before Medicare effective date	Section 9.3
☐	Evaluate Medicare Advantage vs. Medigap — confirm enrollment in supplement plan during open enrollment window	Within Medicare enrollment period	Section 9.2
ESTATE & BENEFICIARIES			
☐	Update will and trust documents to reflect retirement asset structure — beneficiary designations, IRA balances, pension survivor election	Within 6 months of retirement	Section 11

☐	Update powers of attorney and healthcare directive — confirm these documents reflect current intent and named agents	Within 6 months of retirement	Section 11
☐	Prepare Letter of Instruction for surviving spouse — account list, beneficiary designations, advisor contacts, key deadlines	Within first year	Section 11.4

PHASE 5 — Ages 62 to 72: The Optimization Window

Annual discipline: conversions, diversification, income management, Social Security decision

The decade between retirement and RMD onset is the most strategically valuable period of energy industry retirement. It is the window in which tax diversification can be built, concentrated stock can be reduced, and the income structure for the next 20 years can be shaped. Annual discipline here compounds into meaningful lifetime financial difference.

✓	Action Required	Deadline / Timing	Guide Section
ANNUAL ROTH CONVERSION DISCIPLINE			
☐	Each year: model total income from all sources and identify bracket capacity for Roth conversions — execute before December 31	Every year, before Dec 31	Section 5.3
☐	Each year: confirm Roth conversion amount does not cross next IRMAA tier without explicit cost-benefit justification	Before executing conversion	Section 5.5
☐	Track cumulative Roth conversion progress against multi-year plan — adjust annual amounts as Social Security, LTIP, and other income activates	Annual review	Section 5.3

CONCENTRATED STOCK — ANNUAL REDUCTION			
☐	Each year: execute annual diversification sale within LTCG bracket target — document sale date, shares sold, proceeds, basis	Every year, by Dec 31	Section 4.4
☐	Each year: harvest tax losses in diversified portfolio positions to offset company stock gains where available	Year-end tax review	Section 4.4
☐	Each year: make DAF contribution of appreciated company stock — coordinate with tax advisor for optimal deduction year	Before Dec 31	Section 4.5
INCOME MANAGEMENT			
☐	Annual income projection: model all sources for the coming year — pension, NQDC installments, investment income, planned conversions, LTIP payouts — and confirm tax withholding and estimated payments are calibrated	Each January	Section 5.4
☐	Monitor IRMAA thresholds annually — confirm prior year income and project whether surcharges will apply two years forward	Each year at tax filing	Section 5.5
SOCIAL SECURITY CLAIMING DECISION			
☐	At age 62 and each year thereafter: re-run Social Security optimization analysis as income projections are updated — confirm delay to 70 remains optimal	Annual review, age 62–70	Section 10.1
☐	Age 69: file Social Security claim targeting age 70 benefit commencement — submit application 3–4 months before desired start date	3–4 months before age 70	Section 10.1

☐	Coordinate Social Security start date with spouse — confirm spousal and survivor benefit implications before filing	Before filing	Section 10.2
MEDICARE ONGOING			
☐	Annual Medicare open enrollment (October 15 – December 7): review plan performance and consider switching between Advantage and Medigap if circumstances have changed	Every October–December	Section 9.2
☐	If income changes significantly: evaluate IRMAA appeal (Form SSA-44) for life-changing event exceptions	After major income event	Section 5.5
☐	Every 2–3 years: review beneficiary designations on all accounts — update for changes in family structure, deaths of named beneficiaries, or changes in estate planning intent	Biennial	Section 11.1
☐	Every 2–3 years: review and update estate plan documents with estate counsel — particularly as IRA balances and Roth balances shift	Biennial	Section 11

PHASE 6 — Age 73 and Beyond: RMD Management and Legacy Planning

Required distributions, charitable strategy, estate optimization

At 73, Required Minimum Distributions begin — and the flexibility to control taxable income narrows significantly. The planning focus shifts from building tax diversification to deploying it: drawing from Roth assets for large expenses, using QCDs to satisfy RMDs charitably, and managing the estate implications of the remaining IRA balance.

✓	Action Required	Deadline / Timing	Guide Section
RMD CALCULATION AND EXECUTION			
☐	Age 73: calculate first RMD from all applicable accounts — IRA, 401(k) if retained, any inherited accounts subject to RMD rules	By December 31 of year you turn 73	Section 5.1
☐	Confirm RMD calculation uses correct year-end balance and IRS life expectancy table (Uniform Lifetime Table for most retirees)	Before taking distribution	Section 5.1
☐	Each year thereafter: recalculate RMD — the factor changes each year and the balance grows or shrinks, changing the required amount	Every year by December 31	Section 5.1
☐	If RMD is missed or taken in wrong amount: correct immediately — penalty is 25% of the amount not taken (reduced to 10% if corrected promptly)	As soon as discovered	Section 5.1
QUALIFIED CHARITABLE DISTRIBUTIONS (QCDs)			
☐	Age 70½+: use QCDs to satisfy all or part of RMD — direct transfer from IRA to qualified charity, up to $105,000/year (2024, indexed), excluded from gross income	Each year before December 31	Section 4.5

☐	Confirm QCD is executed as a direct trustee-to-charity transfer — if a check is made payable to you first, it is not a QCD	Before executing	Section 4.5
☐	Do not make IRA contribution in same year as QCD — IRA contributions reduce QCD eligibility dollar-for-dollar	Annual review	Section 4.5
ROTH ASSETS — STRATEGIC DEPLOYMENT			
☐	Identify high-cost years — major healthcare expenses, home renovation, travel — as optimal deployment opportunities for Roth distributions (tax-free, does not affect IRMAA)	As large expenses arise	Section 5.6
☐	Evaluate continued Roth conversions if marginal rate on conversions is still lower than rate on RMDs — conversions above RMD may still be worth executing	Annual review	Section 5.3
ESTATE & LEGACY			
☐	Review IRA beneficiary designations in light of current law — confirm 10-year rule implications for each named beneficiary	After any major life event	Section 11.2
☐	Evaluate Roth conversion of remaining IRA balance against step-up in basis at death — which approach produces better outcome for heirs given their tax situation	Biennial with estate counsel	Section 11.2
☐	Update Letter of Instruction — confirm all account information, contacts, and post-death administration guidance remains current	Annual	Section 11.4
☐	Review estate plan documents — wills, trusts, powers of attorney — for currency and accuracy given current asset structure and family circumstances	Every 2–3 years with counsel	Section 11

A Note on Using This Checklist

This checklist contains more than 100 individual action items across six planning phases. That number reflects the genuine complexity of energy industry retirement — not an attempt to overwhelm. Most items take minutes to complete once the underlying analysis (documented in the referenced guide sections) has been done. A small number require weeks of preparation and advisor coordination.

The items that matter most are marked urgent. They are marked that way because their deadlines are real, their consequences are permanent, and they are the items most commonly left too late. Prioritize those first.

For everything else: work through each phase with your advisor and your HR contact. Document what you've done and when. Review the checklist every six months in the years before retirement and quarterly in the first two years after. The complexity of energy industry retirement is navigable. It is not navigable without a plan.

> The energy employees who complete this transition with the most financial clarity are not the ones who avoided the complexity. They are the ones who mapped it, worked it systematically, and made each decision with full information and enough lead time to make it well. That is what this checklist is designed to support.

APPENDIX A — RETIREMENT PLANNING GLOSSARY

These definitions are written for energy industry employees — not as dictionary entries, but as practitioner explanations of how each term appears in plan documents, tax filings, and retirement decisions. Where the term is commonly misunderstood, we say so directly.

409A (Section 409A)

The section of the Internal Revenue Code that governs Non-Qualified Deferred Compensation plans. It establishes strict rules about when deferred compensation can be distributed, when elections can be changed, and what constitutes a permissible distribution trigger. Violations result in immediate taxation of all deferred amounts plus a 20% excise tax penalty plus interest.

In practice: *The most important thing to understand about 409A is that it makes NQDC elections essentially irrevocable. This is not a technicality — it is the defining constraint of deferred compensation planning, and it is why the election must be modeled carefully before the first dollar is deferred.*

Alternative Minimum Tax (AMT)

A parallel tax system that applies its own income calculation and rate structure (26% and 28%) to ensure that high-income taxpayers pay a minimum level of federal tax. ISO stock option spreads at exercise are an AMT preference item — meaning they count as income for AMT purposes even though they are not ordinary income for regular tax purposes.

In practice: *Large ISO exercises can trigger significant AMT liability even when no ordinary income is recognized. Always model the AMT impact before exercising ISO grants.*

Beneficiary Designation

A document filed with a retirement account, pension plan, life insurance policy, or deferred compensation plan that names who receives the assets upon the account holder's death. Beneficiary designations are legally binding and supersede the will — the assets pass directly to whoever is named, regardless of what the will says.

In practice: *This is the most consistently neglected estate planning document in executive retirement. Review every designation separately at retirement — they are held by different administrators and are not automatically updated when life circumstances change.*

Breakeven Age (Pension)

The age at which cumulative monthly pension annuity payments equal the projected value of the lump sum invested at an assumed rate of return. Living past the breakeven means the annuity wins in aggregate. The breakeven calculation is a starting point, not a complete decision — it does not capture inflation risk, behavioral risk, tax efficiency differences, or estate value.

In practice: *Breakeven ages typically fall between 78 and 85 depending on the assumed investment return. A lower return assumption shortens the breakeven; a higher return lengthens it.*

Charitable Remainder Trust (CRT)

An irrevocable trust into which appreciated assets are contributed. The trust sells the assets without immediate capital gains tax, reinvests the proceeds, and pays the donor an income stream for life or a defined term. The remaining assets pass to a designated charity at the trust's termination. The donor receives a partial charitable deduction at contribution.

In practice: *CRTs are powerful for clients with very large, very low-basis concentrated positions and genuine long-term charitable intent. They are not appropriate as primarily tax-driven strategies for clients without meaningful charitable goals.*

Concentrated Position

A portfolio in which a single security represents a disproportionately large percentage of total investable assets — typically 20% or more. For energy employees, concentration almost always involves employer stock accumulated through ESIP matching, RSU vesting, and option exercises over a career.

In practice: *A 50% allocation to employer stock is not just single-company risk. For energy employees, it is also sector risk, commodity risk, and employment risk — all correlated. In a sector downturn, the stock falls and the industry contracts simultaneously.*

Deferred Compensation (NQDC)

A Non-Qualified Deferred Compensation plan allowing executives to defer salary or bonus into a notional account, avoiding current income tax. Unlike a 401(k), NQDC assets remain on the company's balance sheet as an unsecured obligation — not in a trust. Distributions are taxed as ordinary income when received.

In practice: *NQDC is powerful when the distribution election is well-designed. It is costly when the election defaults to a lump sum that produces a seven-figure taxable event in a single year.*

Defined Benefit Pension Plan

A retirement plan in which the employer guarantees a specific monthly benefit based on a formula — typically years of service multiplied by final average earnings multiplied by a benefit multiplier. The employer bears the investment and longevity risk. Most energy companies still offer defined benefit pensions; they have been largely eliminated in other industries.

In practice: *The defined benefit pension fundamentally changes retirement income planning. It provides a guaranteed income floor that allows higher equity allocation in the investment portfolio and substantially reduces sequence-of-returns risk.*

Donor-Advised Fund (DAF)

A charitable giving account administered by a sponsoring organization (Fidelity Charitable, Schwab Charitable, community foundations). Donors contribute cash or appreciated assets, receive an immediate charitable deduction, and then recommend grants to qualified charities over time. Appreciated stock contributed to a DAF avoids capital gains tax entirely.

In practice: *DAFs are the most accessible and flexible vehicle for charitable giving combined with tax-efficient concentration reduction. A $50,000 contribution of appreciated energy stock with a $10,000 basis saves the donor the capital gains tax on the $40,000 gain — a savings of $6,000 to $9,520 — while generating a $50,000 charitable deduction.*

EERP (Enhanced Early Retirement Program)

A company-offered package providing enhanced terms to employees who agree to voluntarily separate — typically including additional severance, enhanced pension credits, extended healthcare, and improved equity treatment. Distinct from an involuntary layoff. Employees who accept an EERP are voluntarily separating, which may affect unemployment benefit eligibility.

In practice: *The EERP summary letter is a marketing document. Your actual rights are in the plan documents and individual grant agreements — which often differ materially from what the summary implies.*

ERISA (Employee Retirement Income Security Act)

The federal law governing qualified retirement plans — 401(k)s, defined benefit pensions, and ESOP plans. ERISA establishes minimum standards for plan funding, vesting, and participant rights, and provides for PBGC insurance of defined benefit pensions. NQDC plans are specifically not covered by ERISA — participants in NQDC plans have no ERISA protections.

ESIP (Employee Savings and Investment Plan)

The energy industry term for a 401(k) plan, often featuring company stock as the default employer match investment. ESIPs at energy companies frequently accumulate substantial company stock balances over long careers — creating the concentrated stock problem that defines much of energy industry retirement planning.

GPO (Government Pension Offset)

A Social Security provision that reduces the spousal or survivor Social Security benefit for individuals who receive a pension from government employment not covered by Social Security. GPO reduces the spousal benefit by two-thirds of the government pension amount — in some cases eliminating it entirely. Legislation passed in late 2024 phases out GPO.

IRMAA (Income-Related Monthly Adjustment Amount)

A Medicare premium surcharge applied to retirees whose Modified Adjusted Gross Income exceeds specified thresholds. IRMAA is assessed on a two-year lookback basis — income in Year N determines Medicare premiums in Year N+2. Surcharges apply to both Part B and Part D premiums and can reach $10,000 or more annually for married couples at the highest income tier.

In practice: *IRMAA is one of the most consistently overlooked costs in energy executive retirement planning. A large RSU vest, NQDC lump sum, or poorly sized Roth conversion in the retirement year can trigger elevated Medicare premiums two years later.*

ISO (Incentive Stock Option)

A stock option that receives favorable tax treatment when specific holding period requirements are met: two years from grant and one year from exercise. If both are satisfied, the entire gain is taxed at long-term capital gains rates rather than as ordinary income. The catch: the spread at exercise is an AMT preference item, which can trigger significant AMT liability.

In practice: *ISOs are less common at large public energy companies. When present, the AMT exposure at exercise must be modeled before any exercise decision is made.*

LTIP (Long-Term Incentive Plan)

An umbrella term for multi-year equity or cash awards tied to company performance metrics — typically Total Shareholder Return, Return on Capital Employed, or production targets — measured over a 3-year performance period. Payouts range from zero to 150–200% of target based on actual results.

In practice: *At retirement, LTIPs in active performance periods are typically pro-rated based on months of participation. Some plans provide full vesting for retirement-eligible employees — a valuable benefit buried in the plan document that many employees never read.*

NQSOs (Non-Qualified Stock Options)

Stock options that do not qualify for ISO treatment. The spread between the strike price and market price at exercise is taxed as ordinary income — compensation income, subject to federal income tax at the marginal rate plus state income tax and FICA. NQSOs are the most common form of stock option at large public energy companies.

In practice: *The post-retirement exercise window for NQSOs is plan-specific — typically 90 days to 3 years after separation. Allowing NQSOs to expire unexercised is one of the largest and most entirely preventable financial losses in executive retirement.*

NUA (Net Unrealized Appreciation)

The appreciation in employer stock held inside a 401(k) or ESIP above the plan's cost basis. Under a qualifying NUA strategy, only the plan's cost basis is taxed as ordinary income at distribution; the NUA is deferred until sale and taxed at long-term capital gains rates regardless of holding period after distribution.

In practice: *NUA is available only at the point of lump sum distribution from the employer plan. Once the plan is rolled to an IRA — even partially — the NUA opportunity is permanently lost. It is one of the most valuable and most frequently missed strategies in energy industry retirement.*

PBGC (Pension Benefit Guaranty Corporation)

The federal agency that insures defined benefit pension plans against employer insolvency. PBGC guarantees benefits up to a statutory maximum — approximately $7,400 per month for a 65-year-old retiree in 2024. Benefits above this cap are not insured. Most major energy company pensions are well-funded and PBGC risk is theoretical; at financially stressed employers, it warrants consideration.

Qualified Charitable Distribution (QCD)

A direct transfer of funds from an IRA to a qualified charity, available to IRA owners age 70½ or older. QCDs are excluded from gross income — up to $105,000 per year (2024, indexed for inflation) — and count toward satisfying the annual Required Minimum Distribution. QCDs are the most tax-efficient charitable giving mechanism available to retirees with IRA assets.

In practice: *A QCD must be a direct trustee-to-charity transfer. If the distribution is made payable to the account holder and then forwarded to charity, it is not a QCD and is fully taxable.*

RMD (Required Minimum Distribution)

The minimum amount that must be withdrawn annually from a traditional IRA or 401(k) beginning at age 73 (under current law). RMDs are calculated as the prior year-end account balance divided by a life expectancy factor from IRS tables. Failure to take an RMD results in a penalty of 25% of the amount not taken (reduced to 10% if corrected promptly).

In practice: *RMDs are the mechanism through which the tax-deferred accumulation of a career must eventually be distributed and taxed. For energy executives with large IRA balances, RMDs can push effective tax rates in the 70s and 80s to levels that rival peak earning years — which is why Roth conversion before RMDs begin is so strategically important.*

RIF (Reduction in Force)

An involuntary workforce reduction — a layoff initiated by the employer rather than the employee. RIFs typically provide more favorable terms than voluntary separation programs: standard severance (which may be negotiable), pro-rata equity treatment, and eligibility for unemployment benefits. The distinction between an involuntary RIF and a voluntary EERP affects unemployment eligibility and sometimes equity treatment.

Roth Conversion

The transfer of assets from a traditional IRA or 401(k) to a Roth IRA. The converted amount is included in gross income and taxed as ordinary income in the conversion year. After conversion, assets grow tax-free and distribute tax-free, with no Required Minimum Distributions during the owner's lifetime.

In practice: *Roth conversions are the primary tool for building the tax-free bucket during the retirement transition window. The optimal conversion period is the years between retirement and RMD onset — when income is lower and bracket capacity is available. Converting at 24% rather than being forced to distribute at 35–37% via RMDs is the core value proposition.*

RSU (Restricted Stock Unit)

A grant of company stock units that vest according to a schedule, contingent on continued employment and sometimes performance conditions. At vesting, the fair market value of the shares is taxed as ordinary income — compensation, not capital gain. The default federal withholding rate is 22%, which is almost always insufficient for executives in higher brackets.

In practice: *RSUs are the most common equity compensation instrument at energy companies. The most consistent planning failure is underestimating the withholding gap and failing to coordinate RSU vesting income with the retirement year tax projection.*

Rule of 55

An IRS provision (Section 72(t)(2)(A)(v)) that waives the 10% early withdrawal penalty on 401(k) distributions for employees who separate from service during or after the calendar year in which they turn 55. Applies only to the plan at the employer being left — not to IRAs or prior employer plans. Rolling the 401(k) to an IRA before age 59½ permanently forfeits this benefit.

In practice: *The Rule of 55 changes the retirement income math for employees separating in their mid-50s. It provides penalty-free access to the 401(k) balance during the gap years between separation and age 59½ — without the rigid payment schedule required by 72(t) distributions.*

Segment Rates (IRS)

Three interest rates published monthly by the IRS, derived from corporate bond yields, used to calculate pension lump sum values. The first segment covers years 1–5, the second covers years 6–20, and the third covers years 21+. Higher segment rates reduce lump sum values; lower rates increase them. Most pension plans use a 24-month averaging period for stability, but the trend in rates still matters significantly for lump sum timing.

In practice: *Understanding segment rates is the single most important technical concept for energy employees evaluating the pension lump sum decision. A 1% increase in segment rates can reduce a lump sum by $100,000 or more on the same pension benefit.*

SERP (Supplemental Executive Retirement Plan)

An employer-funded non-qualified benefit designed to provide retirement income above what qualified plan limits allow. SERPs are most common at large integrated energy companies for senior executives. They are unfunded obligations of the employer — similar in structure to NQDC — and carry the same unsecured creditor risk.

In practice: *SERPs should be coordinated with the qualified pension in terms of start date and form of payment. Starting both simultaneously maximizes immediate income but may unnecessarily elevate tax brackets. Staggering start dates or electing different distribution forms can improve the multi-year tax picture.*

Step-Up in Basis

The reset of an asset's cost basis to its fair market value on the date of the owner's death. Appreciated assets held in a taxable account pass to heirs with the step-up — eliminating the embedded capital gain for income tax purposes. Assets inside IRAs and 401(k)s do not receive a step-up; all distributions are taxable as ordinary income regardless of investment performance during the owner's lifetime.

In practice: *The step-up in basis is a legitimate estate planning consideration for low-basis concentrated stock positions. Holding some portion of appreciated shares as a deliberate estate planning position permanently eliminates the embedded gain for heirs.*

WEP (Windfall Elimination Provision)

A Social Security provision that reduces benefits for retirees who also receive a pension from employment not covered by Social Security — typically state, local, or federal government positions. WEP can reduce the Social Security benefit by up to $587 per month (2024). Legislation passed in late 2024 phases out WEP for affected retirees.

In practice: *Relevant for energy employees with prior government service — state utility employment, military service, or federal agency positions. Request a WEP calculation from the SSA before finalizing any Social Security income projection.*

10b5-1 Plan

A pre-established written plan for selling company stock that provides an affirmative defense against insider trading liability. The plan specifies the amount, price, and timing of sales in advance, adopted when the executive has no material non-public information. Under 2023 SEC amendments, officers and directors must observe a cooling-off period of at least 90 days (up to 120 days) before the first sale can execute.

In practice: *10b5-1 plans are the standard mechanism for executive diversification of concentrated positions within legal trading compliance. They create a mechanical, emotion-free execution of the diversification strategy — removing the behavioral tendency to delay selling during rising markets.*

APPENDIX B — PENSION LUMP SUM vs. ANNUITY WORKSHEET

Complete this worksheet with your financial advisor before submitting any pension election. The goal is not to produce a single "right answer" but to understand the full range of outcomes across realistic scenarios. See Section 2 for the full analytical framework behind each item.

PART 1 — YOUR PENSION BENEFIT

Full Retirement Age (plan-defined)	*e.g., Age 65*
Your current age at planned retirement	
Years of credited service	
Final average earnings (as defined by plan)	*Base only or base + bonus?*
Benefit multiplier (from plan document)	*e.g., 1.6% per year of service*
Monthly annuity — Single life	*$_____ / month*
Monthly annuity — Joint & 50% survivor	*$_____ / month*

Monthly annuity — Joint & 100% survivor	*$_____ / month*
Lump sum offer (current)	*$_____*
Do you qualify for an unreduced early retirement benefit?	*Yes / No — threshold: _____*

PART 2 — SEGMENT RATE SENSITIVITY

Request lump sum estimates from your plan under three rate scenarios. Your plan administrator is required to provide these upon request.

Lump sum at current segment rates	*$_____*
Lump sum if segment rates rise 1%	*$_____ (estimated reduction: $_____)*
Lump sum if segment rates fall 1%	*$_____ (estimated reduction: $_____)*
Plan's lookback period for segment rates	*e.g., 24-month average, November rates*
Rate set used: calendar year of retirement, or prior period?	*Confirm with plan administrator*

PART 3 — BREAKEVEN ANALYSIS

Run the breakeven at three return assumptions. Your advisor can model these with a financial planning tool.

Assumed lump sum investment return — Conservative (4%)	*Breakeven age: _____*
Assumed lump sum investment return — Moderate (5.5%)	*Breakeven age: _____*
Assumed lump sum investment return — Optimistic (7%)	*Breakeven age: _____*
Your estimated life expectancy (health-adjusted)	*Age: _____*
Spouse's estimated life expectancy	*Age: _____*
Does your life expectancy exceed the breakeven age?	*Yes → annuity favorable / No → lump sum favorable / Uncertain → see variables below*

PART 4 — DECISION VARIABLES

Score each variable: circle the option that applies to your situation. More circles in the Lump Sum column suggest the lump sum is more competitive; more circles in the Annuity column suggest the annuity.

Variable	Favors Lump Sum	Favors Annuity
Health status	Poor or uncertain health	Good health, strong longevity
Spouse dependency	Spouse has strong independent income	Spouse has limited or no independent income
Other guaranteed income	Pension would be redundant with SS + SERP + NQDC	Pension is primary guaranteed income source
Estate goals	Strong desire to leave assets to heirs	No significant estate transfer goals
Investment discipline	Confident, experienced long-term investor	Prefer certainty over market dependency
Interest rate environment	Rates are low (lump sum near cyclical high)	Rates are elevated (lump sum compressed)
Inflation concern	Have other inflation-hedging assets	Fixed income is vulnerable in long retirement
PBGC / plan solvency	Employer financial health is questionable	Major company — plan is well-funded

Lump sum circles: _____ Annuity circles: _____	*Direction of the decision:* _____

PART 5 — TAX INTERACTION CHECK

If taking lump sum: will it push you into a higher bracket in the rollover year?	*Yes / No — model the year's income*

Pension income from annuity: what bracket does it occupy with other sources?	*Bracket: _____*
Does the annuity's income compete with Roth conversion capacity?	*Yes / No — model the conversion window*
Does starting the annuity early foreclose IRMAA management opportunities?	*Yes / No*
Final decision and date:	*Lump Sum / Annuity — elected ___/___/___*

APPENDIX C — RSU TAX PLANNING WORKSHEET

Use this worksheet to project your RSU tax liability across the retirement year and the two years following. The goal is to identify withholding gaps before they become April surprises and to coordinate RSU income with your Roth conversion and IRMAA strategy. See Section 3.2 for the full mechanics.

PART 1 — RSU GRANT INVENTORY

List every active RSU grant below. Use grant agreements, not plan summaries.

Grant Year	Units Granted	Unvested Units	Vest Date	Est. Price at Vest	Gross Value	Tax Year
Grant 1	_____	_____	___/___/____	$ _____	$ _____	20 _____
Grant 2	_____	_____	___/___/____	$ _____	$ _____	20 _____
Grant 3	_____	_____	___/___/____	$ _____	$ _____	20 _____
Grant 4	_____	_____	___/___/____	$ _____	$ _____	20 _____
Grant 5	_____	_____	___/___/____	$ _____	$ _____	20 _____

PART 2 — WITHHOLDING GAP CALCULATION BY YEAR

Complete for the retirement year and each subsequent year in which RSU vesting occurs.

Year: 20__ — Total RSU gross income vesting this year	$_____

Federal withholding at default 22% rate	$_____
Estimated actual federal marginal rate on RSU income this year	_____%
Estimated actual federal tax owed on RSU income	$_____
Withholding gap (owed minus withheld)	$_____ *— this is your estimated shortfall*
Mitigation: supplemental withholding elected? (Y/N + rate)	
Mitigation: estimated tax payment to cover gap scheduled? (Y/N)	

PART 2 — SEGMENT RATE SENSITIVITY

Compile all income sources for the retirement year to see the full bracket picture.

Base salary (partial year)	$_____
RSU vesting income (total, all grants)	$_____

Stock option exercise income (spread)	$_____
NQDC distribution (if lump sum triggered)	$_____
Pension income (partial year if annuity elected)	$_____
LTIP payout (if performance period ends this year)	$_____
Severance payment (if applicable)	$_____
Investment income / capital gains	$_____
TOTAL RETIREMENT YEAR TAXABLE INCOME	$_____
Estimated federal income tax (total year)	$_____
IRMAA impact: does this income level trigger surcharges two years forward?	*Yes / No — IRMAA tier: _____*

APPENDIX D — DEFERRED COMPENSATION DISTRIBUTION PLANNER

This planner helps you map the multi-year income impact of your NQDC distribution election across the full retirement horizon. Complete it before any distribution begins — and well before any irrevocable election deadline. See Section 3.7 for the full framework.

PART 1 — NQDC ACCOUNT SUMMARY

Employer / Plan name	
Total NQDC balance	*$_____*
Current distribution election on file	*Lump sum / ___ year installments beginning at: ___*
Is the election still changeable? (irrevocability check)	*Yes / No — deadline to change: ___/___/___*
Distribution trigger event: separation, specified date, or other	
ERISA creditor risk assessment: employer financial health	*Strong / Moderate / Elevated concern*

PART 2 — INCOME STACK COMPARISON: LUMP SUM vs. INSTALLMENTS

Model both the current election and at least one alternative to see the tax bracket impact. Add rows for each year of the distribution period.

Income Source	Year 1	Year 2	Year 3	Year 5	Year 10
Pension income	$ _____	$ _____	$ _____	$ _____	$ _____
NQDC — Lump Sum scenario	$ _____	$0	$0	$0	$0
NQDC — 10-yr installment	$ _____	$ _____	$ _____	$ _____	$ _____
Social Security (if active)	$ _____	$ _____	$ _____	$ _____	$ _____
IRA / RMD income	$ _____	$ _____	$ _____	$ _____	$ _____
Investment income	$ _____	$ _____	$ _____	$ _____	$ _____
TOTAL — Lump Sum scenario	$ _____	$ _____	$ _____	$ _____	$ _____
TOTAL — Installment scenario	$ _____	$ _____	$ _____	$ _____	$ _____
Fed. bracket — Lump Sum	_____ %	_____ %	_____ %	_____ %	_____ %
Fed. bracket — Installment	_____ %	_____ %	_____ %	_____ %	_____ %
Roth conversion capacity — LS	$ _____	$ _____	$ _____	$ _____	$ _____
Roth conversion capacity — Inst	$ _____	$ _____	$ _____	$ _____	$ _____

PART 3 — DECISION SUMMARY

Current election produces estimated lifetime federal tax of:	*$_____*
Alternative election produces estimated lifetime federal tax of:	*$_____*
Estimated tax savings from optimal election	*$_____*
Can the election be changed? If yes, action required by:	*Date: ___/___/___*
Recommended election based on analysis:	
Election change submitted? (Y/N + date)	

PPENDIX E — RETIREMENT INCOME MAPPING WORKSHEET

This worksheet maps every income source across the first 15 years of retirement — showing when each source activates, its approximate annual amount, its tax character, and its interaction with Roth conversion capacity and IRMAA thresholds. Complete it in the 12 months before retirement and update it annually. See Section 5.4 for the full framework.

PART 1 — INCOME SOURCE INVENTORY

Pension income — monthly amount and start date	*$_____ / month beginning: ___/___/___*
NQDC distributions — annual amount and duration	*$_____ / year for ___ years beginning: ___/___/___*
SERP income — if applicable	*$_____ / year beginning: ___/___/___*
Social Security — your estimated benefit at planned claiming age	*$_____ / year beginning age: ___*
Social Security — spouse's estimated benefit	*$_____ / year beginning age: ___*
LTIP payouts — estimated amounts and timing	*$_____ in 20__ / $_____ in 20__*

RSU vesting post-retirement — estimated amounts	*$$_____ in 20__ / $_____ in 20__*
IRA / 401(k) withdrawals (planned)	*$_____ / year beginning age: ___*
RMD beginning amount (estimated)	*$_____ / year beginning age 73*
Investment income (taxable brokerage — estimated)	*$_____ / year*
Roth IRA income (planned distributions)	*$_____ / year beginning age: ___*
Other income sources	

PART 2 — MULTI-YEAR INCOME MAP

Complete the table below for ages 62 through 80. Use actual numbers where known; estimates where not. Update annually

Income Source	Ages 62–64	Ages 65–69	Age 70	Ages 71–72	Ages 73–80
Pension income	$ _____	$ _____	$ _____	$ _____	$ _____

Income Source	Ages 62–64	Ages 65–69	Age 70	Ages 71–72	Ages 73–80
NQDC installments	$ _____	$ _____	$ _____	$ _____	$0
SERP (if applicable)	$ _____	$ _____	$ _____	$ _____	$ _____
Your Social Security	$0	$0	$ _____	$ _____	$ _____
Spouse Social Security	$ _____	$ _____	$ _____	$ _____	$ _____
LTIP / RSU (post-ret)	$ _____	$ _____	$0	$0	$0
IRA withdrawals	$ _____	$ _____	$ _____	$ _____	$ _____
RMDs	$0	$0	$0	$0	$ _____
Investment income	$ _____	$ _____	$ _____	$ _____	$ _____
TOTAL TAXABLE INCOME	$ _____	$ _____	$ _____	$ _____	$ _____
Roth conv. capacity	$ _____	$ _____	$ _____	$ _____	$ _____
Est. federal bracket	_____ %	_____ %	_____ %	_____ %	_____ %
IRMAA tier	Tier _____	Tier _____	Tier _____	Tier _____	Tier _____

PART 3 — WITHDRAWAL SEQUENCING PLAN

Primary spending source, ages 62–65 (pre-SS)	*Taxable brokerage / pension surplus / other: _____*

Roth conversion: target annual amount, ages 62–69	*$_____ / year*
Roth conversion: target bracket ceiling	*24% / 32% / other: _____*
IRMAA management: target MAGI ceiling by age group	*Ages 62–69: $_____ / Ages 70–72: $_____ / Ages 73+: $_____*
Year taxable brokerage projected to be depleted	*Age: ___*
Roth IRA balance target at age 73 (post-conversions)	*$_____*
IRA / 401(k) balance target at age 73 (post-conversions)	*$_____*
Estimated annual RMD at age 73 based on projected balance	*$_____*

PART 4 — HEALTHCARE COST INTEGRATION

Pre-Medicare healthcare cost: monthly premium	*$_____ / month through age: ___*

Total pre-Medicare healthcare cost (full bridge)	*$_____*
Medicare Part B + supplement cost: monthly (estimated)	*$_____ / month beginning age 65*
IRMAA surcharge on Medicare: current projected tier	*Tier ___ / Annual cost: $_____*
Total estimated lifetime healthcare cost (rough order of magnitude)	*$_____*

These worksheets are planning tools, not legal or tax advice. Work through them with your financial advisor and tax professional. The numbers are only as good as the inputs — and the inputs should come from your actual plan documents, tax returns, and benefit statements.

ABOUT

About Post Oak Private Wealth Advisors

Post Oak Private Wealth Advisors is a Houston-based fiduciary wealth management firm specializing in retirement planning, tax optimization, and investment management for affluent individuals and families. Our highly credentialed team serves clients navigating significant life transitions — including retirement, executive compensation decisions, and estate planning — with a commitment to transparency, simplicity, and genuinely personalized guidance.

We have deep and longstanding experience serving energy industry professionals. Many of our clients have come to us from ExxonMobil, Chevron, Shell, ConocoPhillips, and other leading energy companies — engineers, managers, directors, and executives navigating the full complexity of pension decisions, RSU and stock option planning, deferred compensation elections, concentrated ESIP positions, and the multi-year tax coordination that defines retirement from a major energy company. We understand the compensation structures, the plan document details, and the planning windows that are unique to this industry, and we bring that specialized knowledge to every engagement.

Founded on the principle that every client deserves thoughtful, integrated advice traditionally reserved for ultra-affluent families, we bring together expertise across financial planning, investment management, tax strategy, and estate planning under one coordinated advisory relationship. We do not earn commissions.

Our clients are energy executives and corporate employees, physicians, retirees, and individuals navigating major life transitions — people for whom financial decisions are consequential and for whom generic advice simply is not enough. We consider it a privilege to serve them.

Recognized for Excellence

- 2026 Top 100 Investment Professionals — InvestmentNews
- America's Top Financial Advisory Firms 2026 — Newsweek
- Best Financial Advisory Firms 2026 — USA Today
- Texas Monthly Five Star Wealth Manager — 2015–2026

We welcome the opportunity to introduce ourselves and to learn more about your situation.

Please reach out to our team at any time.

POST OAK PRIVATE WEALTH ADVISORS

ADVISORY, CONSULTING & INVESTMENT MANAGEMENT

1200 Smith St.
Suite 610
Houston, Texas 77002

(281) 580-2100

skrenek@postoakprivatewealth.com

www.postoakprivatewealth.com