

Understanding Amazon Executive Compensation

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Amazon provides a range of benefits designed to assist employees in wealth accumulation, risk management, and retirement planning. Make sure you understand the opportunities that are available to you and how to make the most of your compensation package. Working with our team of wealth consultants can help you better understand how the choices you make today will impact your long-term goals. Contact us to learn more about how we work with Amazon employees.

Stock Awards - Restricted Stock Units (RSUs)

RSUs are a major portion of many Amazon employee's compensation packages. These are often granted at the hire date and typically vest twice per year but can vest up to four times per year, depending on the employee's level. RSUs are not taxed until they vest, at which time the value of the stock is included as ordinary income and taxed at your income rate. Default withholding is typically set at 22%, but this can be adjusted. Review with a tax professional to make sure you are withholding the correct amount.

If the stock is held for over one year after vesting, any gains on the sale are subject to capital gains taxes, which range from 0-20%. If sold with a holding period under 366 days, any gains on the stock will be included as taxable income, where rates range from 0-37%. Employees in Washington must also be aware of the 7% state capital gains tax for long-term gains over \$250,000 for individuals and married couples. Learn more about the excise tax that went into effect on January 1, 2022, [here](#). Also, pay attention to the trading windows, as there are many times per year when employees cannot trade stock.

Managing Amazon Stock In Your Portfolio

It is common for many Amazon employees to become over concentrated in company stock, so it is important to review asset allocation and financial goals as shares vest. By ignoring the risks of over-concentration, employees may be exposed to large portfolio declines that can derail long-term financial goals. While the stock has done very well relative to the overall market over the last decade, many employees felt pain in 2022 when the stock was down over 50% and they needed to sell shares to fund cash flow needs. While the optimal portfolio weighting varies by individual, a few things to consider are:

1. What are your liquidity needs in the short and long term?
2. What is your willingness and ability to take risk? If Amazon stock fell by 50%, how would this impact your goals?
3. What is your current tax bracket and how is this projected to change in the future?
4. What is the outlook on the stock and the market as a whole?

Once you have reviewed these questions within the context of your financial plan and have identified the optimal Amazon stock allocation in your portfolio, a variety of options can help unwind large position sizes and diversify your portfolio. The most straightforward solution is to sell existing shares or as they vest within your trading window. Make sure to work with your wealth management team to manage Federal and Washington State capital gains taxes and utilize tax-loss harvesting strategies where appropriate.

For those with very substantial gains who are looking to mitigate taxes while reducing risk, options such as hedging strategies, exchange funds, and qualified opportunity zones may be appropriate. For employees who do not need the stock to fund their retirement goals, gifting to either loved ones or charity could also make sense. Learn more about these planning opportunities [here](#).

Other Benefits

- **401(k) Plan Employer Match** - Employees can contribute \$23,000 to their 401(k) in 2024 with an additional \$7,500 catch-up contribution for those 50 and older. These can be directed to tax-deferred or Roth accounts. Amazon matches 50% of contributions, up to 4% of salary, but catch-up contributions are not included. All employees over 18 are eligible to join the plan immediately upon the date of hire.
- **Mega Backdoor Roth**: Employees can convert after-tax dollars to their 401(k) on top of the \$23,000 maximum employee contribution. An additional \$34,500 can be contributed to the 401(k) via after-tax Roth contribution. These funds do not qualify for a tax deferral, but rather the funds grow tax-deferred and can be withdrawn tax-free in retirement. This is a powerful tool as it gives high-income earners access to save a large amount into Roth accounts, which can significantly reduce taxes in retirement.
- **Health Care**: Amazon offers a variety of medical plan options, including plans that offer Health Savings Accounts. Employees also have the option for two dental and vision plans.
- **Health Savings Account (HSAs)** - HSAs are one of the most tax-advantaged accounts individuals can contribute to, as contributions are tax-deferred and qualified distributions for medical expenses as tax-free. The benefits are utilized to the greatest potential when invested for the long term, as these funds can be used for medical expenses in retirement. To qualify you must be enrolled in a high-deductible health plan (HDHP), and individuals can contribute \$4,150 in 2024 (with a \$1,000 catch-up contribution for those over age 55) and families are eligible to contribute \$8,300.
- **Health Care Flexible Spending Account (FSA)** - For those not participating in HSA plans, FSAs offer tax-deferred cash savings accounts that must be used for medical expenses within the calendar year. The minimum and maximum contribution for 2024 is \$120 and \$3,050, respectively.
- **Dependent Care FSAs** - An additional \$5,000 per year can be contributed to a tax-deferred account to pay for certain childcare expenses and other expenses for dependents in your household.
- **Life Insurance** - Amazon currently pays two times its annual base salary up to \$300,000 for life insurance. You can buy supplemental coverage up to eleven times your base annual earnings, up to \$2,200,000. You can buy additional coverage for a spouse or domestic partner in amounts of \$25,000, up to a maximum of \$250,000. Coverage for children can be purchased for up to \$20,000. These benefits are not portable if you leave Amazon, so review with our planning team to make sure you have sufficient coverage.
- **Critical Illness & Personal Accident Insurance**: Employees can obtain coverage

through MetLife with guaranteed enrollment without medical questions or tests. Critical illness coverage pays a lump sum if you are diagnosed with a serious medical condition, such as cancer or stroke. Personal Accident Insurance helps cover costs such as ambulance and ER visits that are not otherwise covered by health insurance.

- **Property & Casualty Insurance:** Amazon offers tools to compare homeowners, renters, and auto insurance. Additionally, they offer 20% off pet insurance. We recommend reviewing property and casualty insurance every 3-5 years, or as you buy and sell assets.

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