You’ve Got the Job Offer…Now What?

The AMS mentorship program is a valuable way for soon-to-be or recent graduates gain unique insights from professionals on how to position themselves for the first job out of school. While getting a job offer is exciting, the next step of understanding the job offer is critically important and often overlooked step of landing the first job. Having a firm grasp of the specifics in the contract (and more importantly what is not!) can have a significant impact on your earning potential as your career matures.

Most private sector employment in the United States is ‘at-will’ employment, meaning that at any time either party can terminate the employee agreement. This can seemingly occur at anytime, for any reason, and therefore reinforces the need to understand how your contract handles termination, an often under appreciated aspect of an employment contract.

This handout contains key items to consider in a job offer to maximize your earnings potential as you move deeper into your career. By no means is this considered a complete checklist of items to consider; seasoned professionals would recommend having an attorney review your job offer to maximize how it can benefit you. This document will also highlight key items to review/understand in an employee agreement/contract so that if you are terminated from your employer, you have the maximum ability to be compensated as you transition to a new job.

- **Vacation/Sick Leave:** How many weeks of paid time off will you have? Are there certain restrictions at various times of year? Does time off increase for number of years of employment? Do you get separate time for sick leave or special life events? Is the vacation/sick leave a use-or-lose every year or can you carry any unused balances to subsequent years? Will unused vacation or sick time be paid out if your employment is terminated?

- **Performance Review/Compensation Increases:** Is the performance review cycle annual, twice-a-year, or not defined? Are compensation reviews tied to performance? Is your compensation pure salary? Are bonuses offered? Is stock ownership part of compensation? Is the stock issued as a grant of stock, options, or a mix of both?

- **Retirement plan:** Many employers offer a 401(k) plan in which the employee can contribute up to 15% of their annual salary to the plan, up to a pre-determined limit by the Internal Revenue Service (IRS). In 2013, this limit is $17,500. Generally as a benefit and incentive to contribute to your retirement plan, an employer will match a certain portion of your 401(k) contribution. The range of employer match on the 401(k) can widely vary from one employer to another. The manner in which the employer provides the match can also vary, from a direct cash match to company stock as the matching mechanism. Additionally, the employer may have a vesting schedule for their match over a multiple year period. This is usually done to increase employee loyalty and help retain employers. However, in the event your employment is terminated and your employer contribution vests over time, it is worth negotiating for a full vest of your employer’s match at the date of termination. Otherwise, the stock or cash that was to vest in the years following termination will be lost.

- **Stock plan:** One way in which private sector employers can compensate their employees is via company stock. This is done to incentivize employees to perform in the best interest of the company in order for all shareholders and employees to benefit from rising stock value over time (if the company is successful). As with the 401(k) plan, most stock grants will vest over a multi-year
period. Thus, if you are granted a block of 1,000 shares of stock in your first year of employment that vests over a 4 year period, you will not see the full value of that form of compensation until the end of the fourth year of employment. Put another way, you will receive 250 shares of stock each year for four years. The more years you are employed with the company, the more significant the value of the ‘unvested’ shares will become. In the event your employment is terminated with the company, it becomes critical to ensure that your stock vests upon your termination.

- **Health/Life insurance**: Most companies will subsidize part or all of your premium costs for your health and life insurance plans as a benefit of employment. Understanding the full cost of the annual premiums is important in the event you are terminated. While searching for your next job after termination by the employer, you will have the opportunity to continue purchasing health insurance via a COBRA plan. Unless explicitly negotiated upon starting employment or in your separation, you will be responsible for the full cost of the premiums if you elect to continue the health insurance you had while employed. The full cost of health insurance premiums is usually significantly higher than your annual contributions made and can be exceedingly expensive if paid out-of-pocket.

- **Severance Package**: The majority of employment contracts contain a provision for what compensation the employer will provide if you are terminated without cause. This may contain the number of weeks/months of salary the employer will provide, as well as any potential vesting of stock in the stock or retirement plan. This severance package is meant to assist the terminated employee as a form of compensation while searching for a new employment opportunity. The severance package is also meant as compensation after signing any rights away in your separation agreement. From a compensation standpoint, severance packages can range from no compensation in a poor scenario to 6 or 12 months of salary, plus a bonus, and vesting of stock in a favorable scenario. Also, some employers may offer a period of time where they would pay for COBRA. Most laws require any unused vacation time to be paid out upon termination but is worth ensuring is included in any agreement.

- **Other Items of Importance in Termination**: Several other items are important to be aware of in an employment contract in the event you are terminated. Is there a non-compete clause where you cannot gain employment from a competitor for a set period of time? Is there a non-solicit clause where you could not recruit former colleagues to come work with you at your eventual new place of employment? Is intellectual property created during your tenure of employment owned by the company? An attorney can help ensure these items are carefully spelled out and considered as you negotiate your job offer and contract.

Getting a job offer is a very exciting time in one’s professional life and is a direct result of your education, internships, networking, and hard work navigating the interview process! Unfortunately, many seasoned professionals in the private sector either know someone who has been terminated or have been terminated at some point in their career. Hence, we cannot stress enough the importance of considering the above items in consultation with an employment attorney to ensure you and your family (current or future) is adequately protected in the event of termination.