TEMPO

Your Guide to Retiring from Progressive in 2025

Top Planning Tips for Progressive Employees Nearing Retirement

Tim Farley
Principal, Wealth Advisor

Hey Progressive employees, are you ready to retire?

Retirement is a big deal, and as a Progressive employee, you're probably wondering, When can I retire, and how do I make sure my money lasts? The answers depend on your unique situation, but with the right plan, you can step into retirement with confidence. Progressive's benefits—like 401(k)s, RSUs, and Deferred Compensation—offer awesome opportunities, but they come with some tricky details. Our team at Tempo Wealth has worked with Progressive employees at all levels for years, and we're here to help you navigate the ins and outs of retiring. Let's break it down with a chill, practical guide to get you ready. What's your retirement vision, and how can Progressive's benefits make it happen?

Here are some big questions to consider as you prepare:

- What age do I want to retire? If it's before 59½, how will I cover income until then? What about healthcare costs after COBRA ends and before Medicare kicks in at 65?
- If I've got RSUs, what happens to my unvested shares when I retire? Any planning tricks I should know?
- If I hold PGR stock in my 401(k), what are my options?
- If I'm in the Deferred Compensation plan, which payout option is best? How much should I aim to save?
- When should I start Social Security? Is delaying it worth it, or will I get dinged for starting early? Will it be taxed more if I've got other big income sources?
- If I'm 65+, how does my income affect Medicare premiums? Can I lower my taxable income to cut those costs?

Picking the Perfect Retirement Date

There's no one-size-fits-all retirement date, but it's all about when you're financially and emotionally ready. That said, we've got two smart timing options to consider:

1. After the first pay period in February: Retiring early in the year keeps your W-2 income low (just a few weeks of pay), starting you in a lower tax bracket. This makes it easier to manage taxes from RSUs, Deferred Compensation, or other income sources. Could a February retirement save you on taxes?
2. At least one year after your latest stock grant (usually April): RSUs granted less than a year before retirement are forfeited, so waiting until April secures your most recent grant. But you'll still lose the newest grant, and working a few extra months could push you into a higher tax bracket, especially with vesting RSUs. Is waiting for a stock grant worth the extra taxes?

Vacation Pay: Cash It or Stash It?

Progressive lets you cash out unused PTO at retirement, up to a cap. You can take it as cash for immediate needs or defer up to 99% into your 401(k) to lower your taxable income—super helpful if you're expecting a big income spike from RSUs or Deferred Compensation. For example, if you've got a chunk of vacation pay, deferring it could keep your tax bill in check. Should you take your vacation pay in cash or defer it to your 401(k)?

RSUs: The Big Vesting Moment

If you're stock-eligible, here's the deal: since 2021, most unvested time-based and performance-based RSUs vest at retirement if you meet the Rule of 70 (age 55 with 15 years of service or 60 with 10 years). The catch? Any RSUs granted less than a year before retirement are forfeited. This vesting can create a massive income spike in your retirement year, so timing matters.

Take John, who earns a $225,000 base salary plus a $56,250 gainshare (1.0 multiplier), totaling $281,250 annually.

Income Source	Amount
Base Salary +	$225,000
Gainshare (25% of salary at 1.0 multiple) =	$56,250
Total Annual Income	**$281,250**

He has $350,000 in unvested RSUs (granted over a year ago). If he retires in December, his income is $281,250 (full year) plus $350,000 (RSUs), hitting $631,250, pushing him into the 35% federal tax bracket (married filing jointly). But if he retires after the first pay period in February, his salary is just $28,125 (three pay periods) plus $350,000 (RSUs), totaling $378,125, landing in the 24% bracket. How can you time your retirement to keep your tax bracket lower?

401(k): Smart Moves Before You Go

Before retiring, especially if you're stock-eligible, crank up your 401(k) contributions in January and February to offset income from RSUs, Deferred Compensation, or other sources. Pre-tax deferrals lower your taxable income in that big vesting year. Can you max out your 401(k) early in the year to save on taxes?

If you've got PGR stock in your 401(k), Net Unrealized Appreciation (NUA) is a tax-saving gem. Say you have $500,000 in PGR stock with a $100,000 cost basis and $400,000 growth. At retirement (age 55+), you can roll the stock to a taxable account and non-stock assets to a Rollover IRA. You pay ordinary income tax on the $100,000 basis now, but the $400,000 growth is taxed at long-term capital gains rates (0–23.8%) when sold. Compared to rolling everything into an IRA (taxed as ordinary income on withdrawal), NUA could boost your wealth by about $111,000 over 30 years (assuming 5% returns, 32% tax bracket at retirement, 24% in retirement, 23% capital gains at retirement, 15% later). Below is an example chart:

	Using NUA Scenario 1 Tax paid with outside assets	**Using NUA Scenario 2** Tax paid with stock	**Not using NUA** IRA rollover
Assumptions before distribution			
Value of employer stock	$500,000	$500,000	$500,000
Cost basis	$100,000	$100,000	$100,000
Net unrealized appreciation (NUA)	$400,000	$400,000	$400,000
Future account value before taxes			
Available to invest after distribution (value of employer stock minus total taxes on distribution)	$500,000	$460,474	$500,000
Years in the analysis	30	30	30
Assumed growth rate of account	5.00%	5.00%	5.00%
Future account value before taxes	$2,160,971	$1,990,143	$2,160,971
Initial distribution of stock			
Ordinary income taxes on qualified plan distribution	($32,000)	($32,000)	n/a
Penalty taxes on qualified plan distribution	$0	$0	n/a
Tax on immediate sale of employer stock	n/a	($7,526)	n/a
Total taxes on distribution(s)	($32,000)	($39,526)	$0
Future account value after taxes			
Future account value before taxes	$2,160,971	$1,990,143	$2,160,971
Future ordinary income taxes at final sale	$0	$0	($518,633)
Future capital gains taxes at final sale	($309,146)	($284,707)	n/a
Outside assets (used to pay taxes in using NUA Scenario 1)	$0	$97,965	$97,965
Future value of scenario after taxes	**$1,851,825**	**$1,803,401**	**$1,740,303**
Increase in wealth due to NUA treatment	**$111,522**	**$63,098**	

Note: This illustration assumes no distributions are made during the years of the analysis. In addition, the "Not Using NUA" column does not take into account any required minimum distributions that may occur after the owner of the employer stock turns age 72.

Given this potential savings, could utilizing NUA be a fit for your 401(k) stock?

Deferred Compensation: Payout Planning

If you're in the Deferred Compensation plan, you defer gainshare or RSUs, which grow tax-deferred. During open enrollment, you pick a payout option: lump sum, 5-year, or 10-year, starting at retirement. A lump sum is simple but can spike your taxes in year one. For bigger balances, 5- or 10-year payouts spread the tax hit.

Payout length affects state taxes. If you're in Ohio (5% state tax) but plan to move to Florida (no state tax) two years into retirement, a 5-year payout on a $500,000 balance means $100,000/year, taxed at 5% for all five years ($25,000 total). A 10-year payout ($50,000/year) taxes only the first two years in Ohio ($5,000 total). Which payout option aligns with your retirement plans and tax situation?

All Your PGR Income Sources

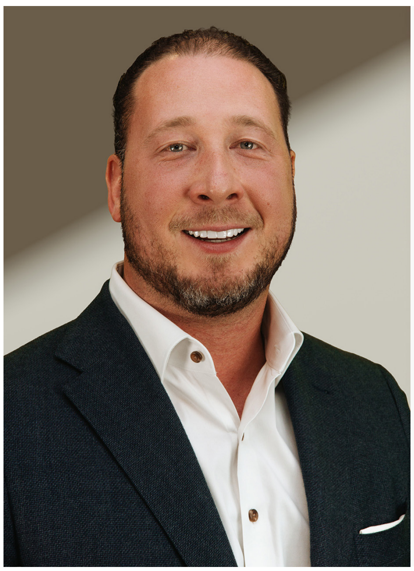
Retirement income from Progressive alone can include:

1. Salary
2. Gainshare bonus (0.0–2.0x target)
3. Vacation payout
4. NUA payout from 401(k)
5. Unvested time-based RSU payout
6. Unvested performance-based RSU payout
7. Deferred Compensation payout

Plus, you've got Social Security, spousal income, or other sources to factor in. How can you coordinate these income streams for a smooth retirement?

Build Your Financial Dream Team

To nail your retirement plan, you need a squad: a Fiduciary Wealth Advisor, CPA, Estate Planning Attorney, Debt Specialist, and independent P&C Advisor. Your financial planner leads the charge, tying together strategies like NUA, RSU vesting, and Deferred Compensation payouts. Start planning at least five years out—or ASAP if you're closer to retirement—to align Progressive's benefits with your goals. Have you got the right team to guide your retirement journey?



Let's Make It Happen

Retiring from Progressive is a big step, but with a smart plan, you can do it with confidence. Whether you're eyeing an early exit or planning for decades of financial security, Tempo Wealth is here to help. Do you have questions or need a second opinion?

Reach out to Tim Farley at **tcf@tempowealth.com** or call **440-568-3676 ext. 101** for a free consultation.

TEMPO