Brighton Jones®

Microsoft's Voluntary Exit Offer

A planning guide for the decision, and for leaving if you say yes

DECIDING

What the offer is really worth

How severance is taxed

The part that isn't about money

LEAVING

Questions to ask before you sign

Health coverage and your 401(k)

Your runway and timeline

OCTOBER 2026

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WHAT THIS GUIDE IS NOT

This guide is general education and doesn't replace personal tax or legal advice. Offer terms vary by employee, and your own offer documents are the final word on what you're entitled to.

INTRODUCTION

Where to Begin

YOUR QUESTION *Should I take Microsoft's offer, and what do I do if I do?*

If you're one of the roughly 60,000 Microsoft employees who received the company's Voluntary Exit Offer (VEO) on October 26, you reportedly have until early December to make a call most people face once or twice in a career.

Most people start with whether the package is attractive. A more useful first question: if Microsoft hadn't made this offer, what were you already thinking about doing? The offer may open the door to a change you wanted anyway. The financial question is whether you're prepared, and the biggest swings sit in the stock you'd give up and the tax year the cash lands in. From a Personal CFO perspective, a buyout is a cash flow event and a tax event arriving at the same moment.

For some employees, the offer accelerates a change they were already ready to make. For others, continued pay, benefits, future vesting, or an approaching milestone may be worth more than the package. Neither answer is wrong. The goal is to decide deliberately, knowing what you'd receive, what you'd give up, and what becomes possible next.

Parts 1 through 3 help you decide. Parts 4 through 8 cover the practical steps if you say yes, from the questions to ask HR through your first 90 days out.

What Microsoft has shared

Who's eligible	About 60,000 employees at level 70 and below on participating teams in the U.S., Canada, the U.K. and India, roughly a quarter of Microsoft's workforce. Each organization's leaders decided who qualifies.
Who isn't	Some teams are excluded, including some sales and marketing organizations.
The terms	Microsoft has said the package matches its standard severance: base pay based on tenure and level, continued stock vesting, and healthcare for a fixed period. Career transition services are included too. Each eligible employee received an email linking to their individual offer, which sets the specifics, including how and when you're paid.
The timeline	Reports say decisions are due in early December, with departures planned for the end of 2026.

This is Microsoft's second exit program this year. The spring voluntary retirement program was offered to about 8,750 longtime U.S. employees, and about 30% accepted. Some reports described the previous round's terms as more generous than this round's, so if a colleague walked you through their package in May, expect your numbers to look different.

DECISIONS WITH DEADLINES

A few dates in this process are firm, and missing one can cost money or coverage.

- Your decision date on the offer, reported for early December (Part 4)
- 60 days to elect COBRA, then 45 days to make the first payment (Part 5)
- 60 days before or after coverage ends to enroll through Washington Healthplanfinder (Part 5)
- At least 30 days to join a spouse's employer plan (Part 5)
- 60 days to redeposit a 401(k) check made out to you (Part 6)
- January 15, 2027, for a fourth-quarter estimated tax payment (Part 8)

PART 1

What the Offer Is Really Worth

YOUR QUESTION *What would I collect, and what would I give up?*

The severance figure in your offer is the easiest number to see and the least complete. A fair comparison sets it against what you'd collect by staying through the same stretch of time, and against what you'd lose by leaving on Microsoft's timeline instead of your own.

What belongs on the ledger

- **Unvested stock awards.** The offer continues stock vesting for a period. Map every vest date against your last day and against the date continued vesting ends, since anything scheduled after that still belongs on the ledger.
- **Approaching milestones.** If you're close to an age or service milestone, check how leaving now affects your equity. Microsoft's stock award agreements define retirement as leaving at 65, or at 55 with 15 years of service, often called the 55-and-15 provision. For awards granted more than a year earlier, those agreements generally let unvested shares keep vesting on schedule. Your own award agreement is the final word. (This is different from the age-55 rule for 401(k) withdrawals, covered in Part 6.)
- **ESPP purchases.** If you contribute to the employee stock purchase plan, check whether your last day falls before the next purchase date and what happens to contributions already withheld.
- **Deferred compensation.** If you defer pay, find out how and when it pays out after you leave. Those elections are often hard to change.
- **Your 401(k).** Your final regular paychecks are your last chance to defer 2026 salary into the plan, and they set how much employer match you collect this year.
- **Health coverage.** Compare any subsidized coverage in your offer with COBRA, a spouse's plan or an individual policy until your next coverage begins (Part 5).

Staying has value beyond your salary. Bonus and future vesting count toward it, and so do the 401(k) match and the savings you'd keep building while you work.

If you were already planning to leave within the year, the package may be a welcome head start. If you expected to stay three more years, the vests you'd forfeit can outweigh the check.

Your Microsoft stock

Many long-tenured employees hold more Microsoft stock than they would ever choose to buy. Leaving doesn't automatically mean selling. It is a natural checkpoint, though. Once your paycheck no longer depends on the company, it's worth asking how much of your net worth should, and how sensitive your plan is to Microsoft's share price. Selling has tax consequences, so the timing of any concentrated stock decision belongs in the same conversation as your severance.

> KEEP IN MIND
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> Read the agreement as closely as the numbers. Most severance agreements ask you to release legal claims against the employer, and some limit working for competitors or recruiting former colleagues. Check whether you'd be eligible for rehire and how long you have to sign. In group exit programs, federal law generally gives employees 40 and older at least 45 days to consider the offer and seven days to revoke after signing. An employment attorney can review the terms before you commit.

RELATED READING Microsoft Stock Awards · ESPPs · Deferred Compensation · Concentrated Stock

PART 2

How Severance Is Taxed

YOUR QUESTION *Why might I owe more than was withheld?*

Severance counts as wages. Employers usually withhold federal income tax on it at a flat 22% supplemental rate (37% on supplemental wages above $1 million), and that's where many people get caught. Washington has no state tax on wages, so for Puget Sound employees the federal gap is the main event.

A hypothetical example

Hypothetical single filer, 2026	Amount
Base salary	$210,000
Microsoft RSUs vested in 2026	$60,000
401(k) deferrals (2026 limit)	($24,500)
Standard deduction (single)	($16,100)
Hypothetical severance (26 weeks of base, paid in December)	$105,000
Taxable income without severance	$229,400
Taxable income with severance	$334,400
Added federal income tax from severance	about $35,900
Federal tax withheld at 22%	$23,100
Shortfall due at filing	**about $12,800**

The severance lands on top of a full year of salary and stock, so most of it is taxed in the 32% and 35% brackets. In this example, the effective federal rate on the severance works out to about 34%, a dozen points above what was withheld.

> **About this example:** This is a hypothetical illustration for educational purposes. It uses 2026 federal brackets for a single filer and covers federal income tax only. It does not reflect Microsoft's actual offer terms, which vary by employee, and leaves out Medicare taxes. Your results will differ, so model your own situation with a tax professional before acting on it.

Five ways to manage the tax hit

1. **Confirm the payment year.** If severance pays out in January 2027 instead of December 2026, it lands in a year that may carry less other income. Ask HR how and when your payment will be made.
2. **Use your remaining paychecks.** Any room left under the $24,500 401(k) limit, plus the $8,000 catch-up if you're 50 or older, has to come from regular pay before you leave. IRS rules generally don't allow deferrals from severance itself.
3. **Fund your HSA.** If you were covered by an HSA-eligible plan, 2026 contributions of up to $4,400 (self-only) or $8,750 (family) can lower taxable income. You have until the April 2027 filing deadline to make them.
4. **Cover the gap before April.** Adjust withholding on your final paychecks or make an estimated payment so the shortfall doesn't arrive as a surprise. The same underwithholding issue affects RSUs.
5. **Look at deductions you can pull into this year.** A high-income year can be a sensible time to fund a donor-advised fund or harvest investment losses. Each has its own rules, so model them with your tax advisor first.

Look beyond 2026

Model 2026 and 2027 together, then look a few years further out, since year-end moves can interact in ways that are easy to miss one at a time. If your income drops after you leave, the lower-income years that follow can open room for a Roth conversion or for selling appreciated investments at lower capital gains rates. They can also change the best timing for deferred compensation payouts. The goal isn't simply to minimize this year's taxes. It's to maximize your after-tax outcome over time.

PART 3

The Part That Isn't About Money

YOUR QUESTION *What do I want the next few years to look like?*

Offers like this land differently depending on where you are. Some people have been quietly waiting for a door to open, whether for a sabbatical or a long-postponed move to a startup. Others feel a nudge they didn't ask for and wonder what saying no will mean for their standing. Both reactions are reasonable.

A Microsoft career can provide more than a paycheck. It can also supply structure and a sense of identity, and a plan for leaving works better when it accounts for both.

If you share finances with a partner, the decision belongs to both of you. In a dual-income household, one person's buyout can reshape the family's insurance and the timing of shared goals. For employees a few years from retirement, the package can also serve as a bridge, so revisit your retirement plan before you answer.

A USEFUL EXERCISE

Describe, in a sentence or two, what you'd want 2027 to look like if money weren't the constraint. Then ask whether the package moves you closer to that picture or further from it.

A few follow-up questions can sharpen it. What do you want Monday morning to look like six months from now? Are you retiring from something or toward something? If a year away from work became two, would you be comfortable? Name what you're most afraid of losing by saying yes, and what you're most excited to gain. Then check whether your spouse or partner pictures the same next chapter.

Financial independence isn't simply having enough money to stop working. It's having enough flexibility to decide what you want work to mean in your life.

PART 3 · WORKSHEET

Seven Questions to Answer Before You Accept

Work through these on your own first, then with the people your decision affects. Your answers to Parts 1 and 2 will fill in the first two.

Question	My answer
What does my offer pay, and in which tax year will I receive it?	
Which stock awards and ESPP purchases would I give up by leaving at the end of 2026?	
How will I cover health insurance, and what will it cost each month?	
How many months of spending do my savings and after-tax severance cover?	
If I decline, how do I see my role and team over the next two years?	
How much of my net worth sits in Microsoft stock, and how much do I want there?	
What would I do with the next year if I said yes?	

RELATED READING Dual-Income Households · Planning for Early Retirement · Changing Jobs

PART 4

Questions to Ask Before You Sign

YOUR QUESTION *What do I need from HR in writing?*

Each eligible employee received an email linking to their individual offer details. Read that first. Then take the questions below to HR and the benefits team, and get the answers in writing where you can.

The payment

- ☐ How is my lump-sum payment calculated from my tenure, and when will it be paid?
- ☐ Which payments land in 2026 and which in 2027?
- ☐ Will unused vacation be paid out, and is any 2026 bonus prorated?

Stock and benefits

- ☐ How long does stock keep vesting after my last day, and which awards fall outside that window?
- ☐ What happens to ESPP contributions already withheld, and to any deferred compensation?
- ☐ On what exact date does my medical coverage end, and how long does any subsidized coverage last?
- ☐ Which other benefits end with my job, such as life and disability insurance, and can either continue?
- ☐ What happens to any HSA or FSA balance, and to charitable gift matching?

The agreement

- ☐ What legal claims am I releasing, and does the agreement limit where I can work next?
- ☐ Would I be eligible for rehire later?
- ☐ How long do I have to decide, and can I revoke after signing?

My other options

- ☐ If I decline, is an internal move or a different role possible?
- ☐ What career planning support comes with the package, and how long does it last?

A PRACTICAL WAY TO START

Ask for the date your medical coverage ends before anything else. "Last day of employment" and "end of that month" can be weeks apart, and every deadline in Part 5 counts from it. Keep all the answers in one place, since you'll use them in every part that follows.

PART 5

Health Coverage After Microsoft

YOUR QUESTION *How do I stay covered, and by when?*

Healthcare deserves special attention, especially if retirement is still several years away. Employer coverage is easy to take for granted, and replacing it can be one of the larger new costs of leaving. Confirm when your Microsoft medical coverage ends and how long any subsidized coverage lasts. Missing one of the windows below can leave you uninsured until the next open enrollment.

Option	Window to act	What to know
COBRA	60 days to elect; first payment within 45 days of electing	Keeps your current plan for up to 18 months. You pay the full premium plus up to a 2% fee. Coverage is retroactive once you pay.
Washington Healthplanfinder	60 days before to 60 days after coverage ends	Premium help depends on household income and size. Federal credits generally stop above 400% of the federal poverty level, and Washington's Cascade Care Savings may add help at lower incomes. A lower-income 2027 can make it cheaper than COBRA.
A spouse's plan	At least 30 days after your coverage ends	Losing your coverage usually lets you join outside open enrollment. Ask their HR team for the exact deadline.
Medicare	Eight months after employment or active-employment group coverage ends, whichever comes first, if you're 65 or older	COBRA doesn't count as coverage from active employment and doesn't extend this window.

COBRA

The cost can surprise people, because there's no employer share. The 60-day election window counts from the later of the date coverage ends or the date you receive the election notice. That gives you room to compare options, but a missed deadline means losing COBRA entirely. If you have a health savings account, it stays yours after you leave, and you can use it to pay COBRA premiums tax-free.

Washington Healthplanfinder

Losing job-based coverage opens a special enrollment period on Washington Healthplanfinder, the state's marketplace. Signing up in the month your coverage ends helps you avoid a gap. Enhanced federal subsidies expired after 2025, so apply to see your actual numbers before you assume either way.

Medicare, if you're 65 or close

Your initial enrollment period runs seven months, starting three months before the month you turn 65. Medicare premiums for higher earners are also based on income from two years earlier, so a large 2026 severance can raise your 2028 premiums. If your work stopped, you can ask Social Security to use your lower current income instead.

> KEEP IN MIND
>
> Choosing COBRA and later dropping it on your own generally doesn't open a new enrollment window. Open enrollment for 2027 coverage runs from November 1, 2026, through January 15, 2027, which overlaps with a year-end departure. Before you elect anything, compare total yearly cost, including deductibles and out-of-pocket limits. Then check that your doctors are in network and your prescriptions are covered.

PART 6

Your 401(k)

YOUR QUESTION *Do I need to move it, and how?*

Your 401(k) is one decision you don't have to make on your last day. A rollover can happen later, after the deadline pressure passes.

Option	What to know
Leave it in the Microsoft plan	Plans can move small balances (under $7,000) out automatically, but larger balances can usually stay. Confirm Microsoft's rules.
Roll it into an IRA	Can widen your investment choices, so compare fees and fund options first.
Roll it into a new employer's plan	Possible if that plan accepts rollovers.
Cash it out	For most people the most expensive choice. The money is taxed as income, and before age 59½ it may also carry a 10% penalty.

Why a direct rollover matters

In a direct rollover, the money moves straight from plan to plan and nothing is withheld. If the plan pays you instead, it must withhold 20% for federal taxes. You then have 60 days to deposit the full amount in an IRA, using other savings to replace the 20% that was withheld, or the shortfall is taxed.

Check these before you move anything

- **The age-55 rule (often called the Rule of 55).** If you leave in or after the calendar year you turn 55, withdrawals from the Microsoft 401(k) generally avoid the 10% early withdrawal penalty. Money rolled into an IRA loses that exception. This is separate from the 55-and-15 stock provision in Part 1, which affects your equity, not your retirement account.
- **Microsoft shares in the plan.** If your 401(k) holds Microsoft stock, a rule called net unrealized appreciation may let the growth on those shares be taxed at capital gain rates when you sell. It requires a specific kind of distribution, and the option is lost once the shares roll into an IRA.
- **An outstanding 401(k) loan.** Leaving usually makes the balance due. An unpaid balance is treated as a distribution, though you have until your tax filing deadline, including extensions, to roll that amount over.
- **Roth and after-tax money.** If you made Roth or after-tax contributions, ask how each will be handled so it lands in the right account.

RELATED READING Retirement Account Rollovers · After-Tax Contributions · IRS Rollover Rules

PART 7

Your Cash Runway

YOUR QUESTION *How long can I go without a paycheck?*

Your runway is how long you can cover your life without a paycheck. Working it out turns a vague worry into a number you can plan around. Base it on what actually left your accounts over the last 12 to 24 months, including taxes and any support for family members.

Step	What to figure out	My number
1	Monthly spending you can't avoid. Start with housing and insurance, then add debt payments and taxes.	
2	Monthly spending you could trim, such as travel and dining	
3	One-time costs in the next 12 to 24 months, like a car or tuition	
4	Resources you could draw on, starting with after-tax severance and cash savings. Include a partner's income if you share expenses.	
5	Your runway: usable resources divided by monthly spending, at your current budget and a trimmed one	

Then test the result against a few realistic scenarios:

- Quick next job: about 3 months
- Thoughtful search: 6 to 12 months
- Longer break or career change: 12 to 24 months
- Lower-paying but more fulfilling role, or starting a business
- Not returning to work at all

Notice which ones feel comfortable and which feel tight. The point is to learn where your margin runs out before you commit. Remember that the severance figure in your offer is before tax, and that health premiums belong in step one if you'll be paying them yourself.

Where the money comes from

Next, decide which money you'd use first. For many households, cash, taxable investments, a spouse's income and Microsoft stock come first. Deferred compensation and retirement accounts usually follow, with Social Security later still. If you're close to retirement, this step becomes the start of a withdrawal plan that sets which accounts to draw from and for how long.

PART 8

Your Timeline

YOUR QUESTION *What do I do between now and my first 90 days out?*

The steps of leaving Microsoft run on a short clock, so it helps to pace them across the next few weeks.

When	What to do
This week	☐ Read your offer details in full and write down your questions. ☐ Gather your latest pay statement along with your equity and benefit summaries. ☐ Put your decision deadline and last day on the calendar.
Early to mid-November	☐ Take the Part 4 questions to HR and the benefits team. ☐ Work through your runway with the people your decision affects. ☐ Get a read on your 2026 and 2027 tax picture.
Late November	☐ Price COBRA against a Healthplanfinder plan. ☐ Finish any professional review, including legal review of the agreement. ☐ List what you still need to learn before deciding.
Before your decision date	☐ Confirm in writing how and when you must respond, then make the call deliberately.
If you leave: the first 90 days	☐ Confirm your new health coverage is active, and track COBRA election and payment dates if you're using it. ☐ Complete a direct rollover if that's your plan, or leave the 401(k) in place until you decide. ☐ Set aside money for taxes. A fourth-quarter estimated payment for 2026 is due January 15, 2027. ☐ Put a simple spending plan in place based on your runway. ☐ Give yourself permission to rest before making big commitments.

NEXT

Questions and Next Steps

How is severance pay taxed?

As ordinary wages. Employers usually withhold federal income tax at a flat 22% supplemental rate, or 37% above $1 million. If your total income puts you in a higher bracket, you may owe more when you file.

What happens to my unvested Microsoft RSUs?

The offer includes continued vesting for a period, and your offer documents set how long. Awards scheduled after that are generally forfeited unless your award agreement says otherwise, as with the 55-and-15 provision.

Can I put my severance into my 401(k)?

Generally not. IRS rules don't let you defer severance paid after you leave into a 401(k), so your remaining regular paychecks are usually your last chance to contribute for 2026.

Should I take a buyout without another job lined up?

It can work if your savings and after-tax severance cover a realistic job search and your health coverage is settled. If the math only holds for a few months, that is worth knowing before you decide.

Can I switch from COBRA to a marketplace plan later?

Usually not. Dropping COBRA on your own generally doesn't open a special enrollment period, so you'd wait for open enrollment. Running out of COBRA does open one.

What is a direct rollover?

It moves retirement money straight from your 401(k) to an IRA or another employer's plan without the funds being paid to you, so nothing is withheld and there's no 60-day deadline to meet.

Should I roll over my 401(k) after leaving Microsoft?

There's no rush. Leaving the money in the plan keeps the age-55 rule (often called the Rule of 55) available and preserves options for any Microsoft shares in it. An IRA can offer broader investment choices. Compare fees and access first.

Does COBRA extend my Medicare deadline?

No. If you're 65 or older, plan your Part B enrollment around the date your employer coverage ends, since COBRA doesn't pause that eight-month clock.

TALK IT THROUGH WITH US

Why this works better with the whole picture in view

A buyout touches nearly every part of a financial plan at once. The tax answer depends on your stock awards. Your health coverage cost depends on your 2027 income, and your 401(k) choice depends on when you'll need the money. Brighton Jones has worked with Microsoft families for more than 25 years, through retirements, career transitions, and concentrated stock decisions. Our Personal CFO approach looks at those connections together, so a decision with a December deadline gets made with your full financial picture in view. Sometimes the most useful outcome of that conversation is confidence that staying is the right call.

If you've received an offer, three analyses can bring the decision into focus. Start with a 12- to 24-month cash-flow plan showing what your household spends and where that money comes from once the paycheck stops. A stay-versus-go comparison then weighs the offer against the pay and benefits you'd give up, including future vesting. Finally, a multi-year tax projection covers this year and the lower-income years that may follow.

Schedule a complimentary intro call at brightonjones.com/contact-us

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SOURCES

Sources

Rules and figures in this guide were checked against these sources on October 28, 2026. Offer details reflect information available on that date and may differ from your individual offer documents.

The offer

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IRS Topic No. 413: Rollovers from retirement plans

IRS Topic No. 558: Additional tax on early distributions

IRS: Exceptions to the 10% additional tax (chart)

IRS Topic No. 412: Lump-sum distributions

IRS Notice 2026-13: Safe harbor rollover explanations

IRS: Plan loan offsets

Stock awards

SEC: Microsoft Stock Award Agreement (Exhibit 10.18)

Microsoft Stock Award Agreement, 2017 Stock Plan (Justia)

Severance agreements

29 CFR 1625.22: Waivers of rights and claims (ADEA)

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