Micron Benefits Guide for High Earners: Coordinating Your 401(k), ESPP, RSUs, and Deferred Compensation

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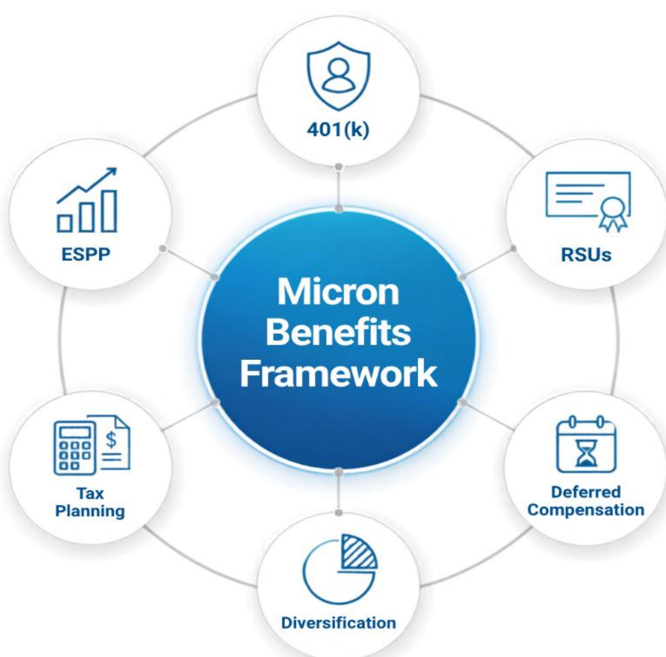
If you work at Micron, your salary is only one piece of your compensation. For many employees, a significant share of long-term wealth creation comes from retirement benefits, equity compensation, and the tax planning decisions that surround them.

The challenge is that most employees treat these benefits as separate line items. They max out the 401(k), participate in the ESPP, let RSUs vest, and maybe elect deferred compensation, without ever stepping back to see how the pieces interact. When coordinated well, these benefits become a genuine framework for building wealth while managing taxes and controlling concentration risk. Left uncoordinated, they quietly create the same risk they could have helped avoid.

Here's how we think about the major pieces, the questions worth asking about each one, and the order in which it usually makes sense to work through them.



Coordinating 401(k), ESPP, RSUs, Deferred Compensation, and Tax Planning

The most important planning decisions are usually where the benefits overlap.

Start With the Foundation: Your 401(k)

The Retirement at Micron (RAM) 401(k) plan accepts pre-tax, Roth, and after-tax contributions, with a company match of up to 5% of eligible compensation. For 2026, employees under 50 can contribute up to $24,500 in employee deferrals, with additional catch-up contributions of $8,000 available for those 50 and older.

There's extra savings capacity if you're between 60 and 63. Instead of the standard catch-up amount, this age band gets access to a larger "super catch-up" contribution of $11,250, on top of the regular $24,500 limit, for those few years before the standard catch-up rules apply again at 64. For senior employees approaching retirement, that narrow window can meaningfully accelerate late-career savings, so it's a good idea to confirm which catch-up figure applies to you.

One additional change for 2026: if your FICA wages from Micron exceeded $150,000 in the prior year, the SECURE 2.0 high-earner rule requires that any catch-up contributions, including the super catch-up, be made as Roth, not pre-tax. For many Micron directors and senior engineers, this isn't a future consideration: it applies this year, and it changes how much of a current-year tax deduction those catch-up contributions can deliver.

Most employees stop at "get the full match." That's the right first step, but it's rarely the whole story for high earners. The more useful question is whether your contributions are going to the right buckets. A younger engineer expecting significant income growth may lean toward Roth. A director already in a top bracket may value the current-year deduction from pre-tax contributions more. Neither answer is universally correct; it depends on where you expect to sit on the tax curve now versus in retirement.

There's a lesser-known limit worth knowing about if your compensation runs well above the norm: the IRS caps the amount of compensation a plan can use when calculating employer contributions, at $360,000 for 2026. In practical terms, that means the 5% match is calculated against the first $360,000 of eligible pay, not against your full compensation if it exceeds that. For senior directors and executives whose total pay is meaningfully above that threshold, this caps the match in real dollar terms well before it caps the ability to defer your own contributions.

Micron's after-tax contribution feature also opens the door to a Mega Backdoor Roth strategy, since the plan supports in-plan Roth conversions for employees who've already maxed out standard contribution limits. Routing after-tax dollars into Roth space this way, subject to the plan's overall contribution ceiling, meaningfully increases long-term tax-free assets for employees who take advantage of it.

Common mistakes we see:

- Capturing the match but never revisiting Roth vs. pre-tax allocation year after year
- Ignoring the after-tax/Mega Backdoor Roth opportunity entirely
- Letting asset allocation drift for years without rebalancing
- Optimizing for this year's deduction while ignoring long-term tax diversification

Understanding the Micron ESPP: Discounts, Taxes, and Concentration Risk

Micron's Employee Stock Purchase Plan lets eligible employees purchase company stock at a 15% discount, making it an attractive wealth-building tool. Many ESPPs, including Micron's, include a lookback provision, which can make the effective discount considerably larger than the stated 15%. Instead of applying the discount only to the stock price on the purchase date, a lookback provision applies it to whichever is lower: the price at the start of the offering period or the price at the end. If the stock has risen over that period, you're buying at 15% below a price that's already out of date, which can turn a 15% stated discount into an effective discount well above that once the stock has appreciated during the offering window. That's one of the better reasons to participate in the ESPP, even for employees who are otherwise cautious about adding to their Micron exposure. It doesn't change the diversification conversation once the shares are in hand, though.

Employees who accumulate ESPP shares year after year, on top of vesting RSUs, often discover, usually later than they'd like, that a large percentage of their net worth has become tied to a single stock. This tends to happen gradually rather than all at once: a modest starting position, a few years of ESPP purchases, several RSU vests, some appreciation (well, not “some” in Micron’s case!), and suddenly one stock makes up a large share of a household balance sheet without anyone having decided that on purpose.

That's not automatically a problem. If you're intentionally overweight Micron because of genuine conviction and the rest of your financial picture is diversified, that can be a reasonable, informed choice. If you're overweight simply because no one ever revisited your broader financial picture, that's a different conversation.

How ESPP shares are taxed when you sell is just as important to understand, since the holding period changes the outcome. If you sell before the plan's holding requirements are met (generally two years from the offering date and one year from the purchase date for a plan like Micron's), it's called a disqualifying disposition: the ordinary income portion is locked in at the actual discount you received at purchase, with any additional gain or loss taxed as short-term or long-term capital gain. Hold longer than those thresholds and the sale becomes a qualifying disposition, where the ordinary income portion is capped by a formula instead and can end up smaller, or even zero if the stock lost value, with the remainder taxed at capital gains rates. Selling right away to lock in the discount without price risk is a common and sensible choice. It just means giving up the more favorable qualifying treatment, so ensure that you are making that choice deliberately rather than by default.

One quirk that catches people off guard: because the ordinary income in a disqualifying disposition is fixed at the discount received on the purchase date, it doesn't move if the stock price drops afterward. That means it's possible to owe ordinary income tax on that locked-in discount while, at the same time, reporting a capital loss on the shares themselves, if the price fell enough between purchase and sale. Cost basis deserves its own scrutiny as well. Brokers are typically not permitted to include the compensation portion of your basis on Form 1099-B, so the basis reported there is often just the discounted purchase price rather than the full adjusted amount. Without correcting that on your tax return, the compensation income already taxed through your paycheck can get taxed a second time as capital gain. This is easy to lose track of, especially when shares move between brokerage accounts, since the receiving firm doesn't always carry the compensation-adjusted basis forward.

A couple of Micron-specific mechanics are worth knowing on this front. ESPP shares are held at Morgan Stanley, Micron's plan administrator, separate from the Fidelity-run 401(k). Shares can't be transferred out to an outside brokerage until 1.5 years after the purchase date, which is Micron's way of preserving its ability to track the compensation income component for tax reporting while the shares are still on its books; once shares move to an outside broker, keeping that adjusted basis straight becomes the employee's own responsibility, which is exactly the tracking gap described above. And while there's no plan-imposed holding period preventing a sale before that point, actual sales are still subject to Micron's insider trading window restrictions, so timing a sale around a qualifying disposition date or a market move isn't always fully within an employee's control.

A more useful framework than "should I participate" is:

- How much Micron stock do I already hold, across ESPP and RSUs?
- How much future stock exposure am I likely to receive through upcoming RSU grants?
- What percentage of my total net worth is tied to Micron?
- How much of my future income, not just investments, already depends on Micron's success?
- Does my cash flow permit full participation in the ESPP plan (via after-tax payroll deductions)?

That last question is easy to overlook and often the most important one. Your paycheck and your portfolio can both be exposed to the same company at the same time.

How Micron RSUs Are Taxed and When to Diversify

For many Micron employees, RSUs represent the single largest long-term wealth opportunity in the compensation package, and also the most commonly misunderstood.

From what we've seen, Micron typically grants RSUs annually, with 25% of a given grant vesting at the one-year mark, and the remaining shares vesting at a rate of 1/12 every three months after that, stretching the full grant out over roughly four years. Because grants stack year over year, most employees end up with several overlapping vesting schedules running at once, which is part of why concentration builds faster than people expect: by year three or four, you may have multiple separate grants all contributing shares within the same twelve-month period.

RSUs are taxed as ordinary income at vesting, full stop, regardless of whether you sell the shares or hold them. There's no way to defer that tax by holding the stock longer. Where employees get tripped up is assuming otherwise, and then getting surprised at tax time, especially in years with multiple vesting events, a bonus, or a big compensation increase, when withholding doesn't come close to covering the actual liability at their marginal bracket. The reason is specific and worth naming: the IRS treats RSU vests as supplemental wages, which typically get withheld at a flat 22% federally (37% on any supplemental wages above $1 million in a calendar year), regardless of your actual bracket. For a director or senior engineer sitting in the 32%, 35%, or 37% marginal bracket, that flat 22% is withholding roughly ten to fifteen cents less per dollar than what's ultimately owed, and that gap shows up as a surprise bill (or an underpayment penalty) at tax time if it isn't planned for in advance.

A useful lens at each vesting event, and a question worth opening with when weighing whether to hold or sell: if this vest showed up as cash instead of shares, would you turn around and use that cash to buy Micron stock, or would you do something different with it? If you'd genuinely buy the stock, holding is a defensible, deliberate decision. If you'd take the cash, retaining the shares deserves a second look, because at that point, you're not making an investment decision; you're just defaulting to inertia. *The framing matters because most people answer the "should I hold" question differently once it's phrased as a fresh purchase decision rather than a decision to do nothing.*

There's also a slightly different way to frame that question that some employees find clarifying. It's less useful to ask "will Micron stock keep going up" than to ask "what are the realistic odds that Micron, specifically, outperforms a broadly diversified portfolio over the next decade or two?" Historically, the odds of any single stock beating a diversified portfolio over long stretches are not in that stock's favor, and the longer the time horizon, the more that gap tends to widen. That doesn't mean it can't happen. It means betting a large share of your net worth on it happening is a different risk decision than most people realize they're making.

When employees weigh "hold and defer the tax" against "sell and diversify," they usually focus on the tax bill in isolation, since it's the one number attached to a specific date on the calendar. But the more relevant comparison is the tax bill against what a single company's stock can plausibly do in an ordinary, unremarkable market move. A one-time tax cost to diversify is a known, bounded number. A concentrated position sitting through a significant but entirely normal single-stock drop can lose far more value than that tax bill in a matter of weeks, with no guarantee of getting it back. Once the comparison is framed that way, the tax cost of diversifying often looks like the smaller and more predictable risk of the two, rather than something to be avoided at all costs.

What happens mechanically when RSUs vest:

1. Shares become yours and are valued at the vesting-date price
2. That value is treated as W-2 income
3. Taxes are (generally) withheld at the flat 22% supplemental rate (37% above $1 million in supplemental wages for the year), which often runs below your actual marginal bracket
4. Future gains or losses are measured from that vesting-date value going forward

Common mistakes: holding every vested share by default, underestimating how concentrated the position has become, skipping a written diversification plan, not running a tax projection before a big vest, and missing opportunities to pair sales with charitable giving or other planning that could offset the income.

Beyond Selling: Other Ways to Manage a Concentrated Position

Selling shares and paying the tax is the most direct way to reduce concentration, but it isn't the only tool available, and for larger positions it's helpful to know what else exists, even if the details are best worked through with an advisor.

Exchange funds are one option for employees with a substantial, low-basis position who want to diversify without triggering a sale. These funds pool shares from many concentrated shareholders across different companies, and in exchange for contributing your Micron stock, you receive a proportional interest in the diversified pool, generally without an immediate taxable event. The tradeoffs are real: exchange funds typically require meeting accredited investor or qualified purchaser thresholds, involve a multi-year lockup (often around seven years) before you can exit without penalty, and come with less liquidity and transparency than simply selling and paying tax.

Options-based strategies are another route, most commonly structured as a collar, buying a put to protect against a decline while selling a call to help offset its cost. Done carefully, this narrows the range of outcomes on a concentrated position without an outright sale. Structured too tightly, though, a collar that eliminates most of both the upside and the downside can be treated by the IRS as a constructive sale, triggering the very tax event it was meant to defer. This is a strategy that needs to be structured with real precision, not approximated. To boot, Micron may not allow you to trade options on the stock if you are considered an “insider”.

For employees with charitable intent, appreciated Micron shares can also do double duty. Contributing shares directly to a donor-advised fund avoids capital gains tax on that stock entirely, generates an immediate charitable deduction, and lets you recommend grants to causes you care about on your own timeline. For larger positions where ongoing income matters, a charitable remainder trust is a more involved version of the same idea: you transfer appreciated shares into the trust, avoid immediate capital gains, receive an income stream for a term of years or life, and the remainder passes to charity. Neither of these makes sense without genuine charitable intent, but for employees who already give, they're an efficient way to reduce concentration and support that giving at the same time.

None of this is a substitute for a plan tailored to your specific basis, tax situation, and goals, and these strategies generally make the most sense for larger positions where the cost and complexity are justified by the size of the exposure being managed. But it's worth knowing they exist as the position grows, rather than assuming the only choice is to hold everything or sell everything.

Micron Deferred Compensation Planning: Tax Benefits and Tradeoffs

Micron's Deferred Compensation Plan allows eligible employees to postpone receipt, and taxation, of a portion of current income until a later date, typically retirement or separation. The appeal is straightforward: defer income while you're in a high bracket, receive it later if your bracket is lower.

The tradeoff is equally important to understand. Unlike a 401(k), deferred compensation isn't held in a segregated, protected account. It's generally an unsecured, unfunded promise from the company, meaning you're taking on a degree of employer-credit risk alongside the tax benefit. It's also governed by IRC Section 409A, which means the timing of your deferral election and your future distribution date generally need to be locked in before the compensation is earned; there's little flexibility to change your mind later without running into penalty issues. That combination of credit risk plus limited flexibility is why deferred comp deserves more scrutiny than a 401(k) contribution, even though both defer tax.

It tends to make more sense when:

- Current income is unusually high relative to expected retirement-year income
- Retirement or a lower-earning stretch is reasonably close
- You've already maximized tax-advantaged retirement plans
- You're comfortable with the company's credit profile over the deferral period

This decision should be made alongside your retirement cash flow plan, not evaluated as a standalone tax move.

Tax Projections: Where the Pieces Come Together

One of the challenges with a compensation package like Micron's is that many of the most important tax events are decided independently of one another but land in the same tax year.

A year may include multiple RSU vesting events, an ESPP sale, a cash bonus, retirement plan contributions, and deferred compensation elections. Viewed separately, each event may seem manageable. Viewed together, they can create a meaningfully different tax outcome than expected.

A forward-looking tax projection can help employees understand likely W-2 income, evaluate withholding adequacy, identify estimated payment needs, and assess planning opportunities before year end. The objective isn't necessarily to avoid taxes. It's to minimize surprises and make more informed decisions.

A Practical Order of Operations for Micron Benefits

Rather than evaluating every benefit independently, it can be helpful to think about them in roughly this order below. The goal isn't to maximize every benefit independently. It's to make sure each decision complements the others.

1. Capture the full Micron 401(k) match and determine the most appropriate pre-tax and ROTH mix.
2. Participate in the ESPP if cash flow permits. If concerned about concentration, you can sell shares immediately once available at an attractive positive return of at least 15%.
3. Determine how much additional retirement savings belongs in the 401(k).
4. Evaluate after-tax contributions and Mega Backdoor Roth opportunities.
5. Create a deliberate strategy for vested RSUs, including whether more advanced concentration-management tools make sense for the size of the position.
6. Evaluate deferred compensation after foundational retirement and equity decisions have been addressed.

The Bigger Picture: Concentration Risk Compounds Quietly

Here's the theme that connects everything above: a Micron employee's financial life can already be tied to the company through salary, bonus, RSUs, deferred comp, and equity ownership, before you even count personal investments held outside those plans. Layer ESPP purchases and long-held RSU shares on top, and it's easy for a meaningful share of a household's entire financial future to hinge on one company's performance. It's a good example of a broader principle in wealth management: concentration is often what builds significant wealth in the first place, but diversification is usually what preserves it once it's built.

Concentration isn't inherently a mistake, but the distinction that matters is whether the exposure is a decision or a default, and whether it gets revisited periodically as grants vest, bonuses land, and life, as well as company circumstances change.

If you'd like a second set of eyes on how your specific mix of benefits fits together, that's exactly the kind of conversation we have technology executives regularly. Reach out and we can walk through where your plan stands today.