

Thinking of a career change? Here are the financial implications you need to consider

A dollar spent today can significantly grow over time, so withdrawing funds to support a career change can dramatically impact your future

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A well-crafted wealth plan can ensure that a career transition aligns with long-term financial goals, empowering young workers to make informed decisions, writes Lynn McNeil. PHOTO BY DIMA BERLIN/GETTY IMAGES ISTOCKPHOTO FILES

[Career change](#) is now a defining feature of modern working life, with 42 per cent of Canadians [contemplating changing jobs](#).

This trend is particularly strong among [millennials](#) and [gen-Zers](#), with 57 per cent and 67 per cent, respectively, actively seeking new opportunities. The reason can vary, from looking for more career advancement to following a personal passion or simply achieving a better [work-life balance](#).

In every case, however, having a detailed wealth plan will help ensure the best outcome. It will provide an accurate picture of where you stand today and measure the financial impact of your choices.

Key considerations before changing jobs

For those determined to pursue their dreams, having a firm grasp of the [market landscape](#) can save time, money and stress. A job search expected to last six months might extend to nine or 12 months during an economic downturn, making preparation a key factor in a successful transition.

Anticipating the future trajectory of your chosen industry is also crucial. For example, more people have flocked to software engineering programs even though demand for software engineers has waned due to advancements in artificial intelligence.

Individuals planning to transition from a high-paying, high-stress career to one that offers more work-life balance and lower pay should recognize the trade-off of being unable to maintain their previous lifestyle.

Conversely, those pursuing higher-paying careers should not underestimate the additional workload and stress accompanying their new path.

Also, you should consider your broader financial goals, such as buying a home, paying for your children's education or supporting a family member.

Once you've clarified your priorities, it's time to crunch the numbers. Consider educational expenses, temporary income loss and opportunity costs. It's important to compare the potential earnings in your new career with what you might have earned had you stayed put.

Timing is another critical consideration that is often overlooked when making a transition. What are your current financial obligations? For example, what will they look like in two to three years when a mortgage comes due and interest rates have changed? Have you thought about how a career change might affect your retirement plans?

In terms of retirement, many people underestimate the impact of compounding on their financial goals. A dollar spent today can significantly grow over time when invested, so withdrawing funds to support a career change can dramatically impact what's available at retirement or considerably delay it.

For those venturing into entrepreneurship or riskier careers, it's wise to offset the increased career risk by reducing risk in your investment portfolio. This way, if plans don't go as expected and you need to tap into investments to fund your transition, a conservative portfolio can protect you from selling investments at depressed prices during a market downturn.

A valuable exercise before committing to a career change is to simulate the financial impact of your choice. If a career change means a 25 per cent pay cut, try living on that reduced income for a few months.

This exercise can reveal unexpected challenges in realizing what lifestyle choices are most important to you and can't be given up. If it does not cause you to reconsider your decision, it will help save money for the transition.

Build a wealth plan first

If these considerations seem daunting, you're not alone. A career transition involves numerous factors, including changes in income, taxes and long-term goals such as retirement. Working with a financial adviser to build a wealth plan can help put everything into perspective, providing clarity and addressing any concerns you may have.

What if your transition takes a year instead of six months? What if your new income is lower or higher than expected? How will these scenarios impact your family's finances? A wealth plan allows you to explore these what-if scenarios visually, where every variable can be adjusted, making it easy to see the effects on your financial goals.

Sometimes, all it takes is someone helping you understand how your lifestyle and future projects fit your broader financial objectives. This can help you reflect on your priorities and make informed decisions that align with your values.

Having a clear financial path and backup plans can empower those hesitant to make a change, reassuring them that they can pursue their dreams without jeopardizing their long-term financial goals. On the other hand, those with unrealistic expectations might receive a necessary reality check, helping them avoid costly mistakes.

A well-crafted wealth plan offers the security to chase your dreams. It ensures that your career transition aligns with your long-term financial goals, empowering you to make informed decisions confidently.

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