

# 5 WAYS

POOR COMMUNICATION  
IS HURTING YOUR EQUITY  
COMPENSATION PROGRAMS  
WITH SOLUTIONS

# INTRODUCTION

Research has shown that when an organization lacks a solid equity compensation communication strategy, **equity programs can fall short of their potential**, and may even struggle to attract your employees' attention. In fact, a company that fails to prioritize communication in its equity programs is likely to face a variety of negative outcomes. In this article, our expert team at Infinite Equity examines five ways poor communication is hurting your equity compensation programs with proven solutions.



# 1

# EMPLOYEES ARE FACED WITH UNEXPECTED TAX SURPRISES

## ISSUE

- Unexpected taxes may be due after RSU vesting and purchase (*NQ ESPP*). Frequently an employee's tax obligation is greater than amounts withheld by the company, which employees may not be prepared for.
- No tax withholding on ISO disqualifying dispositions, even same-day sales, may leave employees with an unexpected tax obligation.
- Inadvertently overpaying ESPP Taxes upon sale.
  - Paying the wrong tax on the discount.
  - Paying tax twice on the discount.

## REASON

Plan documents and prospectuses are required to be provided to employees, and often times are the only documents available to explain the tax implications of equity compensation. These documents are heavy with legalese and can be difficult for employees to understand.

## SOLUTION



### TAX GUIDES

Company branded participant tax guides



### TAX FORMS

Sample tax forms with instructions how to complete them (*annotated diagrams of tax forms*)



### EDUCATIONAL SESSIONS

Annual year-end tax reporting educational sessions with office hours



### TAX CALCULATORS

Online / Subscription-based tax calculators



# 2

## LOW ESPP PARTICIPATION

### ISSUE

- Unreachable employees due to a distributed workforce, which includes remote employees, hybrid employees, and non-office jobs (*i.e., retail stores, warehouses, manufacturers, drivers*).
- Withdrawals mid-period from the plan in a down market, even when employees could purchase shares and immediately sell shares to realize plan benefits.

### REASON

- Choosing the wrong communications format, such as text heavy documents.
- Not fully distributing information, such as maintaining information that must be accessed via email, online only, or behind company firewalls, when some segments of employees may have limited or no access.
- Grapevine Effect, which is the informal transmission of information, gossip or rumor from person to person.
- Failing to educate beyond providing legally required plan documents.

### SOLUTION



#### TEXTING & MICROSITES

Combination of SMS / Texting and a Microsite



#### FACT SHEETS

Company branded manager fact sheets



#### EMAILS & OFFICE HOURS

Dedicated participant emails as well as designated office hours



#### EDUCATIONAL SESSIONS

Open enrollment educational sessions covering details of the plan and tax consequences



# 3

## LAYOFFS OR TERMINATIONS CAUSE EMPLOYEE CHALLENGES & CONFUSION

### ISSUE

- Ensuring participants get the shares they've earned (*and the company has paid for*), such as stock options that must be exercised.
- Accelerations are common as part of severance packages, which can trigger tax implications or require additional employee action (*such as stock option exercises*).

### REASON

- Minimal information available for terminated employees.
- Layoffs or terminations may be perceived as one-off events and so resources are limited for improving processes and information.

### SOLUTIONS



#### PLAN GUIDES

Company branded participant planning guides



#### MATRIX

Decision matrixes



#### FACT SHEETS

Company branded manager fact sheets



#### EMAIL & OFFICE HOURS

Dedicated participant email series with designated office hours



#### CALCULATORS

Online / Subscription-based, value-based calculators



# 4

## EMPLOYEES DO NOT FULLY UNDERSTAND OR APPRECIATE THE VALUE OF THEIR LTI

### ISSUE

- No line of sight to employer provided long-term benefits.
- Some types of awards perceived as lottery tickets.

### REASON

Even though companies are offering more benefits than ever, employees don't always understand those benefits, especially equity compensation, and are unable to appreciate the value of the benefits they have. The more employees understand their benefits, the more they appreciate them.

### SOLUTIONS



#### TRACKING TOOLS

Real-time tracking tools like MyPerformanceAwards by Infinite Equity



#### TECHNOLOGICAL TOOLS

Web-based, easy-to-use technology tools



#### PARTICIPANT STATEMENTS

Custom or personalized participant statements for a detailed overview of equity-provided benefits and their monetary value, helping employees understand and appreciate the true value



#### ONE-TO-ONE MEETINGS

One-to-one meetings to help employees understand and appreciate their equity, and to help guide them through the decision-making process





# 5

# SPECIAL TRANSACTIONS OFTEN CONFUSE PARTICIPANTS AND THEY ARE UNABLE TO TAKE APPROPRIATE ACTION

## ISSUE

- Participants are confused over the offer and the implications to equity.

## REASON

- Information overload from multiple aspects of business impacted by change.
- Lack of resources to develop education materials specific to transaction.

## SOLUTION



### PARTICIPANT STATEMENTS

Custom or personalized participant statements that motivate action



### TOUCH POINTS

Transactional touch points are integral in building that trust but that can only be done with understanding the audience and speaking to them in a manner that matters



### CALL-TO-ACTIONS

Clear call-to-action with instructions to deliver a seamless experience





# INFINITE EQUITY

Infinite Equity provides organizations with communication strategies and ongoing communications that engages participants and helps guides them through key events. For help developing and implementing a communication program that works, contact us at [info@infiniteequity.com](mailto:info@infiniteequity.com).

Founded in 2019, Infinite Equity is already a leader in its field, providing professional advice and technology-enabled solutions that allow businesses to create and support a prosperous ownership culture. Infinite Equity is known for its success in assisting companies to increase the effectiveness and return of their equity programs, believing that equity compensation drives performance and fuels success.