Help Your Employees Pursue Financial Wellness:

Three steps to incorporate equity compensation into a financial plan.

When communicating equity compensation information to your participants, it is important to help them understand both the value of their award(s) and how they can fit into their financial plan. Employees who have this knowledge are more likely to be engaged and make the most of this important benefit.

But how can an awardee get this information? Where do they start? You can help guide your participants by suggesting they follow the three steps outlined in the following pages. By doing so, your employees can take control of their unique financial situation and get on track to pursue financial wellness with confidence.

Step 1: **Understand the Award.** Before taking any action, it is critical that your participants understand the award(s) they've received, as well as any important terms and conditions. This includes (but isn't limited to):

- Award type
- Vesting schedule
- Taxation
- Trading restrictions (if any)
- Any specific rules or regulations your company applies

Additionally, since some participants—especially first-time awardees—may not understand the value of their equity compensation award(s), it is important they have access to information that can help them comprehend the value of it.

And don't forget: Your employees will likely be looking to you for the details related to their award(s), so be sure to have clear and concise materials and resources for their use. Given the diverse workforce in many companies today, it is recommended to use multiple mediums—for example, digital, print, and in-person meetings—to disseminate the information. Check out our white paper, Overcoming the Communication Gap, for tips on how to communicate stock plan awards with participants more effectively.

Step 2: **Assess Their Situation.** Every employee's financial situation is different. In order to truly understand how an award (or awards) could impact their larger financial picture, it is vital that recipients take time to review their entire portfolio and ensure they have a complete view of their investments. Example items to factor in include (but are not limited to):

- Brokerage accounts
- Savings accounts, CDs
- Retirement accounts (401k, 403b, IRA, annuities)
- Insurance policies
- Commodities
- Real estate
- Any other sources of income, including side businesses, rental properties, etc.

Once an employee has a clear view of their investments, expenses need to be considered. This includes everything from short-term needs (monthly bills, for example) to longer-term financial demands, such as retirement savings and college savings. To help get organized, it is recommended that employees document all of their current expenses so everything is accounted for and easy to refer to as needed.

The final piece of an employee's situation assessment is setting their goals. Giving serious thought to both short- and long-term goals and then writing them down can help an employee visualize what they are trying to achieve. Goals will vary from employee to employee, but a few examples include:

- Short term: buying a new car, taking a vacation, paying off credit cards
- Long term: retirement, saving for college, paying off a mortgage

Of the three steps, this one will likely take the most amount of time, but it is truly worth it. The better an employee understands their current situation—as well as what they want to achieve—the better able they'll be to put smart plans in place. Employees should be encouraged to take a thoughtful approach with this step (they shouldn't rush through it) and to not limit themselves when it comes to their goals. If it is something that is important to them, it should be considered.

Step 3: **Take Action.** Now that the awardee understands their award(s) and unique situation, the next step is to put a plan in place. Establishing a plan—and sticking to it—is a key factor in pursuing (and ideally achieving) both short- and long-term goals.

For your more savvy, experienced, and/or motivated participants, this step could be very straightforward if they already have a clear idea of what to do next. For others, this could be the most difficult step, and figuring out how to get started may be overwhelming.

Speaking to a financial professional can be a very effective way for equity compensation participants to get the information they need based on their specific circumstances. If an employee doesn't have a specific need or goal in mind, a financial professional can also provide guidance on how their award(s) could be best applied to their portfolio. The conversation should be tailored to your employee's unique situation so they can get the most of it.

Once the awardee has a plan in place, there are a few key actions to keep in mind:

- **Ongoing monitoring.** Over time, market conditions, goals, and/or life stage changes can occur so keeping the plan current as needs and circumstances evolve is important. The financial professional who helped the employee create their plan can be a very valuable resource in this situation as well and should ideally be consulted with annually to ensure things are still on track.
- **"Small" wins.** Staying on track could be a challenge for some of your participants, so setting a few more easily obtainable goals (depositing an extra $100 in a 529 plan for three months straight, for example) can help participants feel empowered and motivated as these goals are achieved.

Additionally, it is very important that awardees keep diversification in mind—especially if they already receive a large amount of equity compensation awards and/or the expectation is they will receive more awards over time. The general rule of thumb is to limit any one stock to 10-15 percent of an overall portfolio since anything more can lead to unnecessary risk and volatility. If an employee finds their equity compensation awards cause their portfolio to be too heavily weighted in your company's stock, a financial professional can help determine next steps to ensure better diversification.

The road to complete financial wellness has a number of factors to be considered, but it doesn't have to be a daunting task. With some organization, thought, and planning, your equity compensation participants can find themselves on a path that helps them maximize their equity compensation award(s) and fully appreciate its value.

TD Ameritrade is here to help you and your employees with this journey. With financial consultants in local branches across the country, complimentary one-to-one goal planning sessions, and a suite of guidance solutions—including introductions to independent Registered Investment Advisors (RIAs) via AdvisorDirect®[1], our referral program—we have the knowledge, experience, and products to help employees pursue their financial goals so they can focus on what really matters in life.

Contact us today at 800-811-9650 or stock-plan-services@tdameritrade.com to learn more.

Diversification does not eliminate the risk of experiencing investment losses.

[1]AdvisorDirect® is not suitable for all investors. Some advisors may have minimum asset requirements.

There is no charge or obligation for the initial consultation with the independent advisor. Once you select an independent advisor, you will pay advisory fees and standard brokerage fees. Brokerage transactions executed through TD Ameritrade are subject to standard transaction charges. You should review an independent advisor's Form ADV, other applicable advisor disclosure document(s) and the AdvisorDirect Disclosure and Acknowledgement Document prior to engaging an independent advisor. The Form ADV contains important disclosure information relative to an independent advisor's services and fees. Independent advisors charge an ongoing investment advisory fee for their services. Independent advisors will pay TD Ameritrade fees for their participation in the AdvisorDirect program. Those fees will usually constitute a percentage of the advisory fees you will pay your independent advisor. For additional details about the fees paid to TD Ameritrade and other conflicts of interest, please review the AdvisorDirect Disclosure and Acknowledgement Document and ask your independent advisor about its specific arrangement with TD Ameritrade. You are solely responsible for evaluating any independent advisor that you are considering. Please note: Under no circumstances should participation by a certain independent advisor in AdvisorDirect be considered an endorsement or recommendation by TD Ameritrade for that particular independent advisor.

TDA 1000810 WHT 10/17