
As of 2012, the National Center for Employee Ownership (NCEO) estimated that nine million employees held stock options. It could be considered a nearly universal trend because 97.9% of companies use options, restricted stock or both as part of employee compensation. Indeed, the number of people holding stock options has increased nine-fold since the 1980s.

The growing complexities of supervising an employee benefit plan and increased rules and regulations in the space have led many companies to search for outsourced administrators.

What are equity compensation plans?

Companies offer equity compensation plans to employees as a way to attract and retain employees and allow them to share the success of the firm. Beyond serving as a loyalty and rewards program, equity compensation also provides a mechanism to help employees become personally vested in the financial performance of the company. This may help promote greater innovation, improved customer service and better cost savings on the part of employees.

There are several different approaches to equity compensation. Some companies may consider more than one, depending on their business goals.

Employee stock options

Your company may want to issue incentive stock options or non-qualified stock options to an employee which

grants the employee the right to purchase stock at a specified price in the future.

Employee stock options carry a predetermined grant exercise price, vesting dates, and expiration dates.

Price is typically the same as the current market value on the grant date.

After the employee stock option has vested, the employee may exercise your stock purchase option. The employee pays the predetermined exercise price for the stock, regardless of the current market value.

Employee stock purchase plans

Your company may want to establish a program in which participating employees can purchase company shares at a discount price.

Restricted stock units

Your company may want to make a portion of its employee compensation in the form of company stock. The employee receives stock according to a vesting plan and distribution schedule after achieving required performance milestones or upon remaining with you for a specified length of time.

Why RBC Corporate and Executive Services?

We provide full service, real time equity compensation administration in partnership with North America's largest independent stock plan administrator, Solium.

Plus, we offer a convenient online solution to help make execution and administration of the stock or option plan quick and easy.

We also supply reporting that is compliant with financial accounting standards.

Most importantly, we offer the flexibility to accommodate various types of options, accounts, exercise transactions and payment/share delivery methods for all employee levels. We also offer equity administration capabilities for virtually any company, from private start-ups to multinational public enterprises.

Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.