

Beyond Equity - How to Craft a Comprehensive Compensation Plan

The Challenge

Stock options and equity have long been considered a way to make employees feel invested, appreciated and rewarded – and many employees have come to expect options or equity as part of their compensation package.

However, there are many factors that influence the effectiveness, value and size of the options that are given out (or not) based on one's role, job level, a company's industry and type (private, public).

Over the past few years, options have become increasingly ineffective due to a lack of:

- ✔ **Transparency and Comprehension:** What are the drivers behind the grant, how are the options valued when can the employee actually expect to access any money? Grant date, cliff, exercise price, vesting period – it's a lot to unpack.
- ✔ **Consistency:** Not all options are created equal, among employees and among companies. The market variability further exacerbates the situation where the income could become inconsistent.
- ✔ **Certainty:** Options are just that, options. An option could become meaningless if the company does not experience the success they planned for. Add in the variability and never-ending fluctuations of the stock market, and it makes stock options extremely hard to understand the value of.
- ✔ **Applicability:** There is also the factor of employee level and life situation that may come into play – for junior employees, the number of options may not be big enough to make the wait for a future outcome more lucrative than immediate cash.

“As we look back at Kabbage - a lot of employees could have benefitted from cash in that moment versus a potential windfall in the future.”

– Kathryn Petralia,
President of Keep Financial

This is also true for public companies, where the stock grant may represent tangible cash and the future vesting, market volatility and grant size still impact the actual value to the employees.

94% of employees responded ‘yes’ to the question, “If a company invested in you, would you stay longer?”

It is more important than ever to provide that feeling of investment for your employees alongside capital they can use today. Vesting cash bonuses can show employees they are valued, rewarded, invested – *and committed* – in the company.



The Keep Solution

There are a few ways to leverage Keep when it comes to equity

1. You can deliver vesting cash to employees in lieu (or partial lieu) of stock options or restricted stock units (RSUs). In doing so, employees receive cash today with the retentive benefits of stock options.
2. You can give employees a vesting cash bonus with the sole purpose of exercising stock options and attaining what would have been unattainable equity in the company – *tied to a retention period* – enabling you to extend the retention period associated with stock options and delay re-ups.

Keep's Employee Engagement Platform (KEEP) is customizable, easy to deploy, and offers companies the flexibility to deploy compensation strategies that dramatically improve hiring and retention across the organization. Keep gives employers the ability to customize and deliver vesting bonuses to address employees' personal needs (like paying off student debt or investing in future wealth) while delivering the company tangible, trackable benefits such as tenure, engagement, and ROI.



KEEP Benefits Include



Turn-key onboarding that allows teams to instantly leverage the platform with no dependence on IT integrations.



Governance and compliance features including robust auditing and reconciliation for the finance and FinOps teams to track every bonus and tax payments.



Bonus management dashboard with notifications and updates (for both employers and employees) about key milestones for bonuses.



Embedded fintech for seamless bonus delivery and funding execution. Intuitive user interface (UI) for any sized organization and employees at all salary levels.



Employee self-service portal that lets employees manage their KEEP account and view their bonus vesting schedules and bonus milestones.



Performance rewards gamify performance for enhanced employee engagement and retention. Employees rewarded with reduced vesting schedule or reduced balance due.

The Keep Advantage

- ✓ Provides the option to customize compensation based on the employee level, need and tenure.
- ✓ Delivers long term engagement and loyalty.
- ✓ Embedded fintech capabilities ensure the business is protected in the event of an employee leaving.

Getting Started

To complement your stock options with a form of compensation your employees understand and can benefit from immediately, schedule a demo or sign up for KEEP at www.keepfinancial.com