

Schwab Stock Plan Services

Participant attitudes
toward equity
compensation

April 12, 2018



charles
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Agenda

1

Employee attitudes and perceptions of equity compensation

2

The elements of a workplace financial wellness program

3

How a financial wellness program can help employees

Study Objectives

1

Determine the unique attitudes and perspectives of participants of equity compensation plans

2

Understand the importance of financial wellness as a benefit overall and as it relates to equity compensation

3

Identify areas where employees would benefit from advice and financial wellness programs

Methodology

Phase I: Quantitative Study

- Independent research firm Koski Research conducted an online study of 1,000 equity compensation participants using external sample. Respondents must have met the following criteria:
 - Between the age of 25 and 70
 - Work for companies that offer equity compensation plans and are currently participating in an equity compensation plan
- Fielded September 18-29, 2017

Phase II: In-depth Interviews

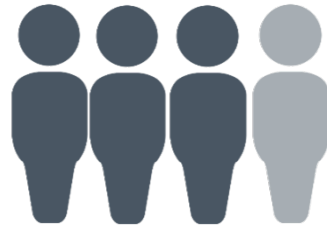
Phase II: In-depth Interviews

- Interviews among 17 equity compensation participants surveyed in Phase I
- 30 minutes in length
- Interviews were conducted between December 4-21, 2017 by a Koski Research moderator

How employees think about their equity compensation and where do they want help

Most think of equity compensation as part of a long-term financial plan

“I’m actually hopefully going to have a full quarter of my retirement fund, funded directly through my stock compensation.”



3 in 4 feel their equity compensation is part of their **long-term** financial plan



63% feel **more prepared** for retirement because of their equity compensation



62% feel their equity compensation will play a **major role** in their wealth-building

Peace of mind comes with equity compensation, and for some, it is more valuable than cash



My equity compensation makes me feel less stressed about my finances

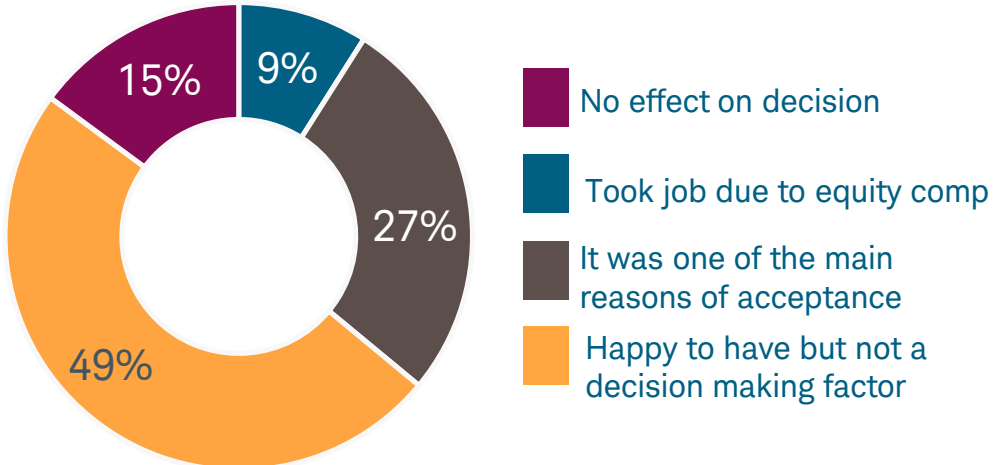


My equity compensation is more valuable than an equivalent cash bonus

Equity compensation has as role in employee acquisition and retention

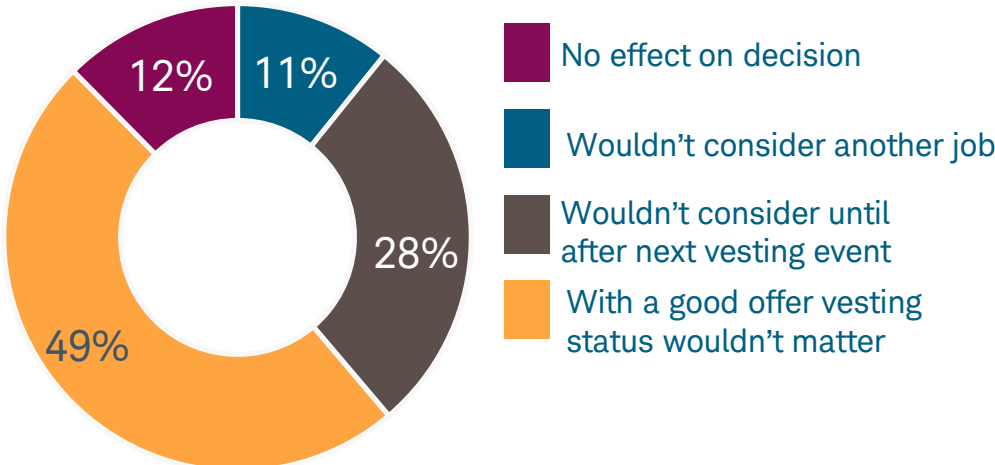
1 in 3 of employees say equity compensation was one of the **main reasons** they accepted their current job

Role in decision to accept current job



2 in 5 employees wouldn't consider another job or wouldn't consider another job until after their next vesting event

Role in decision to accept different job



Equity compensation helps employees feel connected to and stay with their employer



“When you work for a company that you’re part of the shareholder. You get some equity, you feel a much stronger connection.”

“How can I maximize what I make for this company so that I feel secure in my compensation? Then I will feel more secure giving 110% back to the company, because we have that symbiotic relationship.”

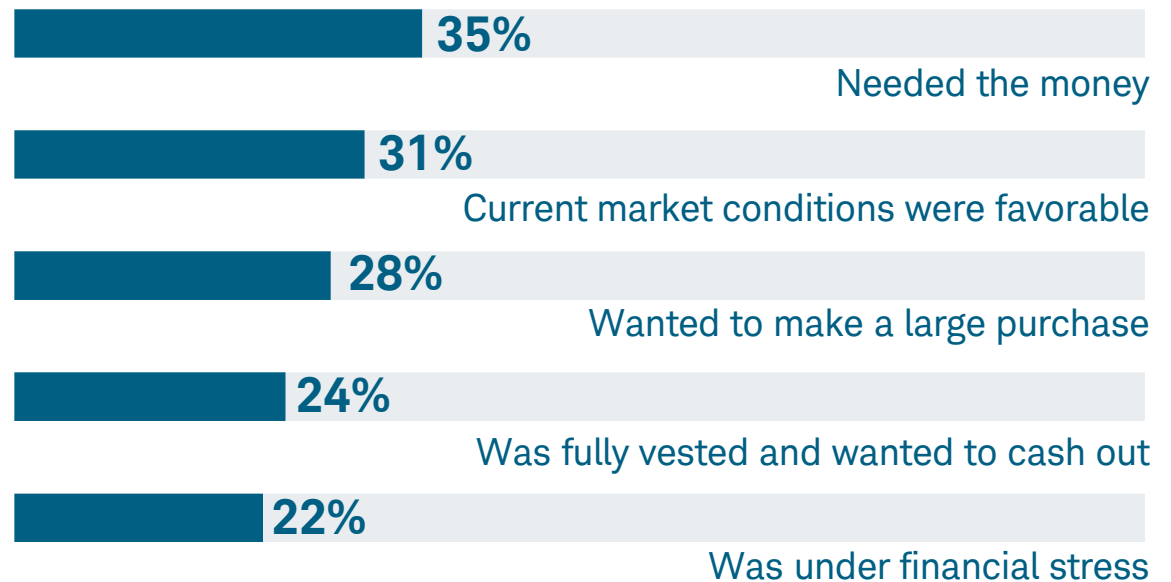
“You feel prouder of where you work too. It’s more of a place where you want to tell other people to come work too, because you have a positive experience.”

“I always set a personal goal that by year end, that I am at a level of goal that exceeds expectations overall in my employee performance. When you do that, my organization awards you with 100 shares of stock minimum, as far as the award one goes.”

Employees were most likely to exercise/sell equity compensation because they needed the money



24% of employees have exercised or sold any equity compensation

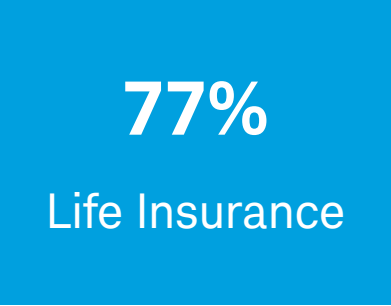


Financial wellness as a workplace benefit

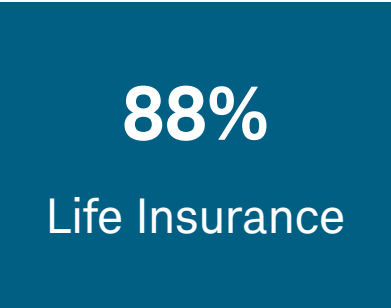
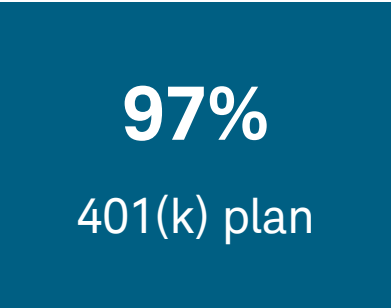
Financial wellness: A program or set of programs designed to improve employees' financial behavior and outcomes. Financial wellness is holistic and defined by an employee's overall financial health, not wealth.

Two in three of those offered workplace financial wellness use the program

Benefits Offered

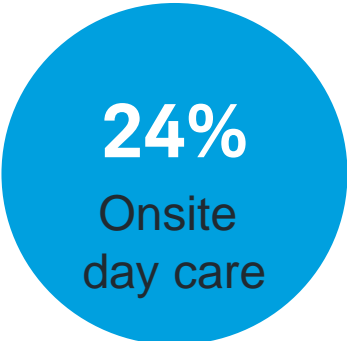
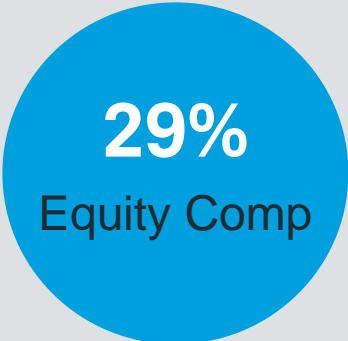
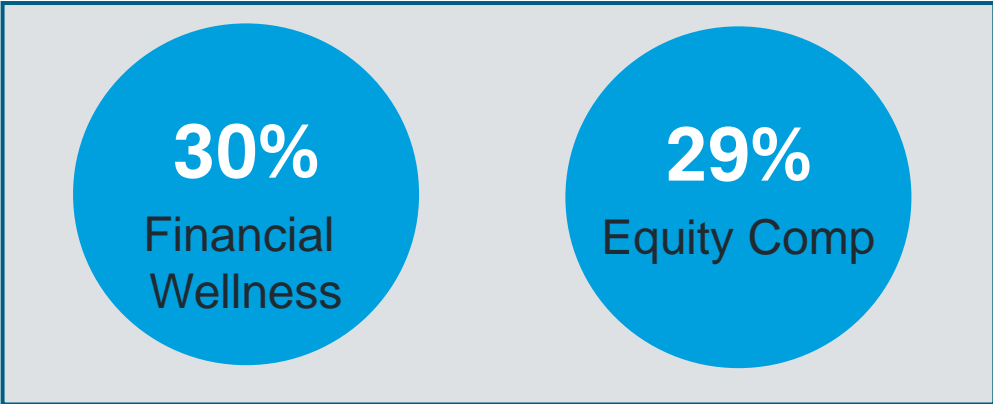
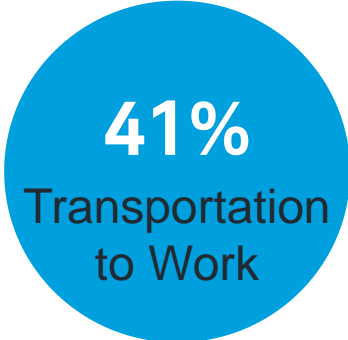
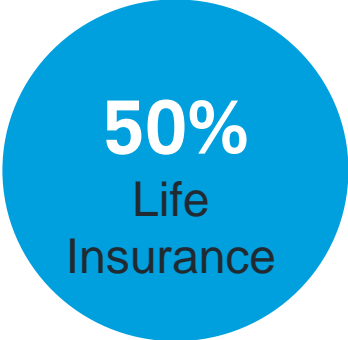
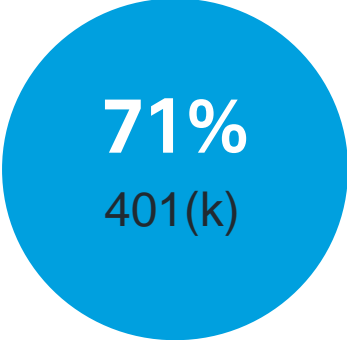


Benefits Used



About a third say financial wellness and equity comp are essential benefits

Most Essential Benefits



Information and education are major barriers to usage and consideration of a financial wellness program



28% don't use because it doesn't help with equity comp



24% don't use because it doesn't have the information needed



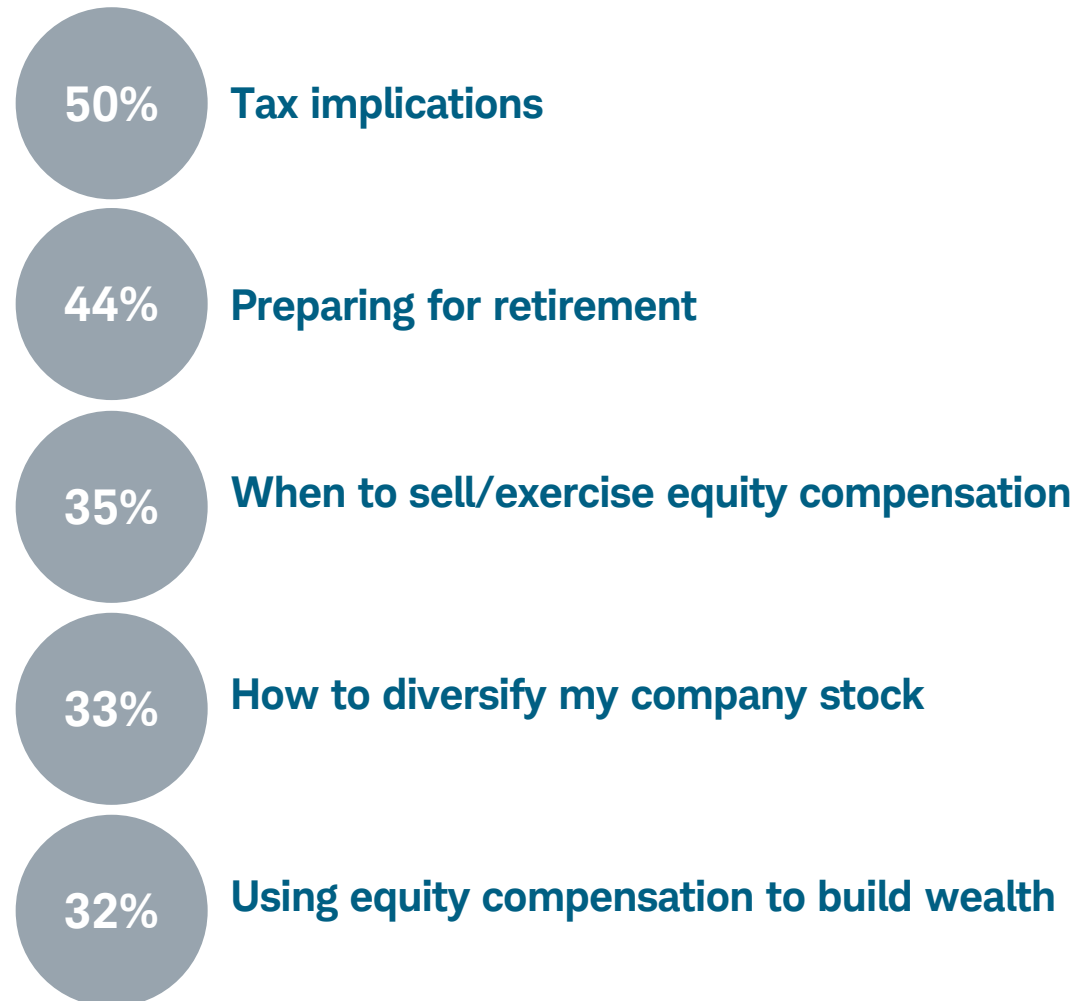
24% don't use because they don't know how to access it

From interviews:

Others have **trouble deciphering** benefit options, aren't aware of the program or are **too preoccupied** with immediate financial issues

Employees look for advice on tax implications and retirement

Top 5 Areas: Would like more advice on equity compensation



Elements of a financial wellness program

Employees want programs to improve their financial lives and relieve every day stress

73%

Wealth building & investment strategies

"I would say advice and counsel on different investment vehicles. So how they all work, what are the pros and cons."

67%

Planning & advice

"I think it should start with basic Finance 101, giving education based on how the equity is going to be helpful or how overall the financial planning would actually be helpful."

65%

Retirement

"I feel like I'm at a place now where I've been saving and I'm still far away from retirement."

56%

Help with fundamentals

"Just paying down our school student loan debt, me and my husband. We keep delaying it and deferring it, rolling it over."

Teaming up with an advisor provides a big increase in confidence

Confidence in ability to making decisions about equity compensation



On my own



With the help of an advisor

“It would make me a lot more confident in making decisions, having someone who’s a professional who are experienced, has more knowledge in the subjects, that can provide me with some guidelines and what to expect with the actions that might be done.”

Employees are approaching financial wellness and equity compensation from different starting points

1

From interviews:

Financial Strategizers

Those who understand benefits, can identify knowledge gaps, and tend to be more affluent

2

Savers

Those who are starting to think about long-term financial goals, but are in varying stages of planning

3

Financial Immediates

Focused on immediate and short-term financial goals and struggle with debt management

Each group has different financial wellness priorities

1

Strategizers want to...

- Optimize investments and understand tax implications
- Answer more advanced healthcare and tax questions

"I'm looking for advice in maximizing tax strategies."

2

Savers want to...

- Integrate equity compensation into reaching financial goals
- Needs education in investing strategies

"The longer term focus is on retirement."

3

Financial Immediates want to...

- Break the cycle of debt (sometimes this is multi-generational)
- Develop long-term goals and a plan

"We will never be able to retire because of our student loans."

Messaging to each group needs to be customized for effective communication

1

MAXIMIZE:

Optimize equity compensation potential in long-term financial situation.

2

FOR YOU:

Learn ways to make your equity compensation work for you, achieve your goals for a new house, college savings .

3

OPEN THE DOOR:

Make personalized advice accessible, understand financial fundamentals – open the door to long-term investing.

Where do we go from here?

Employees say they want a financial wellness program to be...

Personal

1:1 advice is valuable and a key differentiator

Accessible

Online, mobile, and available in and out of the office

Proactive

Employees want the benefits financial wellness offers, but don't know where to find it

Holistic

Many employees have questions in areas they might not consider to be financial

Help answer questions about healthcare and paying off debt to open the door to financial wellness participation

Key Takeaways

1 Employees think of their goals and needs from a broad financial perspective rather than thinking just about their equity compensation.

2 Employees have very diverse financial needs and desire personalized advice.

3 Tailor communications to ensure employees know how a financial wellness program can meet their needs and priorities.

Q&A

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Important Information

2017 Equity Compensation Participant survey: This online survey of U.S. equity compensation participants was conducted by Koski Research for Schwab Stock Plan Services. Koski Research is neither affiliated with nor employed by Schwab Stock Plan Services. The survey is based on responses from 1,000 equity compensation participants who work for companies that offer equity compensation plans and are currently participating in their employer's equity compensation plan. The sampling error is +/- 3 percentage points at the 95% confidence level. Survey respondents were not asked to indicate whether they had an equity compensation account with Schwab Stock Plan Services. All data is self-reported by study participants and is not verified or validated. Respondents participated in the survey from September 18 through September 29, 2017.

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