PROBLEM? RELAX. YOU'VE GOT THIS!

My Company Is Offering Me Shares, and All I Wanted Was a Paycheck

How to Compare Compensation Components, Understand Vesting Conditions and Concentration Risk, and Prepare Questions for Advisors Without Mistaking a Presentation Valuation for Money in Your Bank Account



Max Paradox

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INTRO

The meeting invitation says "Compensation Review," which sounds promising. You've been working hard, taking on additional responsibilities, and quietly hoping that your bank account might finally receive some recognition for your professional excellence. Your manager begins with the usual compliments. You've made a tremendous contribution. The company values your dedication. Leadership sees enormous potential in your future. Then comes the exciting announcement: your total compensation package could be worth $240,000. For approximately four seconds, you experience the financial confidence of someone who has accidentally inherited a small country. Then the breakdown appears. Your salary is considerably smaller, part of the package is a performance bonus, and a substantial portion consists of company equity. Suddenly, the celebration feels slightly premature. Apparently, your compensation includes money, possible money, and something that might become money if several people, a stock market, and the calendar cooperate.

Welcome to the wonderfully complicated world of equity compensation, where receiving a valuable award does not necessarily mean receiving anything you can spend today. Shares, stock options, restricted stock units, vesting schedules, exercise prices, liquidity restrictions and tax obligations all have perfectly legitimate purposes. Unfortunately, they also create remarkable opportunities for misunderstanding. A company can present an attractive compensation package without guaranteeing that every component will eventually produce the amount displayed in its presentation. Employees, meanwhile, can become so

impressed by the headline figure that they forget to investigate what they are actually receiving. Nobody necessarily intends to mislead anyone. The problem is that a compelling financial opportunity and a dependable paycheck are not interchangeable merely because someone has placed their values in the same spreadsheet.

Consider a hypothetical offer containing a $130,000 annual salary, a target bonus of $20,000 and an equity award with a stated value of $100,000. The numbers look excellent together. Yet the bonus might depend on performance conditions, while the equity could vest over several years, change in value, and remain subject to restrictions. That $100,000 might describe the award's estimated value at grant rather than an amount available immediately. If you're comparing the proposal with another employer offering more guaranteed cash, simply adding the three figures together will not give you a reliable answer. A calculator can establish that $130,000 plus $20,000 plus $100,000 equals $250,000. What it cannot establish is whether those components have equivalent certainty, timing or practical usefulness. Mathematics is extremely efficient, but unfortunately it has never read your employment agreement.

The confusion becomes greater because the word "equity" can describe arrangements with significantly different economic and legal characteristics. You might receive actual shares, an award that could result in shares later, or options giving you the right to purchase shares at a specified price under certain conditions. Some arrangements provide cash payments linked to company value without making you a shareholder at all. Each structure raises different questions. When do your rights arise? Must

you pay anything? Can the award expire? What happens if you leave? Understanding those distinctions does not require becoming an investment banker. It requires asking what the instrument actually entitles you to do, rather than assuming that every arrangement with the word "stock" in its name works identically.

Timing creates another layer of uncertainty. An equity award can have a grant date, a vesting schedule, a settlement date and restrictions governing when a sale may occur. Those dates might be close together, or separated by years. Some events happen automatically; others require action from the employee. A person can therefore have an award visible in an online account without owning freely transferable shares, or own shares without having an immediate practical opportunity to sell them. The distinction matters when planning major expenses or considering a different job. A future benefit may be genuinely valuable, but you still need to know which conditions stand between the award and accessible funds. Your landlord is unlikely to extend the rent deadline because your shares are experiencing a particularly meaningful stage of personal development.

Then there is valuation, the art of assigning impressive numbers to things that may not be easily converted into cash. Publicly traded shares generally provide observable market prices, although the amount ultimately received from a sale can differ and restrictions may apply. Private company equity presents additional challenges. A recent fundraising valuation does not necessarily establish what someone would pay for your particular shares or rights. Different classes of securities may have different economic terms, and an opportunity to sell may depend on a future

transaction that nobody can guarantee. Even a company valued at several billion dollars cannot automatically turn every employee into a millionaire. The value of the business and the money an individual employee can actually receive are connected, but the route between them may contain several contractual obstacles and a surprisingly enthusiastic legal department.

There is also a risk that becomes less obvious when everything is going well. If your salary, annual bonus, career prospects and investments all depend heavily on the same company, a serious business setback can affect several parts of your financial life at once. That is one practical dimension of concentration risk. Employee shares are not inherently a mistake, and participating in your employer's success can be rewarding. But enthusiasm for the company should not prevent you from considering what happens if circumstances deteriorate. Being confident in your employer is perfectly compatible with wanting financial independence from it. You can admire the captain of a ship without insisting that your entire retirement portfolio must travel in the same cargo hold.

Taxes and transaction costs introduce still more questions. Depending on the instrument, jurisdiction and individual circumstances, different events can have different tax consequences. Receiving an award, vesting, exercising an option and selling shares should not automatically be treated as one identical taxable event. Some programs can involve obligations or costs before an employee has received the cash they expected. Others use withholding or share-sale mechanisms to address certain liabilities. Understanding the relevant rules may require a qualified tax professional, particularly when employment or equity

arrangements cross national borders. This book will help you recognize what needs clarification and prepare useful questions. It will not pretend that a universal tax formula can replace an individual assessment. Anyone claiming to have solved every international equity tax problem with one sentence deserves a very polite request to see their qualifications.

Of course, the financial details are only part of the challenge. Compensation discussions carry social pressure. When your manager describes an equity award as an extraordinary opportunity, asking for a higher base salary can feel disappointingly unambitious. Colleagues may enthusiastically discuss the company's future valuation, while you are wondering whether the proposed monthly pay will comfortably cover ordinary expenses. Both perspectives can be understandable. Your personal circumstances, existing savings, responsibilities and tolerance for uncertainty matter. Someone with substantial financial reserves might welcome a larger variable component. Someone supporting dependants or facing significant fixed expenses may reasonably prefer predictable income. Neither preference makes a person more intelligent, loyal or entrepreneurial than the other.

The purpose of this book is to help you make those distinctions confidently. You'll learn how to compare compensation components without disguising uncertainty, understand the conditions attached to equity awards, examine the effects of employment changes and recognize when concentration risk deserves attention. You'll also see how to approach company valuations, liquidity, negotiations and the practical decisions that arise when awards become exercisable or shares become available for sale. Rather than

memorizing impressive terminology, you'll develop the ability to identify the information that matters. When a question requires legal, tax or investment expertise, you'll be better prepared to consult the appropriate professional without spending half the appointment explaining what you think your employer may have promised.

You will not find a secret formula guaranteeing that your company shares will multiply in value. Nor will you be encouraged to reject every equity award and demand that all compensation arrive as cash. Either approach would be an unnecessarily simplistic response to a subject that deserves more careful thought. Some equity packages are genuinely attractive. Others involve uncertainty or restrictions that make them poorly suited to particular circumstances. The useful skill is recognizing the difference, understanding what remains unknown, and deciding what you can reasonably accept. You deserve to evaluate an offer according to your own financial needs rather than the intensity of the applause following a compensation presentation.

So, if your company has offered you shares when all you wanted was a paycheck, don't dismiss the opportunity and don't start spending the projected proceeds. Ask what has actually been granted, what must happen next, what risks are involved and when any resulting value might become available to you. You are allowed to appreciate the potential upside while still caring about next month's bills. You are allowed to ask detailed questions without apologizing for them. Above all, you are allowed to make a compensation decision that works for your real life, not merely for the optimistic version of your life featured in a corporate slide deck.

Your employer may have an exciting vision of the future. Your job is to understand what that vision means for your own money.

Preferably before your imaginary stock-market fortune starts choosing a yacht.

Chapter 1 - The Headline Number Has a Publicist: Why Total Compensation Is Not a Paycheck

The recruiter leans forward and says, "We're prepared to offer you a total compensation package of $275,000." There is a pause, carefully timed to allow the number to perform its little victory dance inside your head. You had expected something closer to $180,000, so naturally your first instinct is to wonder whether you accidentally applied to become the company's chief executive. The recruiter continues explaining the package, and the impressive figure begins separating into smaller pieces. There's a base salary, a target performance bonus, a one-time signing payment and an equity award spread over several years. By the time the conversation ends, you understand that $275,000 is not necessarily what you will earn in any particular year, receive in cash, or have available to spend. It is a carefully assembled portrait of your compensation's potential. Attractive, professionally presented and possibly accurate under its stated assumptions, but definitely not the same thing as a bank statement.

This is where many compensation decisions become unnecessarily confusing. Employers often use total compensation to communicate the overall value of an employment offer. That can be perfectly reasonable, provided the components and assumptions are explained. The difficulty is that different components behave differently. Base salary is generally paid according to an agreed schedule, subject to the terms of employment and applicable deductions. A performance bonus may depend on

individual results, company performance or discretionary decisions. An equity award can introduce additional conditions involving vesting, market value and access to liquidity. A signing bonus might be paid once and never repeated. Adding these figures creates a total, but it does not make them economically interchangeable. A fruit salad can contain apples, oranges and something unexpectedly expensive from the organic section. Counting the pieces does not make every ingredient an apple.

The first question, therefore, is not whether the headline number is impressive. It is what that number represents. Some employers calculate annual total compensation by including an annualized estimate of an equity grant. Others include the full face value of an award in a first-year presentation or describe a target package containing bonuses that have not yet been earned. Such approaches can produce very different figures without anyone making an arithmetic error. A candidate who doesn't understand the calculation may compare figures prepared using incompatible methods. One offer appears dramatically better, but the difference may come partly from presentation rather than economics. You need to find out what period the calculation covers, which amounts are conditional, and whether the stated value comes from a binding commitment or an illustration. Only then can the headline figure begin behaving like useful information.

The three paychecks hiding inside one offer

Consider two fictional employers competing for the same experienced operations manager. Cedar Systems offers a base salary of $145,000 and a target annual bonus of 10 percent. Harbor Technologies offers $132,000 in base salary and a target bonus of 20 percent, plus an equity grant with a

stated value of $96,000. Harbor's proposal looks more exciting, particularly because its presentation contains an ambitious discussion of future growth. Cedar's offer looks almost disappointingly ordinary. Its principal attraction appears to be that the money will arrive on a familiar schedule, without needing the company's share price to achieve anything remarkable.

Before comparing the equity, calculate the cash components. Cedar's annual target bonus is $14,500, producing target annual cash compensation of $159,500. Harbor's target bonus is $26,400, producing target annual cash compensation of $158,400. Under the simplified assumption that both bonuses are paid in full, the difference is only $1,100 annually in Cedar's favor. But their guaranteed or contractually specified base salaries differ by $13,000, before considering applicable employment terms. Those figures answer different questions. The first describes a target outcome if bonus conditions are satisfied. The second shows the difference in regular salary. Depending on your household expenses and financial reserves, that distinction may matter considerably more than the small difference in target compensation.

Now consider Harbor's equity grant. Suppose the $96,000 represents an estimated grant-date value, with the relevant units scheduled to vest over four years. Dividing $96,000 by four produces $24,000 annually as a convenient reference figure, assuming the schedule supports that allocation. It does not establish four guaranteed cash payments of $24,000. The number of shares eventually delivered, their value at the relevant times, applicable restrictions and any associated costs can change the economic result. Nor should you automatically assume that

another $96,000 grant will arrive the following year. The initial grant and potential future awards are separate matters. When a recruiter describes the package as including "$24,000 in annual equity," ask whether that means a scheduled portion of an existing grant, a new annual award, or merely a compensation-planning assumption.

The same discipline applies to signing bonuses. Imagine Harbor adds a $25,000 payment for joining. That could substantially improve the first year's cash position, but what happens afterward? If the payment is genuinely one-time, it does not increase your ongoing salary. It may also have repayment conditions if you leave within a specified period, depending on the agreement and applicable law. You should understand when it will be paid, whether it is subject to additional conditions, and what circumstances might trigger repayment. A signing bonus can be extremely useful, particularly when changing jobs involves immediate costs. It becomes misleading only when treated as though the company has permanently increased your annual pay. A welcome gift is pleasant. It is less pleasant when you discover that the gift has developed a contractual interest in your continued employment.

Time changes the answer

A useful comparison should cover a period long enough to reveal the structure of each offer. Looking at the first year alone may exaggerate a signing bonus. Looking only at the final year may conceal substantial differences in earlier income. For Cedar and Harbor, consider a three-year period with unchanged base salaries and target bonus percentages, assuming for illustration that every target bonus is earned. Cedar would provide $478,500 in total target cash compensation. Harbor would provide $475,200 before any

signing bonus. These figures are not forecasts of actual payments. They are reference calculations showing what happens under explicitly stated conditions. Equity remains a separate component because its economic value and timing need their own analysis.

Annual salary increases introduce another complication. A higher starting base salary may influence later earnings if percentage-based raises are applied, but future raises should not be invented merely to make a spreadsheet look sophisticated. Similarly, a promotion, bonus change or additional equity grant could alter either offer. Unless such future changes are contractually defined or otherwise established, they belong among possible scenarios rather than confirmed compensation. If you choose to model growth, apply comparable assumptions and explain them clearly. Otherwise you risk creating a situation where one employer receives a generous imaginary promotion schedule while the other is condemned to three years of financial stagnation. It is difficult for a real offer to compete against a fictional manager who never misses a bonus and gets promoted every April.

There is also a practical difference between receiving compensation and being able to use it. A bonus payable after the company's annual financial results are approved may arrive months after the work that supposedly earned it. Shares that vest during the year might remain subject to trading restrictions. An equity instrument may require a purchase payment before it can generate any benefit. These timing differences are especially relevant when evaluating an offer that involves relocation, an expensive commute, childcare changes or a substantial reduction in guaranteed monthly income. The offer may be attractive over several

years while creating an uncomfortable cash shortage in the beginning. Neither perspective cancels the other. They simply describe different dimensions of the decision.

This is why it helps to distinguish compensation value from household cash flow. The first concerns what the employment arrangement may provide. The second concerns money actually available when obligations must be met. A person with substantial savings may comfortably tolerate delayed or variable compensation. Someone financing essential expenses from monthly income may need a stronger salary component. There is no universally correct proportion. A compensation package that works beautifully for a colleague who owns a home outright may be unsuitable for someone supporting dependants while paying significant housing costs. The colleague's enthusiastic opinion does not make your utility bill any smaller.

Benefits are valuable, but whose value are we counting?

Employers may also include retirement contributions, insurance, health benefits, allowances and other perks in their compensation presentations. These can provide genuine economic value, yet the cost to the employer is not necessarily equal to the benefit you personally receive. A health plan covering services you would otherwise pay for may be highly useful. An expensive membership you would never choose for yourself may be worth much less to you than its advertised price. Retirement contributions can be valuable but may come with eligibility, access or vesting conditions. Even seemingly simple allowances deserve examination: are they paid as cash, reimbursed against qualifying expenses, or available only while particular circumstances apply?

Some benefits replace personal expenditures, while others provide additional protection or opportunities. They should be evaluated accordingly. Suppose one employer provides extensive insurance coverage and another offers a modest cash allowance. It would be careless to declare the allowance superior solely because it arrives as money, just as it would be careless to value the insurance at the employer's entire premium without considering your needs. The important question is how each benefit changes your actual circumstances. You need not assign an exact monetary value to everything. Sometimes the right answer is simply that a particular benefit matters greatly, modestly or not at all. Attempting to price every convenience to two decimal places can give a false impression of accuracy. It can also turn your employment decision into a remarkably depressing auction of everyday happiness.

Currency and employment arrangements can make comparisons even less straightforward. A salary denominated in a foreign currency can expose someone who spends primarily in another currency to exchange-rate movements. Offers involving different countries, employment classifications or benefit systems may produce different take-home outcomes from similar headline figures. Tax and social contribution consequences depend on the applicable rules and individual circumstances. A generic online net-pay calculator may be helpful for preliminary exploration, but it should not be treated as authoritative when the arrangement is complex. For a significant decision, obtain an appropriate assessment rather than forcing every offer through the same assumed deduction percentage.

Build a comparison that can survive a bad year

A realistic comparison should distinguish what is specified in the employment terms from what depends on performance, market conditions or future decisions. You can do this with a modest worksheet. Give each compensation component its own line, record its amount or calculation method, and note the conditions and relevant dates. Keep uncertain elements visible instead of quietly converting them into guaranteed income. A blank or "not confirmed" entry is more useful than a confident number based on a recruiter saying that something "usually happens." The worksheet should make differences clearer, not conceal them beneath an impressive total.

Then examine what happens when outcomes are less favorable. Suppose neither employer pays a bonus. Cedar still offers its specified $145,000 base salary, while Harbor offers $132,000. That does not automatically make Cedar the better choice, especially if Harbor has other advantages, but it identifies the compensation difference you would face under that particular scenario. Consider separately what happens if the equity grant appreciates, loses value or cannot be sold within your preferred timeframe. These are not predictions. They are ways of understanding how much your decision depends on favorable future events.

It is equally important to include the work itself. Job security, responsibilities, management quality, flexibility and professional development can influence the attractiveness of a role. Some advantages are difficult to price reliably, and trying to force them all into a financial total can be counterproductive. A longer commute has measurable costs, but the value of spending evenings with your family may not fit neatly into a spreadsheet cell. You can identify essential conditions separately from desirable advantages. If an offer

fails an essential requirement, a large speculative equity number should not automatically make the problem disappear.

Finally, remember that negotiating compensation is not necessarily about maximizing the largest displayed figure. You may prefer a higher base salary, greater retirement contributions, a different bonus arrangement or more clarity about equity terms. Understanding which component matters allows you to make a specific request. Instead of announcing that Harbor's offer "needs to be more competitive," you could explain that the base salary is below the level you need and ask whether the company has flexibility there. The employer may have constraints or offer alternatives, but the discussion will at least concern the actual problem.

An excellent compensation package is not merely one that produces the largest number when every optimistic assumption is entered into a spreadsheet. It is one whose terms you understand, whose uncertainties you can accept and whose financial structure works with your circumstances. Large headline figures deserve attention, but they should never receive a free pass through the analysis.

Your salary, bonus and equity may all be valuable. They simply need separate introductions before anyone invites them to move into your bank account.

Chapter 2 - Congratulations, You Own Something! Now Let's Find Out What

Imagine receiving an official-looking certificate that says you have been awarded 2,400 units of company equity. The certificate includes your name, a grant date and a reassuring signature from someone important. It looks like ownership. It feels like ownership. You might even consider framing it, although explaining the document to dinner guests could require more patience than the occasion deserves. Then you read the accompanying terms and discover that the units are subject to continued employment, future settlement and additional restrictions. You may not own any shares yet. You may own a contractual right to receive something later. Or you may have been granted an entirely different instrument that gives you the opportunity to purchase shares under specified conditions. The certificate hasn't necessarily lied. It simply belongs to a world where the phrase "you've been awarded equity" can conceal several legally distinct arrangements.

Before evaluating an equity award, you need to identify what the company has actually given you. The name used during the recruitment conversation is not enough. Employers sometimes use terms such as stock, shares, units and equity loosely in ordinary discussions, while their formal documents make distinctions that materially affect your rights. These distinctions influence whether you already possess ownership, whether you need to pay anything, what happens when you leave the company, and what conditions determine the eventual benefit. Two employees may each receive an award described as being worth $50,000, yet