

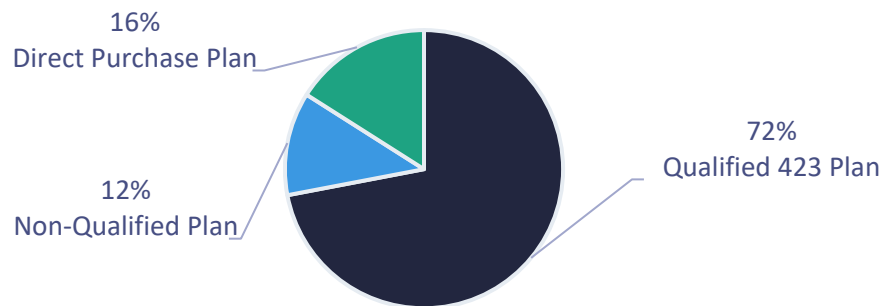
# Benefit Trend Spotlight

## Current Trends in Employee Stock Purchase Plans

45% of publicly-traded Ayco corporate partners offer an Employee Stock Purchase Plan

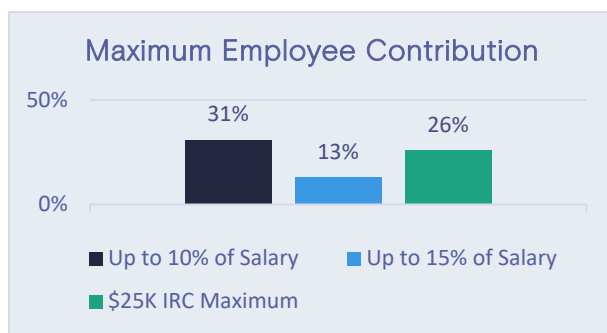
56% are in the Fortune 500  
15% are in the Fortune 100

### Breakdown of Plan Types Offered



### Qualified 423 Plan Design

These plans offer special tax consequences, however, they must meet certain IRS requirements such as an annual contribution limit and a maximum purchase discount.



### Offering Period

- 55% of companies have 6-month offering periods
- 30% have 3-month offering periods
- 8% have offering periods of 12 or more months

### Purchase Price Determination

- 49% of companies have a **lookback feature**
  - This means the purchase price is based on the *lesser* of the FMV at the beginning or the end of the offering period
  - This can significantly increase the benefit of any discount offered, for example –
    - Beginning period stock price = \$40
    - Ending period/purchase date price = \$50
    - 15% discount with a lookback feature = purchase price \$34 (85% of \$40)
    - True economic discount at purchase = 32% (\$16 discount on \$50)
  - The potential benefit of this feature increases with longer offering period
- 37% base the purchase price on the ending period FMV

## Non-Qualified Plan Design

Plans that don't meet the statutory rules are considered "nonqualified" plans. These plans do not offer the same tax treatment as qualified §423 plans. However, they can offer a higher discount or a company match and they can be offered for executives only.

### Match/Discount

- 80% of companies offer matching contributions
  - Match formulas vary widely, including a fixed % of all employee contributions, % match on a portion of contributions, \$-for-\$ match, and a share match
- 20% of companies offer a purchase discount
  - Discounts range from 10% to as much as 40%

### Offering Period

- Majority of companies do not have an offering period – these companies typically make purchases each pay period, monthly or quarterly

### Price Determination

- 67% of companies use purchase date price
- Remaining companies use either the beginning period value or an average of prices over a given period of time

## Design Features that Increase Participation Rates

- Qualified plans have greater employee participation –
  - 35% of companies with a qualified plan report 50% or more participation\*
  - 12% with a nonqualified plan report 50% or more participation\*
- The discount or match have a direct correlation to participation
- A lookback feature can double participation rates\*\*
- A robust communication plan and educational resources help to increase participation

\*NASPP/Deloitte Consulting – Domestic Stock Plan Administration Survey, 2020.

\*\* Computershare and Aon – Employee Stock Plan Research, 2019.

Data based on 275 Ayco corporate partners as of April 2021.

Advisory services offered by The Ayco Company, L.P. d/b/a Goldman Sachs Ayco Personal Financial Management (“Ayco Personal Financial Management” or “Ayco”), a registered investment adviser and an affiliate of Goldman Sachs & Co. LLC (“GS&Co.”) and subsidiary of The Goldman Sachs Group, Inc., a worldwide, full-service investment banking, broker-dealer, asset management, and financial services organization. Brokerage services are offered through GS&Co. and Mercer Allied Company, L.P. (a limited purpose broker-dealer), both affiliates of Ayco and members FINRA/SIPC.

Ayco may provide tax advice to clients in accordance with its client agreement. Any advice contained in the communication including attachments and enclosures is intended for the sole use of the addressee and is limited to the facts and circumstances actually known to the author at the time of this writing. Certain tax matters may require you to consult with your tax counsel. You should consult with your tax preparer regarding implementation of tax advice.

Any retirement planning information, including, but not limited to, information regarding your retirement account(s), included in this presentation is for informational and educational purposes only and is provided solely on the basis that it will not constitute investment or other advice or a recommendation relating to any person’s or plan’s investment or other decisions, and Ayco is not a fiduciary or advisor with respect to any person or plan by reason of providing the material or content herein including under the Employee Retirement Income Security Act of 1974, the Internal Revenue Code or Department of Labor Regulations. Unless Ayco has agreed in writing to provide discretionary investment management services to your retirement account, you understand that all investment decisions concerning your retirement accounts are made by you, without any advice or recommendations from Ayco.

Ayco may provide tax advice, bill pay and bookkeeping services to its clients. In addition, in its capacity as an investment adviser, Ayco may prepare reports that reflect a client’s overall investment portfolio and financial position based on information provided to Ayco by its clients, which Ayco does not certify for accuracy or completeness. Ayco does not provide attest or compilation services and does not prepare, present, audit, review or examine prospective financial information or express any opinion as to the accuracy or validity of that information. Tax advice is provided as part of Ayco’s comprehensive financial planning services, which are not related to the preparation or presentation of financial statements. Ayco does not provide accounting advice to its clients.

Goldman Sachs & Co. LLC does not provide accounting or tax advice to its clients, unless explicitly agreed between the client and Goldman Sachs & Co. LLC. All clients should be aware that tax treatment is subject to change by law, in the future or retroactively, and clients should consult with their tax advisors regarding any potential strategy, investment or transaction.

Neither Goldman Sachs & Co. LLC nor Ayco provide legal advice to their clients, and all clients should consult with their own legal advisor regarding any potential strategy, investment, financial plan, estate plan or with respect to their interest in any employee benefit or retirement plan.

Certain information contained herein is based upon materials provided by third parties. We do not represent that such information is accurate and complete and it should not be relied upon as such.

Illustrations or projections are based on certain assumptions that we believe are reasonable. If any of these assumptions do not prove to be true, results are likely to vary substantially from the examples shown herein. These examples are for illustrative purposes only, do not purport to show actual results, and no representation is being made that any client will or is likely to achieve the results shown.

Any reference to an Internet site sponsored and maintained by third parties (the “Site”) is provided solely as a convenience to you, and does not constitute an endorsement, authorization, sponsorship, or affiliation by The Ayco Company, L.P. or its affiliates. Ayco has not reviewed or tested any information, software, or products found on the Site, and therefore makes no representations regarding the content or sponsors of the Site or the suitability or appropriateness of the products or transactions described therein.

Prepared by the Corporate Benefit & Compensation Team of Ayco.

©2021 The Ayco Company, L.P., d/b/a Goldman Sachs Ayco Personal Financial Management. All Rights Reserved. Brokerage services are offered through Goldman Sachs & Co. LLC and Mercer Allied Company, L.P. (a limited purpose broker-dealer), both affiliates of Ayco and members FINRA/SIPC.