



STOCK PLAN SERVICES

ESPP data analysis

Data based on 5.3 million eligible participants across 347 ESPP plans as of January 8, 2025

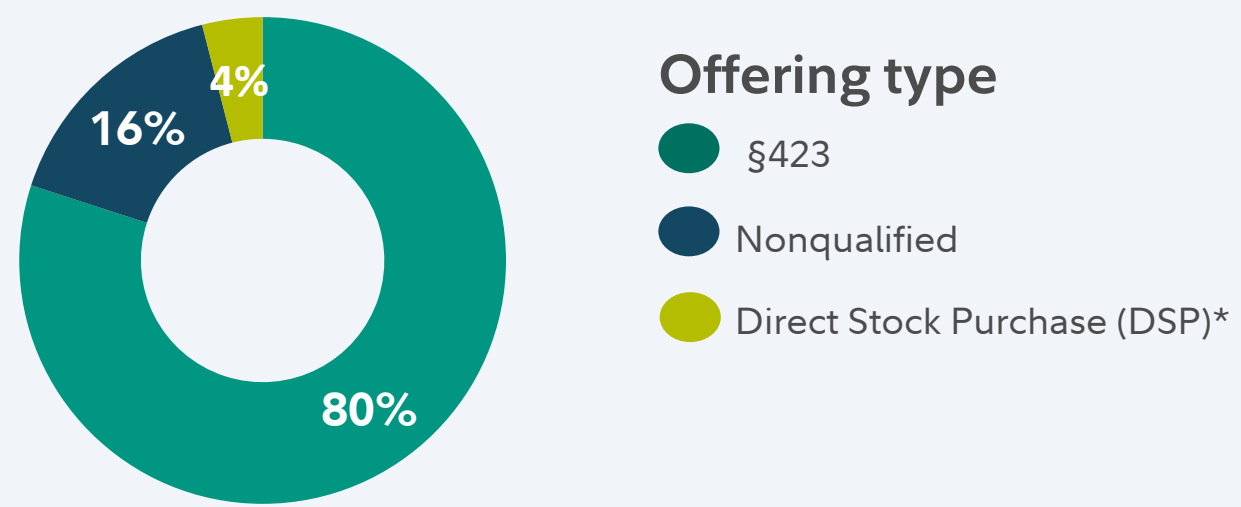
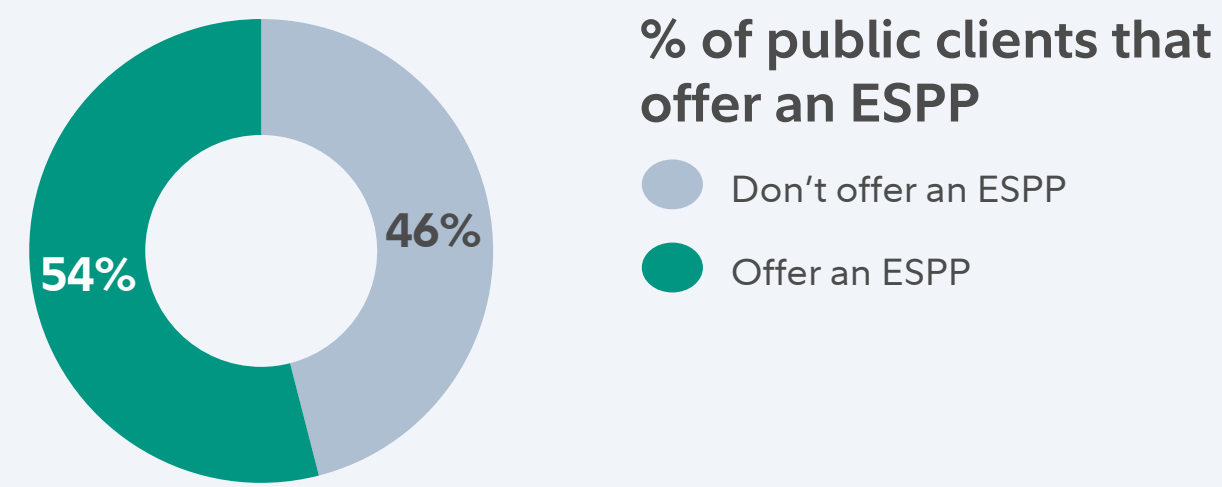




Understanding §423 vs. nonqualified plans



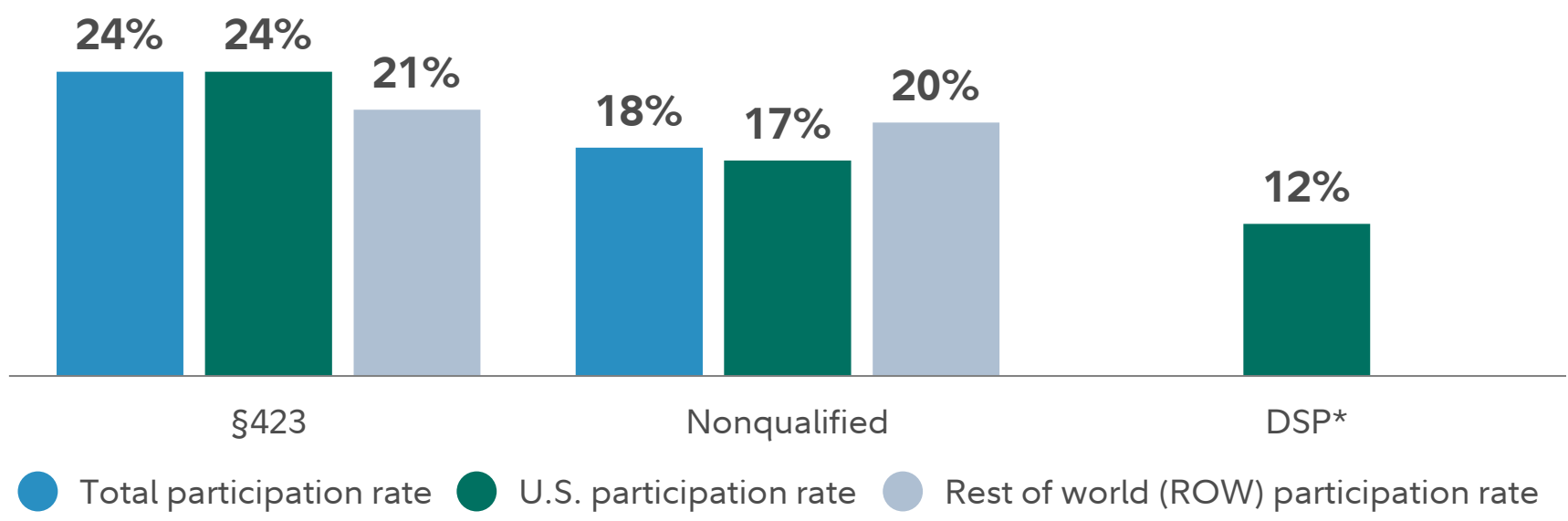
ESPP plan design



Direct Stock Purchase Plans (DSP)

DSPs have no discount, lookback or match. They just allow the purchase of stock through payroll deductions.

Participation by offering type

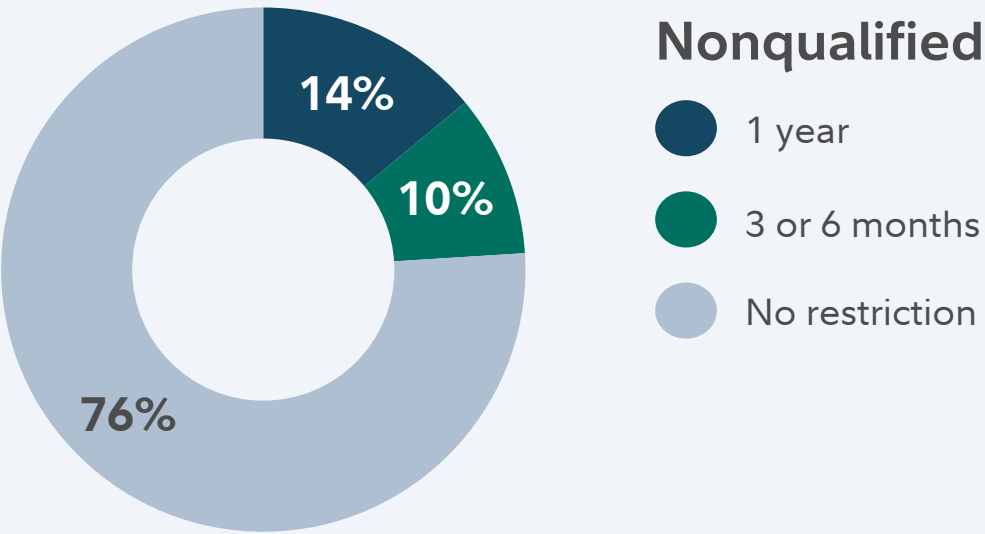
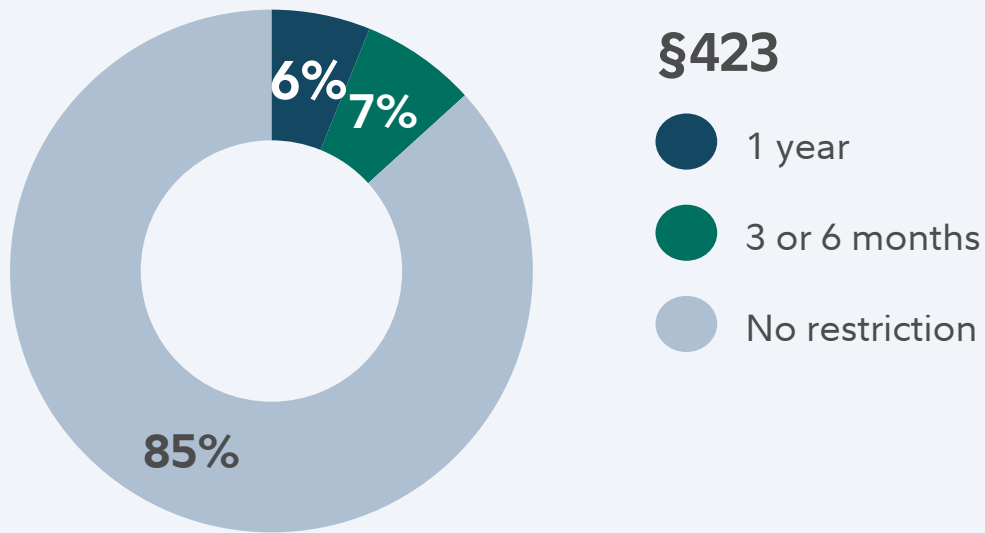


Insights

- Rising prevalence:** ESPP prevalence continues to increase, with 54% of public clients offering an ESPP.
- §423 vs. NQ:** Plan design is a larger driver of participation than tax qualification. Historically §423 plans have offered more attractive benefits. When comparing §423 plans to NQ plans with similar benefits, the participation gap narrows.
- Enrollment windows:** Half of clients have a two-week enrollment window, making it by far the most common. Another 22% of clients have a three- or four-week enrollment window.

Restrictions

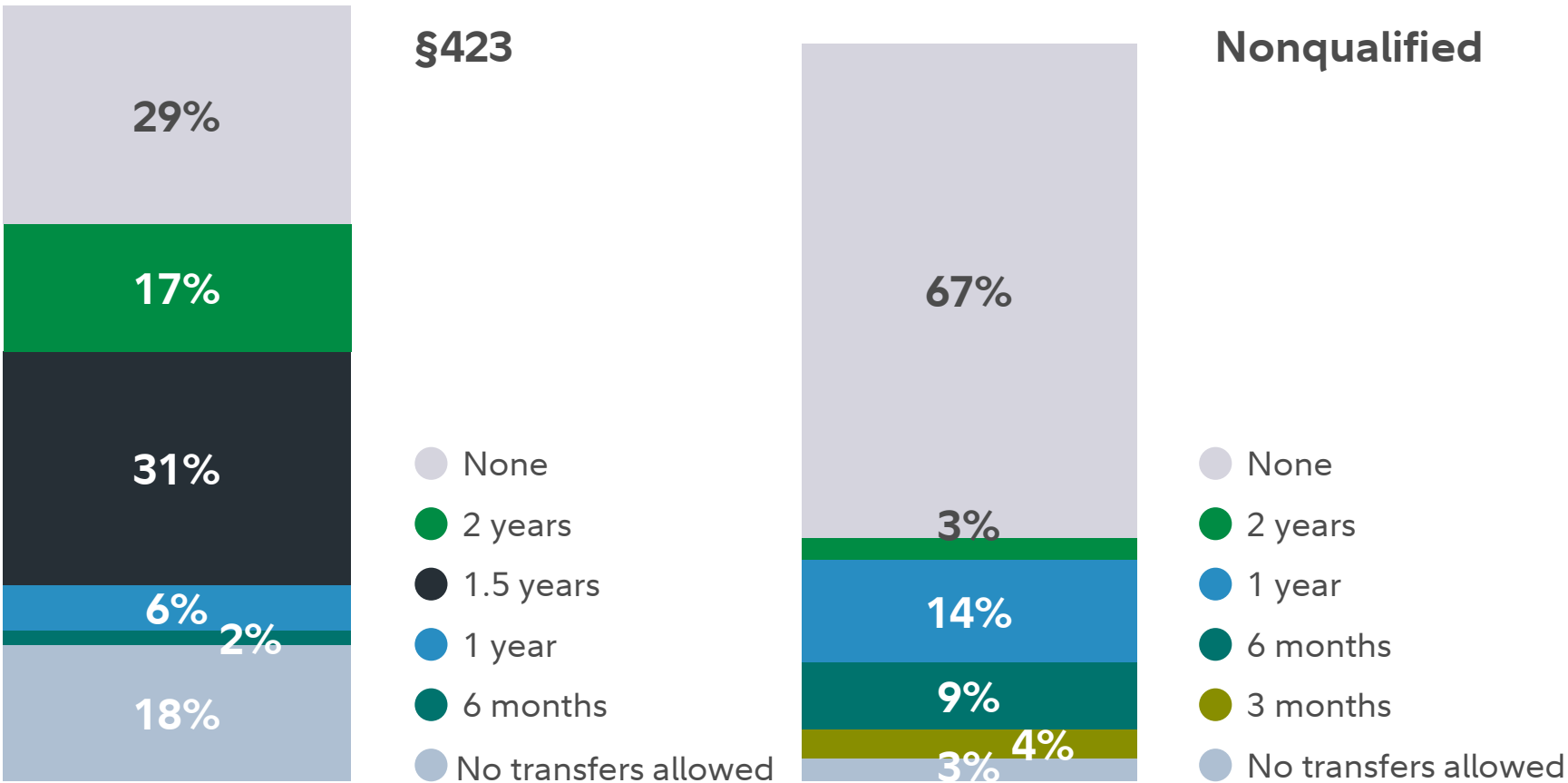
Sale restrictions



Insight

For § 423 plans, sales restrictions have been consistently declining, while transfer restrictions have been consistently increasing.

Transfer restrictions



Insight

Transfer restrictions for § 423 plans are a gift to plan sponsors; they maximize corporate tax deduction by capturing all the disqualified dispositions and minimize administrative hassle of surveying employees.



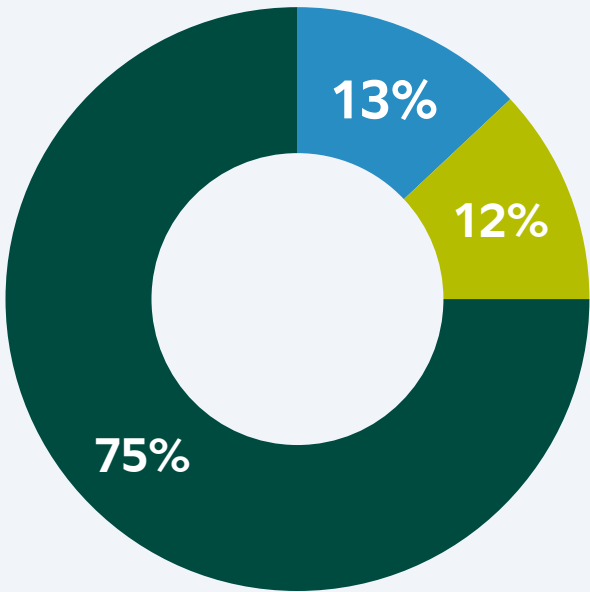
§423 plans

Plan design



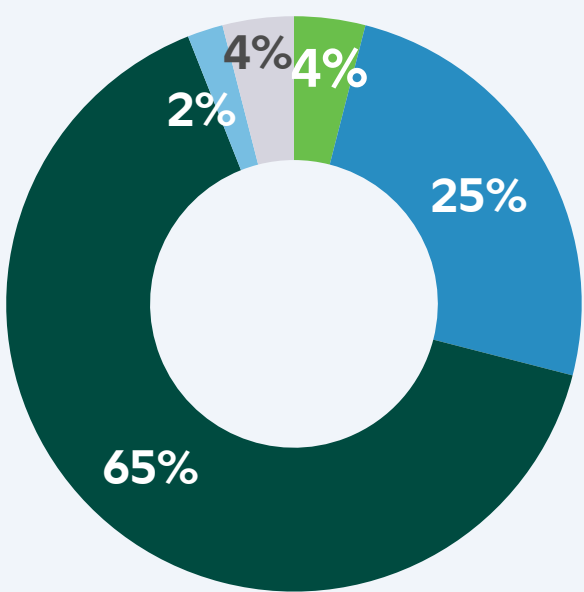
ESPP plan design basics - §423 plans

Discount



5% discount 10% discount
15% discount

Length of purchase period

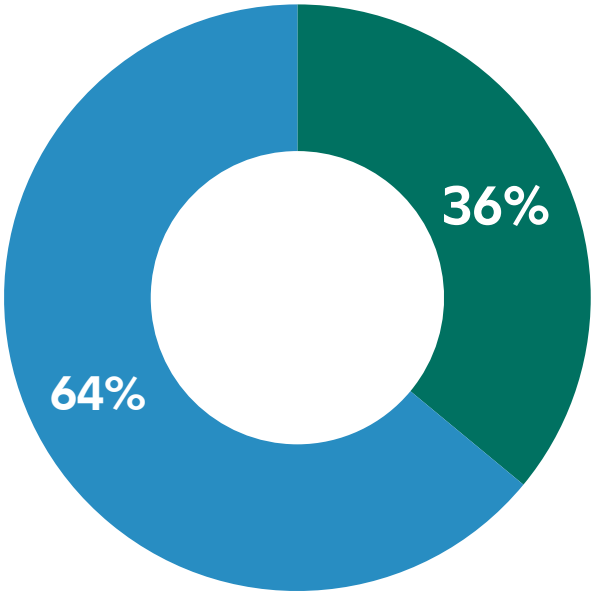


1 month 3 months 6 months
1 year Other

Insight

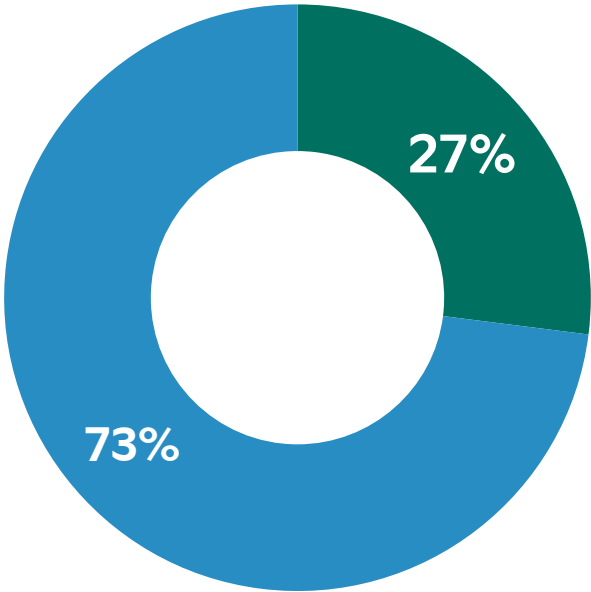
For most plans, the purchase period equals the offering period. However, just over 3% of plans have an offering period longer than the purchase period, which can offer significant value with a lookback. Most often these plans are seen in Technology and Healthcare. These are sometimes referred to as "Cadillac" plans.

Price type



Lookback End price

Price type (>5% discount)



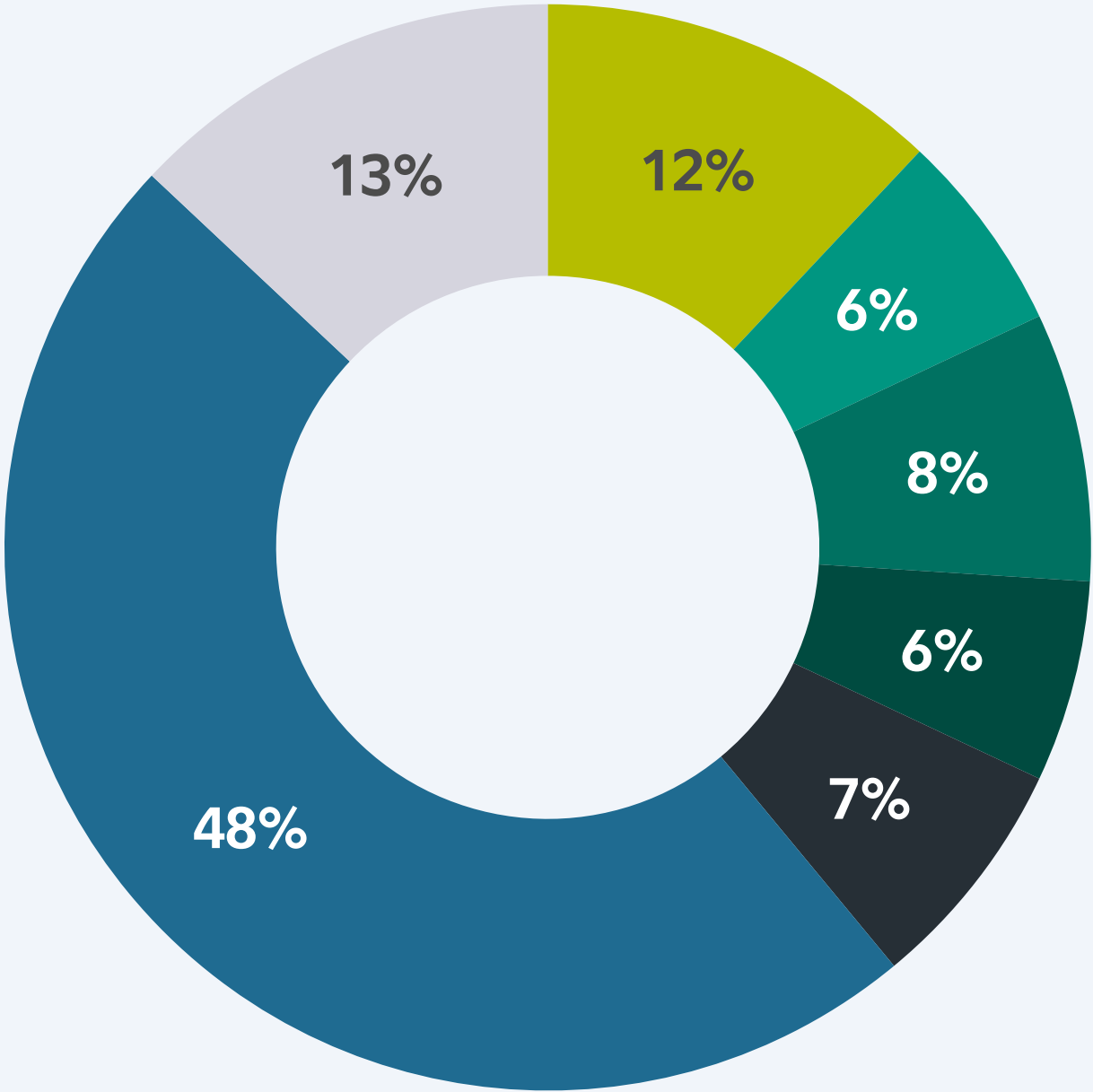
Lookback End price

Insight

Mix and match plan design features thoughtfully. Plans without a lookback are generally better with shorter purchase periods. Longer purchase periods work better with a lookback.

ESPP plan design basics - §423 plans

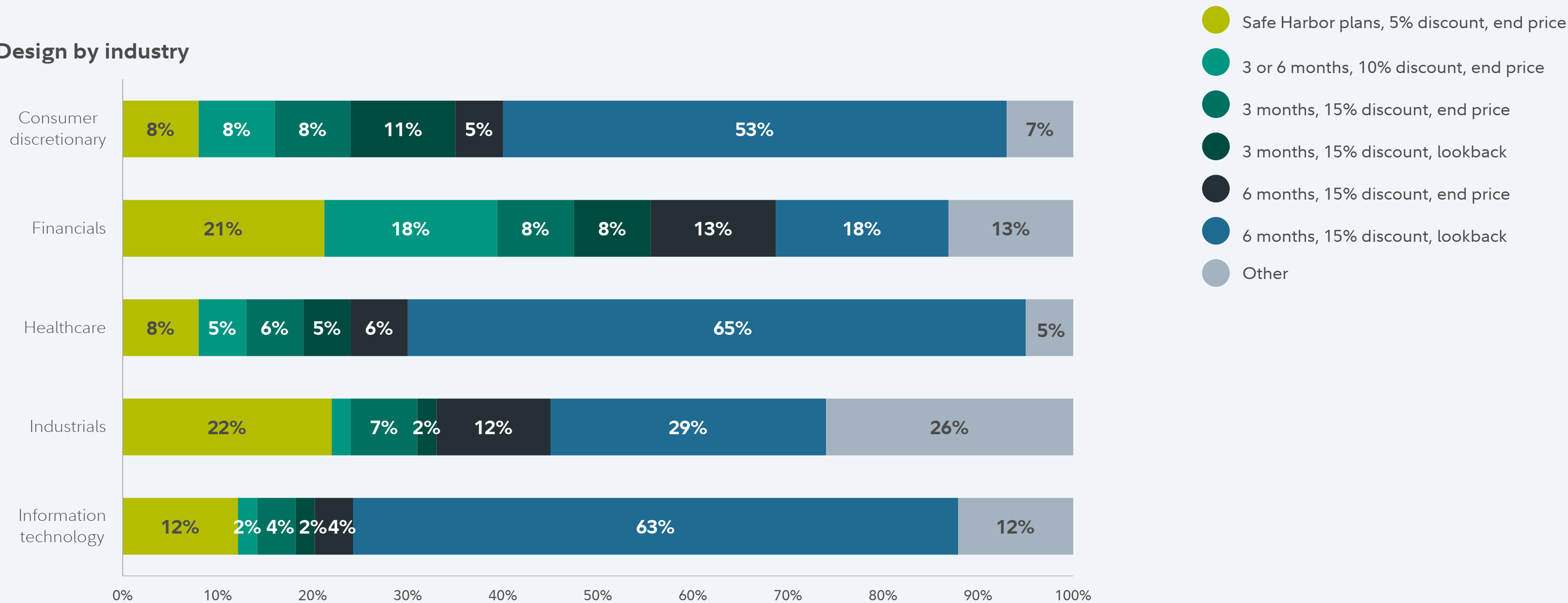
Length and discount



- Safe Harbor plans, 5% discount, end price
- 3 or 6 months, 10% discount, end price
- 3 months, 15% discount, end price
- 3 months, 15% discount, lookback
- 6 months, 15% discount, end price
- 6 months, 15% discount, lookback
- Other

ESPP plan design basics - §423 plans

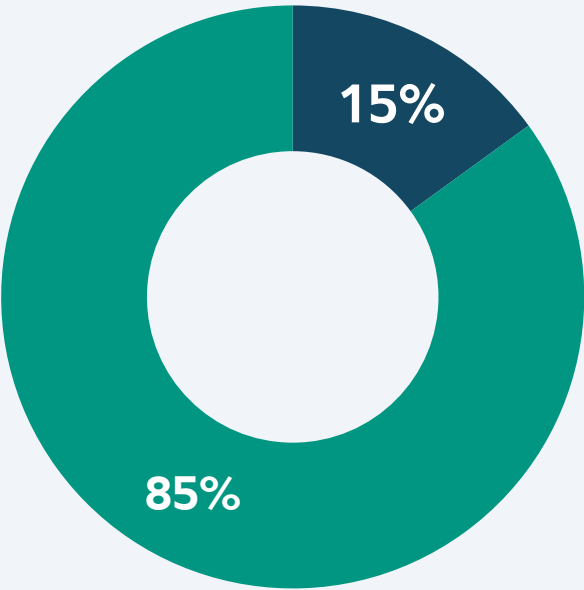
Design by industry



ESPP plan design basics - §423 plans

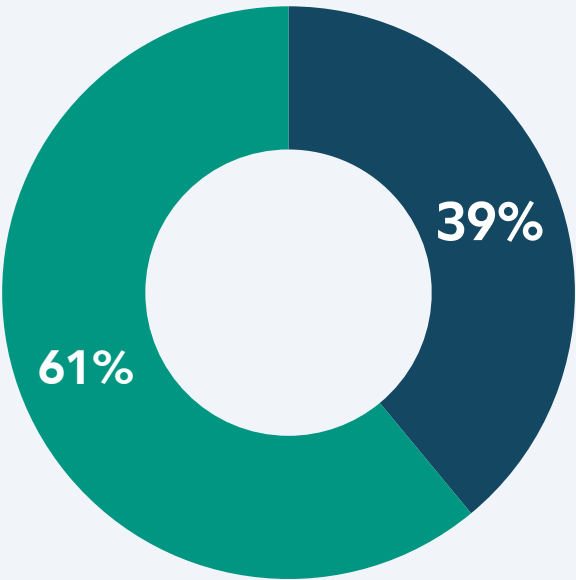
Details

Withdrawals allowed?



● Yes ● No

Fractional shares?

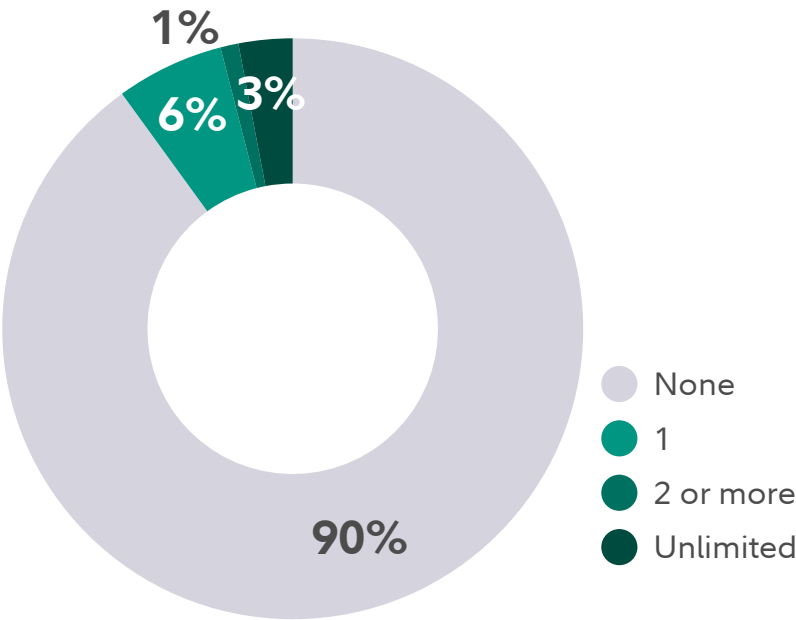


● No fractional shares ● Fractional shares

Insight

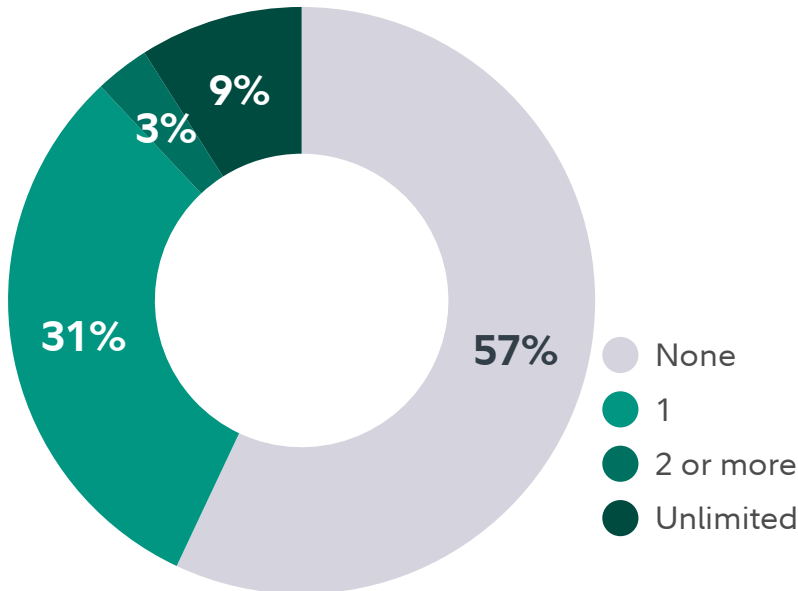
Fractional shares allow for all employee contributions to be used to purchase stock. Fractional share purchases aren't just for high priced stocks; fractional shares offer benefits to plan sponsors and participants.

Number of increases allowed



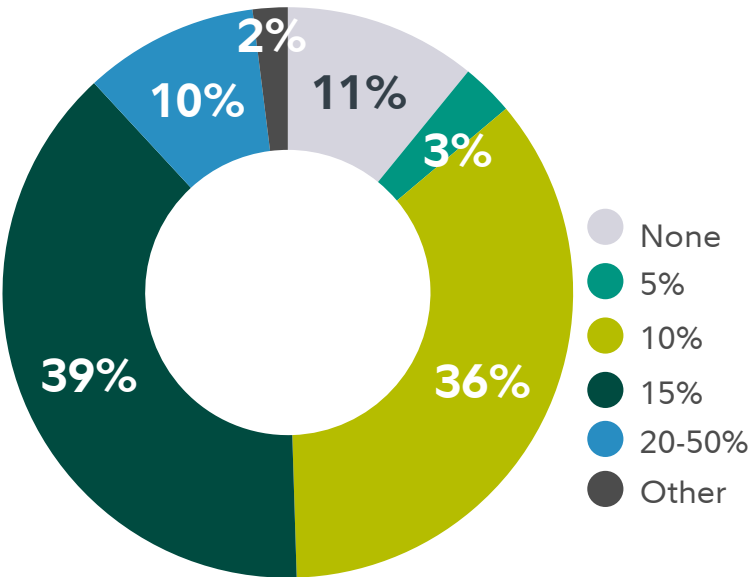
● None
● 1
● 2 or more
● Unlimited

Number of decreases allowed



● None
● 1
● 2 or more
● Unlimited

Maximum contribution %



● None
● 5%
● 10%
● 15%
● 20-50%
● Other



§423 plans

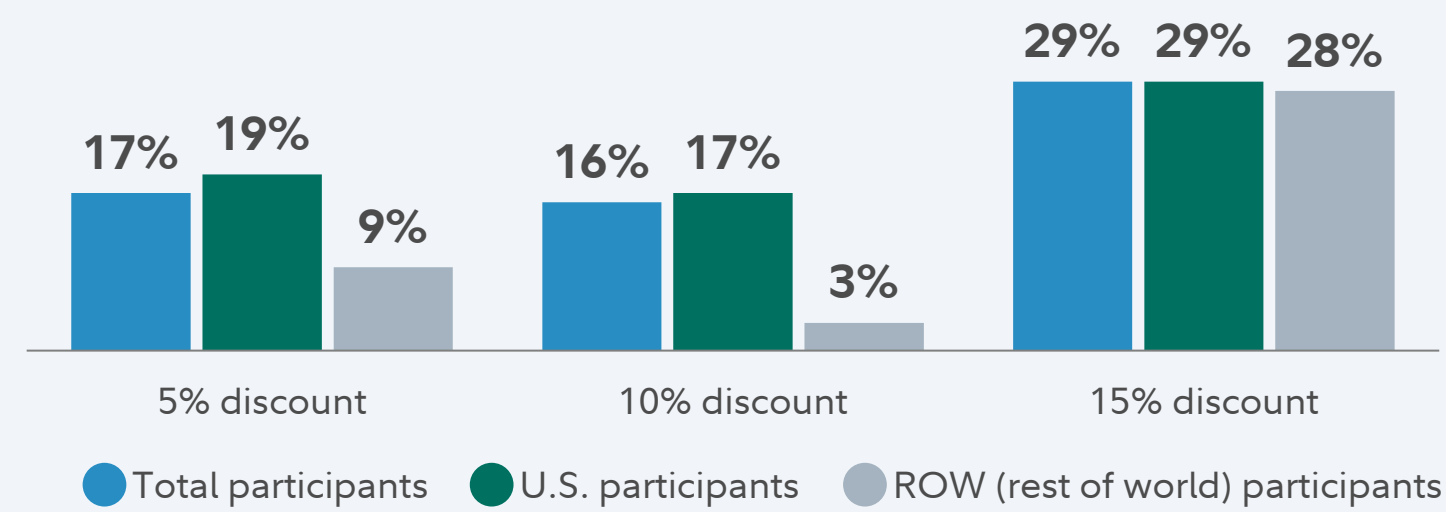
Participation



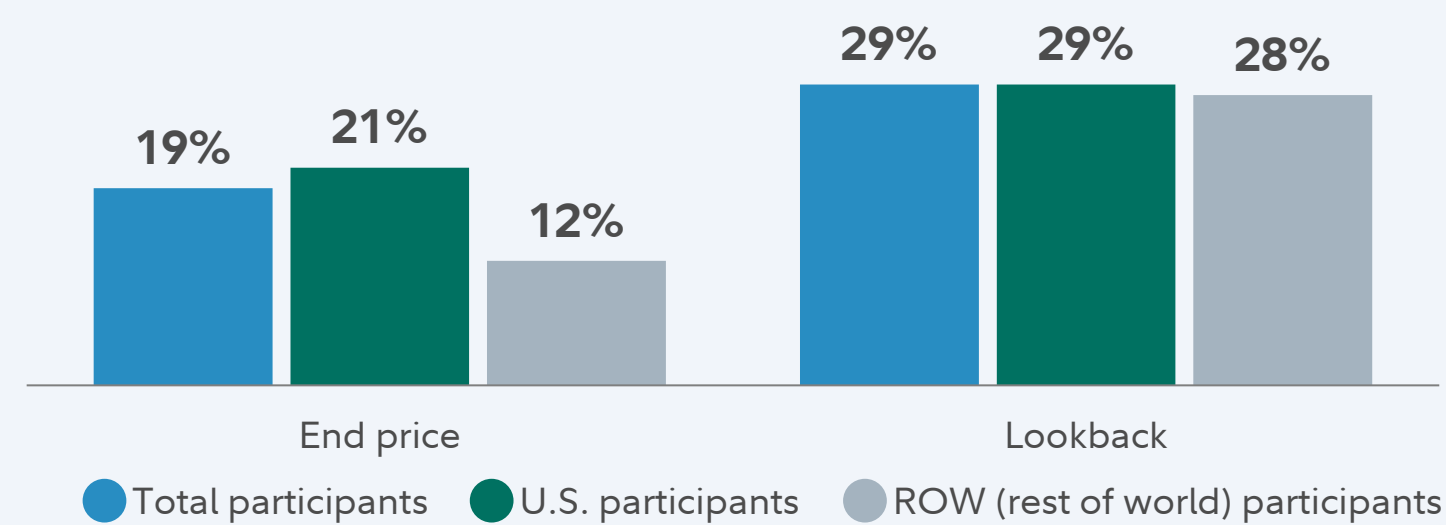
Participation

Plan design

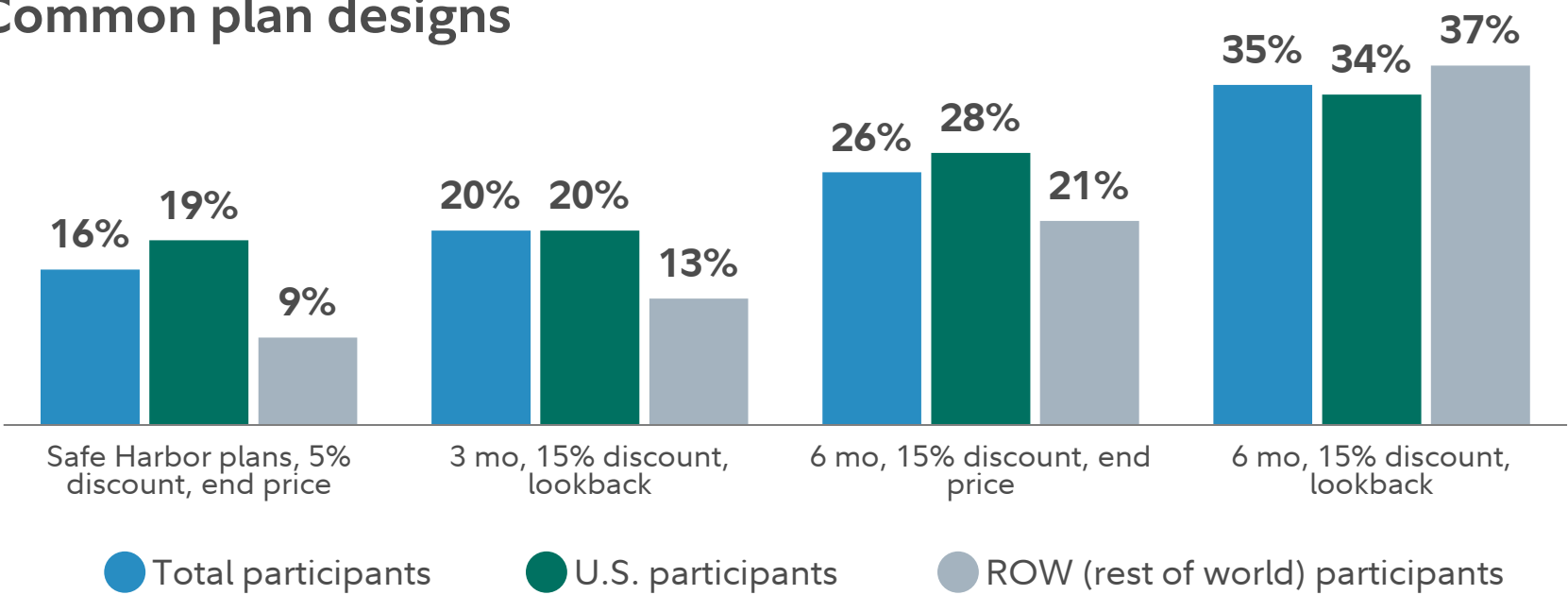
Discount



Price type



Common plan designs



Insight

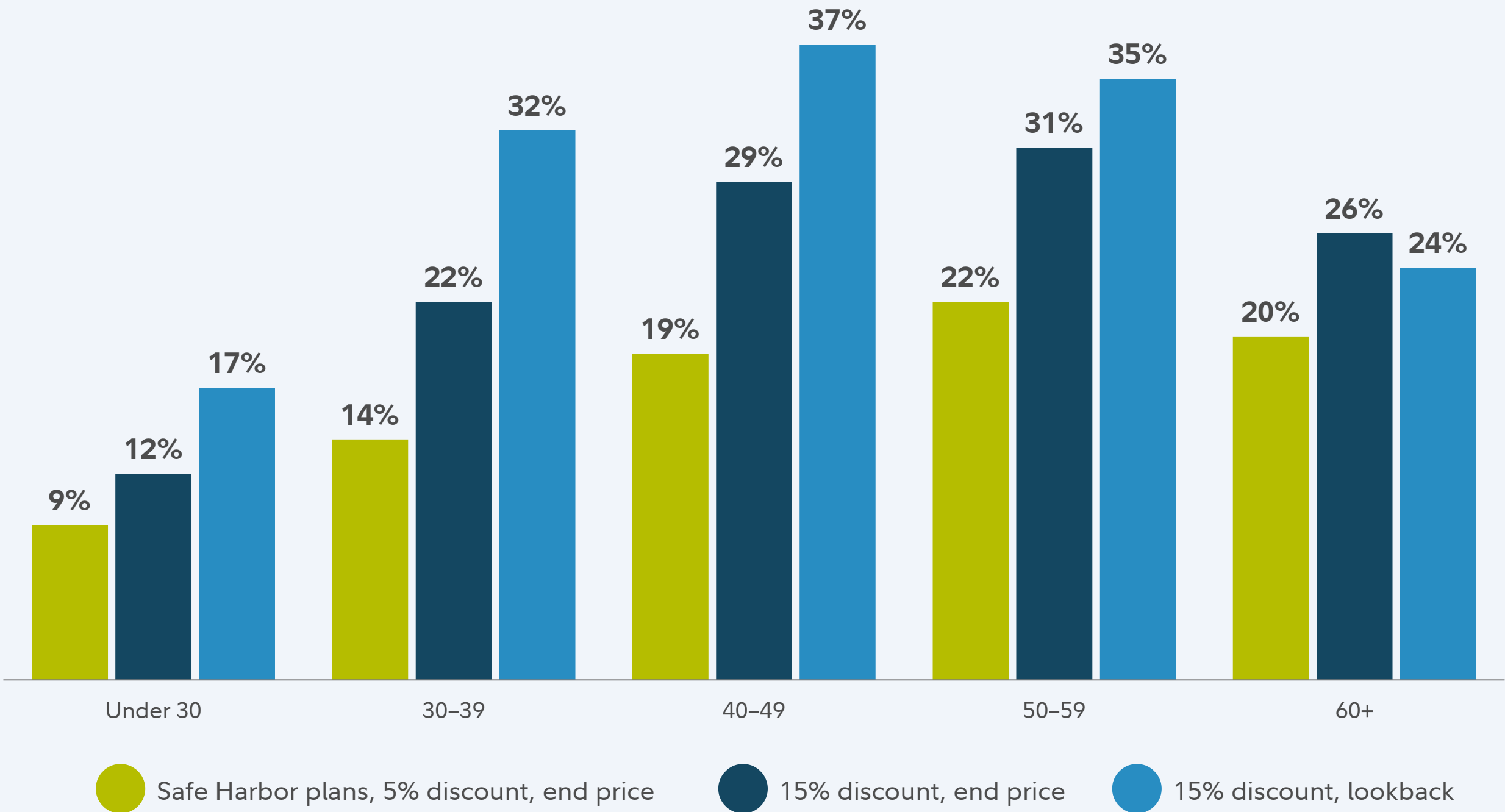
ESPP participation in plans that offer a 15% discount, lookback, and a 6-month offering period has been steadily on the rise in the last few years.

Insight

"Cadillac" plans offering multiple purchases in a single offering can have significantly higher participation. Average participation in these plans is 69%.

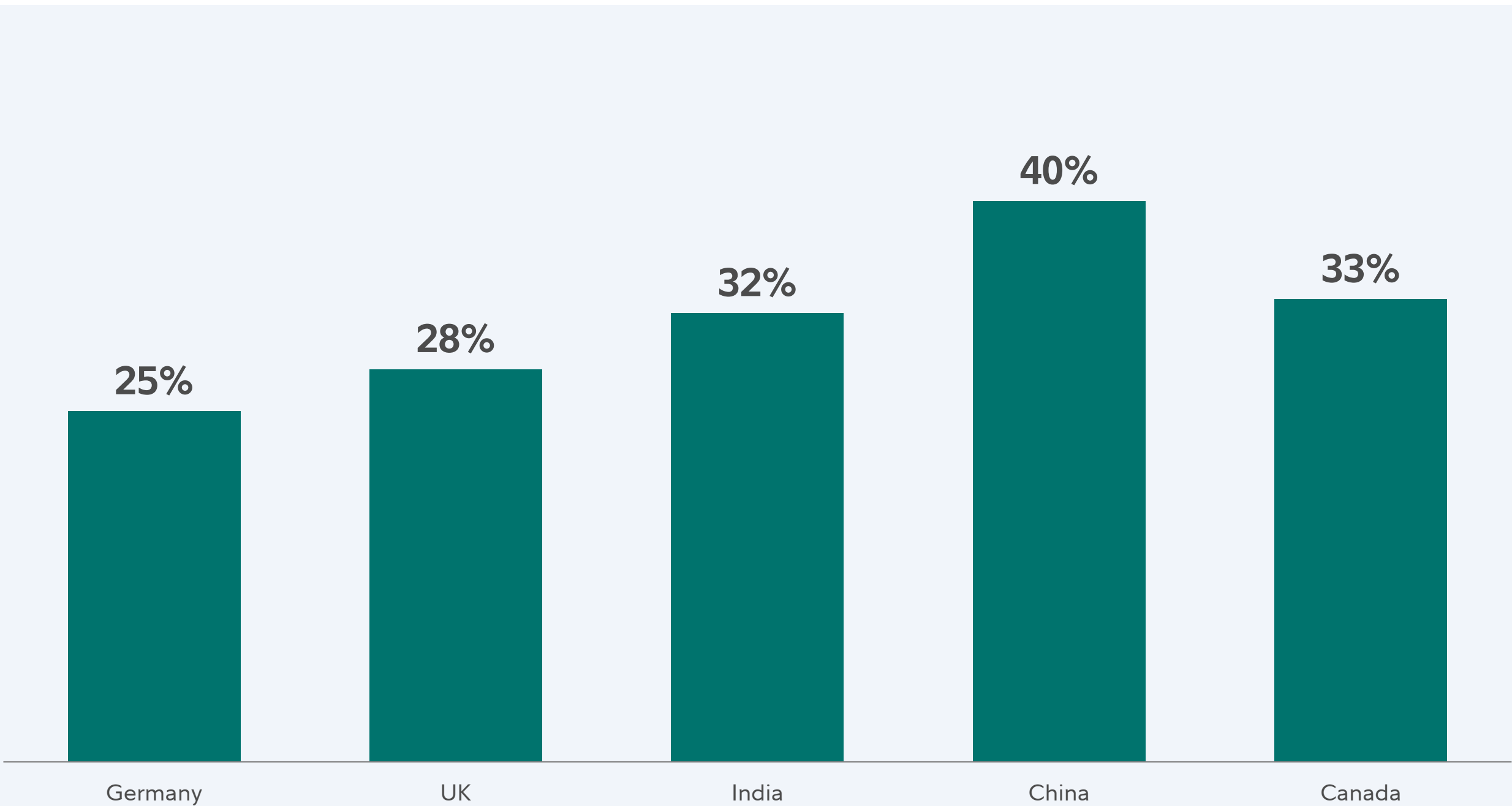
Participation

Age

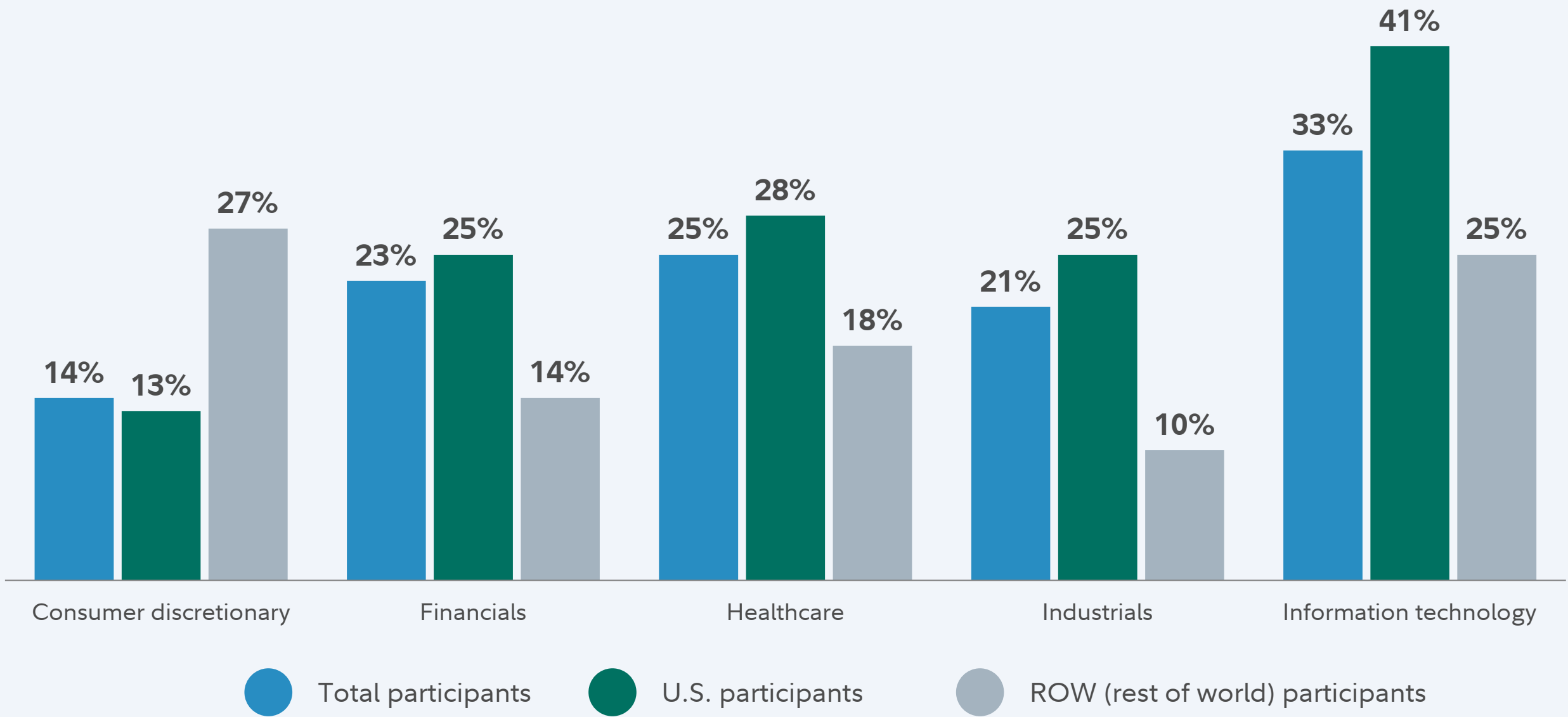


Participation

Key non-US locations (plans with a 15% discount and lookback)

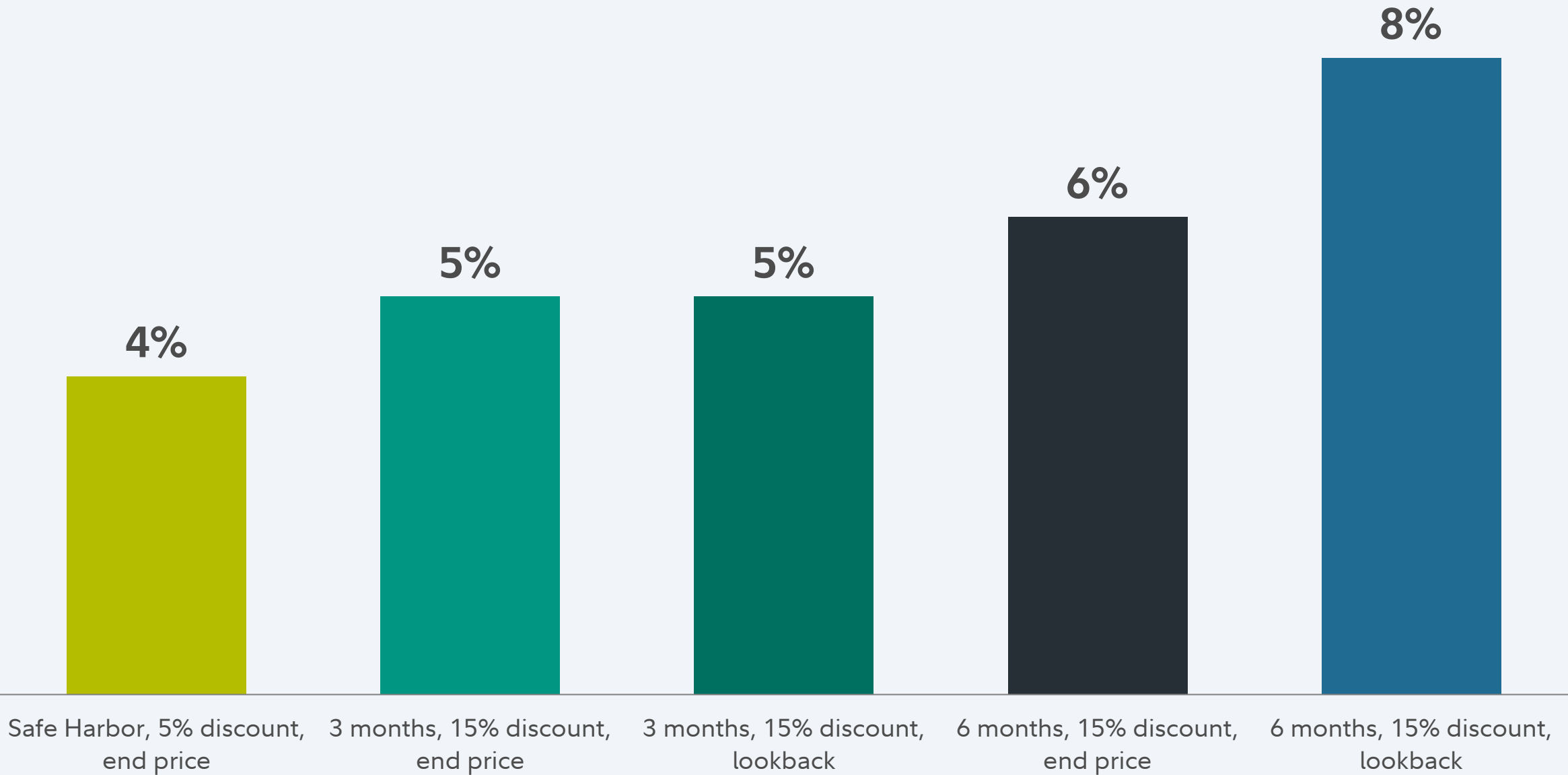


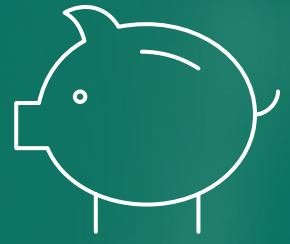
Total participation rate by key industries



Plan design

Annual contributions





ESPP participant return on investment

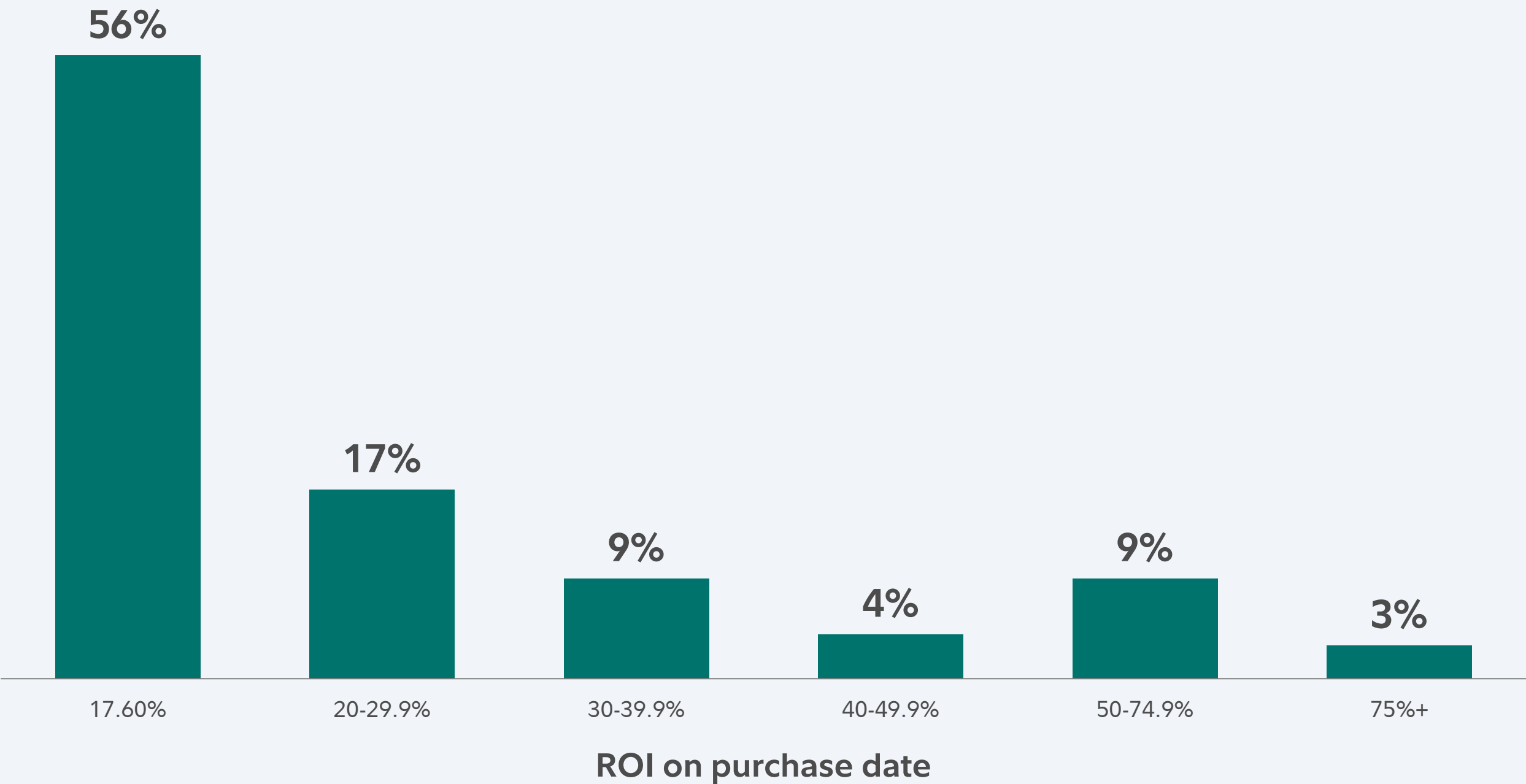


Return on investment (ROI) on purchase date

Participant ROI for plans offering 15% discount with lookback*

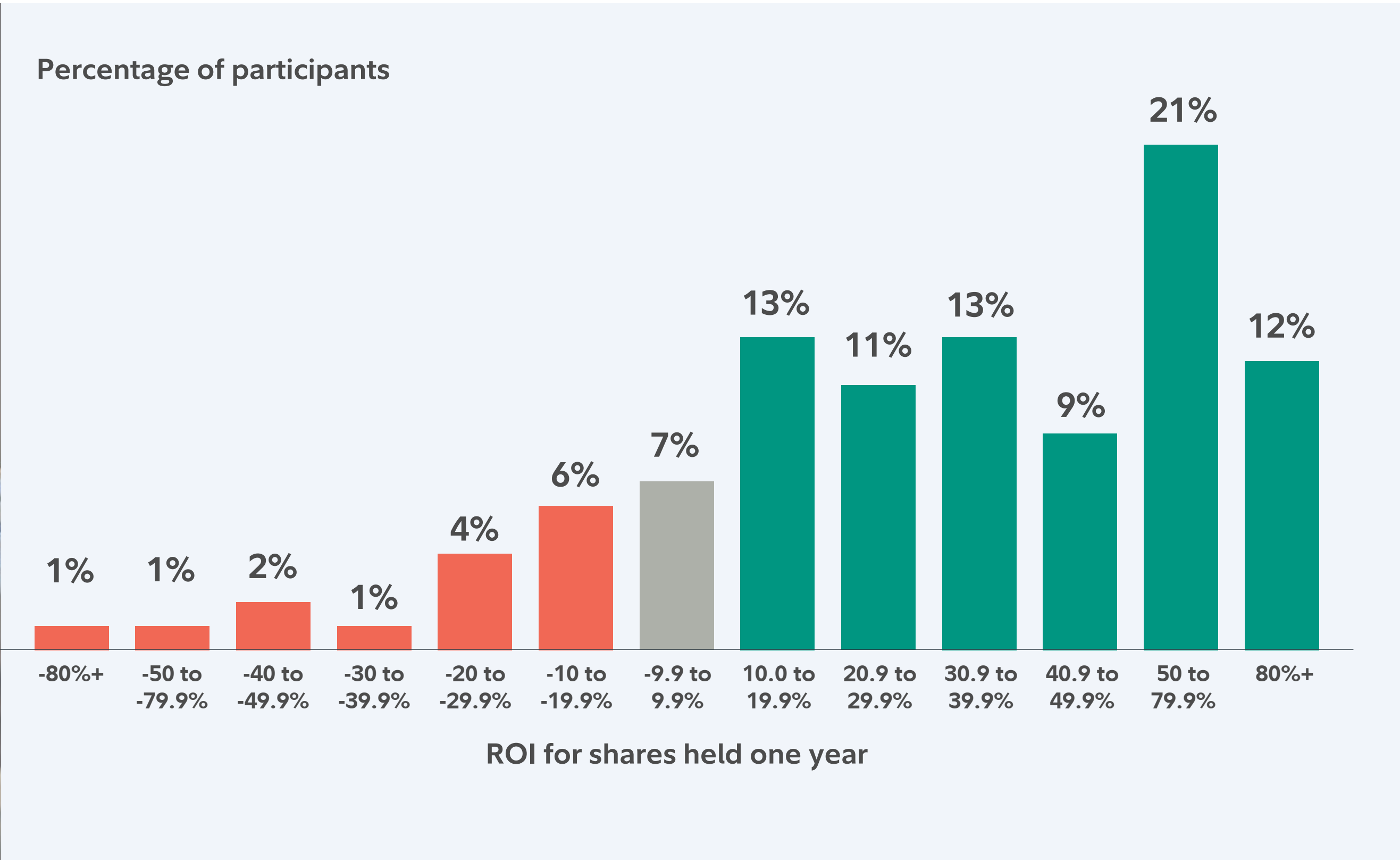


Percentage of participants



Return on investment (ROI)

Participant ROI on shares held for 1 year for plans offering 15% discount with lookback*





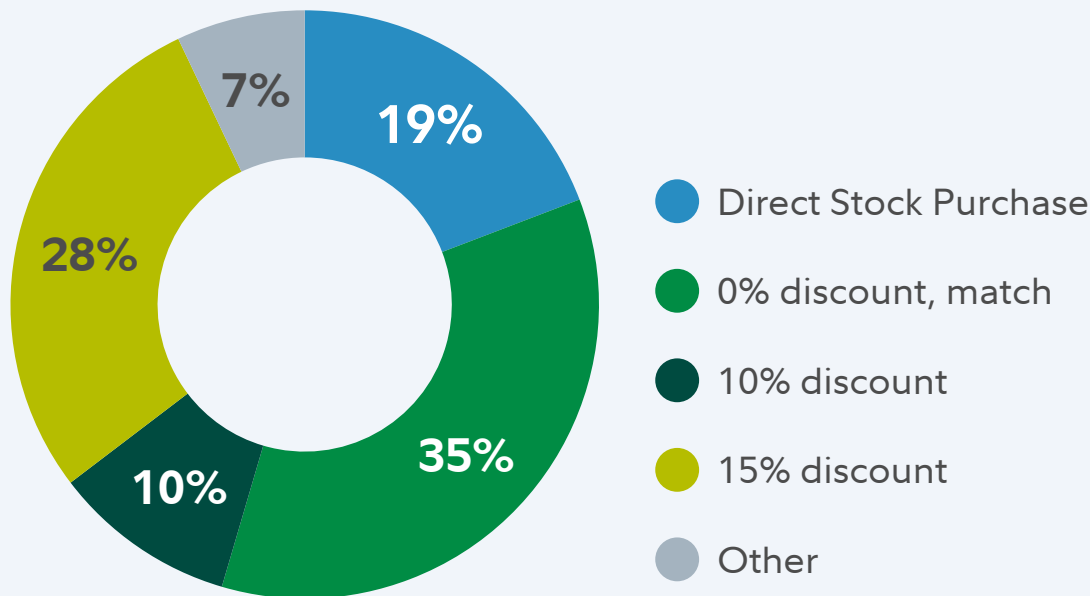
Nonqualified and Direct Stock Purchase plans

Plan design

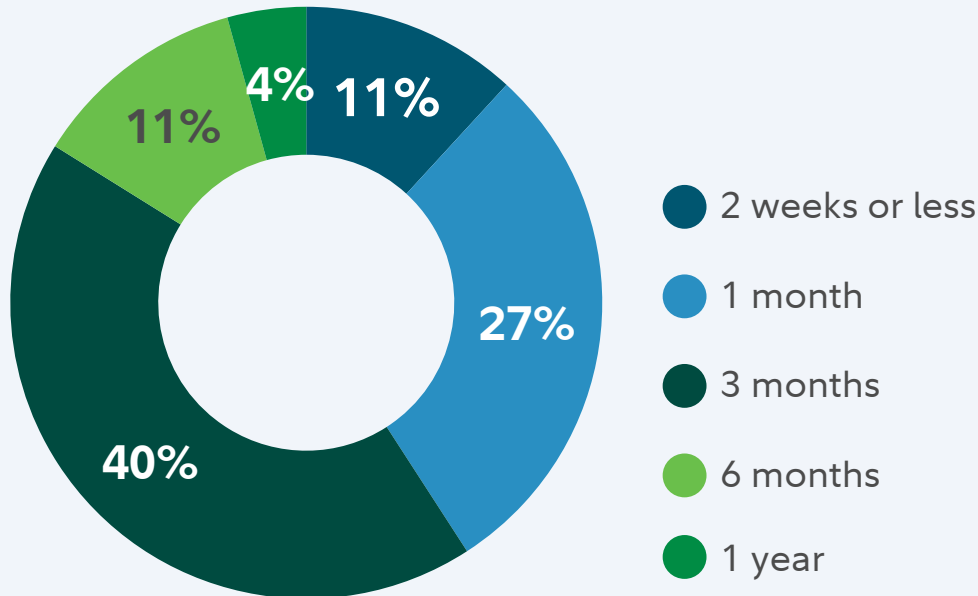


ESPP plan design basics - nonqualified and direct stock purchase plans

Discount and match



Length of purchase period



Insight

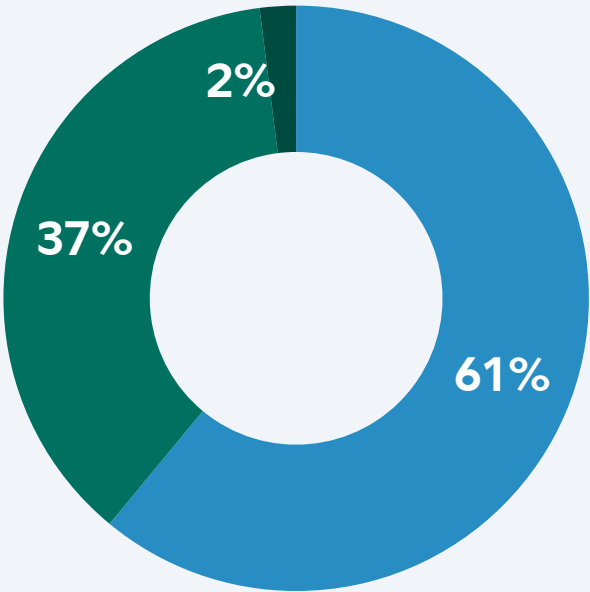
Nonqualified plans with no discount or match are also known as Direct Stock Purchase Plans. These plans generally purchase frequently (usually every two weeks or monthly) with an open market purchase.



ESPP plan design basics - nonqualified and direct stock purchase plans

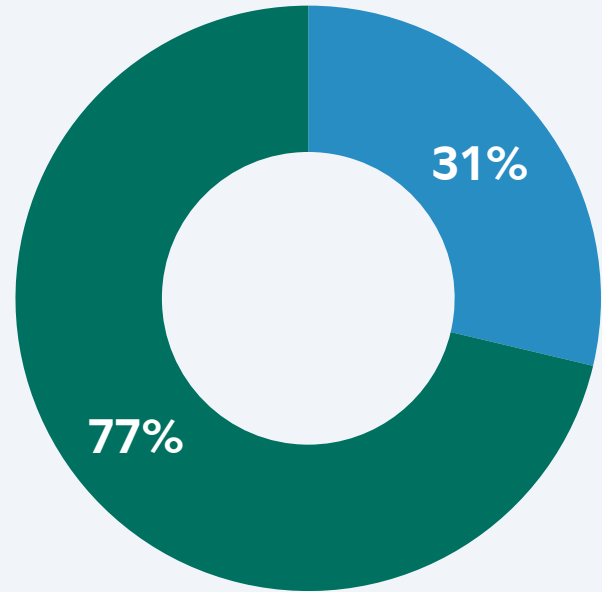
Details

Contribution type (NQ)



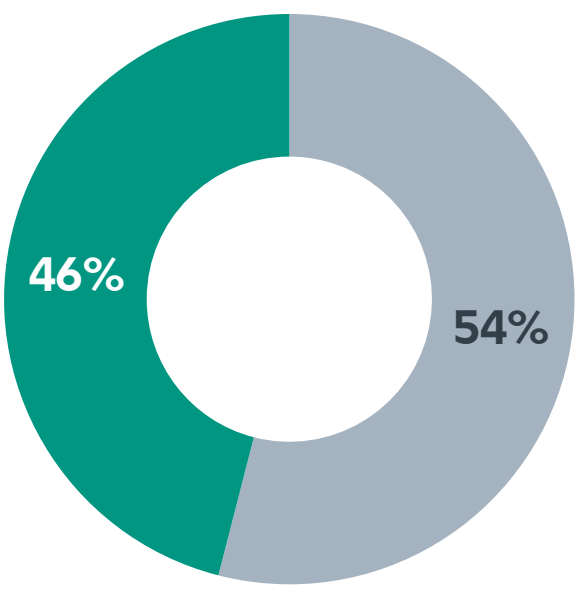
Percentage Dollars Both

Contribution type (DSP)



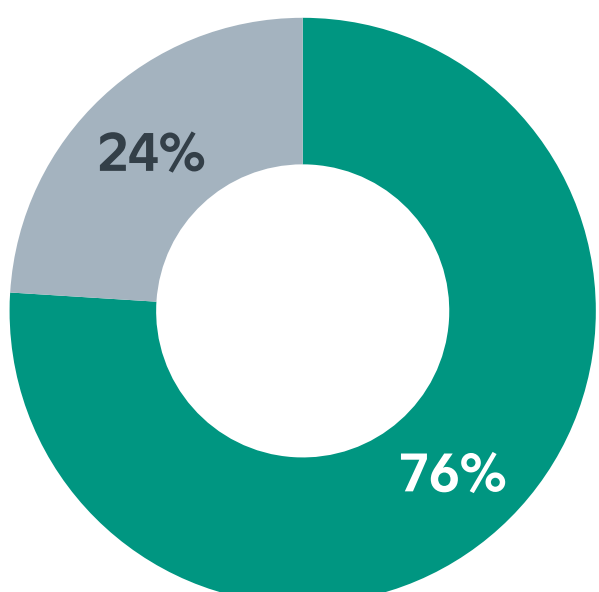
Percentage Dollars

Withdrawals allowed?



Yes No

Fractional shares?



Fractional shares No fractional shares

Insight

With shorter purchase periods, NQ plans are less likely to allow withdrawals.

Insight

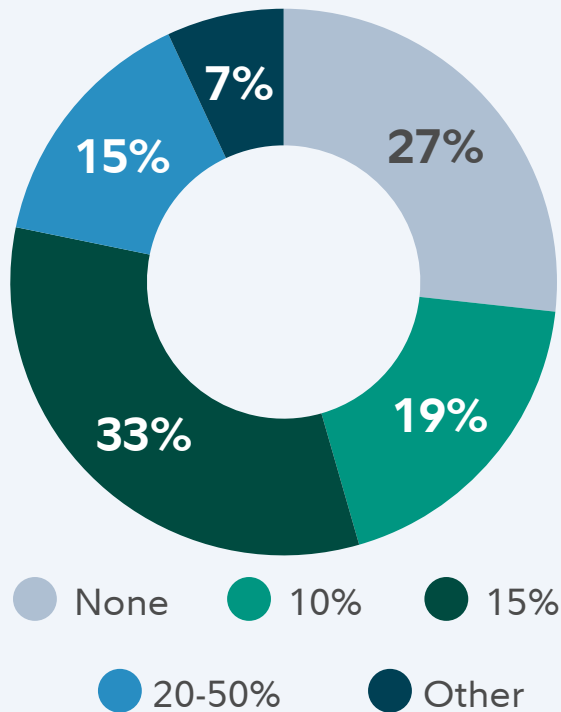
Fractional shares allow for all employee contributions to be used to purchase stock. Fractional share purchases aren't just for high-priced stocks; fractional shares offer benefits to plan sponsors and participants. 0% of DSPs allow for fractional shares.

ESPP plan design basics - nonqualified and direct stock purchase plans

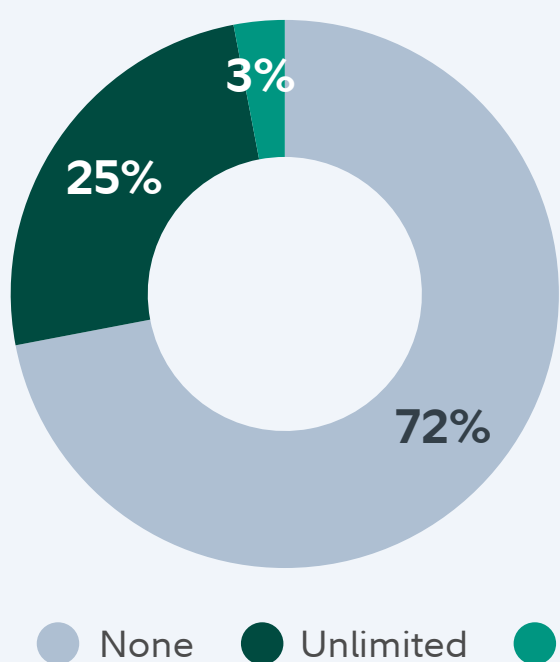
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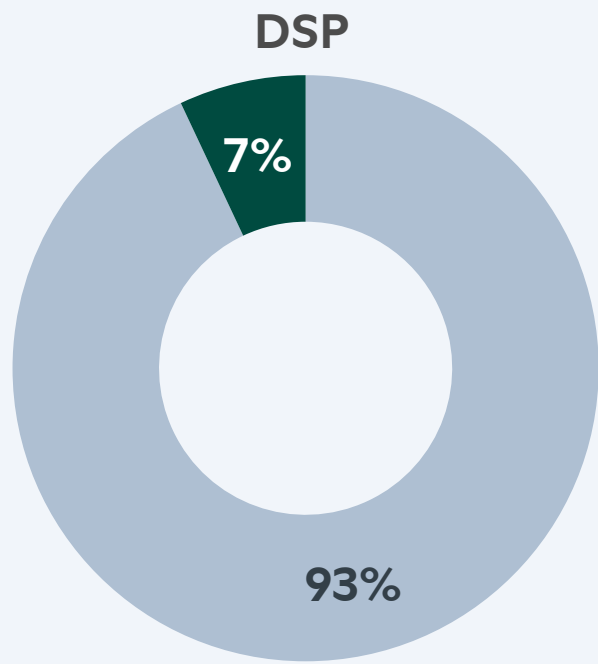
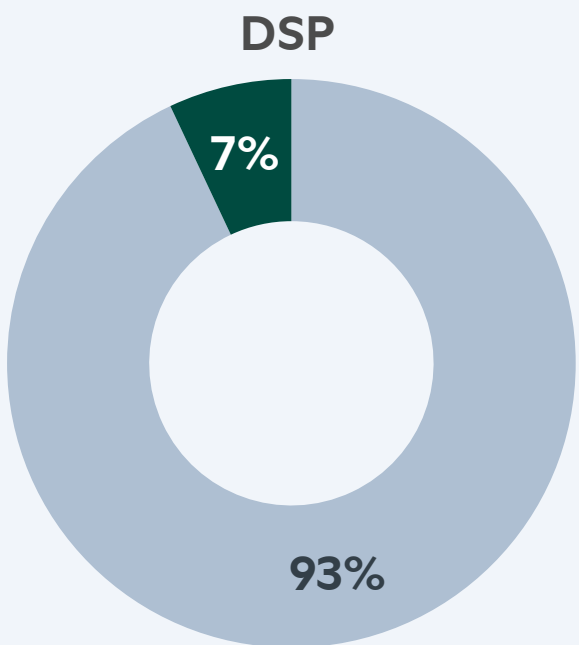
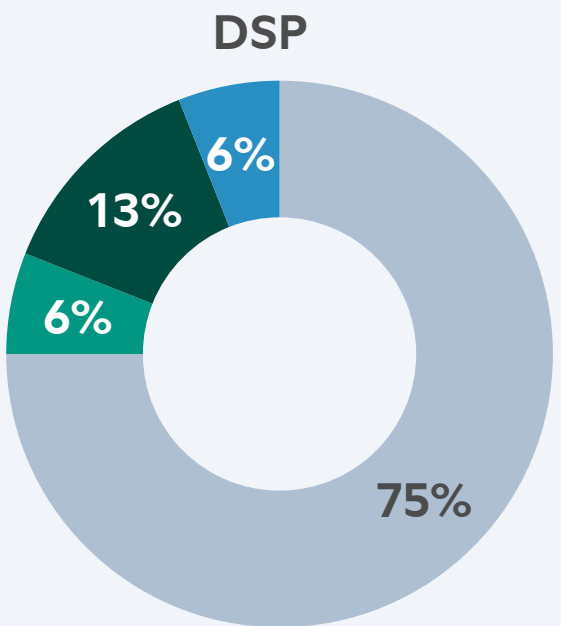
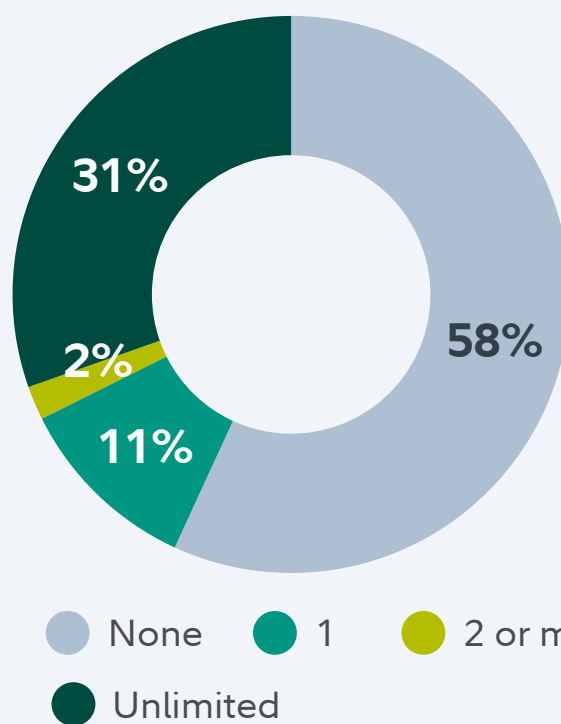
Maximum contribution %
(NQ)



Number of increases allowed
(NQ)



Number of decreases allowed
(NQ)





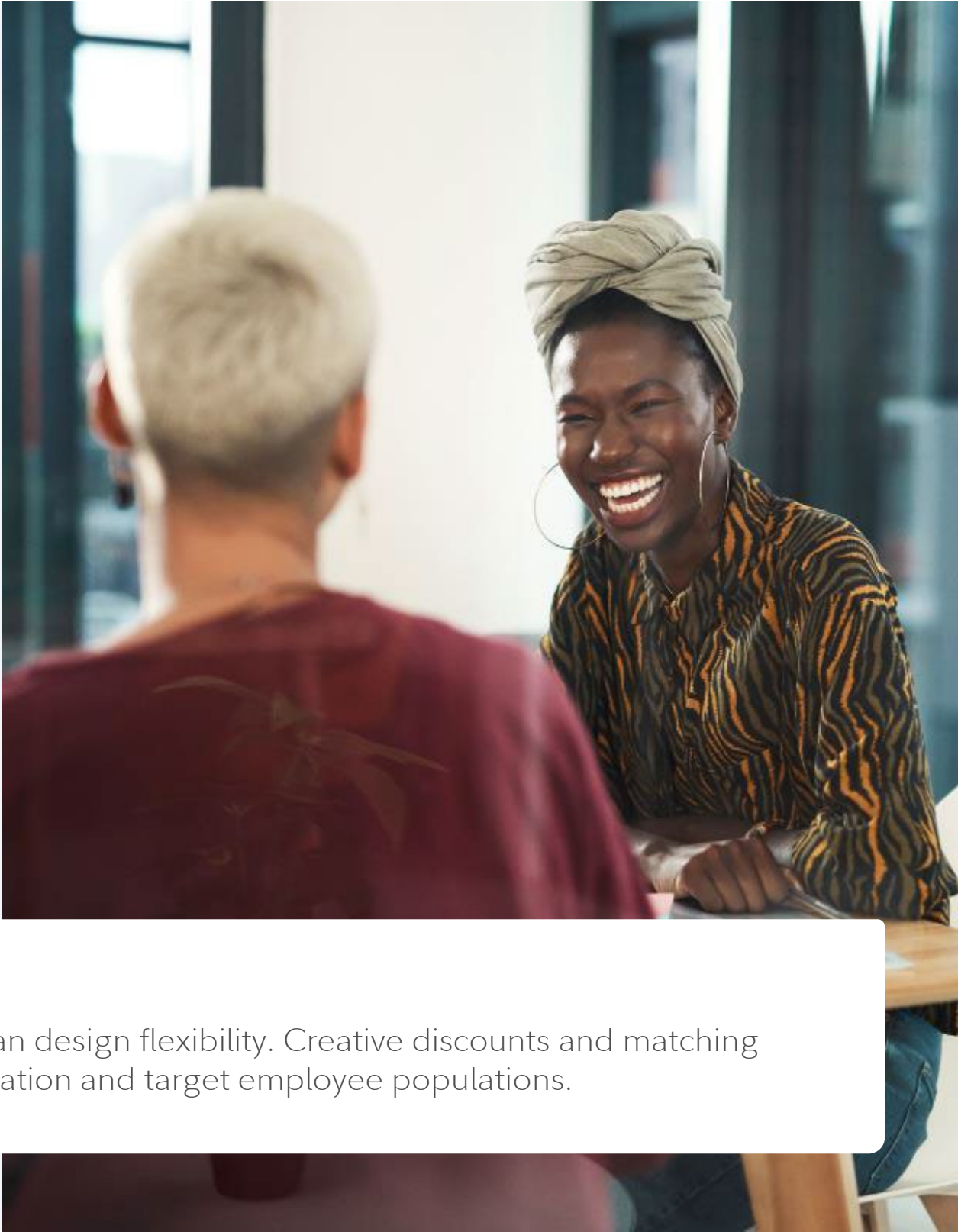
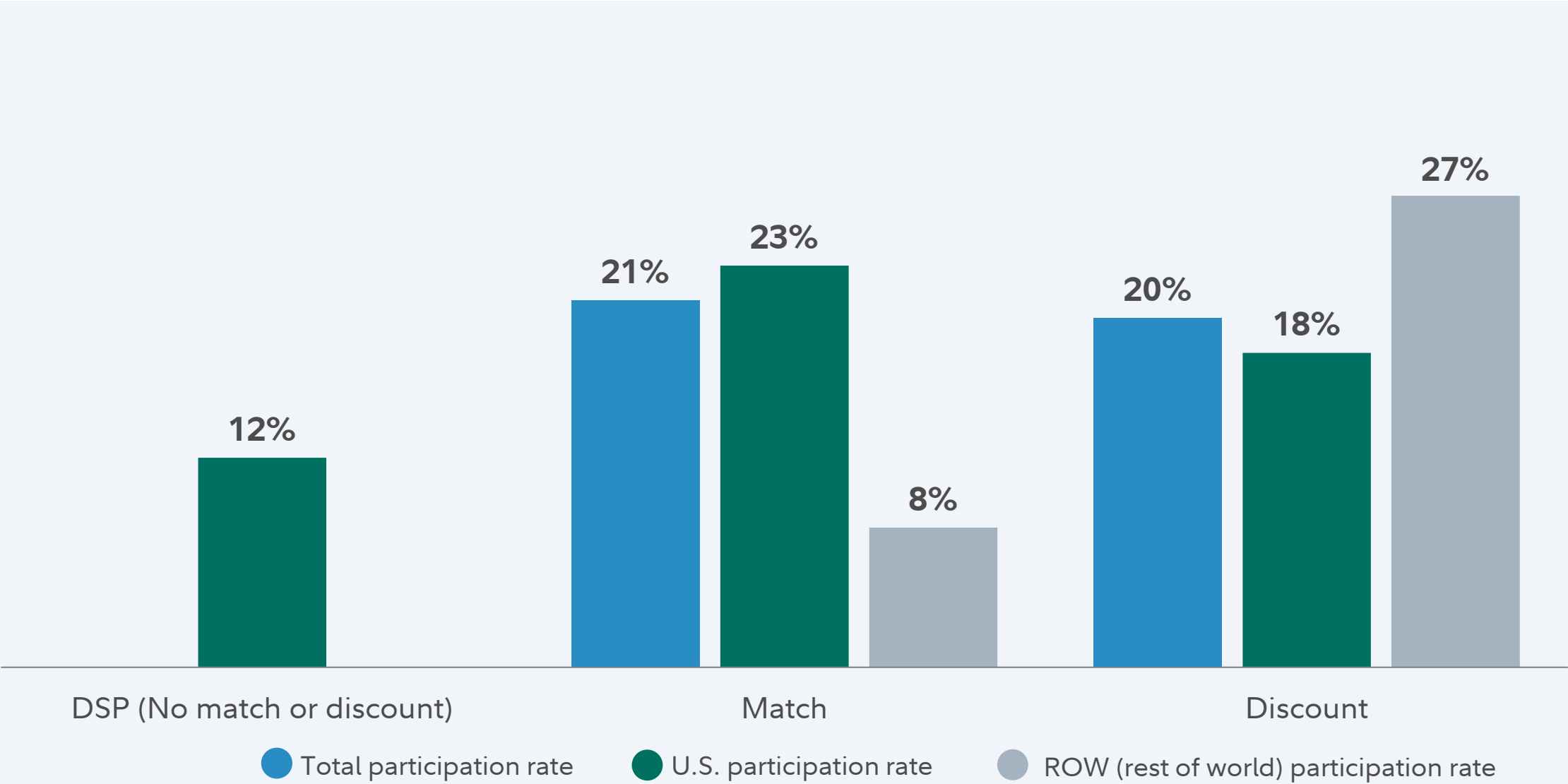
Nonqualified and Direct Stock Purchase plans

Participation



ESPP plan design basics - nonqualified and direct stock purchase plans

Plan design



Insight

The smaller sample size of NQ plans can result in atypical results.

Insight

Nonqualified plans offer plan design flexibility. Creative discounts and matching programs can drive participation and target employee populations.



Need more ESPP?

Check out these other resources



[A video series on ESPP](#)

[ESPP Toolkit](#)

[Around the World with ESPP: Important considerations for a global ESPP](#)

[A guide to offering an ESPP](#)

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