



STOCK PLAN SERVICES

ESPP data analysis



Data details



→ 4.9 million eligible participants

→ 361 Fidelity ESPP plans

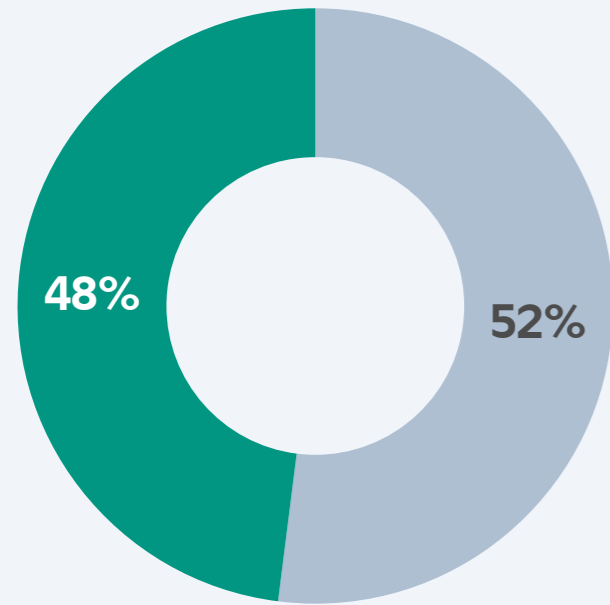
→ As of August 1, 2023



Understanding §423 vs. nonqualified plans

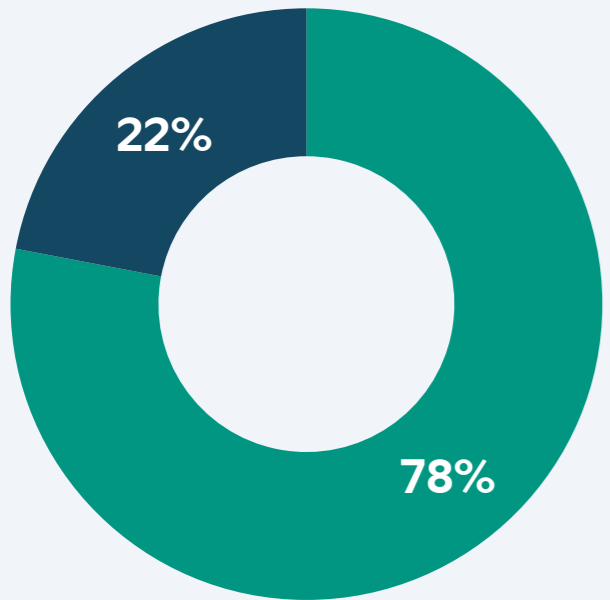


ESPP plan design



% of public clients that offer an ESPP

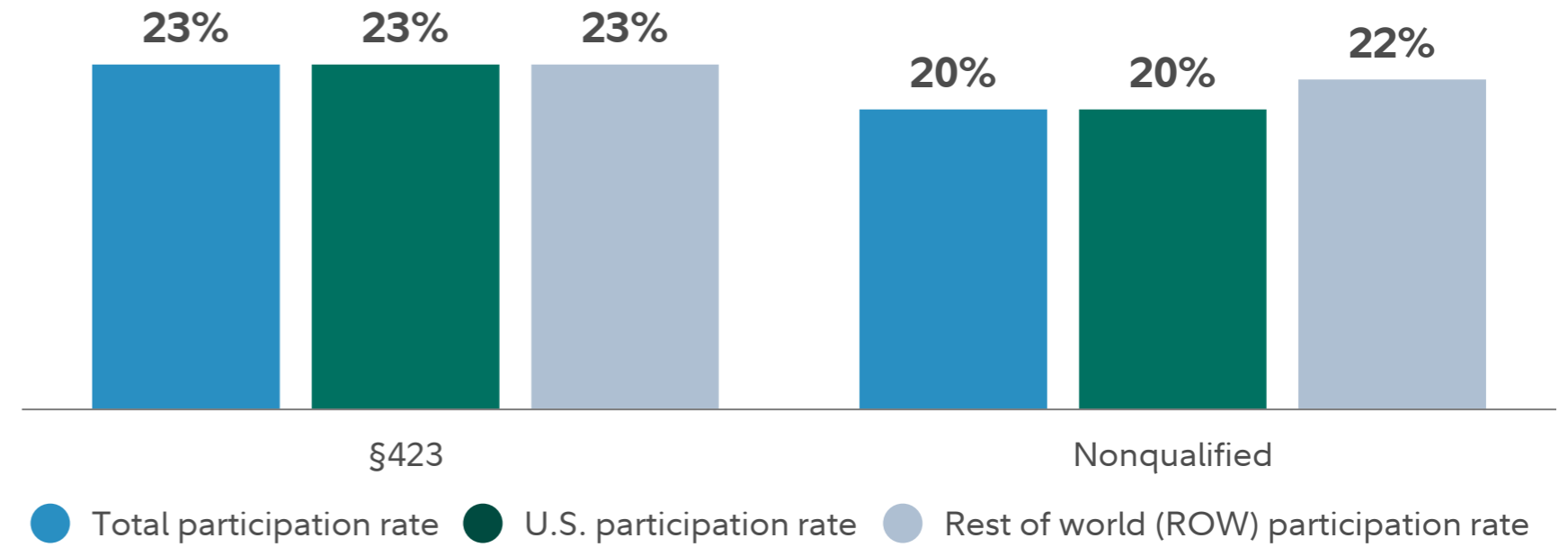
- Don't offer an ESPP
- Offer an ESPP



Offering type

- §423
- Nonqualified

Participation by offering type



Insight

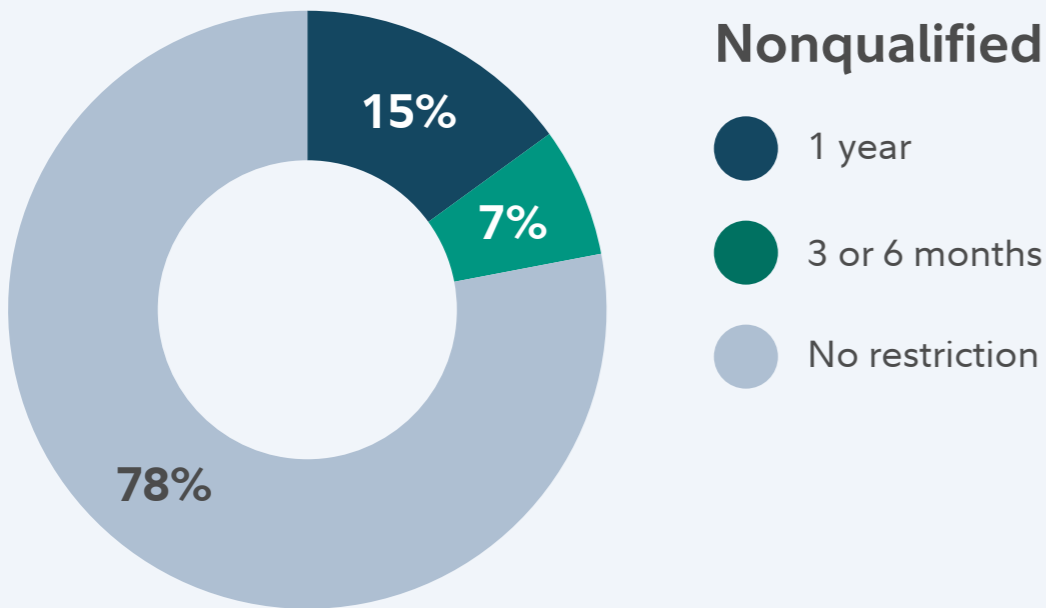
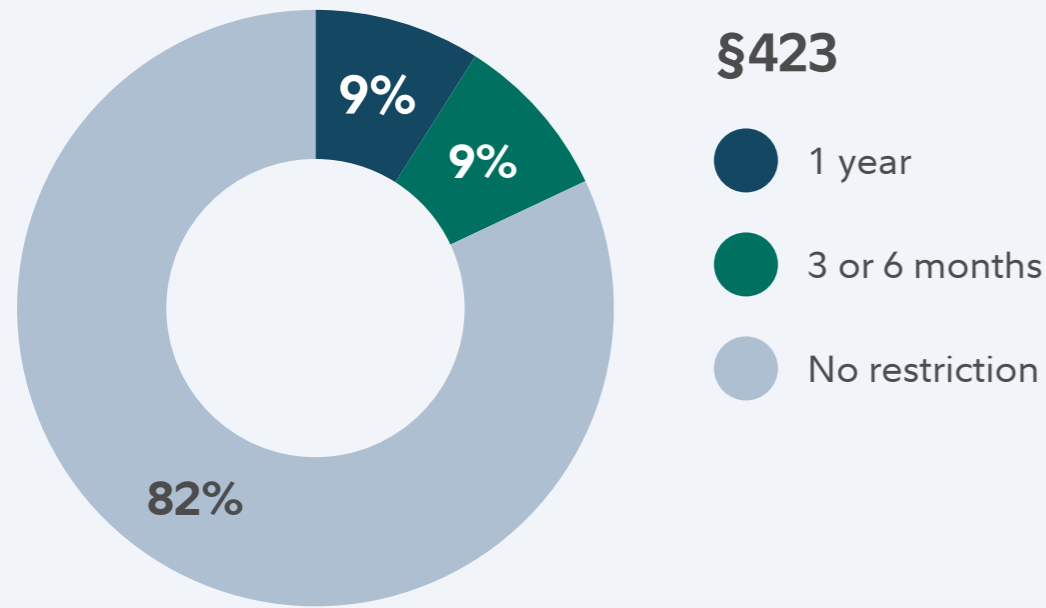
More than half of clients have a two-week enrollment window, making it by far the most common.

Another 24% of clients have a three- or four-week enrollment window.

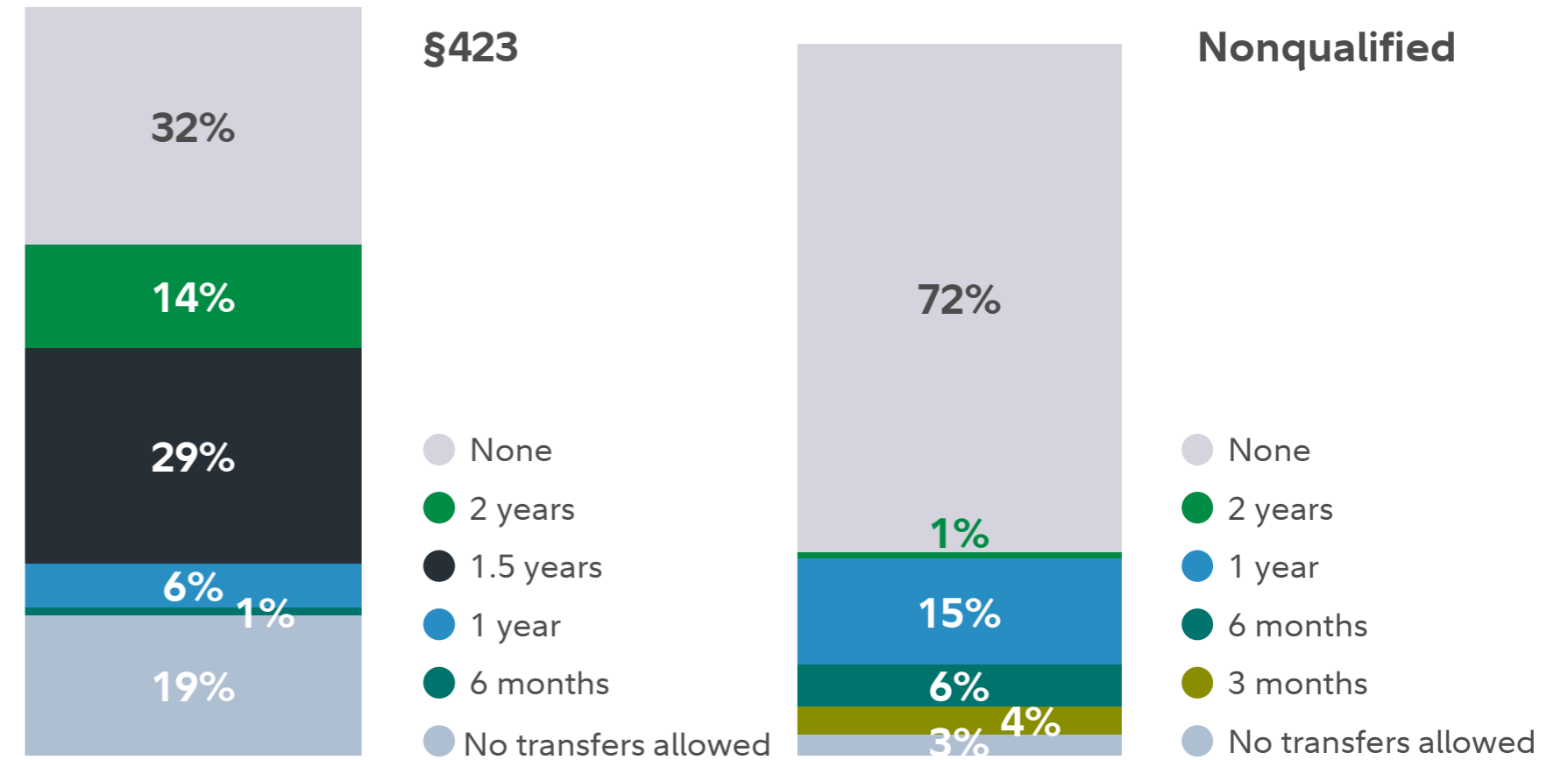
Insight

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.

Restrictions



Transfer restrictions



Insight

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



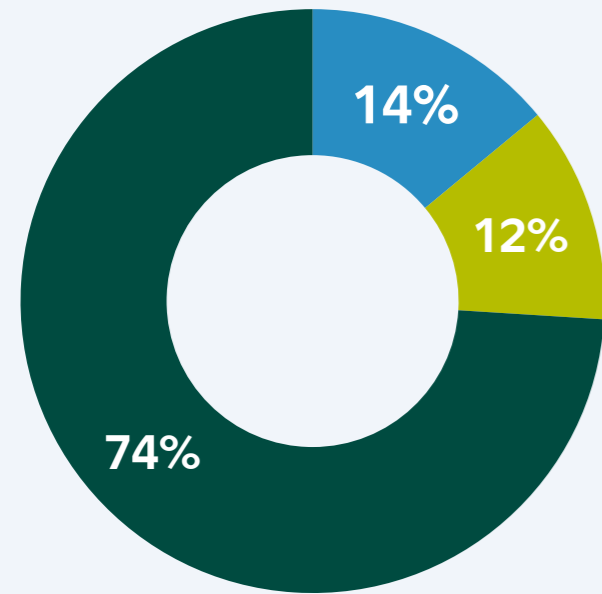
§423 plans

Plan design



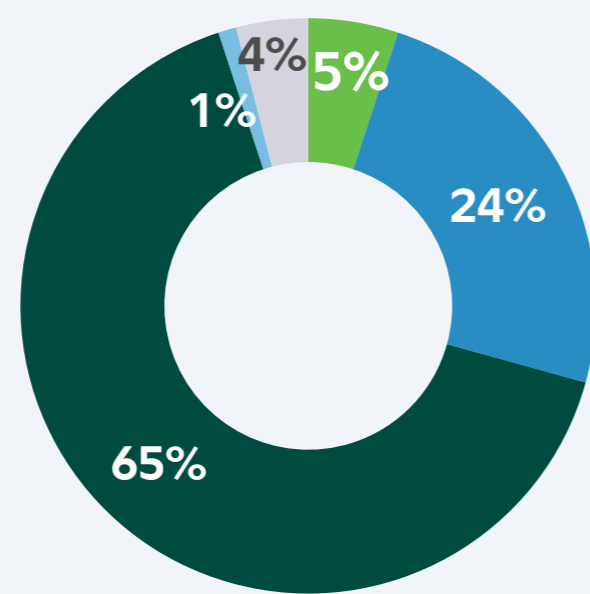
ESPP plan design basics - §423 plans

Discount



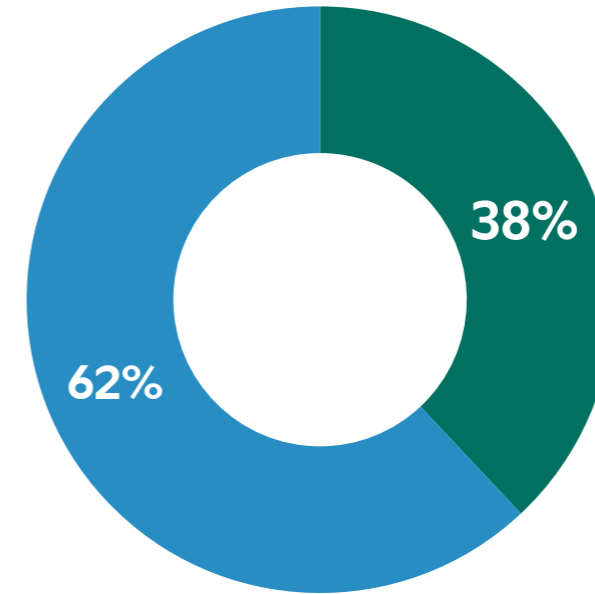
● 5% discount ● 10% discount
● 15% discount

Length of purchase period



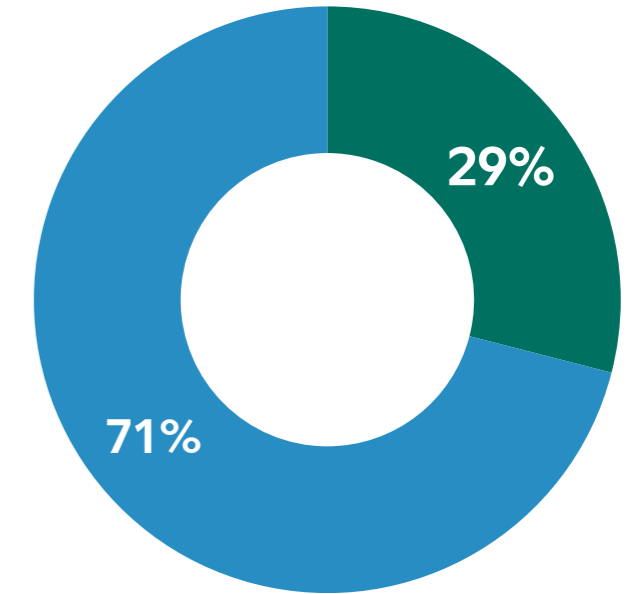
● 1 month ● 3 months ● 6 months
● 1 year ● Other

Price type



● Lookback ● Ending price

Price type (>5% discount)



● Lookback ● Ending price

Insight

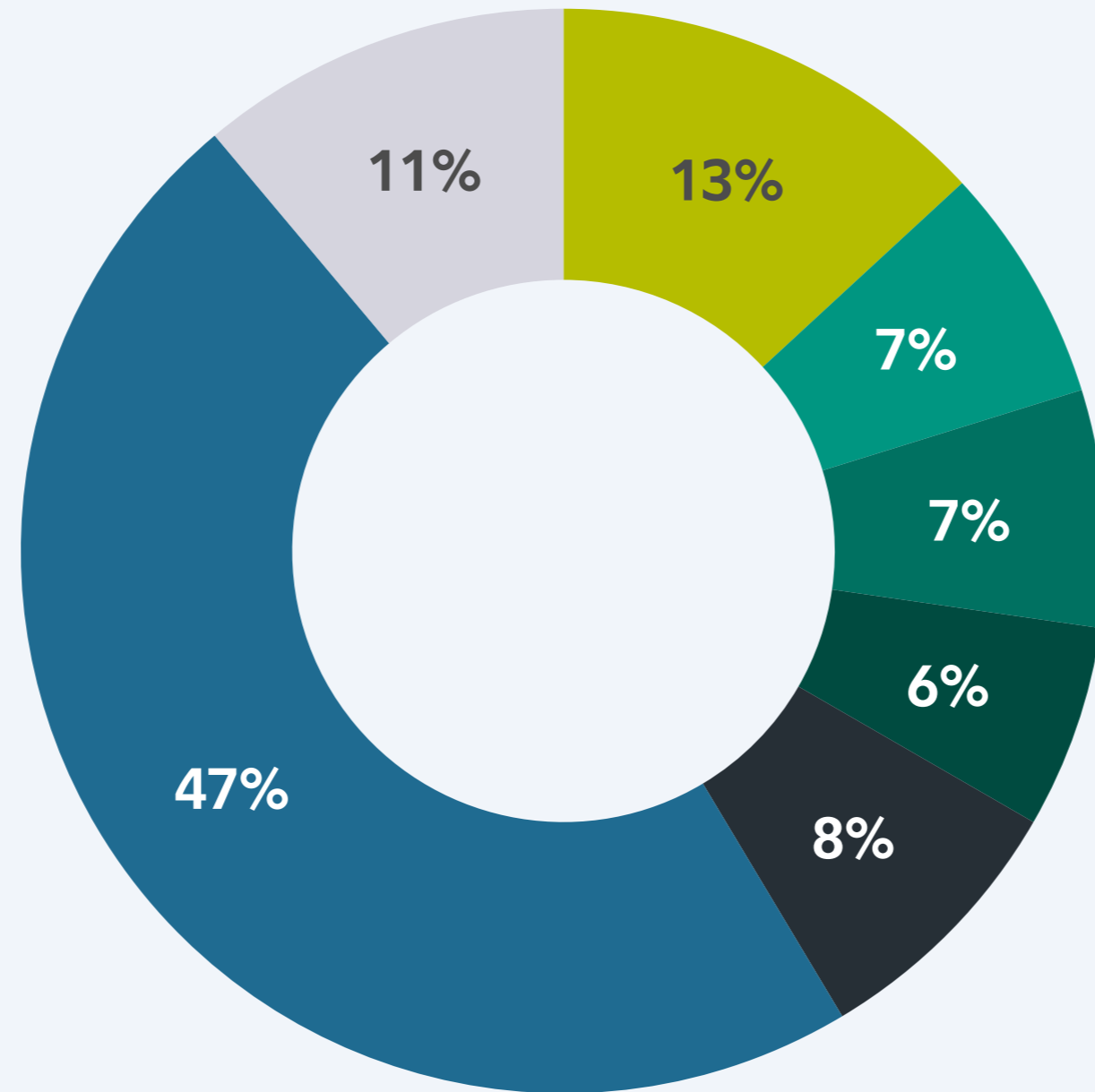
For most plans, the purchase period equals the offering period. However, just over 4% of plans have an offering period longer than the purchase period, which can offer significant value with a lookback. Most often these plans are seen in Technology and Healthcare. These are sometimes referred to as "Cadillac" plans.

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

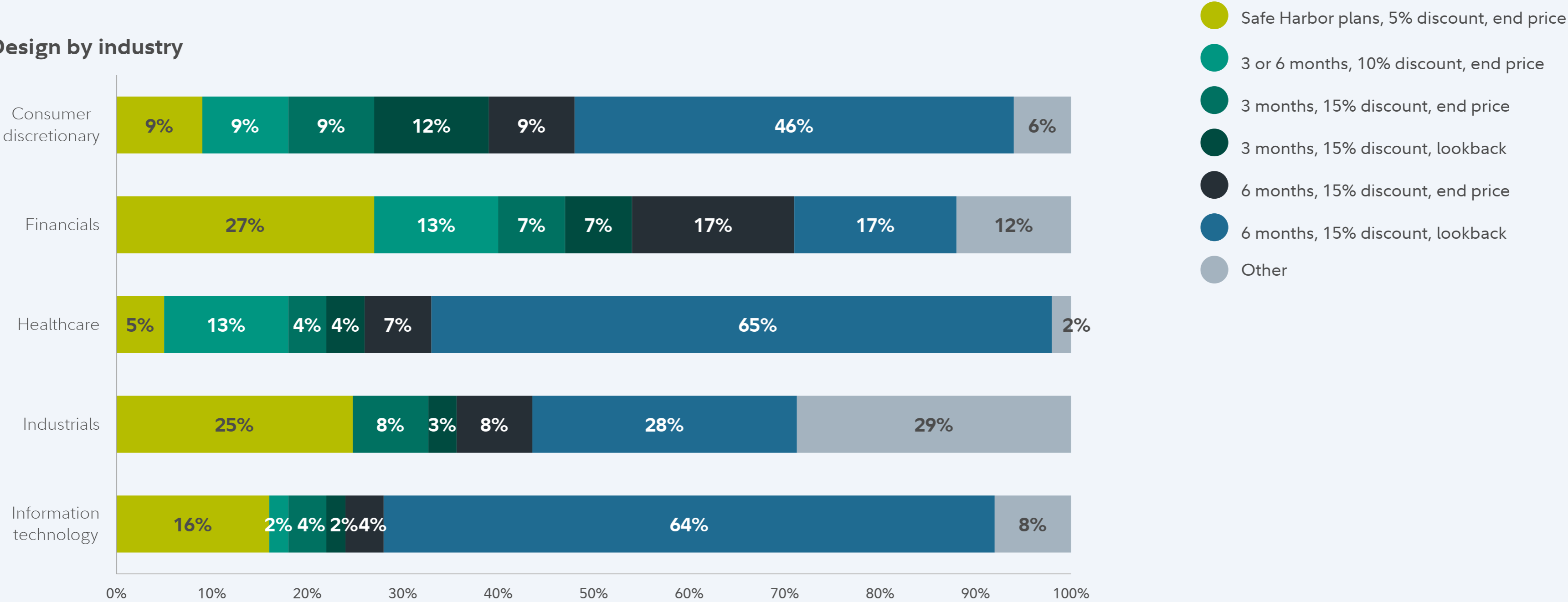
Length and discount



- 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

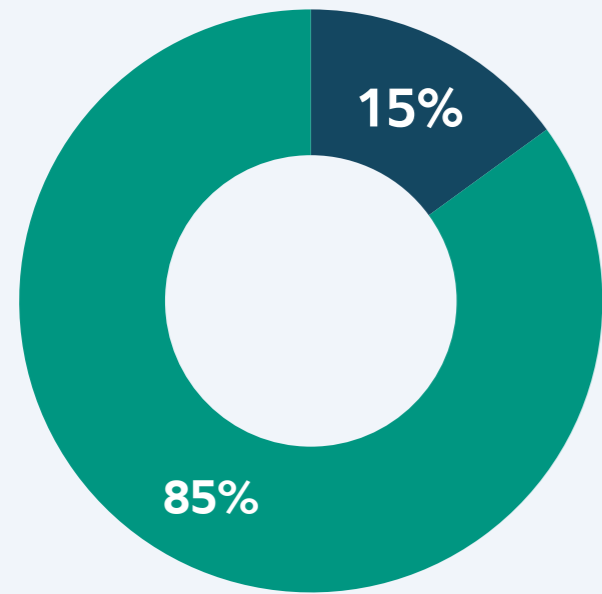
Design by industry



ESPP plan design basics - §423 plans

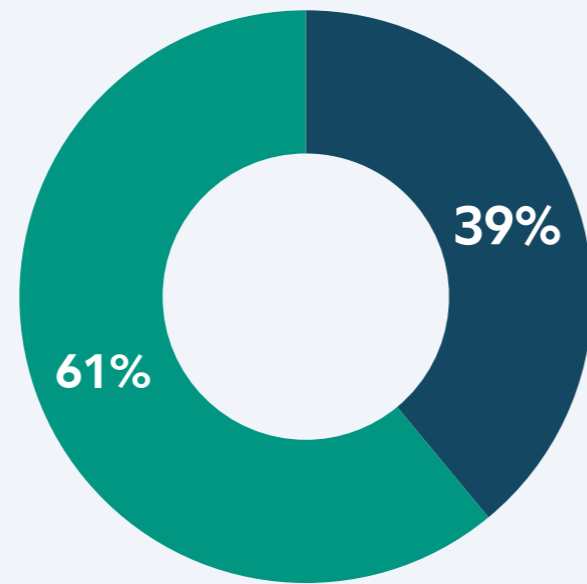
Details

Withdrawals allowed?



● Yes ● No

Fractional shares?

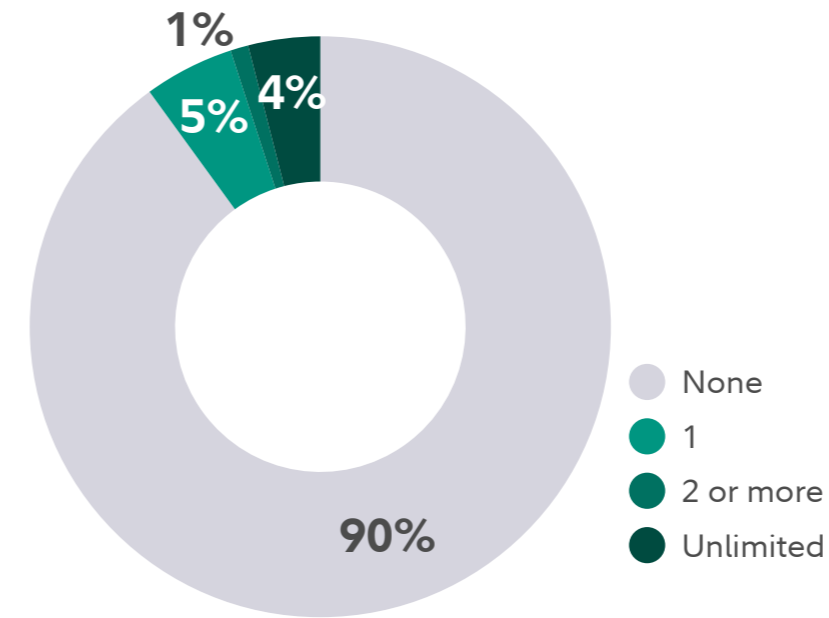


● No fractional shares ● Fractional shares

Insight

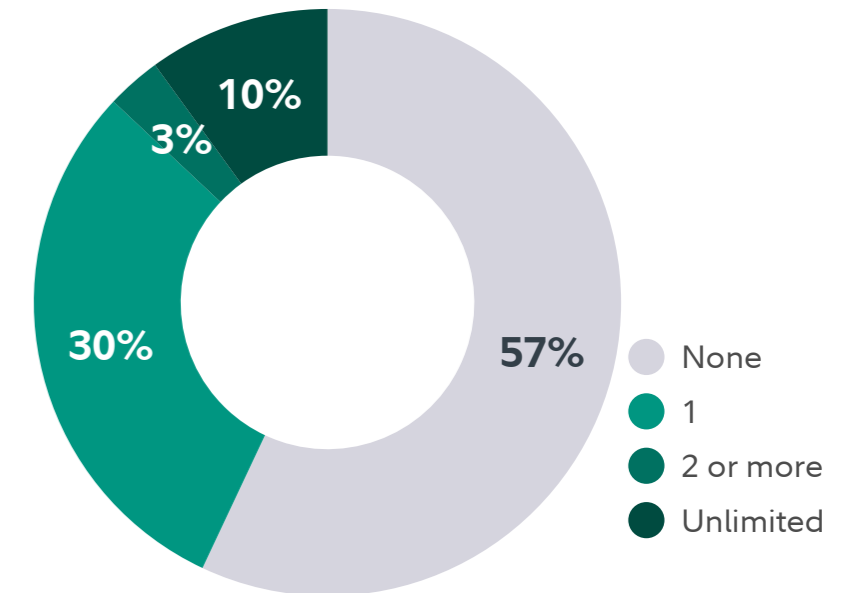
Fractional shares allow for all employee contributions to be used to purchase stock. Fractional share purchases aren't just for high priced stocks; fractional shares offer benefits to plan sponsors and participants.

Number of increases allowed



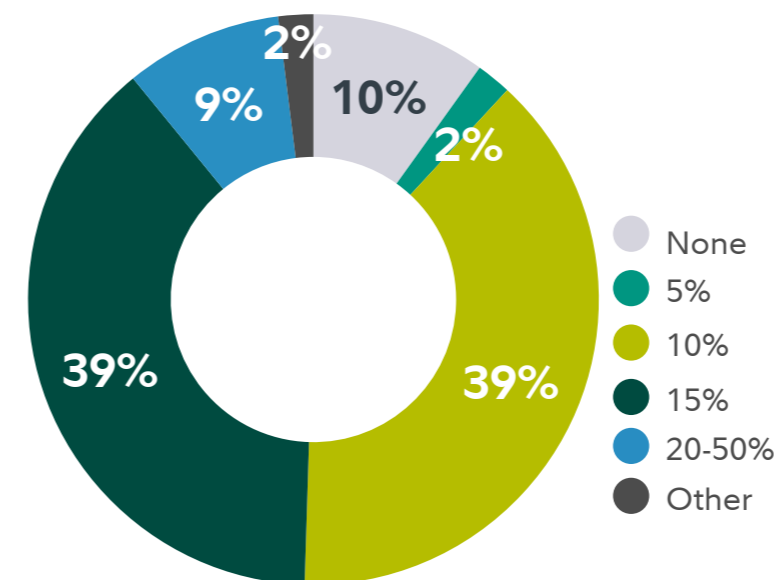
● None
● 1
● 2 or more
● Unlimited

Number of decreases allowed



● None
● 1
● 2 or more
● Unlimited

Maximum contribution %



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



§423 plans

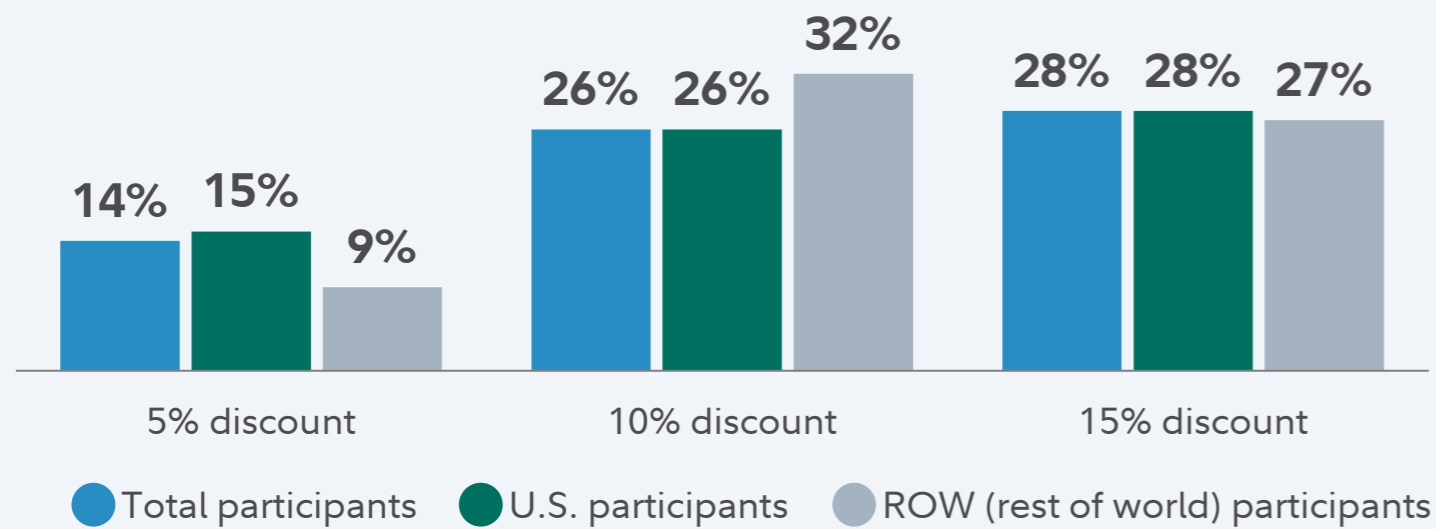
Participation



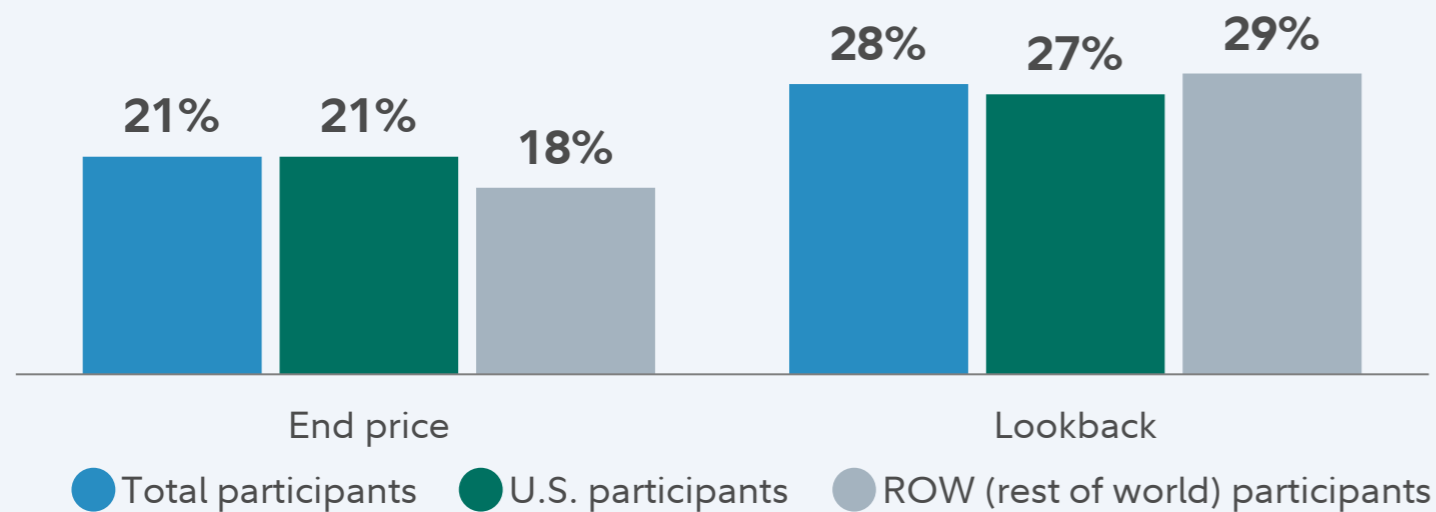
Participation

Plan design

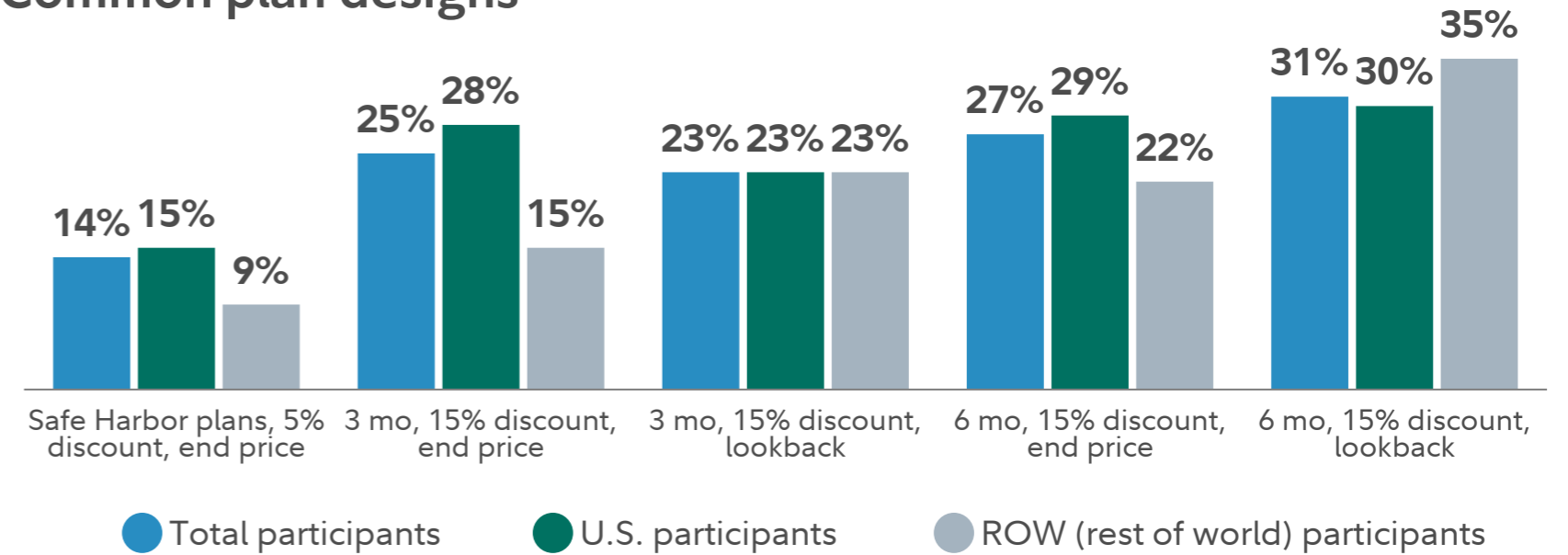
Discount



Price type



Common plan designs



Insight

Compared to 2022, ESPP participation is generally on the rise across most designs plan types.

Insight

"Cadillac" plans offering multiple purchases in a single offering can have significantly higher participation. Average participation in these plans is 62%.

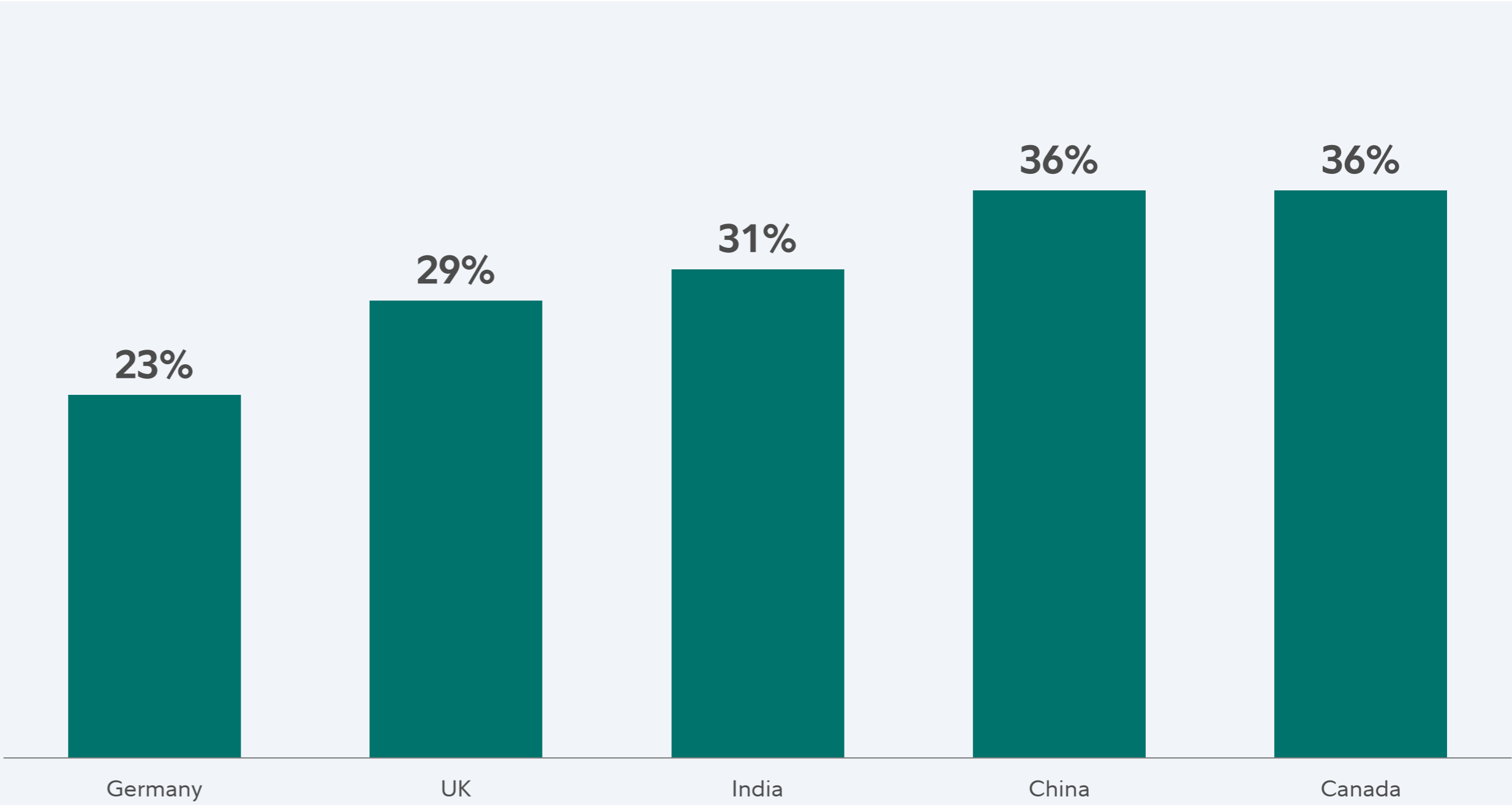
Participation

Age

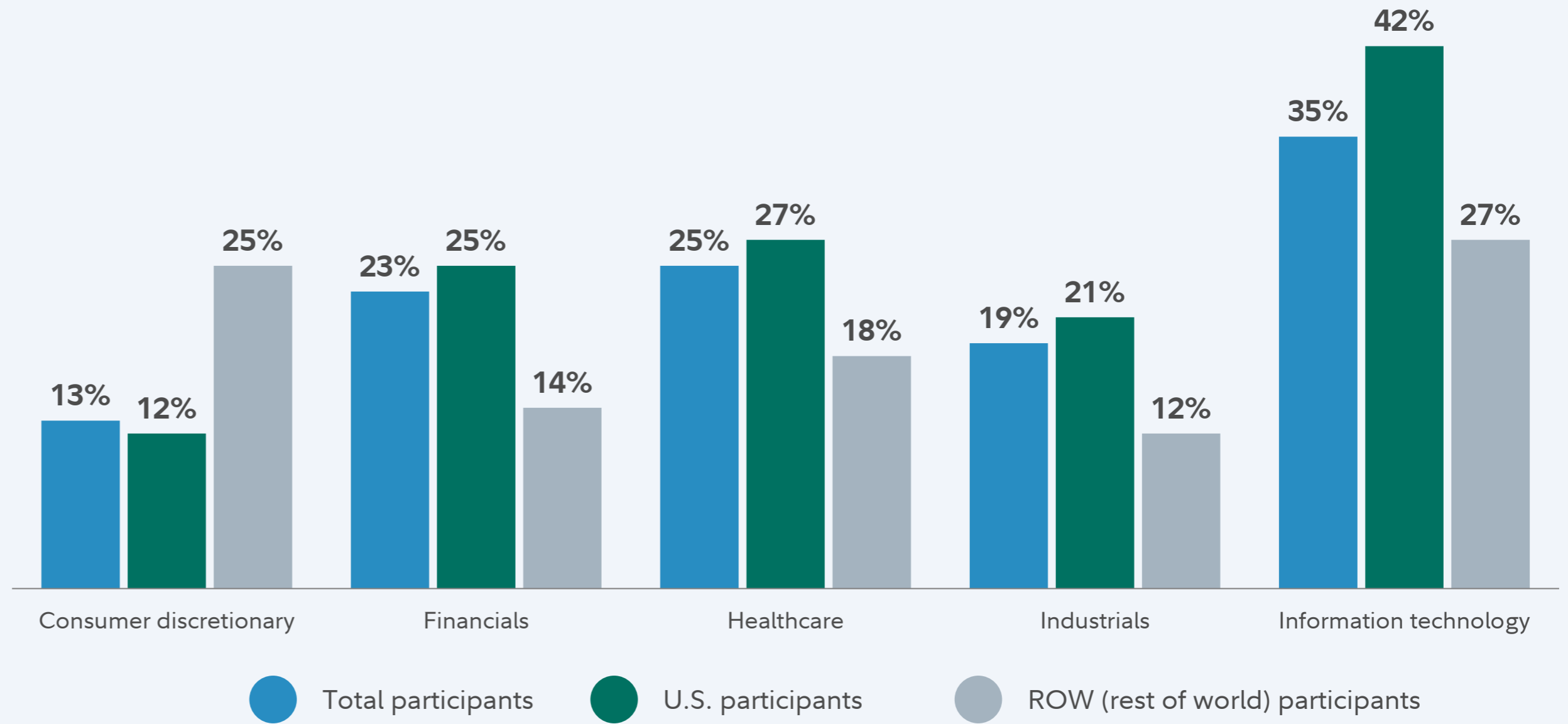


Participation

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



Total participation rate by key industries

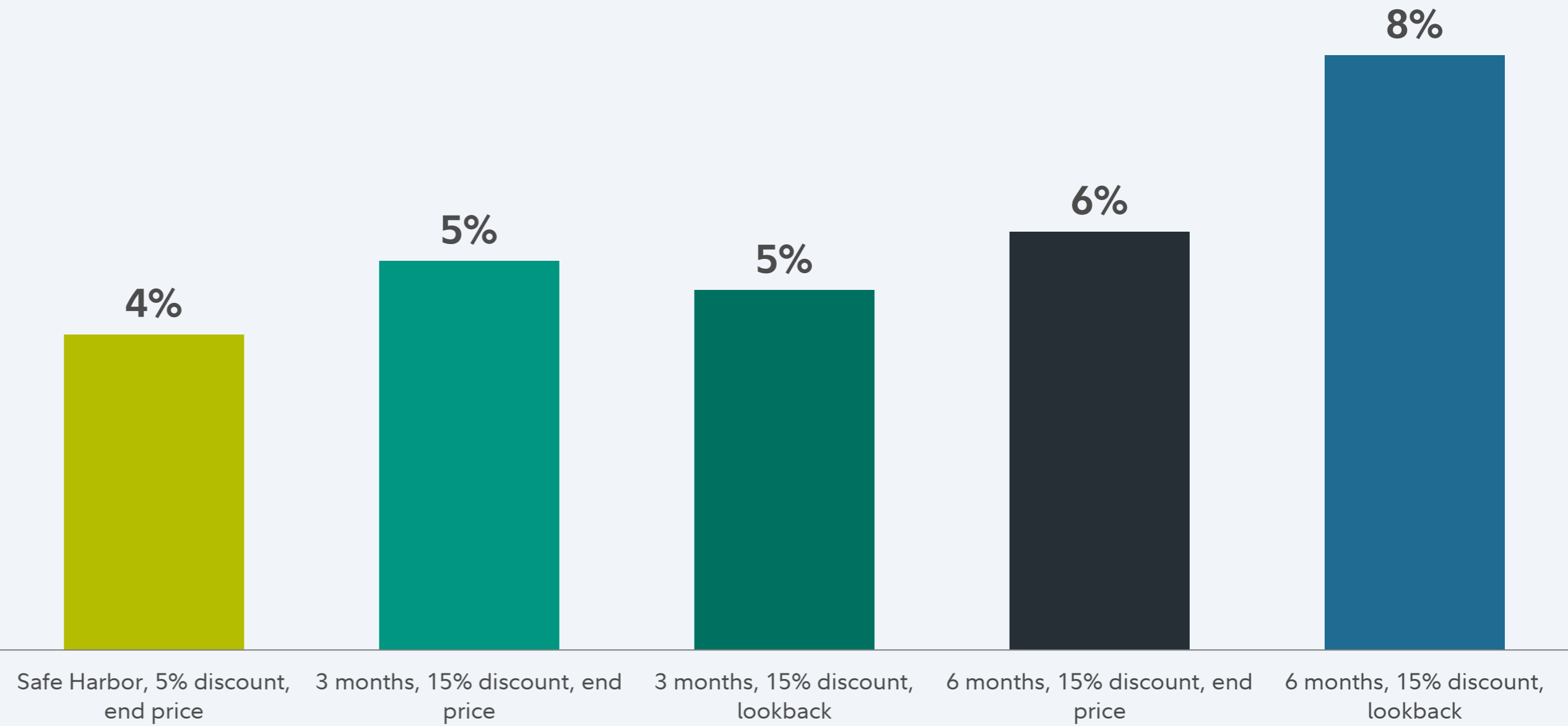


Plan design

Annual contributions



\$423 plans



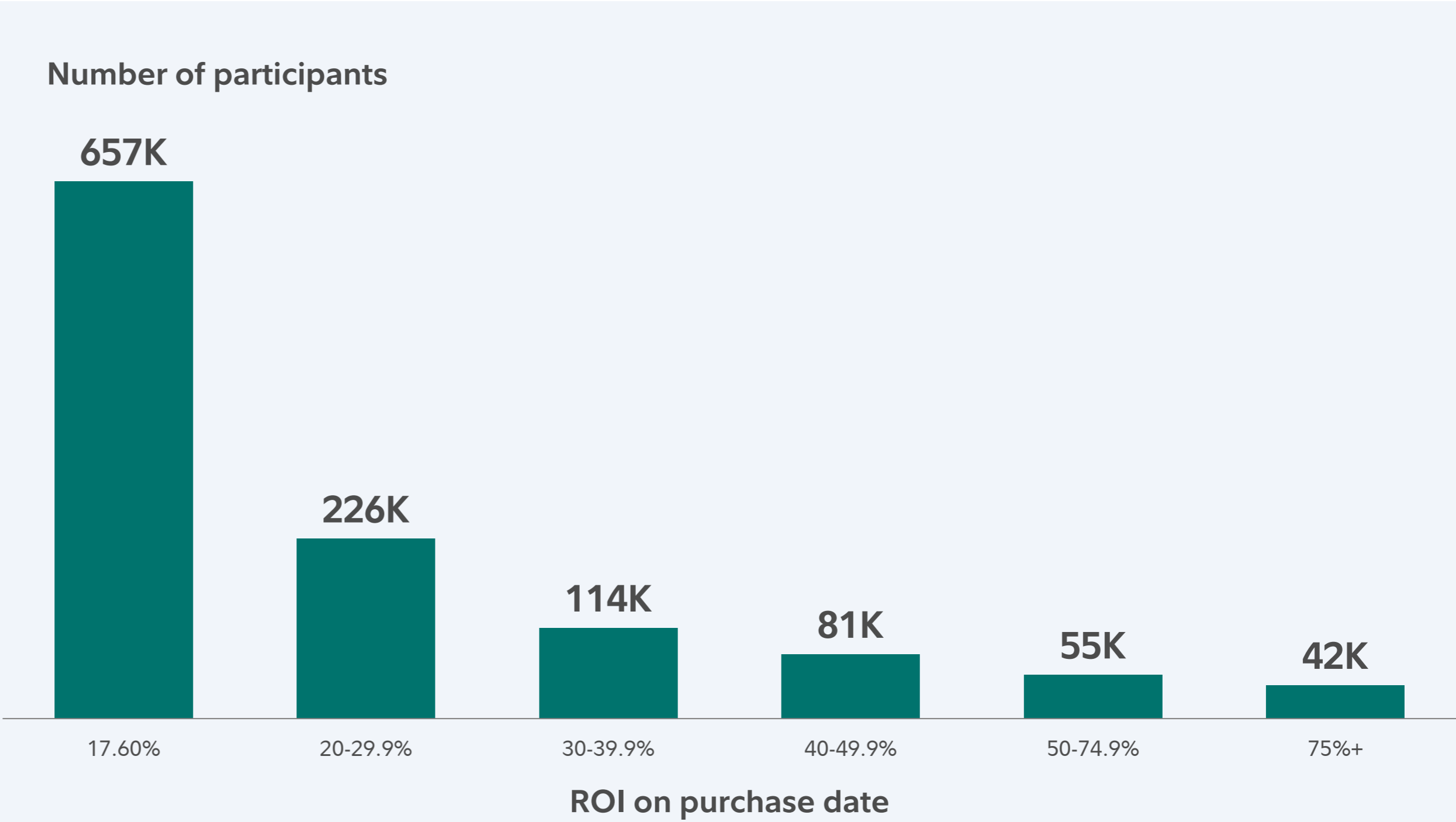


ESPP participant return
on investment



Return on investment (ROI) on purchase date

Participant ROI for plans offering 15% discount with lookback*



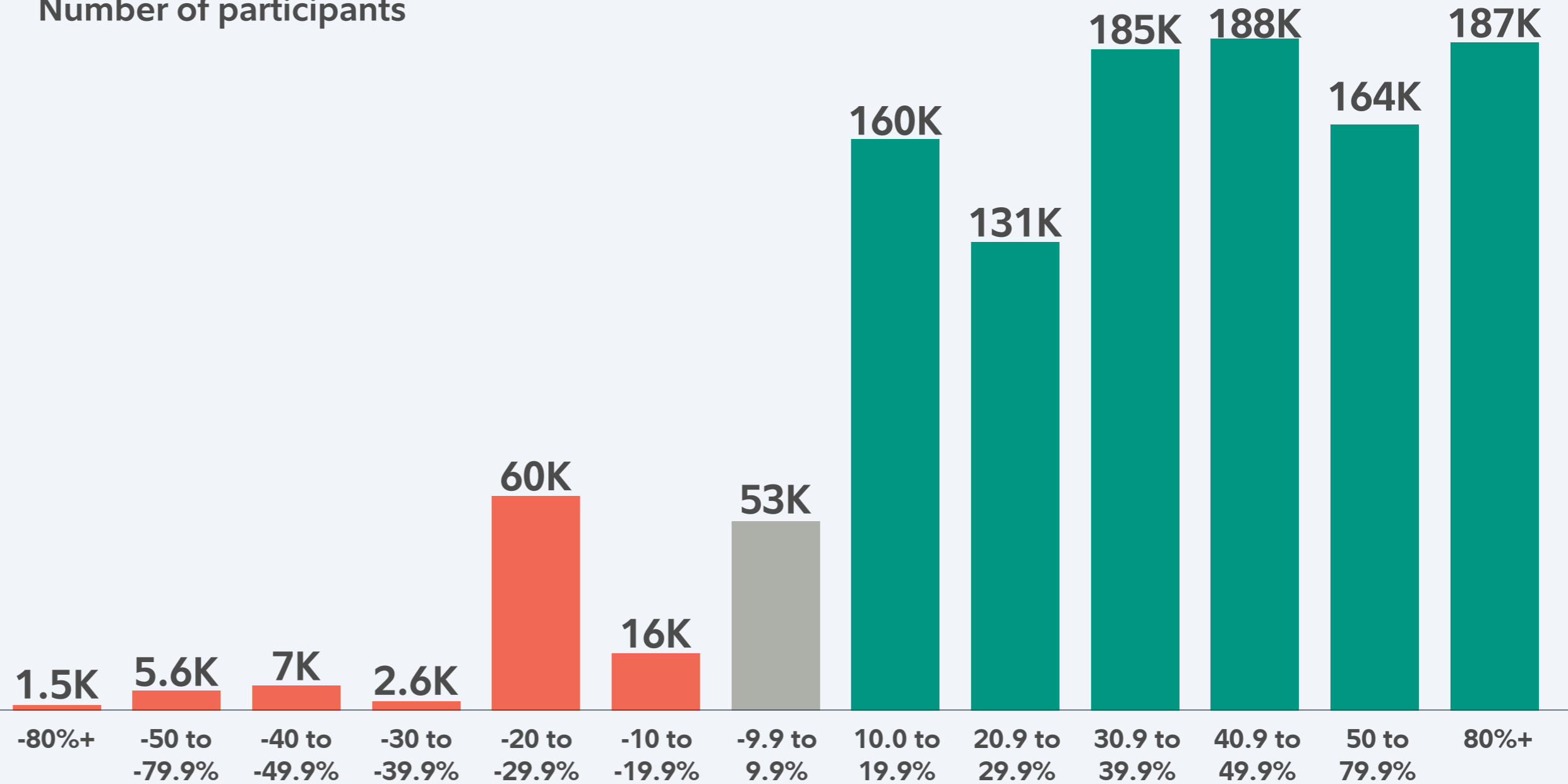
18 / *Includes purchases from 9/1/2021 to 8/30/2023 offering a 15% discount and lookback. ROI was calculated based on value of the stock and the price the participant paid. Data was then grouped into percentages. Past performance is no indication of future performance.

Return on investment (ROI)

Participant ROI on shares held for 2 years for plans offering 15% discount with lookback*



Number of participants



ROI for shares held two years

19 / *Includes purchases from 9/1/2021 to 8/30/2023 offering a 15% discount and lookback. ROI was calculated based on the price the participant paid for the stock and the value two years later. Data was then grouped into percentages. Past performance is no indication of future performance.



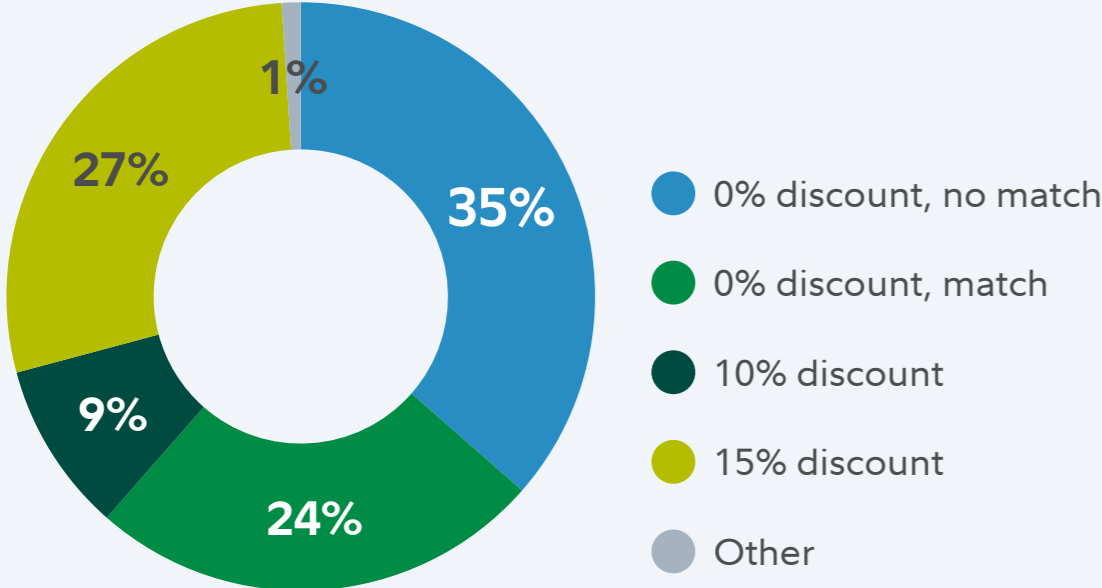
Nonqualified plans

Plan design

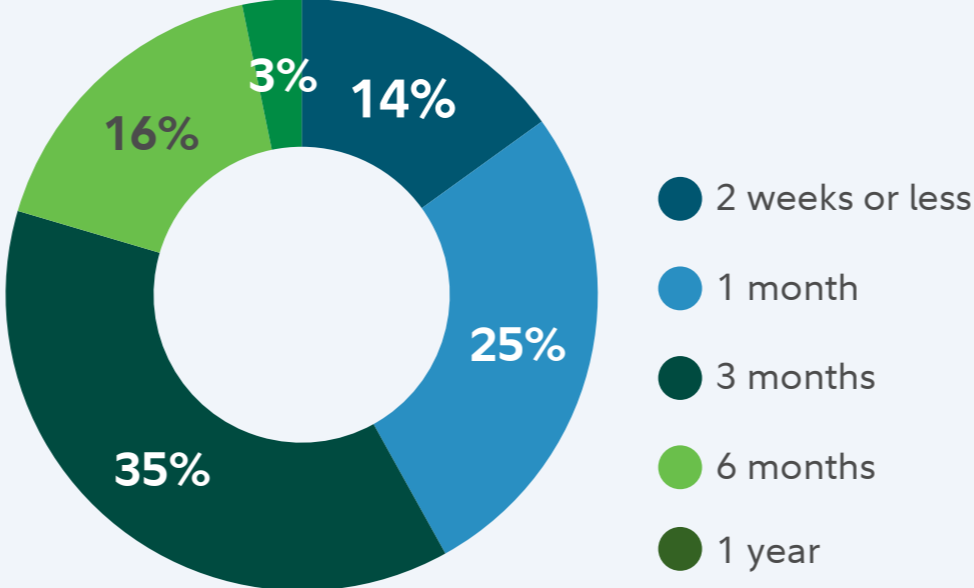


ESPP plan design basics - nonqualified plans

Discount and match



Length of purchase period



Insight

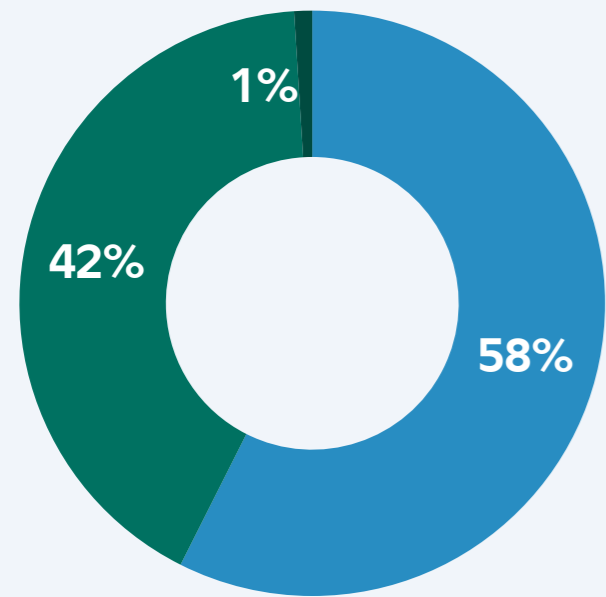
Nonqualified plans with no discount or match are also known as Direct Stock Purchase Plans. These plans generally purchase frequently with open market purchase.



ESPP plan design basics - nonqualified plans

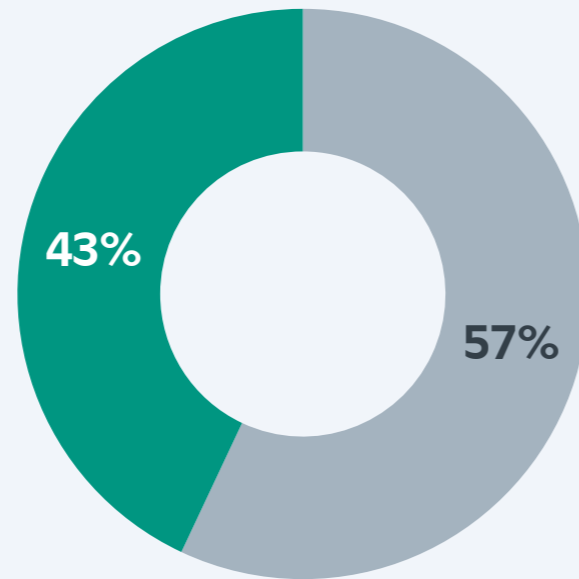
Details

Contribution type



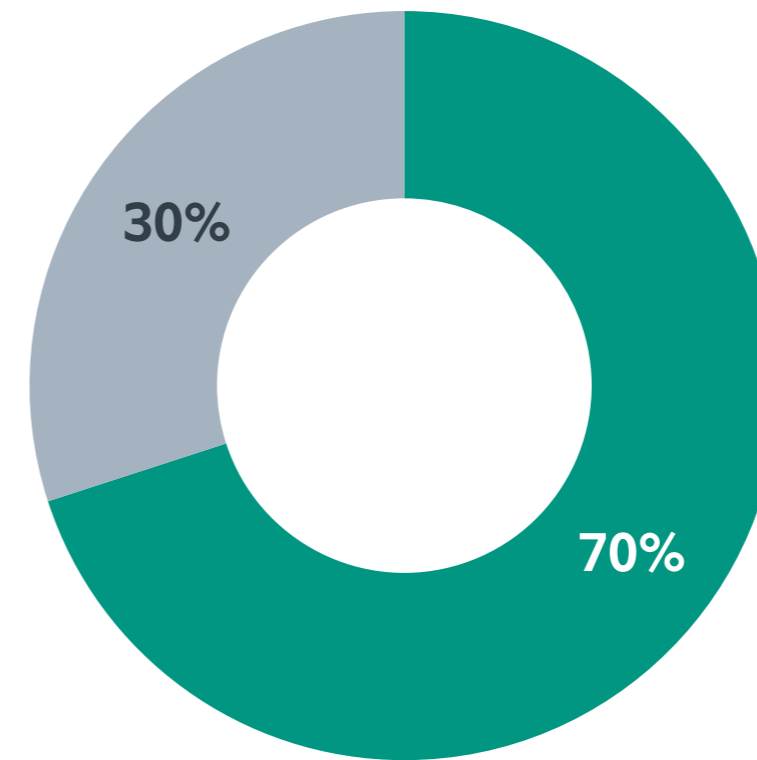
● Percentage ● Dollars ● Both

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

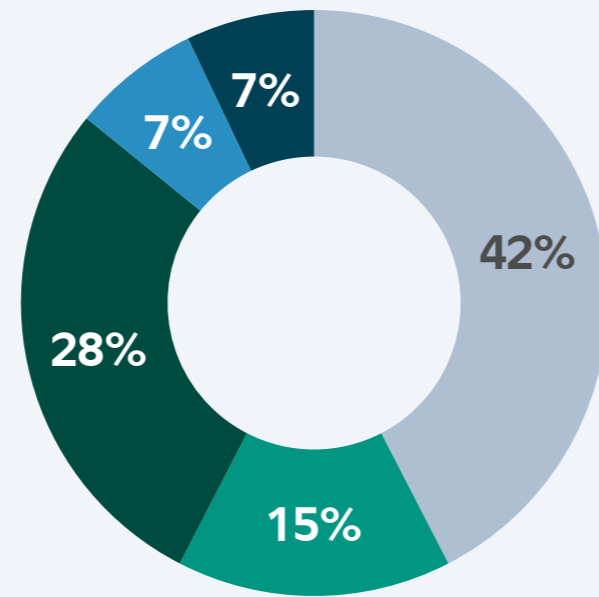
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ESPP plan design basics - nonqualified plans

Details

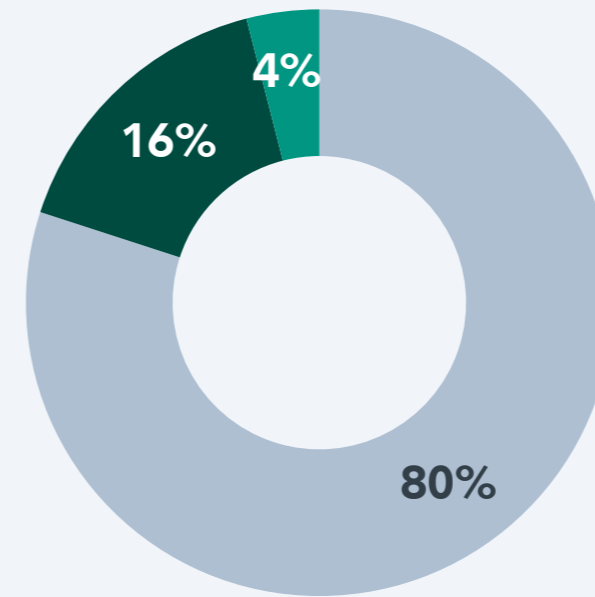


Maximum contribution %



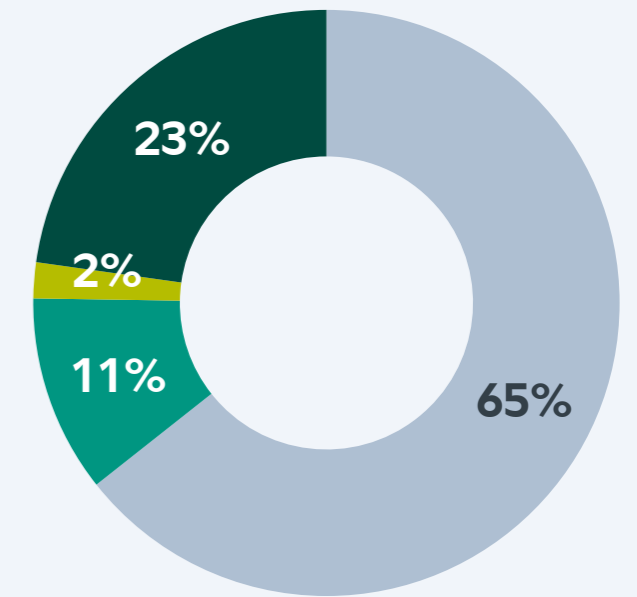
None 10% 15%
20-50% Other

Number of increases allowed



None Unlimited 1

Number of decreases allowed



None 1 2 or more
Unlimited



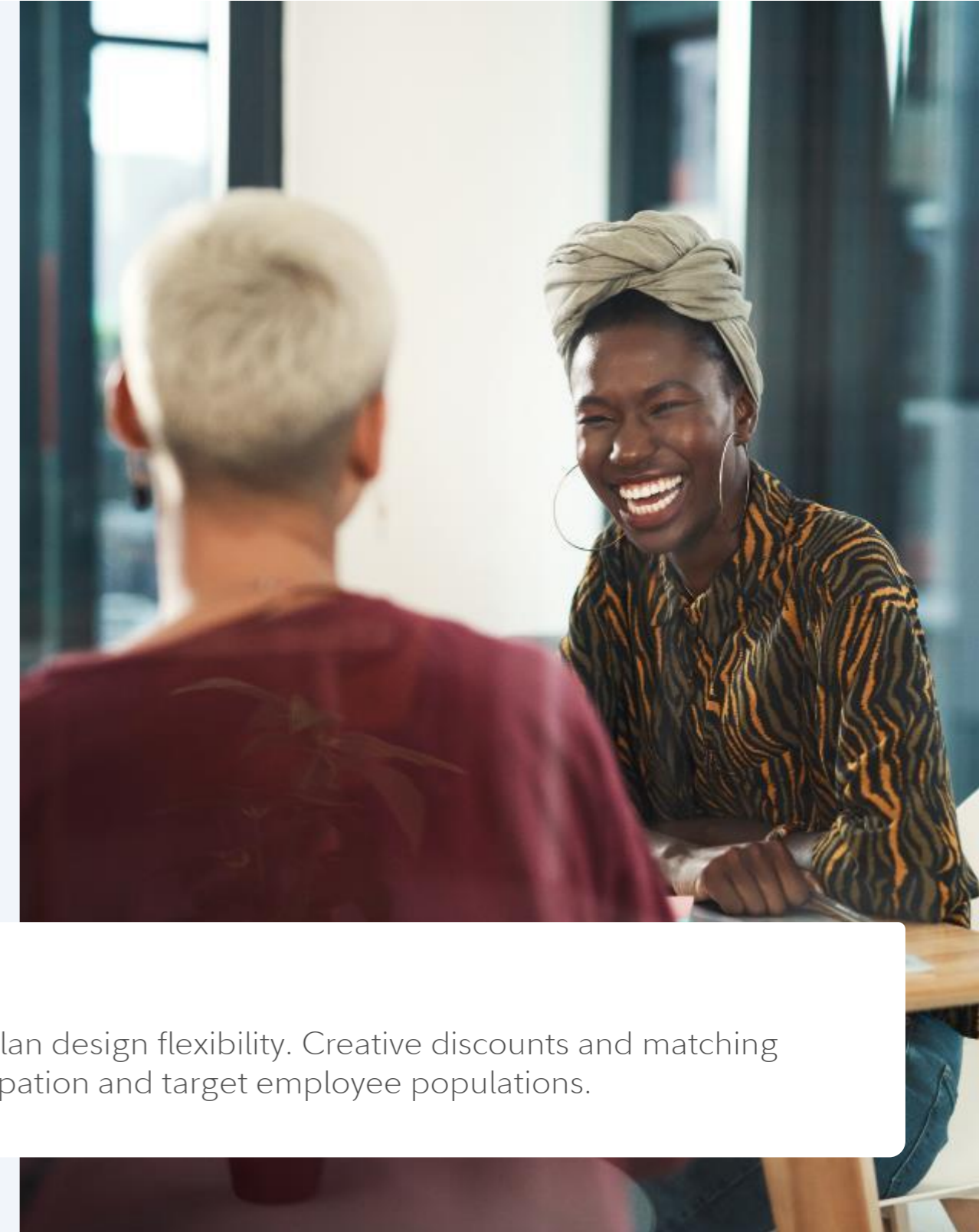
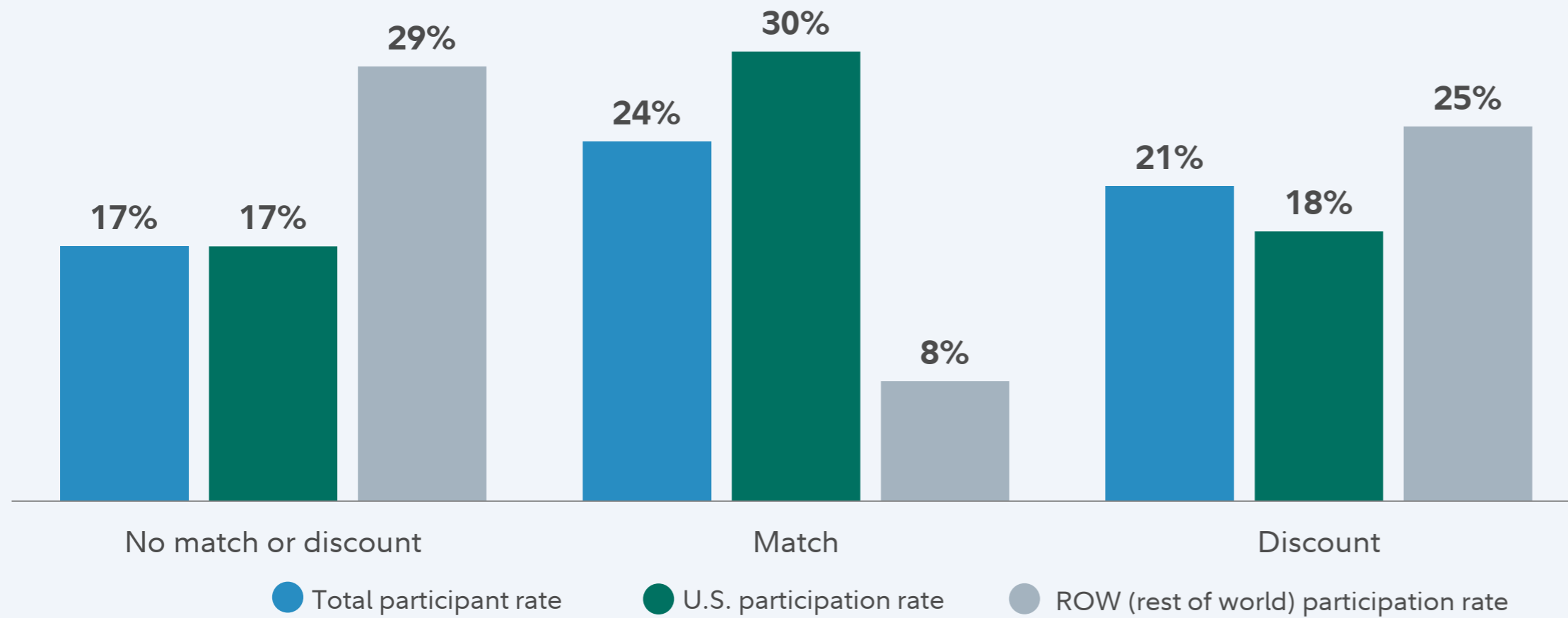
Nonqualified plans

Participation



ESPP plan design basics - nonqualified 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



[ESPP Toolkit](#)

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

[A guide to offering an ESPP](#)

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