GLOSSARY

RSU

RHS
FINANCIAL

Award: The total RSU package you are receiving. The award will specify the grant date, vesting schedule, cliff, vesting requirements, and any other legal and tax considerations. Usually provided in a PDF form that you can get from HR.

Grant Date: The date upon which your RSUs start their vesting schedule. This date is established by the company and is not necessarily the same date as your hire date. You should get clarity as soon as you start on when the grant date will be. If you receive a refresh or a new award, you will receive a new grant date.

Cliff: The date when the first batch of your shares becomes yours. This is usually, but not always, a year after the grant date. The cliff is usually, but not always, 25% of your total award amount.

Vesting Schedule: Schedule for when you will receive your shares and how many. Usually specified by periods, such as every quarter, every month, every year, etc. The number of shares distributed will be specified as a fraction of the entire award. Such as 1/36th, 1/4th, etc.

Vesting Requirements: What requirements you as an employee need to meet to receive shares from your award. Usually, it is time-based. Sometimes it is based on performance.

Double Trigger Event: A variation of vesting requirements common with Pre IPO companies. Commonly requires time requirements as an employee and a liquidity event such as an IPO, a merger/acquisition, or a tender offer.

Tender Offer: Usually a solicitation from an outside investment company to buy a certain amount of shares from employees at a specified price. Usually, voluntary.

Total Released/Delivered: The number of shares that vested on the date of the vesting event and are now yours. This is before any are withheld for tax purposes.

Shares Withheld: The number of shares that your company will automatically hold back and liquidate to pay taxes. Usually not enough to cover the entire tax bill you will owe.

RSU Tax Treatment: RSUs are taxed when they are vested. They are taxed as ordinary income and very similar to your salary. You have Federal taxes at the flat supplemental rate, state taxes, local taxes, Social Security, and Medicare.

Supplemental Tax Withholding: A flat rate for Federal taxes, usually different then what is applied to your regular compensation, that is set based on how much total RSU value has vested for the year. Under $1,000,000 of vested RSUs your rate will be 22%. Everything over $1,000,000 will be taxed at a flat rate of 37%. 22% is usually less than your effective tax rate, so you will likely need to pay additional taxes during tax time.

Effective Tax Rate: The average rate at which your earned income gets taxed. It is a combination of all your taxes calculated at the different marginal tax rates.

Quarterly Estimated Taxes: The IRS requires you to pay most of your taxes during the year. If your company is not withholding enough taxes at every RSU vest you may need to pay quarterly estimated taxes. If you don't there is a penalty for waiting until tax time.

FICA taxes: Federal Insurance Contributions Act taxes. AKA your Social Security and your Medicare Taxes.

Medicare: 1.45%

Social Security: 6.2%

United State Withholding: The actual dollar amount withheld for federal taxes.

State Withholding: The actual dollar amount withheld for state taxes.

SUI/SDI Withholding: State unemployment insurance and state disability insurance tax.

Refresh: A new stock award provided once you have been employed for some time. Usually awarded at the annual performance review.

409a FMV: An independent appraisal of the stock price in a private company. Usually done once a year, during a fundraising round, or as the company is approaching an IPO, merger, or acquisition.

Capital Gains: Taxes that are based on the difference between the purchase prices and the sale price of an investment. For an RSU it will be the difference between when you sell it and the price that it vested at.

Short-Term Capital Gains: If you make a sale within 12 m.o. window your tax rate is equal to your ordinary-income rate.

Long-Term Capital Gains: If you make a sale after a 12 m.o. holding period your tax rate will be set at the special capital gains rate. Always lower than your ordinary income rate.

Lock-Up Period: The period of time when employees of a publicly traded company cannot sell their shares.

Trading window: The period of time when employees of a publicly traded company can sell their shares. Usually, after earnings have been announced. Can last months to just a few days.

Blackout period: Period of time after an IPO when no employee can sell shares in their company. Usually 180 days.

Direct Listing: An alternative to a traditional IPO. Usually does not have a blackout period allowing you to sell shares immediately when the company goes public.

Transfer Agent: The firm that holds shares of your company. Usually, it is Carta or Shareworks. With publicly traded companies common transfer agents become brokers such as Charles Schwab, Morgan Stanley, or E-Trade.