Restricted Stock Unit Basics

For U.S. Employees

A restricted stock unit, or "RSU", is not the same thing as a share. It is a promise from the company to deliver a share of stock to you in the future after all of the applicable vesting requirements have been met.

The Lifecycle of an RSU

1 AWARD

Equity is awarded.

2 VESTING

Period of time RSUs must be held before they are converted to company shares and delivered to you.

Vesting requirements can be based on time, performance, or other criteria.

3 TAXATION

RSUs have two taxable events in their life: at vest/delivery and at sale. See details below.

4 TRACKING & OTHER EVENTS

You can track and/or sell your shares on your equity management platform.

Upon termination of employment, participants typically keep all the shares that have vested up until that date, but will no longer vest in additional shares. Consult your plan documents for details regarding your awards.

How to Manage Your RSUs

1. Log into your Shareworks or StockPlan Connect account
2. View and track your unvested RSUs, including vesting schedules
3. If desired, sell your vested shares on Shareworks or StockPlan Connect during an open trading window
4. Access your sale proceeds and transfer to a Morgan Stanley Access Direct brokerage account or other financial account

RSU Taxation

	AWARD	VESTING/DELIVERY	SALE
Description	Equity is awarded.	Your RSUs are taxed as part of your ordinary compensation in the same year the RSUs vest and the common shares are delivered to you, and are subject to withholding at vest/delivery.	When you sell your stock, any increase between the FMV at vest/ delivery and the FMV at sale is considered a “capital gain” and is subject to taxation.
Taxes due	None	Ordinary income tax is due on the FMV of the shares delivered to you. *Note: The company may withhold a portion of your shares to cover applicable taxes (i.e. ordinary income, Medicare, Social Security).*	The capital gain or loss is considered “short-term” if you've held the shares for one year or less and will be taxed at your federal ordinary income tax rate. Otherwise it is considered “long-term” if you have held the stock for more than one year from vest/ delivery. Long-term federal capital gains tax rates are typically lower than federal ordinary income tax rates.
Example	You receive an award of 100 RSUs that will vest over four years.	After a year, 25 RSUs vest and are settled in stock. On the vest/ delivery date, the FMV is \$50/ share, so you owe ordinary income tax on \$1,250 in recognized additional income (25 shares x \$50/share). Your company may withhold a portion of your shares to cover this or require that you pay the amount directly in cash.	After five years, you decide to sell 20 of your vested and delivered shares. The FMV has increased to \$60/share, so you will have a gain of \$200 on this sale (\$10/share gain in value x 20 shares). You will pay long-term capital gains tax on the \$200 difference between the FMV at sale and the FMV at vest/delivery (20 x \$60 = \$1,200) minus (20 x \$50/share = \$1,000).
How to calculate the number of RSUs you will receive	$\frac{\text{Award Amount}}{\text{Award Share Price}}$ = Number of RSUs You Will Receive		For example: if you are granted an award of \$5,000 in value and the share price at the time is estimated at \$100/share, you will receive 50 RSUs.

Plan to talk to a tax advisor to create a strategy for your awards.