Equity: How Stock Options Impact Your Career

Congratulations you've just landed a great job and been given equity in the company you feel so passionate about. Or you've been at a great job all along and were employee #5, so you know the lingo, you've negotiated the the amount you want and now you're hoping this equity will pay off. So what's the payoff?

If you're at a "unicorn" company or are just that "unicorn/unique" person hired it could be HUGE. Here are some quick anecdotes to illustrate the point:

After only 15 months, Instagram was acquired by Facebook for $1 billion dollars. At that time they only had 13 employees who got to share $100M between them.

David Choe, an L.A. graffiti artist, painted murals on the walls of Facebook headquarters in 2005 and 2007. Choe was given the option to either be paid for the work, approximately $60,000 at the time, or take company stock. His stock today is valued around roughly $200 million dollars.

You've likely heard how Google made their janitor and masseuse millionaires because of stock options. Although no one keeps an official count of Google millionaires, it is estimated that 1,000 people each have more than $5 million worth of Google shares from stock grants and stock options.

Let's work through a quick hypothetical example, so you can determine if you'll become a unicorn story.

Company ABC hires you as an Enterprise Account Executive and grants you 35,000 options that have a current strike price of $0.35 with a 4-year vesting and a 1 year cliff. *Want to brush up on your equity lingo?* ***Refer to our previous guide.***

You've worked at ABC for 3 years and they announce that they are going to be acquired. Over the last 3 years you have amassed 26,249 **vested** options. This means that at the time of acquisition you can exercise this amount of options.

> When you started at ABC your 35,000 options were worth $12,250. However ABC is being sold for $6 per share (hooray!). So suddenly your vested options of 26,249 are now worth $157,494!

After you pay $0.35 for your 26,249 exercised shares you would make a $148,307 in profit (before taxes - which requires a whole different guide to discuss).

Employee Stock Options are an important part of compensation in a startup. Being over-optimistic is wise, but don't be pessimistic. When you get meaningful stock options, you can make a decent amount of money if the startup does well.

The key is to think of options, especially in a startup, as the super-risky part of your compensation. Don't forget to evaluate the job opportunity on the quality of work, growth potential, and the team you'll be joining.

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