



Thrivent

Rich Gove, MBA, CLTC®, CEPA®
701 Xenia Avenue South
Suite 550
Golden Valley, MN 55416
612-581-9475
rich.gove@thrivent.com
<https://connect.thrivent.com/rich-gove>

Stock Appreciation Rights Plans

Stock Appreciation Rights Plans

What is it?

In general

If you would like to provide your employee with a benefit that is tied in with your company's success without having to relinquish stock ownership, you can offer your employees stock appreciation rights (SARs). SARs provide your employees with compensation (usually a cash bonus) that equals the difference between the value of the stock when the SARs are granted and the value of the stock when the SARs are exercised.

Example(s): BCD Corporation grants stock appreciation rights (SARs) to 100 shares of its stock to Sarah Smith. The price of the stock at the time of the grant is \$25 per share. When Sarah exercised her rights to the 100 shares, the value of the stock had risen to \$40 per share. The amount that Sarah will receive as a cash bonus is \$1,500 (100 times \$15).

Tip: Employers often offer stock appreciation rights that provide the employee with cash benefits along with nonqualified stock options, also known as a tandem option, in order to decrease the employee's out-of-pocket cost of purchasing the stock.

Tip: SARs are similar to phantom stock.

Federal income tax treatment of SARs

An employee doesn't have to report the SARs as income until he or she chooses to exercise the appreciation rights and receives economic benefits from the SARs. In addition, you can claim a deduction as soon as your employee receives the economic benefits from the SARs (usually when your employee exercises the SARs).

Why should you offer your employees SARs?

SARs can allow you to reward your employees for their hard work and dedication without having to relinquish stock ownership. Furthermore, since you don't actually issue the stock to your employees, SARs don't have to follow securities law requirements.

Tip: Since there's no actual stock ownership, SARs don't provide your employees with voting or dividend rights.

Caution: SARs are subject to the complex requirements of IRC Section 409A.

The material presented includes information and opinions provided by a party not related to Thrivent. It has been obtained from sources deemed reliable; but no independent verification has been made, nor is its accuracy or completeness guaranteed. The opinions expressed may not necessarily represent those of Thrivent or its affiliates. They are provided solely for information purposes and are not to be construed as solicitations or offers to buy or sell any products, securities or services. Thrivent and its affiliates accept no liability for loss or damage of any kind arising from the use of this information. Concepts presented are intended for educational purposes. This information should not be considered investment advice or a recommendation of any particular security, strategy, or product. The concepts in this presentation are intended for educational purposes only. They may not be suitable for your client's particular situation. The suitability of any specific product or strategy will be dependent upon your clients' particular situation.

Hypothetical example is for illustrative purposes. May not be representative of actual results. Past performance is not necessarily indicative of future results.

Thrivent and its financial advisors and professionals do not provide legal, accounting or tax advice. Consult your attorney or tax professional.

Thrivent financial advisors and professionals have general knowledge of the Social Security tenets. For complete details on your situation, contact the Social Security Administration.

Thrivent is the marketing name for Thrivent Financial for Lutherans. Insurance products issued by Thrivent. Not available in all states. Securities and investment advisory services offered through Thrivent Investment Management Inc., a registered investment adviser, member FINRA and SIPC, and a subsidiary of Thrivent. Licensed agent/producer of Thrivent. Registered representative of Thrivent Investment Management, Inc. [Thrivent.com/disclosures](https://thrivent.com/disclosures).

Insurance products, securities and investment advisory services are provided by appropriately appointed and licensed financial advisors and professionals. Only individuals who are financial advisors are credentialed to provide investment advisory services. Visit [Thrivent.com](https://thrivent.com) or FINRA's Broker Check for more information about our financial advisors.

A licensed insurance agent/producer may contact you and financial solutions, including insurance may be solicited.

Certified Financial Planner Board of Standards Inc. (CPF Board) owns the CFP® certification mark (with plaque design) logo in the United States, which it authorized use of by individuals who successfully complete CFP Board's initial and ongoing certification requirements. 3172761.4



Thrivent
Rich Gove, MBA, CLTC®,
CEPA®
701 Xenia Avenue South
Suite 550
Golden Valley, MN 55416
612-581-9475
rich.gove@thrivent.com
<https://connect.thrivent.com/rich-gove>