

Stock Plan Services

Employee stock purchase plan (ESPP) considerations during a volatile market

Watching the ups and downs of the markets can feel a bit unsettling—and leave you with questions about participating in your company’s employee stock purchase plan (ESPP). As you make important financial decisions during this unprecedented time, here are some considerations to keep in mind.

You may be able to withdraw your contributions for cash

If you’re facing financial hardship, this option may provide short-term access to cash and a potential source of relief. Under most ESPPs, employees can withdraw from the plan at any time before the purchase date (when their contributions are used to purchase shares). Your company will generally return your accumulated contributions back to you through payroll. If your plan doesn’t allow withdrawal of your contributions, you may be able to drop your contributions to zero, which would help to increase your take-home pay. Be sure to check your own plan’s rules to find out what’s available to you.

Keep in mind that procedures and deadlines for withdrawing will vary. You may need to provide written notice to your company and there may be a waiting period before you can reenroll in the future. If your plan allows it, and you decide to withdraw your contributions, log in to your account on [NetBenefits®](#) and choose “Withdraw Contributions” from the drop-down menu near your ESPP name to begin the process.

You can sell your shares for cash

Any shares that are purchased through your ESPP are deposited into your Fidelity Account®. You can then:

- Hold onto your shares of stock
- Sell your shares to buy other investments
- Sell your shares for cash

Depending (in part) on your immediate need for cash, you could sell some—or all—of your shares. Some plans require shares to be held for a specified period of time before they can be sold; check your plan’s rules to see if this applies to you.

If you are selling shares from a qualified ESPP, review your available lots for their qualified (or disqualified) status before selling. A qualified disposition may have more favorable tax treatment. Fidelity defaults to the oldest shares first if you don’t specify a particular lot.

It takes just a few minutes to [initiate a trade to sell your stock](#). Remember that selling shares from an ESPP is a taxable event; however, taxes will not apply until you file your income tax return for 2020.



Even in a volatile market, an ESPP potentially can be a good deal

Most ESPPs offer a discount from the current price of company stock—so even during a market decline, the price you pay is typically less than the fair market value on the date of purchase. It's like buying your shares on sale. Employees with a long-term view often see a down market as a good time to buy because of the potential growth when the market recovers. Generally, employees can purchase more shares with the same contribution amount when the price is lower—but be sure to check your plan's rules for any applicable share limits.

The price you'll pay for your shares depends on how your plan calculates the purchase price. Some plans calculate the purchase price by discounting the stock price on the purchase date. Other plans have the added benefit of a "lookback" feature, where the discount is applied to the lower of the price at the start of the offering period or on the purchase date. Your plan may also offer a reset or automatic rollover feature, which makes an ESPP an even better deal. Check your plan's rules to see how this works for you.

Partial refunds of excess contributions

Keep in mind the [IRS limits ESPP purchases in Section 423 plans to \\$25,000](#) in value per calendar year based off the undiscounted price at the start of the offering. If your company stock price has dropped, depending on how much you have contributed to your ESPP, it is more likely that you will hit this limit. You may then receive a refund of your accumulated contributions in excess of this amount.

For questions about your ESPP, or for help with any of the considerations mentioned here, call Fidelity Stock Plan Services at **800.544.9354**. Or learn more about [ESPPs and how they work](#).



Keep in mind that investing involves risk.

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