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A guide for selecting work benefits

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This report can help employees choose work benefits—such as health, life, and disability insurance; retirement savings plans; and equity compensation—through the lens of a broader financial plan.

Key points

- Work benefits extend beyond a salary. For example, employers may offer insurance, retirement savings plans, and/or equity awards.
- Work benefits can contribute to long-term financial goals and help protect employees and their families against certain risks. Rather than simply opting for the lowest-cost benefits, employees may consider which benefits best align with their family's current situation and long-term goals.
- This educational report aims to provide an overview of some different work benefits and the choices/tradeoffs involved with each option. After reviewing this report—including the four-point checklist at the end—families should discuss benefit options together, as well as with a financial advisor and tax consultant. Families should review and update benefits choices annually or when there is a life change.

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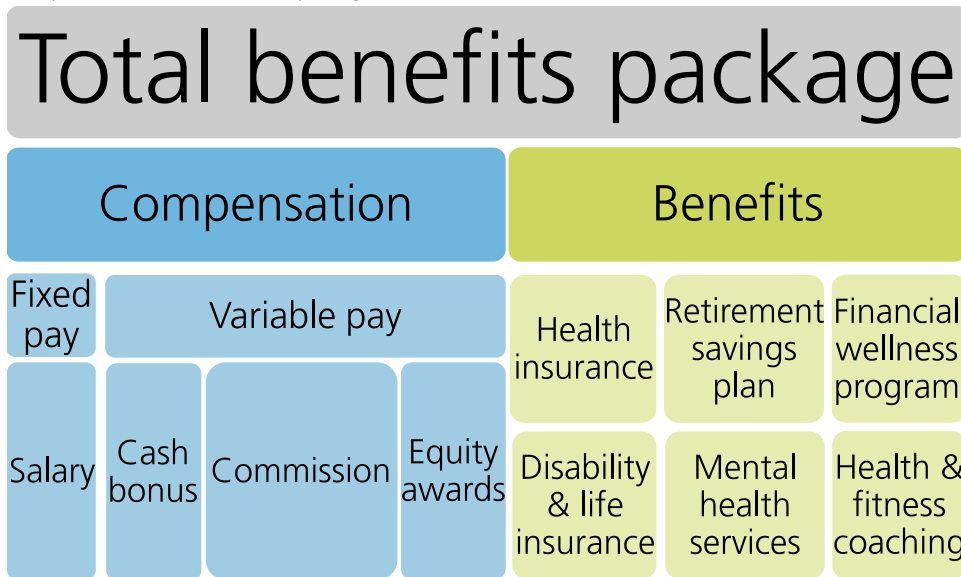
Introduction

Employers may offer many benefits that extend beyond salary. Not every benefit will come with a clear dollar value, but every aspect of a total benefits package is an important element when it comes to supporting one's health and financial well-being, both today and in the future.

This educational report will explore many common types of work benefits, and create a framework to help explain how benefits can be used to pursue long-term goals and help protect one's family against key risks. It may also help to clarify and simplify the process of choosing work benefits, as well as provide a framework for fully appreciating the value that each benefit has to offer.

Figure 1 - Cash isn't the only way employees are compensated for work

Components of a total benefits package



Source: UBS.

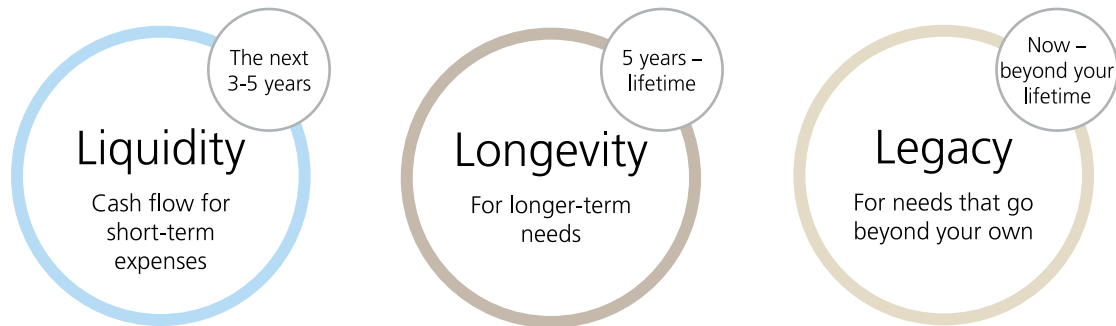
To get the most out of employer benefits, it's important to understand how each benefit works, and the long-term effect of each choice. To help with this process, this report will walk through work benefit decisions through the context of the UBS Wealth Way approach—a comprehensive purpose-based approach to managing wealth.

UBS Wealth Way starts with a deep understanding of what's really important to you. Using this context, we can then help you organize your financial life into three key strategies: **Liquidity—to help provide cash flow for short-term expenses, Longevity—for longer-term needs, and Legacy—for needs that go beyond your own.** This Liquidity. Longevity. Legacy. framework can be a helpful way to understand how each decision might contribute to your long-term financial goals, and help protect you and your family against certain risks.

UBS Wealth Way is an approach incorporating Liquidity. Longevity. Legacy. strategies that UBS Financial Services Inc. and our Financial Advisors can use to assist clients in exploring and pursuing their wealth management needs and goals over different timeframes. This approach is not a promise or guarantee that wealth, or any financial results, can or will be achieved. All investments involve the risk of loss, including the risk of loss of the entire investment. Timeframes may vary. Strategies are subject to individual client goals, objectives, and suitability.

Figure 2 - How do work benefits fit into your financial plan?

The Liquidity. Longevity. Legacy. framework



Where do work benefits fit into your plan?

- Set aside enough resources to meet your health plan's out-of-pocket limit, if needed
- Use your Flexible Spending Account (FSA) to fund medical expenses with pre-tax dollars
- Save and invest for long-term growth in your Health Savings Account (HSA) and 401(k)
- Protect your human capital with disability and life insurance
- Provide your survivors and estate with liquidity through life insurance
- Review beneficiary designations on your retirement accounts

Source: UBS. For illustrative purposes only.

Timeframes may vary. Strategies are subject to individual client goals, objectives, and suitability. This approach is not a promise or guarantee that wealth, or any financial results, can or will be achieved.

1. Choose a health insurance plan

The first item on our checklist is to choose which type of health insurance coverage will be best for the employee and their family, depending on the costs and on the level of flexibility on access and choice.

Generally speaking, there are three main types of health insurance:

1. **Health maintenance organizations (HMOs)** offer the most restrictive medical care, usually requiring patients to go through a "gatekeeper" that will decide whether you need to see a specialist.
2. **Preferred provider organizations (PPOs)** generally don't require patients to be referred to specialists, and patients can get health care from out-of-network providers, but they will likely incur higher costs for doing so.
3. **Point of service (POS) plans** provide some additional flexibility, allowing patients to choose which service (HMO or PPO) to use each time they see a doctor. There is generally no deductible for visits to an in-network primary care physician, and they may refer patients to specialists or out-of-network providers, which can help reduce out-of-pocket costs.¹

Employees will also need to make sure to choose a health care plan that will fit their family's budget. In doing so, it's important to look past the "sticker price" and consider the likely total cost of annual medical needs.

Health insurance costs have several components:

- The **premium** is the amount that the family pays for insurance each month or each pay period.
- The **deductible** is the amount of covered expenses that the family must pay out-of-pocket before the plan begins to share the costs. Once the family has met their deductible for the year, they will share the burden of covered costs with the plan.

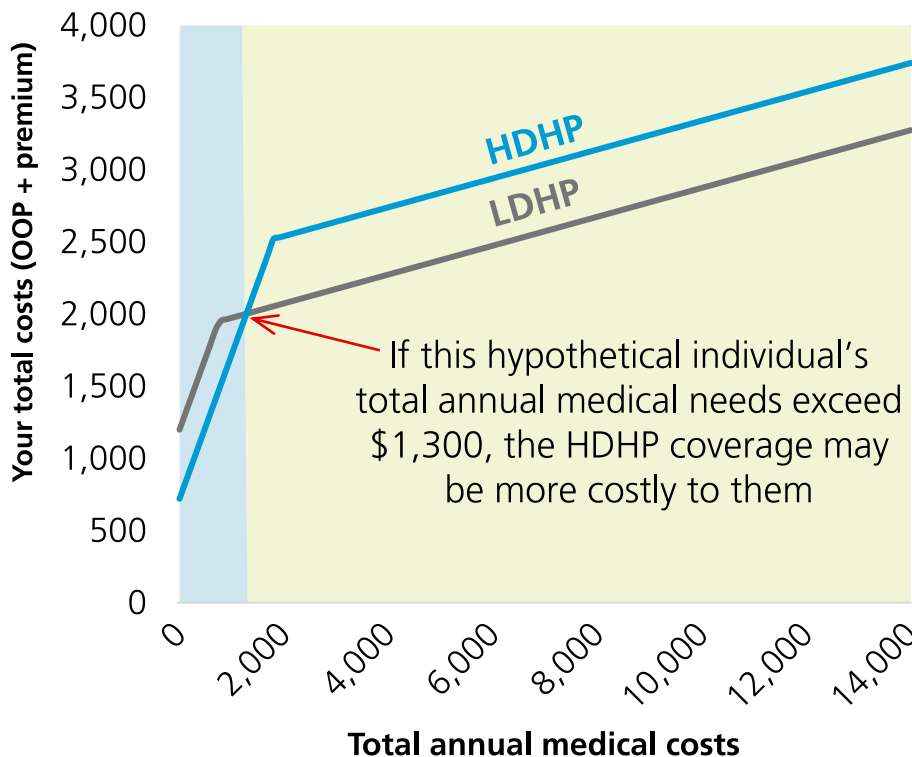
- The **coinsurance percentage** is the portion of covered expenses that a family is responsible for once the deductible is met. This is different from (and often in addition to) copays, which are fixed amounts that plans may require beneficiaries to pay for covered medical services.
- The **out-of-pocket maximum** is the cap on the amount of money that a family must pay for covered health care services during the coverage period. Once this amount is exceeded, the plan will cover 100% of covered costs for the remainder of the year.

The IRS segments health insurance plans into two categories: **high-deductible health plans (HDHPs)** and **low-deductible health plans (LDHPs)**.²

HDHPs can seem less expensive because they usually come with a smaller sticker price (i.e., lower premiums than LDHPs), but they may be more expensive to a family overall than LDHPs if they incur significant medical expenses throughout the year (Figure 3).

Figure 3 - The lowest premium plan might not be the least expensive overall

Total annual cost (including monthly premiums and out-of-pocket [OOP] expenses) paid by the employee for a high-deductible health plan (HDHP) or a low-deductible health plan (LDHP) and various total annual medical expenses, in \$



Source: UBS. For illustration purposes only. Assumptions: HDHP: \$60 monthly premium, \$1,800 deductible, 10% coinsurance, \$3,600 OOP max. LDHP: \$100 monthly premium, \$750 deductible, 10% coinsurance, \$3,000 OOP max.

Figure 3 illustrates how various levels of annual medical expenses can result in different total costs throughout the year, assuming two hypothetical health plans (an HDHP and an LDHP).

Assuming these example plan terms, a family with medical bills below \$1,300 would end up spending less if covered under the hypothetical HDHP. For those with bills over \$1,300, the HDHP would be more costly than the LDHP.

To choose between a high- or low-deductible health plan, it is important to consider the potential costs that are expected to be incurred for care throughout the coming year:

- For those who are single and healthy, annual medical costs may be fairly minimal, and may not exceed the annual deductible. In this case, an HDHP may be preferable because there will be a lower monthly premium while still providing coverage in the event of a big-ticket emergency medical bill.

- When a family has several recurring medical costs each year, medical bills may exceed the deductible. In this instance, an LDHP plan may make more sense. Despite a higher premium, the health insurance plan will pick up a greater share of the costs when the lower deductible is met, reducing out-of-pocket costs.

Knowing the details of how employees share the expenses of health care with the health insurance plan will be important in selecting a plan that will fit into an overall family budget. While not addressed in this paper, it is also important to consider the available providers in each plan and potentially different costs for providers that are in a plan's network and those that are out of network.

Once a plan is selected, the cost-related details can be particularly helpful when deciding how much to contribute to a flexible spending account (FSA) or health savings account (HSA), as well as how much cash to set aside for out-of-pocket health care costs in the family's Liquidity strategy (funds for meeting the next three to five years of cash flow needs).

What's the difference between an FSA and an HSA?

Low-deductible health plans sometimes offer **flexible spending accounts (FSAs)**, which can enable employees to effectively deduct the cost of some out-of-pocket medical expenses from their taxable income.²

Contributions to an FSA are made on a pretax basis. These dollars are "use it or lose it" dollars—if they are used by the end of the year, the distributions for qualified expenses are income tax-free; any unused dollars that are still in the account at year-end are lost (unless the plan has a grace period or rollover feature).

Health savings accounts (HSAs) are considered triple-tax advantaged investment accounts:

1. Funds are contributed into an HSA on a pretax basis,
2. Any growth from investments is tax-free inside the HSA, and
3. Distributions for qualified medical expenses are free of income taxes.²

Unlike FSAs, contributions to an HSA are not subject to a "use-it-or-lose-it" time horizon. In fact, because of their tax-free growth potential, it can be effective to make large HSA contributions each year but then leave them invested until retirement, at which point contributions (and their growth) can be used to pay for qualified medical expenses with tax-free distributions.³

Next steps

1) Use a flexible spending account (FSA) for annual out-of-pocket medical costs. For those in a low-deductible health plan and looking for funds to cover current health care costs, FSAs' "use it or lose it" rule makes them an ideal source of funds, and thus considered a part of the Liquidity strategy.

FSA contributions are subject to annual limits. If expenses are underestimated and the account is underfunded, after-tax dollars will be needed when the FSA is depleted. By contrast, if the account is overfunded, there is a risk of forfeiting the excess dollars.

2) Save and invest for long-term growth using a health savings account (HSA). Those in a qualified high-deductible health plan and with access to an HSA may consider their ability to maximize HSA contributions (up to the annual contribution limit) and invest the balance, which will provide potential for long-term tax-free growth.

While most HSA plans allow investors to make qualified distributions at any time, keeping the funds invested will allow more time for the account to benefit from the HSA's tax-free compounding growth potential.

During one's working years, it would be costly to tap into an HSA to fund medical expenses because every dollar taken out represents the loss of significant tax-free growth potential. It would be rational to prioritize other accounts (with less tax advantages) to fund health care costs during one's working years, allowing more time for the HSA funds to benefit from compounding growth and reserving these savings for funding healthcare expenses in retirement.

When a family does plan to begin using the HSA for near-term health care expenses, an asset allocation adjustment can be considered. Any funds earmarked for short-term spending should be considered a part of the Liquidity strategy, and thus invested in cash or high-quality bonds to mitigate the risk of being forced to liquidate during a market drawdown. See the CIO Global IM report, [How to build a Liquidity strategy](#), published 16 July 2025, for more details.

For more information on HSAs and how they can be used to for healthcare expenses in retirement, please see this CIO research report: [HSAs and the power of tax-free growth](#), published 27 September 2022.

Figure 4 - What's the difference between an HSA and an FSA?

General characteristics of health savings accounts (HSAs) and health flexible spending accounts (FSAs)

	Health Savings Account (HSA)	Flexibly Spending Account (FSA)
Qualified HDHP coverage required	Yes	No
Tax advantages	Tax-free contributions, Tax-free growth, and Tax-free withdrawals for qualified medical expenses	Tax-free contributions and tax-free withdrawals for qualified medical expenses
Investment capability	Yes (earnings grow tax-free)	No
Carryover	Unused funds never expire	Use-it-or-lose-it. Some plans allow some unused funds to be carried over to the next year, up to an IRS limit of \$660 (for tax year 2025)
Portability	You can take the funds with you when you leave that employer	Funds are forfeited if you leave your employer
Ownership	Employee	Employer

Source: UBS. This list does not include all of the details related to each type of account. Speak with the account provider for the details specific to the plan.

2. Protect your human capital

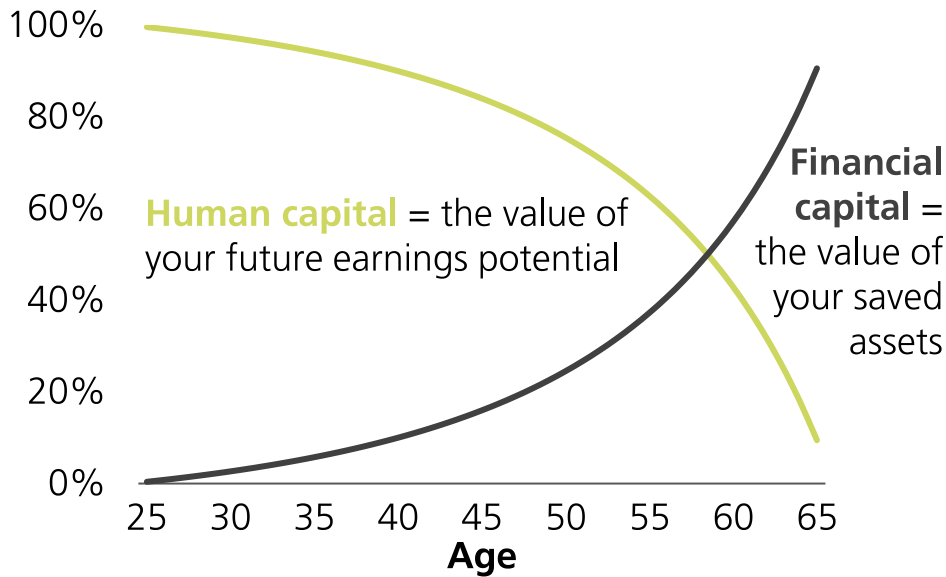
During an employee's working years, they typically have a major asset that might be overlooked on the balance sheet: "human capital," which represents the value of future earnings potential. From a family's perspective, human capital is a stream of income that can be relied on for current and future living expenses.

For most of our early working years, it is likely that human capital is actually the location of most of our net worth, though it won't ever show up on a traditional balance sheet. This means that our health and our skills are a source of great opportunity—but also risk—for our family.

As one approaches retirement, they will turn unearned income into financial assets. This reduces a family's exposure to human capital risk, but increases the relative importance of managing financial capital risk.

Figure 5 - Early in one's career, human capital will be the bulk of their total wealth

Human capital and financial capital as a percentage of total wealth for a hypothetical investor by age



Source: UBS. For illustration purposes only.

Any shock to one's income can damage their financial situation, making it more difficult to reach financial goals.

Fortunately, employers may offer benefits that can help protect human capital. For example:

- **Disability insurance** pays the family a certain percentage of the covered employee's income in the event an accident or sickness prevents the employee from being able to work.
- **Life insurance** pays a lump sum payment to one's survivors in the event of a premature passing.

Do I need disability insurance?

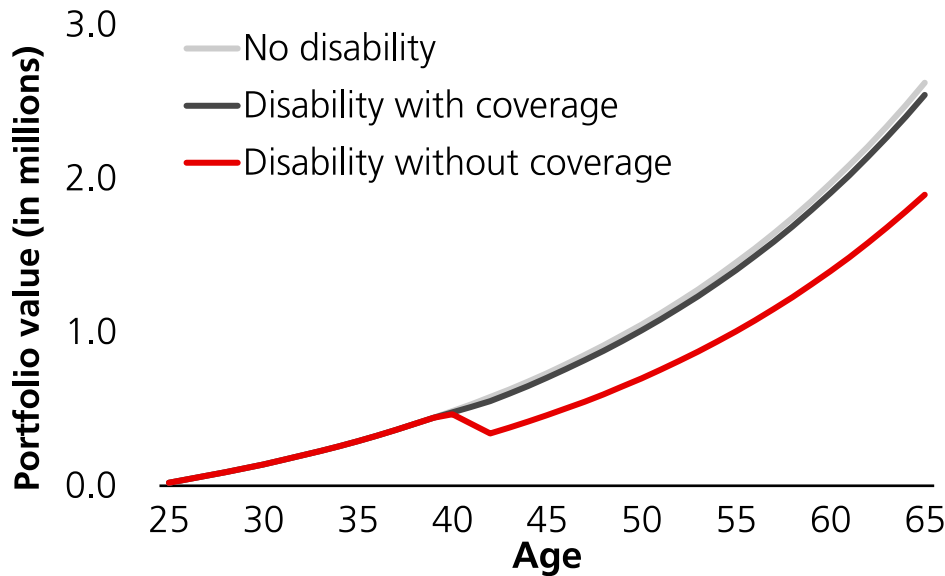
When considering whether to purchase disability insurance, one is essentially deciding whether to insure one's family's biggest asset.

While most of us think "it won't happen to me," approximately 25% of Americans will experience a disability that prevents them from working for at least a year before retirement according to the Social Security Administration.⁴

Consider what would happen if the employee were no longer able to earn an income owing to an illness or injury: Who would pay the family's bills? Would the family find another way to fund their living expenses?

Figure 6 - Disability insurance protects income and helps the family stay on track for retirement

Growth of retirement savings for a hypothetical investor with no disability, with a three-year disability occurring at age 40 with and without coverage. Assumes an annual growth rate of 5%.

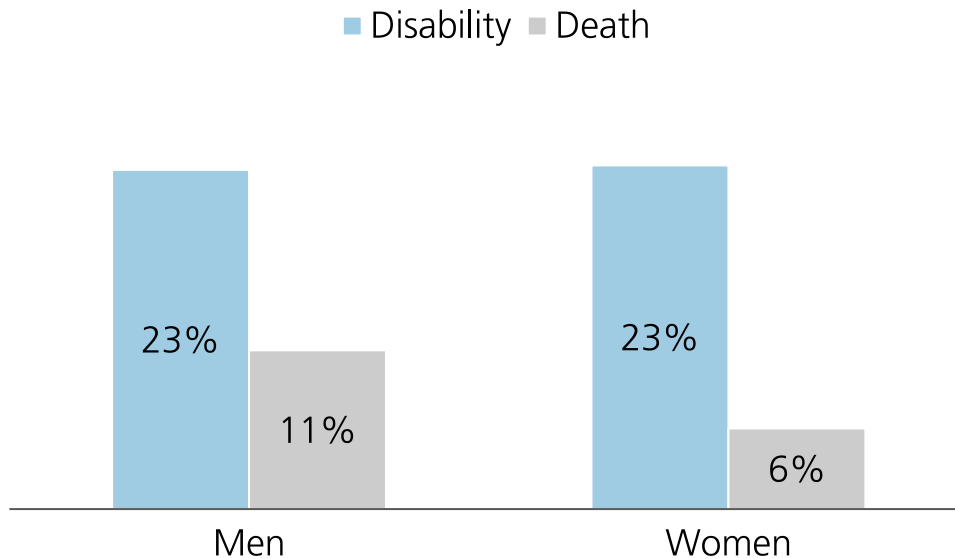


Source: UBS. For illustration purposes only.

Note: Assumes \$100,000 annual after-tax income and \$80,000 annual spending. In the scenario with disability coverage, we assume that the short-term policy replaces 100% of pay for the first 12 weeks, and 60% of pay for the next 14 weeks. The long-term disability coverage kicks in during week 27 and covers 50% of pay. Any other funds needed for spending are withdrawn from retirement savings. In the scenario with no disability coverage, we assume that the individual has enough cash in their emergency fund to meet one year's worth of spending, but needs to withdraw funds from their retirement savings to fund all spending in Years 2 and 3.

Figure 7 - Disability is more common than one might think

Probability of death and disability before retirement (at age 67) for workers who reached age 20 in 2024.



Source: Social Security Administration, UBS.

It's important to understand what a disability policy actually provides. For instance, the policy's **definition of disability** will detail under what circumstances one would qualify to receive the benefits, and the **benefit amount** of the policy is the share of the insured individual's income that the insurance company would replace.

Not all policies are created equal. Some policies will require the insured to wait a certain period from the point when the disability occurs until the first benefit is paid; this is referred to as the policy's **elimination period** and is an important aspect that should be considered.

In addition to knowing when the benefits start, it is important to know the **benefit period**, as this defines how long the insured can claim payments if they are unable to work.

Short-term disability policies are intended for temporary illnesses or injuries—they cover lost income for several weeks, or for up to two years. Whereas, a long-term disability policy may replace a portion of income for several years, or up to a certain age, depending on the policy's terms.⁵

Disability insurance can help a family feel confident that they'll be able to meet current spending needs in the event an illness or injury prevents the insured individual from working. But the employee's human capital isn't just a source of funding for today's expenses—it's the source of funding for all future expenses as well. So, disability insurance can also be a powerful tool for making sure that the family's Longevity strategy will be large enough to provide for the family's future well-being.

How much life insurance do I need?

The purpose of life insurance is to provide funds to survivors in the event of a premature death.

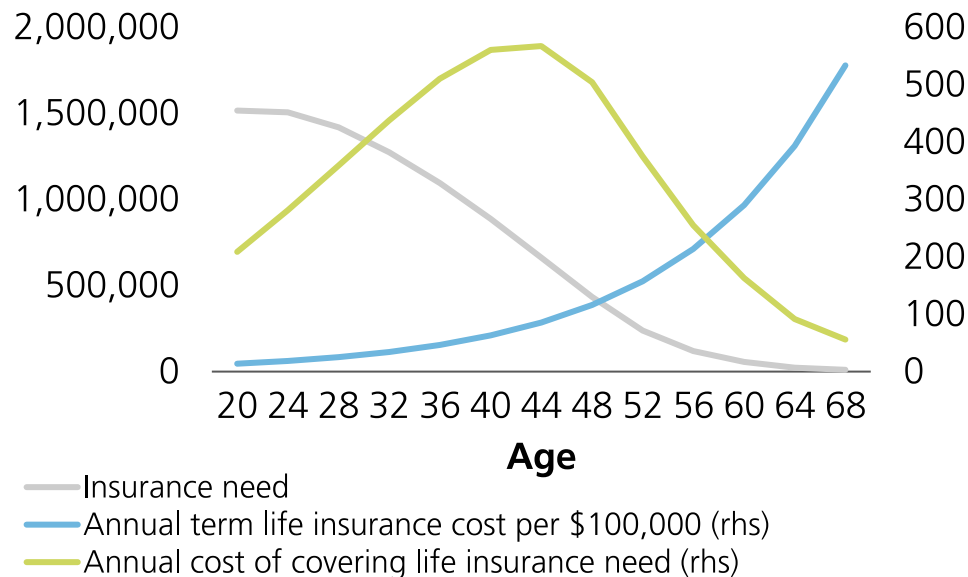
Fortunately, life insurance is generally cheapest for younger employees whose human capital is at its highest.

And, although the cost to purchase life insurance (per dollar of benefits) rises over time, the need for life insurance may decline over time because there is less future income that needs to be protected.

These dynamics mean the cost of covering life insurance needs will actually tend to grow until one's late 40s, at which point a family's declining insurance need will likely offset the rising cost of insurance (Figure 8).

Figure 8 - While the cost of life insurance rises with age, it may be offset by a declining insurance need

Estimated insurance need (lhs) and annual cost of covering life insurance needs (rhs) by age, in USD



Source: UBS. Life insurance need estimated using net present value of future earnings from "Valuing Human Life: Estimating the Present Value of Lifetime Earnings," Max, W., Rice, D.P, Sung, H., & Michel, M. (2004).

For illustrative purposes only. Actual costs and needs will vary.

To estimate insurance needs, a basic calculation can be done by taking total future covered expenses for survivors and subtracting existing assets that can be used to cover those obligations, such as savings, existing life insurance coverage (if any), and a spouse's income.

When a family member's income is used to cover living expenses, future financial obligations can be quantified by multiplying that income by the desired number of years for income replacement. If a portion of household income is not already being directed toward saving or investing for major future expenses—such as college education for children—those anticipated costs should also be included in the calculation.

When an employer offers life insurance coverage at no cost to the employee, there's generally no reason not to accept it. But, before defaulting to whichever option costs the least amount today, it's important to understand the details when comparing options.

Key factors to consider include the benefit amount—which is often calculated as a percentage or multiple of the insured individual's salary—and the duration of the coverage. These details can help families to avoid plans that offer less protection than is needed to maintain the family's financial well-being.

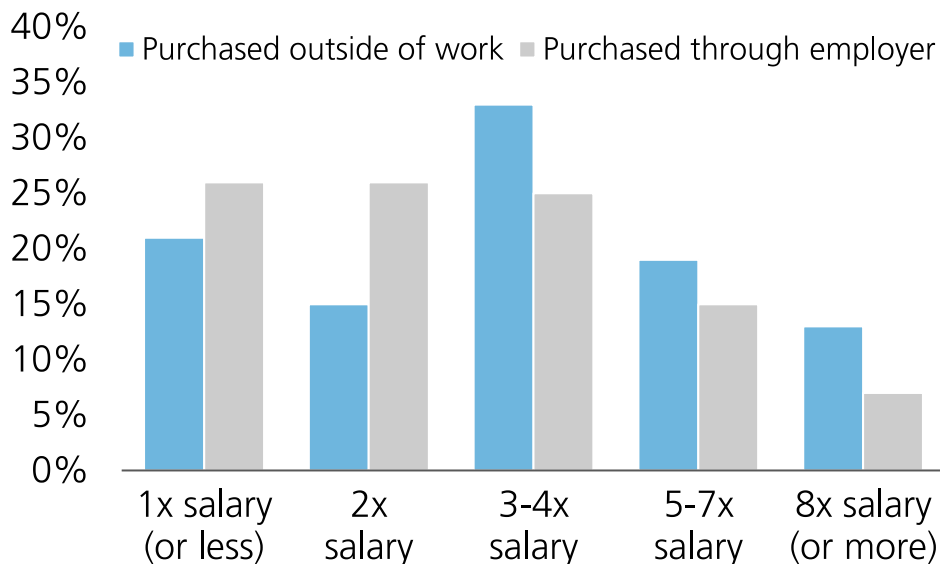
With the details of the employer's basic coverage, families will be able to identify any gaps between that policy's coverage and their insurance need. If the basic coverage isn't enough, the family may want to consider supplemental coverage, either through the employer (if available), or through an insurance provider.

Purchasing supplemental coverage through the employer is often convenient and less expensive than other options. Moreover, acceptance may be guaranteed without having to provide information about your family's current health status, which can be appealing for those with medical conditions that may preclude them from qualifying for coverage outside of work.

But don't let convenience be the only factor in determining where to purchase life insurance and at what coverage level. According to a study by life insurance company Guardian, "Most workers who own life insurance have far less coverage than even the lowest recommended amounts. On average, 89% own coverage that is less than seven times their annual salary."⁶

Figure 9 - Those with individual life insurance policies have more coverage, on average, than those only with employer-sponsored coverage

Percentage of policies purchased through work and outside of work by level of coverage



Source: Guardian Workplace Benefits Study, UBS. Results are based on a survey conducted among 2,000 employees age 22 or older who work full time or part time for a company with at least five employees.

Next steps

- 1) **Calculate the family's disability and life insurance need.** Add up monthly expenses, including savings and debt payments, to identify the insurance payments the family would need to replace the covered family member's income.
- 2) **Assess the family's current disability and life insurance coverage.** The employee's annual sick days may be available to be used to protect the family from a temporary loss of income for a run-of-the-mill accident or illness, but the family should also investigate what other types of short- and long-term disability insurance are covered or offered (either through the employer or through programs such as Social Security).

The family should also determine whether basic life insurance coverage is offered by the employer and assess its cost and potential benefit limitations. The family should also review any other insurance coverage that they have.

3) **Identify any insurance gaps.** Compare the family's insurance need to the family's current coverage.

4) **Consider options for closing the gap.** If a gap between insurance needs and current coverage is identified, the family can consider supplemental coverage. Some employers may offer greater disability coverage as a voluntary benefit, in which employees pay out-of-pocket for the premiums for a higher level of coverage at a group rate.

Alternatively, disability insurance may be purchased directly through an insurance provider. Once this coverage is purchased, make sure that there are enough resources set aside in a Liquidity strategy to finance the family's spending needs during the disability policy's elimination period.

Life insurance can help families protect against the risk of a premature death in the family. It can also be a tool to help manage federal or state estate taxes and boost the after-tax wealth that can be transferred across generations.

Families should review their life insurance needs and resources with a financial advisor and tax advisor, working together to build a strategy to balance the costs and potential tax benefits of different approaches while meeting the family's objectives.

3. Save for retirement

Many Americans have significant retirement savings in 401(k) accounts:

1. 401(k) plans provide an opportunity for tax-deferred growth that may compound over time.
2. It is easy to set up a payroll deduction to automate savings.
3. Many employers offer to "match" a share of employee contributions, and some make additional plan contributions as a part of the benefits package.

There are several tax-advantaged savings vehicles that investors may be able to access, with a variety of tax treatments that are either tax-deferred or tax-exempt:

Figure 10 - Each tax treatment has certain implications when contributing to, and distributing from, these accounts

Tax treatments according to account type

		Contributions are pre-tax or tax-deductible	Investment earnings grow tax-deferred	Distributions are tax-free
Tax-deferred	Traditional 401(k)	X	X	
	Traditional IRA	X	X	
Tax-exempt	Roth 401(k)		X	X
	Roth IRA		X	X
	Health Savings Account (HSA)	X	X	X

Source: UBS

When employers offer a 401(k), it is likely a Traditional 401(k), where employees can contribute on a pretax basis, investment earnings grow tax-free, and distributions taken in retirement are taxed at ordinary income tax rates.

Some employers also offer the option to contribute to a Roth 401(k) where contributions are made on an after-tax basis, but investment earnings grow tax-free, and qualified distributions are also free of income tax.

Some employers may also allow for in-plan Roth conversions or non-hardship in-service withdrawals (also known as in-service distributions); if this is the case—and the family is planning to increase the amount that they contribute to 401(k) accounts each year—it may be useful to learn more about a "mega backdoor Roth conversion" discussed in the CIO research report [How to implement a "mega backdoor Roth conversion,"](#) published on 27 January 2025.

When choosing how much to contribute to Traditional or Roth 401(k) accounts, families should account for annual changes to federal limits and consider adjusting their elections as needed to reflect the family's changing goals and needs. For example, if the family has moved states or has experienced a promotion that has bumped them into a higher marginal income tax bracket. An adjustment may also be warranted if the family is simply worried that the government may change taxes in the future. Adding tax diversification by spreading assets between tax-deferred and tax-exempt retirement accounts can help the family manage risks around their future tax liability. See the CIO research report, [Modern retirement monthly: Traditional or Roth?](#), published 29 May 2024.

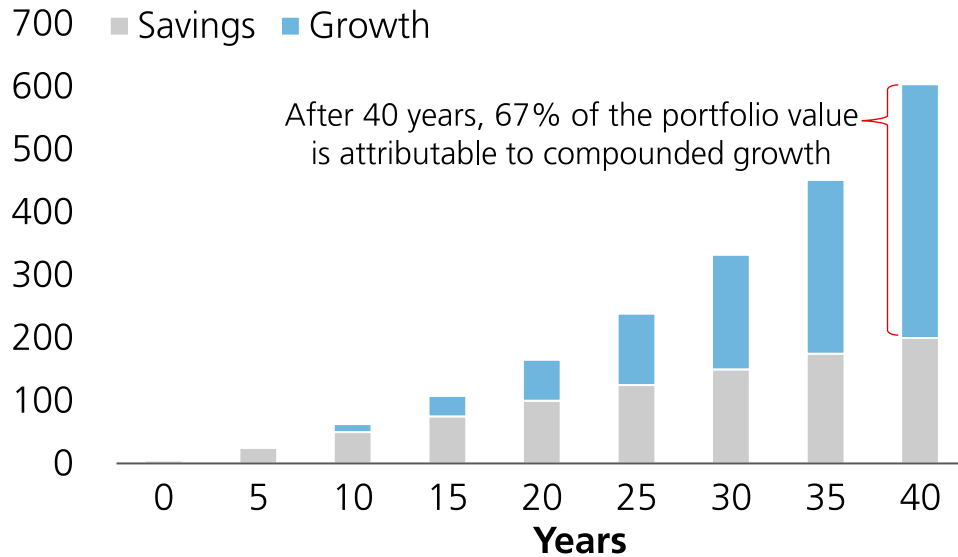
Even without access to a 401(k), employees may be eligible to contribute to a Traditional or Roth IRA. While direct IRA contributions don't usually enjoy the benefit of employer-matched contributions, they may still offer the same tax-exempt or tax-deferred earnings growth as their 401(k) counterparts. When an income level is too high to make a direct Roth IRA contribution, a "backdoor Roth IRA" strategy can be considered, as discussed in this CIO research report: [How to use the "backdoor Roth IRA" strategy](#), published 22 January 2025.

Where to save for retirement?

When a family starts saving and investing early—enrolling in retirement savings benefits, striving to maximize contributions, and investing for growth—they are better positioned to take full advantage of tax-deferred growth potential over the course of a lifetime.

Figure 11 - Start saving early to take advantage of compounding growth potential

Hypothetical example of savings and growth accumulated over various time horizons, assuming \$5,000 is saved and invested each year with an average annual growth rate of 5%. In thousands.



Source: UBS. For illustration purposes. Investing involves risks; performance is not guaranteed.

Thanks to the power of compounding, the earlier you start saving—and the more that one saves and invests—the more investment growth is possible.

HSAs can be a useful tool for funding health care expenses in the Longevity strategy because of their unique tax advantages, and can be particularly useful when contributions start early. A family may not always be able to add to HSAs—for example, they may choose to shift to a low-deductible health plan for a period—so it can be valuable to front-load contributions early in one's career—and leave those assets invested until they are needed during retirement. A longer time horizon can help families to make the most of the HSAs' tax-free growth potential.

Retirement accounts, such as 401(k)s and IRAs, have much higher contribution limits than HSAs, so even though they are only “double tax advantaged” they can be an important component of any retirement planning strategy.

Next steps

- 1. If the employer offers a retirement plan.** Those fortunate enough to work for a company that has an employer-sponsored retirement plan like a 401(k)—and especially if it offers a matching contribution—should prioritize contributing at least enough to receive the full employer match. For those who are able to save more, increasing annual contributions may accelerate the 401(k) account's growth potential.
- 2. Prioritizing savings.** Families should read this CIO research report and discuss their retirement savings options with a financial advisor. See the CIO research report, [Where should I put my savings?: The 2025 savings waterfall worksheet](#), published 7 November 2024. Setting up direct deposits and automatic investment strategies can help families to consistently fund spending needs and an investment strategy with each paycheck.
- 3. Establish good savings habits.** Some plans have an auto-increase feature that automatically increases the employee's contribution amount each year. Investors should review their savings strategy every year, but turning this feature on can help automatically commit to increased savings each year.

4. Make the most of equity awards

When an employer grants equity awards—either automatically or voluntarily—it is important to take the time to understand how the plan or program works in order to get the most out of these benefits. Equity awards are a tool that may help the family build wealth and save for retirement.

Incentive stock options, nonqualified stock options, restricted stock units, and employee stock purchase plans are some of the more common forms of equity awards, each with different features and considerations. It may automatically be part of an employee's compensation, or it may be an optional benefit that can be opted into.

Equity compensation and equity benefits tend to have more risk, illiquidity, and uncertainty in comparison to a salary. What's more, this part of compensation is taxed differently than a paycheck and each type of equity award is subject to different tax rates.

Figure 12 - Employees will eventually have to pay taxes on their equity awards, as well as any growth

Types of taxes applied to various forms of equity compensation when there's a transfer of shares

Equity compensation type	Types of taxes		
	Ordinary income	Supplemental income	Capital gains
Employee Stock Purchase Plan	•		•
Non-Qualified Stock Options		•	•
Qualified Stock Options			•
Restricted Stock	•	•	•
Restricted Stock Units	•		•
Stock Appreciation Rights	•	•	•
Performance Shares	•		•

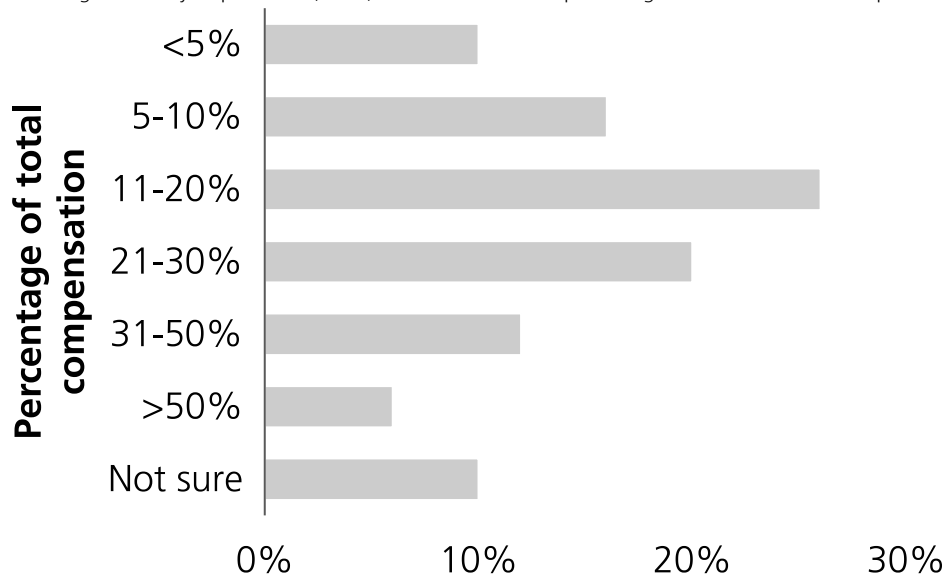
Source: UBS. Speak with a financial advisor and tax consultant about ways to manage potential tax implications.

Equity awards can be complex, making it difficult to identify the correct action as part of the family's financial plan, and how to coordinate these assets with other assets and income.

To get the most out of equity awards—which may make up a significant portion of an employee's overall annual compensation—it is important to become familiar with the specific rules of the plan, tax implications, and the various choices. It may also be valuable to speak with a financial advisor and tax consultant about ways to manage tax implications associated with such awards.

Figure 13 - How much of your compensation is received in equity?

Percentage of survey respondents (x-axis) who receive various percentages of overall annual compensation in equity awards (y-axis)



Source: UBS Workplace Voice, "Benefits take center stage," July 2021, survey of 1,200 employees across various industries, ages and asset levels in April 2021

Next steps

1) Understand the details of the equity compensation plan. When deciding whether to participate in a plan, consider factors such as the enrollment period; whether there is a contribution minimum or maximum; whether the employer matches contributions, or offers a discount on purchased shares; the award date; which performance metrics must be met, if any; the vesting schedule; and the tax implications.

If interest in company stock is part of compensation automatically—meaning the employee doesn't have to decide whether to participate in the program—or if the employees has already decided to participate in the plan, it is still important to understand these details in order to integrate these resources into the family's overall investment strategy.

2) Determine the role the equity awards will play in the family's financial plan. The family should decide how to manage equity awards based on their personal needs and objectives.

Here are three ways to extract value from equity awards: to fund a near-term need; build a safety net for emergencies; or invest for a long-term financial objective, such as retirement.

Taking the time to identify the family's objectives and priorities can help make it easier to work with a financial advisor to determine how the equity awards should be considered in the family's financial plan. It is also helpful to revisit the approach whenever there's a life change, such as marriage, having a child, or changing jobs.

3) Monitor the amount of the family's wealth that's held in an employer's company's stock. Families should be mindful of the amount of wealth that is tied up in company stock and consider whether this is introducing a type of concentration risk into the family's financial assets.

Holding a concentrated position in a single stock can come with significant risks, and this risk can be exacerbated when the concentrated stock position is in the shares of the company that employs a member of the family. A financial advisor can help to evaluate these risks and can help to identify strategies to help manage these risks—for example, by hedging or by building diversification around the concentrated position.

For more insights and strategies, listen to this CIO research podcast: [How to address your company stock within your financial plan](#).

Conclusion

This is not an exhaustive list of work benefits. Employees may have access to other benefits not mentioned in this report—such as financial wellness programs or mental health support—that can also be a valuable part of their overall compensation.

After reviewing this report, families should consider speaking with a financial advisor about benefits options, reviewing these details as part of a broader investment plan. It's important to remember that certain choices may involve balancing between what's optimal for the family's current financial situation versus longer-term considerations.

For a summary of the action items addressed in this report, please see the four-point checklist on the next page.

End notes

¹ U.S. Centers for Medicare & Medicaid Services. (2025). Types of health insurance plans_. [HealthCare.gov](https://www.healthcare.gov/choose-a-plan/plan-types/). <https://www.healthcare.gov/choose-a-plan/plan-types/>

² Internal Revenue Service. (2023). Publication 969: Health Savings Accounts and Other Tax-Favored Health Plans. <https://www.irs.gov/publications/p969>

³ UBS Global Wealth Management Chief Investment Office. 28 September 2022. [Modern retirement monthly: HSAs and the power of tax-free growth](#).

⁴ Social Security Administration. (2024). Disability facts. <https://www.ssa.gov/disabilityfacts/facts.html>.

⁵ U.S. Bureau of Labor Statistics. (2025). Glossary. <https://www.bls.gov/bls/glossary.htm>

⁶ Guardian Life Insurance Company of America. (2024). [\(2024\). 12th Annual Guardian Workplace Benefits Study: Prepared and Protected](#). https://connect.guardiangroupbenefits.com/I/503851/2023-09-12/6y6qmr/503851/1694537101o2yZNF9c/Guardian_12th_Annual_WBS_Prepared_and_Protected_9.23.pdf.

⁷ UBS Global Wealth Management Chief Investment Office. 28 August 2024. [Modern retirement monthly: A guide for selecting work benefits](#).

⁸ Segal, T. (2023, June 16). How stock options are taxed & reported. Investopedia. <https://www.investopedia.com/articles/active-trading/061615/how-stock-options-are-taxed-reported.asp>

A four-point checklist for work benefits

Choose health insurance



- ☐ **Compare plan costs.** Review the premiums, deductible, coinsurance, copays, and out-of-pocket maximum terms for each plan, and use these to evaluate the potential out-of-pocket costs over the coverage period.
- ☐ **Select a plan** that makes sense based on expected healthcare needs and budget.
- ☐ **Set aside funds for out-of-pocket costs.** Fund a Liquidity strategy with enough funds to cover potential out-of-pocket costs.
- ☐ **For those choosing a low-deductible health plan** with a Flexible Spending Account (FSA): set automatic contributions reflecting an estimate of that year's out-of-pocket healthcare costs.
- ☐ **For those choosing a high-deductible health plan** with access to a Health Savings Account (HSA): contribute as much as the family can afford to save (up to the annual contribution limit) and invest these funds based on the objectives and time horizon for these funds.

Protect human capital

- ☐ **Calculate the family's disability and life insurance need.**
- ☐ **Assess current disability and life insurance coverage.**
- ☐ **Determine if there is an insurance gap** (the difference between insurance need and current coverage).
- ☐ **Consider options for closing the gap.** If the family's current coverage falls short of the insurance need, options include purchasing supplemental disability and/or life insurance coverage either through the employer (if available) or through an insurance provider.



Save for retirement



- ☐ **Determine the family's saving capacity.** Compare expected spending and after-tax income.
- ☐ **Review the employer retirement savings plan details** (annual contribution limits, contribution match, retirement contribution, etc.).
- ☐ **Prioritize savings.** Fill out the [savings waterfall worksheet](#) and determine which accounts will provide the most after-tax growth potential—starting with any employer 401(k) match, if available.
- ☐ **Set up an automatic saving and investment strategy.** Make payroll deduction and direct deposits—and set up automatic investment strategies—so that savings are put to work quickly.
- ☐ **Establish good savings habits.** If given the option, turn on the auto-increase feature to opt into a savings rate that will increase every year.

Make the most of equity awards

- ☐ **Gather the equity compensation plan details and discuss them with a financial advisor.** Also ask the employer if they offer educational materials and advice.
- ☐ **Determine the role that equity awards will play in the family's financial plan,** revisiting this decision annually and whenever there's a life change.
- ☐ **Monitor the amount of wealth held in company's stock.** A financial advisor can help the family to assess and manage the risks associated with holding a concentrated stock position in a portfolio.



Timeframes may vary. Strategies are subject to individual client goals, objectives and suitability. This approach is not a promise or guarantee that wealth, or any financial results, can or will be achieved.

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