

Retention Bonuses & Refresher RSUs

If you are a top performer in your team, you may be eligible to receive spot or retention bonuses. In this lesson, we discuss how to approach the topic of bonuses with your manager without feeling uncomfortable or awkward.

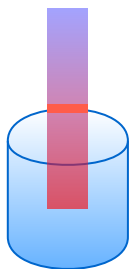
Retention bonuses are paid to existing employees deemed critical for business continuity. Employees of an acquired company may be granted retention bonuses by the acquiring company. Recently IPO-ed companies may also pay their indispensable employees a retention bonus to de-incentivize them from leaving.



Some companies allocate a budget for managers to issue spot bonuses to team-members for extraordinary performance or achieving crucial milestones. If the bonus amount is large, it usually comes with a vesting schedule, similar to a sign-on bonus.

The implicit prerequisite before one can ask for a raise, bonus, or additional RSUs is to be one of the high performers on the team. You may already have a rough idea of how you stack rank within your team. The more valuable you are for the team, the more leverage you have to ask for monetary benefits.

One easy litmus test is to consider how often your opinion is sought by your team members for day to day activities, new features, team direction, handling production issues,



etc. Or thought another way, if your manager were mandated to let two-thirds of the team go based on performance, would it include you? Granted, no one is indispensable, but if you are valued highly by your team members, chances are your manager would be happy (not neutral or uninterested) to have you on the team.



Once you establish that you are a highly desired team member, you may broach the topic of RSUs with your manager in your one-on-ones. You are not guaranteed an outcome, but your manager will become cognizant of your financial concerns and will do his best to keep a high performer happy and on the team. There are several ways to approach your manager, but here is one example icebreaker:

Hey Vinny, I am really enjoying my time on the team and the work I get to do, but I wanted to discuss my concerns regarding my RSU grant. See, I want to stick with the company for the long-term, and apart from the work and team, I also want to be financially motivated to stay here. I do not have visibility into how I am compensated in terms of RSUs with respect to my peers across the organization, but I feel I do not have a sizable stake in the success of the company over the coming years. I was wondering if you could explain to me the criteria for a refresher RSUs grant, and what I can do to become eligible for it.



Since RSUs vest over a period of time rather than a one-time lump sum payment, your request demonstrates your long-term commitment with the company, which is key to convincing your manager to fight for more RSUs for you as a high performer. When having the RSU conversation with your manager, make sure you do not come across as entitled or demanding rather as someone who genuinely wants to have a fair share in the future success of the company.

In contrast to RSUs, retention bonuses are almost always given out when a critical employee has decided to leave. And if the employee has an offer already in hand, the case for a retention bonus becomes that much stronger. You can interview outside, negotiate the best offer and then put it before your manager. If your manager does not want to lose you, there is a high probability you will be countered with more RSUs or a fat retention bonus. There was a time when Google employees would interview at Facebook, get an outsized offer, and bring it back to their managers. Facebook was hungry for outstanding talent and willing to pay top dollars to lure it away from Googleplex. Granting generous RSUs was the only way Google had to stop the brain drain.

One of the authors had the same scenario play out while working at Microsoft early in his career. He was awarded \$40K in retention bonus and \$40K in additional RSUs vesting over five years. The author was very well-liked by his manager and even after putting in his notice and letting his manager know that he had accepted an offer from Expedia in writing, he was still made a counteroffer. The author could not help but accept the generous offer and rescinded on his Expedia acceptance. In fact, there were numerous tales of folks at Microsoft who were made fat retention offers when they decided to leave. An acquaintance was offered \$400K in stock vesting over five years to stay back and not join Google. A recent example is of another friend who received a pre-IPO offer from Lyft and took it back to his manager at a video streaming company. His compensation took a steep jump from \$400K to \$600K per annum. However, note that in all these incidents, the prerequisite is to be a high performer on the team.

In general, you should avoid the following:

- Do not use the compensation numbers of your colleagues even if they have shared with you to make your case. If you must, talk in generalizations, such as “how do I fare for an RSU grant in comparison to my peers at the same level across the org?” or “do you think there’s

room for additional equity grant based on my last performance review when compared to folks working across the company at the same level?”.  

- Be perceived as someone who wants to stay at the company for the long haul and is eager to tie his fortunes with that of the company. RSU grant is one of the best vehicles to have employees share in the long-term success of a company.
- Do not use phrases such as “*I deserve ...*” or “*I am worth more...*”. Be humble and polite. Do not be upset if your request is denied or delayed; if you are truly undercompensated, you always have the option to jump ship.

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