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# 10 Things

Small Business Owners  
Should Know About  
Shares & Options

A plain English guide in  
support of Small Business  
Saturday

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## Introduction



Equity is the one thing that all businesses have in common, but according to the latest **figures**, less than half of UK SMEs currently share ownership to enhance their business activities.

Progressive companies all over the UK have realised that equity can be used as a **powerful lever for growth**. Sharing equity with your team is **proven** to increase employee retention, ignite productivity, align teams, improve company culture and attract more talent.

If you haven't yet unleashed the power of equity but you'd like to know more, you've come to the right place. We've put together the **top ten things** that you should know before you embark on your equity journey...

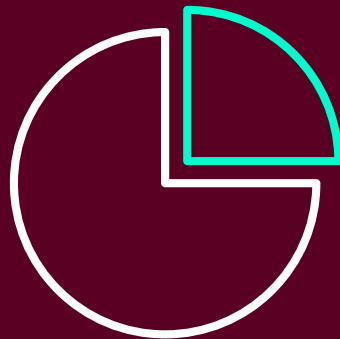
# 10 things small business owners should know about shares & options

## 01 What is equity, in a nutshell?

Put simply, equity is the ownership of assets of a company.

Every limited company in the UK is split into a certain number of **shares**, as decided by the directors when the company is incorporated.

Imagine a large pie sliced into **many equal pieces**. These are your shares. The pie as a whole = your equity.



## 02

### There's a share scheme to suit every company

Share schemes come in various shapes and sizes. Each one works differently, and most can be **customised** to suit your specific needs.

Before designing your scheme you should figure out your own motivations for giving people equity. You can share ownership with some or all of your team.

Once you've decided what you are hoping to achieve with your equity, take a look at the different options here .

As a rule of thumb, **EMI option schemes** are pretty popular with SMEs. They offer wonderful tax advantages for both employer and employee. We've made it really easy to **launch an EMI scheme** on our platform.

# 10 things small business owners should know about shares & options

## 03 What's an 'option'?

Options are a little different to shares. By offering them, you are giving somebody **the option to buy shares** at a later date at a pre-agreed price.

This is often a **tax-friendlier** way of sharing equity over offering shares straight-up.

For a full run-down of the pros and cons of offering shares or options, **check this out**.



## 04

### You can attach conditions to your options

Offering equity can seem like a risky business. What happens if you offer a team member equity but they don't contribute what they promised to the business?

You'll be relieved to hear that it's **straightforward** to add conditions to shares.

Many companies choose to link their equity rewards to milestones, for example, the length of time somebody has worked for a business, or a revenue-orientated goal.

If your conditions are tangible and measurable, you'll be able to **protect your equity** if your team member doesn't deliver.

# 05

## Good leavers and bad leavers

Similarly, you won't want to hand over a slice of your equity to somebody you've had to dismiss for gross misconduct. But equally, a much-valued team member might have to leave due to poor health and you still want to reward them.

This is where ' **good leaver** ' and ' **bad leaver** ' clauses come into their own.

By setting these in stone from the off, you'll de-risk the possibility of giving equity to those who don't deserve it.

For a good overview, read this [blog](#).

# 06

## Share schemes can be incredibly tax efficient

Tax efficiency is always music to any small business owner's ears and the EMI Scheme is particularly **rewarding** in this respect.

An EMI allows you to reward your employees with options that have massive tax advantages. You can also offset both the cost of the scheme and the tax benefits achieved by your employees against your company's tax liability.

If you're sharing ownership with your employees, an EMI share scheme **makes a lot of sense**.

# 10 things small business owners should know about shares & options

## 07 Exercisable or exit only Options

Options can be '**exercisable**' or '**exit only**'.

With **exit-only options**, the options can only be converted into shares (and therefore bought and sold) when your business is sold, when there is a change in control, or when another significant change in company structure occurs.

**Exercisable options** can be converted into shares by your team member at any time, providing that the milestones that you've agreed upon have been met. For example, the team member has been with the company for five years, or they've achieved a certain amount of sales.

## 08 You can manage your scheme digitally

As the team grows it becomes increasingly difficult to manage your share scheme.

It can get expensive too, if you are relying on solicitors or accountants to set up and manage your scheme.

Digital share scheme platforms like Vestd **make life so much easier** for busy small business owners. You can easily log in at any time to manage and check your equity, and cost-wise, it's a no-brainer. Subscriptions start at only £100 per month (a fraction of the cost typically charged by lawyers and accountants).

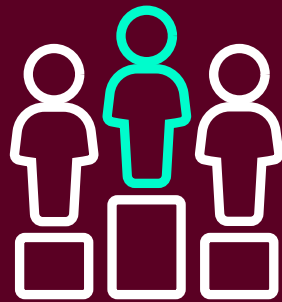
Vestd's platform has full Companies House integration and is **FCA regulated**. Our experts will help you design your scheme and get everything set up. We also provide lots of support to help you make those important initial and annual notifications to HMRC. The app does the heavy lifting along the way.

# 10 things small business owners should know about shares & options

## 09 You can light a fire under productivity and performance

Studies have shown that employees who are also shareholders work harder because they feel directly responsible for the value of their company. This **motivates** them to do their best work and they also take more responsibility for the performance of their co-workers.

More productive employees equal a better work culture and a lower staff turnover. It also leads to higher output and **increased revenue** for the business.

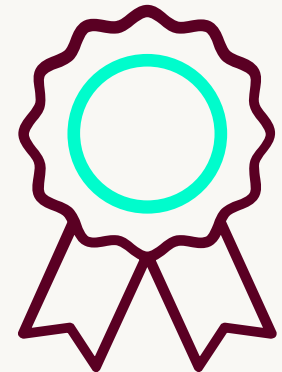


## 10

### You can attract and retain the best talent

Hiring is tough and it is never a level playing field. Offering equity to new employees is one way of bringing **top talent** into the business.

You can also level the playing field by offsetting salary for equity. This can often give your remuneration package **the edge** over salaries offered by companies with deeper pockets.



# Whichever way you look at it, equity is the small business owner's best friend

Hopefully, this guide has shown you some of the real benefits of using your equity as a tool for growth.

If this top ten has piqued your interest, why not **book a free equity consultation** with one of our friendly experts?

From all of us at Vestd, Happy Small Business Saturday!





# About Vestd

Vestd is the only digital platform focused on share and option schemes for UK SMEs.

We offer a fully guided service, supported by our in-house team of equity experts.

## Why choose Vestd?

- Everything can be done digitally - issue shares and options instantly via the platform.
- Full two-way Companies House integration.
- Guided scheme set up and ongoing support.
- No need for accountants or lawyers. We can do everything needed in-house.
- Used by thousands of people to manage shares and options.
- Purpose-built for UK businesses.
- The UK's most advanced share scheme platform.