

[< Back to overview](#)

Eaton Vance Tax Education Center &gt; Incentive Compensation

# LEARN | Incentive Stock Options: Incentive Compensation

Your clients and prospects may receive incentive stock options (ISOs) as a company benefit, and look to you for recommendations and point of view.

Prefer to save for later?

[📧 SHARE BY EMAIL](#)

## Did You Know?

ISOs are subject to a vesting schedule established by their employer. Typical vesting schedules are between 3-5 years.



## Key Takeaway

Your client can exercise their ISOs in 3 ways: Exercise and hold (cash exercise), exercise and sell (same day sale or cashless exercise), or sell to cover. Understand the tax treatment specific to ISOs to benefit your client in the long run.

## Questions to Ask Clients and Prospects

Conversation starters to help gauge their level of understanding, meet them where they are and present the appropriate options.

**Question**

Do you receive ISOs as part of your compensation?

**Question**

Do you know the vesting schedule for your ISOs?

**Question**

Do you know when ISOs are taxed?

**Question**

Do you know the main considerations with ISO taxation?

## Next Step

Start by asking clients and prospects if their options are vested, and if not, run through some potential “what-if” scenarios with them.

### KEEP LEARNING

## Benefits of Donating Concentrated Stock

[LEARN MORE](#)

### Disclosure

*Tax-loss harvest transactions aren't beneficial in a retirement account because the losses generated in a tax-deferred account cannot be deducted.*

*The Firm does not provide tax advice. The tax information contained herein is general and is not exhaustive by nature. Tax laws are complex and subject to change. Investors should always consult their own legal or tax professional for information concerning their individual situation.*



#### HEADQUARTERS

One Post Office Square  
Boston, MA 02110

#### Investments

[Eaton Vance Funds](#)

[Parametric Funds](#)

[Calvert Funds](#)

[Separately Managed  
Accounts](#)

[Closed-End Funds and  
Term Trusts](#)

#### Insights

[Advisory Blog](#)

[The BEAT](#)

[Market Update  
Events](#)Content for  
Investment Professionals  
only

[The Advisor Institute](#)

#### Taxes & Tools

[Investment Tax Center](#)

[Tax Information](#)

[Investment Tax Calculator](#)

[Laddered Investing Interest  
Rate Scenario Tool](#)

[Concentrated Stock  
Position Calculator](#)

[Tax-Equivalent Yield  
Calculator](#)

#### Resources

[Forms & E-Delivery](#)

[Mutual Funds & Abandoned  
Property](#)

[DST Vision](#)

[Active Advisor](#)

[Corporate Filings](#)

[Annual Reports](#)

[Press Releases](#)

[Diversity and Inclusion](#)

To report a website vulnerability, please go to [Responsible Disclosure](#).

Eaton Vance is part of Morgan Stanley Investment Management, the asset management division of Morgan Stanley.

For USA PATRIOT Act Disclosure Notice please click [here](#).

 This image indicates content designed specifically for Financial Advisors / Investment Professionals. This material is not to be used with the public.

Before investing in any Eaton Vance, Calvert or Morgan Stanley Investment Management Inc.-advised fund, prospective investors should consider carefully the investment objective(s), risks, and charges and expenses. Read the prospectus carefully before you invest or send money. For **open-end mutual funds**, the current prospectus contains this and other information. To obtain an **open-end mutual fund** prospectus or summary prospectus and the most recent annual and semiannual shareholder reports, contact your financial advisor or [download a copy here](#). For **closed-end funds**, you should contact your financial advisor. To obtain the most recent annual and semi-annual shareholder report for a closed-end fund contact your financial advisor or [download a copy here](#). To obtain an **exchange-traded fund**, ("ETF") prospectus or summary prospectus, contact your financial advisor or [download a copy here](#).

Before purchasing any **variable product**, consider the objectives, risks, charges, and expenses associated with the underlying investment option(s) and those of the product itself. For a prospectus containing this and other information, contact your investment or insurance professional. Read the prospectus carefully before investing.

NOT FDIC INSURED | OFFER NO BANK GUARANTEE | MAY LOSE VALUE | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | NOT A DEPOSIT

Eaton Vance does not provide tax or legal advice. Prospective investors should consult with a tax or legal advisor before making any investment decision. The information on this Web page is for U.S. residents only and does not constitute an offer to sell, or a solicitation of an offer to purchase, securities in any jurisdiction to any person to whom it is not lawful to make such an offer.

© Eaton Vance Management. All rights reserved.

Eaton Vance open-end mutual funds are offered through Eaton Vance Distributors, Inc. One Post Office Square, Boston, MA 02110. Member [FINRA](#) / [SIPC](#). Exchange-traded funds are distributed by Foreside Fund Services, LLC.

Publication details: Tuesday, March 5, 2024 10:49 AM

Page ID: 43212 - <https://www.eatonvance.com/incentive-stock-options.php>