

[< Back to overview](#)

Eaton Vance Tax Education Center > Incentive Compensation

LEARN | When to Consider Diversifying Concentrated Shares

3 minutes

Stock that is awarded as part of an incentive compensation plan presents unique challenges for investors. Help your clients understand the optimal time to consider diversifying their concentrated shares.

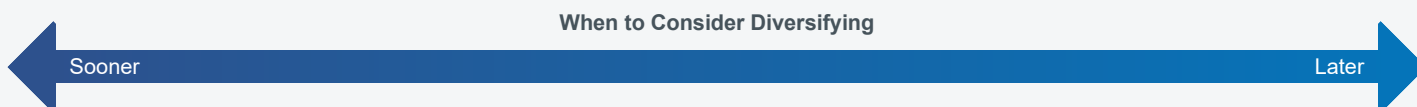
Prefer to save for later?

[↓ DOWNLOAD THE PDF](#)[✉ SHARE BY EMAIL](#)

Key Takeaway

Not all shares are created equally. Learn about the tax considerations of different types of stock awards and the best time to consider diversifying.

When to Consider Diversifying Concentrated Shares



Stock Type
Vested Restricted Stock Units
(RSUs)

Tax Considerations

Think of an RSU as cash compensation paid in the form of equity. Subject to insider trading rules, vested stock can be sold immediately upon vesting in order to diversify. For positions not sold upon vesting capital gains consequences should be factored in to the decision to sell. Vested shares with built-in gains can also be used to fund charitable giving.

Stock Type
Vested In-the-Money
Non-Qualified Stock Options
(NQSOs)

Tax Considerations

Unlike ISOs, there is no tax benefit to holding shares acquired through NQSOs. NQSOs let the holder control the timing of the taxable event, but ordinary income tax on the full bargain element is triggered upon exercise which has the effect of shrinking the discount received on the stock. A cashless exercise of NQSOs and a subsequent contribution can be used to fund charitable giving.

Stock Type
Vested In-the-Money Incentive
Stock Options (ISOs)

Tax Considerations

Shares acquired through ISOs are attractive in taxable accounts because in a qualifying disposition, the entire difference between market value and discounted purchase price is taxed as long-term capital gain. However, beware of the possible Alternative Minimum Tax (AMT) consequences of holding these past the year of exercise.

 **Next Step**

Identify clients who work at publicly traded companies, and set up time to speak with them about their holdings.

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

Two International Place
Boston, MA 02110

Investments

[Eaton Vance Funds](#)

[Parametric Funds](#)

[Calvert Funds](#)

[Separately Managed
Accounts](#)

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

Insights

[Advisory Blog](#)

[Monthly Market Monitor](#)

[Market Update Events](#)

[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](#)

[AdvisorCentral](#)

[Corporate Filings](#)

[Annual Reports](#)

[Press Releases](#)

[Diversity and Inclusion](#)

[Accessibility](#) | [Business Continuity](#) | [Privacy & Cookies](#) | [Your Privacy Choices](#) [Terms & Conditions](#) | [Careers](#) | [Contact](#) | [Investor Account Access](#) | [Morgan Stanley Investment Management Terms of Use](#)

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. Two International Place, Boston, MA 02110. Member [FINRA](#) / [SIPC](#). Calvert exchange-traded funds are distributed by Foreside Fund Services, LLC.

Publication details: Thursday, June 22, 2023 8:10 AM

Page ID: 43397 - <https://www.eatonvance.com/when-to-consider-diversifying-concentrated-shares.php>