

LEADERS IN TRANSITION · OFFER STAGE

Negotiate Your Sign-On Like a Headhunter

When you join a company there is often room to negotiate a sign-on bonus — but it isn't a number you pluck from the air. A well-justified ask is built from two things you're leaving on the table: accrued on-target bonus, plus vesting equity within a defined window. The companion **Sign-On Calculator** does the math for you.

THE FORMULA

Total Sign-On Ask = Accrued On-Target Bonus left behind + Vesting Equity left behind (within the window the new employer will cover).

1. ACCRUED ON-TARGET BONUS

How it accrues

Short-term bonuses are earned over a period and paid on a set date. At most US companies the earning period is January–December and payout lands at the end of Q1 the following year (e.g. March 15 or 31). If you leave mid-year, you walk away from the bonus you've already 'banked.' A good headhunter makes that case to the hiring company.

*Example — Natasha's annual bonus is \$96k (earned Jan–Dec). She starts a new role on June 1. Monthly accrual = $\$96k / 12 = \$8k$. Six months banked = a reasonable ask of **\$48,000**. Not guaranteed, but a strong starting point.*

2. EQUITY

What gets covered

Companies differ on how they make you whole. Over the last two years both the percentage covered and the window have shrunk — from 100% to 50%, and from 12 months of vesting to as little as 6. Nine months is now the industry average. A sign-on covers only the VESTED equity arriving inside that window.

A note on pre-IPO equity

Companies typically will NOT compensate for pre-IPO equity — they can't verify its value and you can't guarantee a buyout. It is effectively worth zero until a sale.

How to value it

Log in to E-Trade (or equivalent), find the page listing each grant, and expand each one to see grant date, vest date, and value at today's price. Sum the grants vesting in the next nine months — that's your equity ask.

GRANT	VEST DATE	QTY	TYPE	PRICE	VALUE	IN 9-MO WINDOW?
Grant 1	22 May 2024	1,000	RSU	\$43	\$43,000	Yes
Grant 2	22 May 2025	1,000	RSU	\$43	\$43,000	No

*Vesting within 9 months = Grant 1 = **\$43,000**. Total sign-on ask = accrued bonus (\$48,000) + vesting equity (\$43,000) = **\$91,000**. Be prepared, though: an employer may offer 50% of equity and back-load the rest with their own stock — here, \$21,500, bringing the total to ~\$69,500.*

3. OPTIONS & PSUS

How they differ from RSUs

A PSU/option carries a strike price. On vesting, you net the DIFFERENCE between the strike price and the stock price at sale. If the share price is below strike, the units are 'underwater' and worth zero. When the market is compressed, options granted at an artificially low strike can become extremely lucrative as the market recovers — though none of that is guaranteed.

GRANT	QTY	TYPE	STRIKE	PRICE AT SALE	DIFFERENCE	VALUE
Grant 1	10,000	PSU / Option	\$43	\$44	+\$1	\$10,000
Grant 2	10,000	PSU / Option	\$43	\$42	-\$1	\$0 (underwater)
Grant 3	10,000	PSU / Option	\$2	\$88	+\$86	\$860,000

NOTE

Illustrative figures for guidance only — not financial, tax, or legal advice. Confirm your own grant details with your equity administrator and advisors before negotiating.

Negotiating an offer right now?

Phase 3 Search runs these numbers with candidates every week. If you're weighing an offer and want a headhunter's read on the sign-on, reach out.

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