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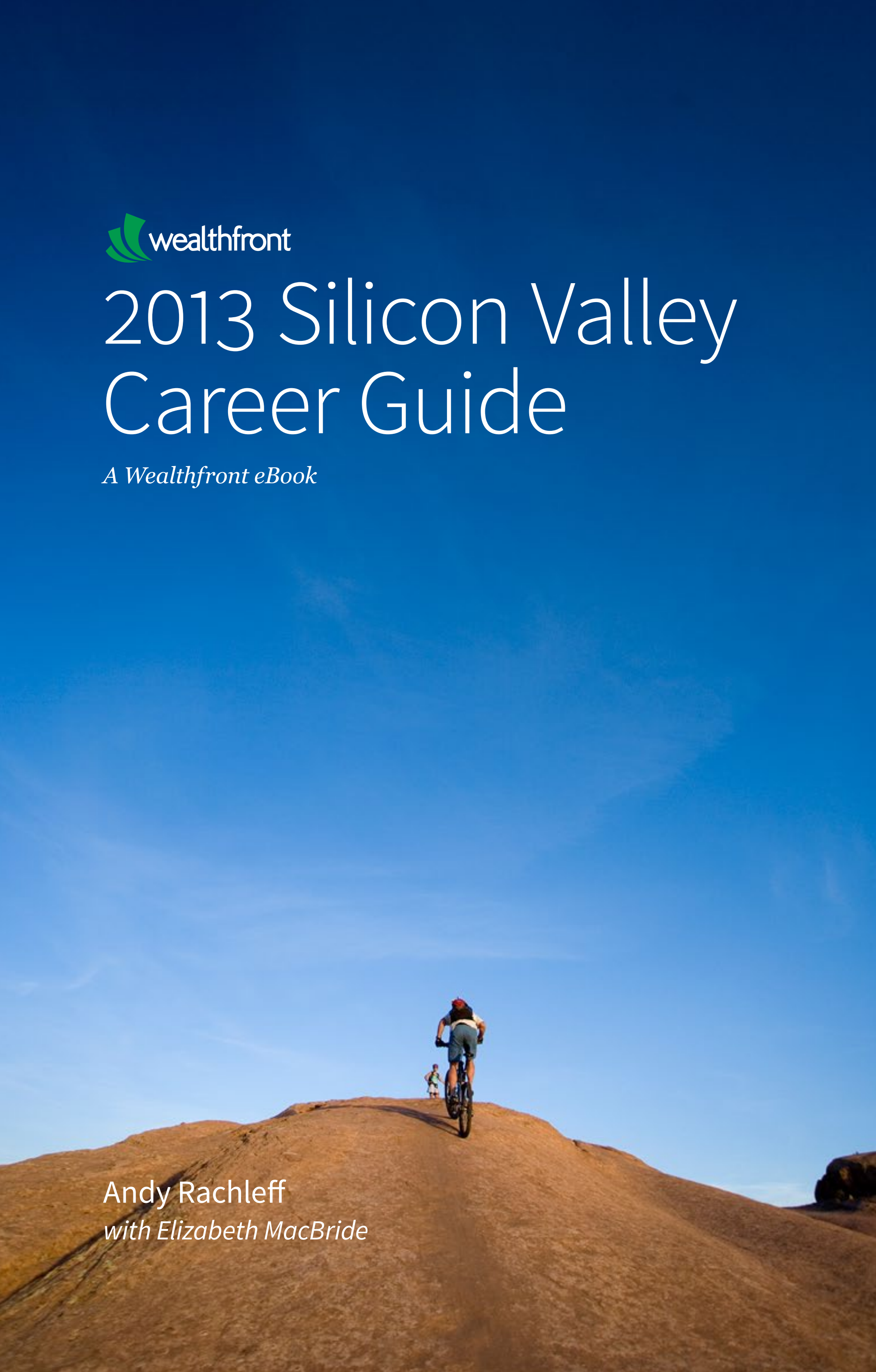
2013 Silicon Valley Career Guide

A Wealthfront eBook



Andy Rachleff
with Elizabeth MacBride

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Video Preface

Author and Wealthfront CEO Andy Rachleff previews the book.
(*Internet access required*)

About the Author

Andy Rachleff is president and chief executive officer of Wealthfront, the largest and fastest growing software-based financial advisor. A co-founder of Benchmark Capital and a faculty member at Stanford Graduate School of Business, Andy has helped many entrepreneurs and executives in Silicon Valley achieve success. He co-founded Wealthfront to bring sophisticated investment advice to everyone.

After receiving an undergraduate degree from University of Pennsylvania, Andy came to Silicon Valley in 1982 to attend Stanford Graduate School of Business (GSB). Upon graduation he joined what was then a nascent venture capital community. He spent 10 years as a general partner with Merrill, Pickard, Anderson & Eyre (MPAE) before co-founding Benchmark, where he was responsible for investing in a number of successful companies, including Equinix, Juniper Networks and Opsware. He was frequently named to Forbes' The Midas List as a top tech venture investor.

Along with serving as Wealthfront's CEO, Andy continues to teach at Stanford GSB and is a member of the board of trustees and vice chairman of the endowment investment committee for University of Pennsylvania.

Introduction

Manage Your Tech Career

You will earn far more money by managing your career well than by managing your investments well. The happiness you derive from your career may be nearly as important as the happiness you derive from the rest of your life.

IT MAY SOUND STRANGE for the CEO of an investment management firm to say this, but managing your career well is much more important than managing your investments well.

Good investment management — using low-cost ETFs and low-fee advice — can mean higher returns in your investment portfolio. Over time, that might add up a lot of money, maybe hundreds of thousands of dollars on larger portfolios. But the economic rewards that follow from good career decisions in the technology industry are potentially much larger.

That's why we've produced this eBook to help our clients manage their careers. Over my 25-year-career as a venture capitalist, and as a lecturer at the Stanford Graduate School of Business, I've seen many people in Silicon Valley achieve their goals. I've seen many who haven't because they didn't understand the Valley's drivers of success: great companies, a unique tolerance for failure and a culture of measured risk-taking.

Maximize the return

I'm not suggesting money should be your first concern when you think about your career. People do the best work, and have the best chance of great success, if they do what they love on a day-to-day basis.

So, work at what you love — and then, maximize the return on your work.

Choosing the right tech companies to work for is the single most important factor in your career success. Choice of company trumps position, salary and even the size of your equity package. A small equity stake in a big success is exponentially more valuable than a big equity stake in a failure or a minor success.

I illustrate the importance of growing the size of the pie to one's share of pie to my entrepreneurship students at the Stanford Graduate School of Business by reminding them of the formula for a circle's circumference versus its area. The formula for circumference (a proxy for share of pie) is linear ($2\pi r$) vs. the formula for area, which is exponential (πr^2).

When technology companies win, they win big. There's no way to predict exactly how much you'll make if you work for one of those winners when it goes public, but I can give you a sense of the value. Consider: the typical successful public technology company generates revenue of $500k per employee, and has a market capitalization value of 5 to 10 times revenue. To find the value per employee, we multiply the revenue per employee by the typical market capitalization/revenue ratio. We can then multiply that number by .15 — the percent of shares that employees excluding executives typically own.

It's a rough calculation, but it gives us $375,000 – $750,000 for the typical employee in a typical IPO. That's more than three to six times the average pay at a tech startup — $112,000 in 2011, according to our data.

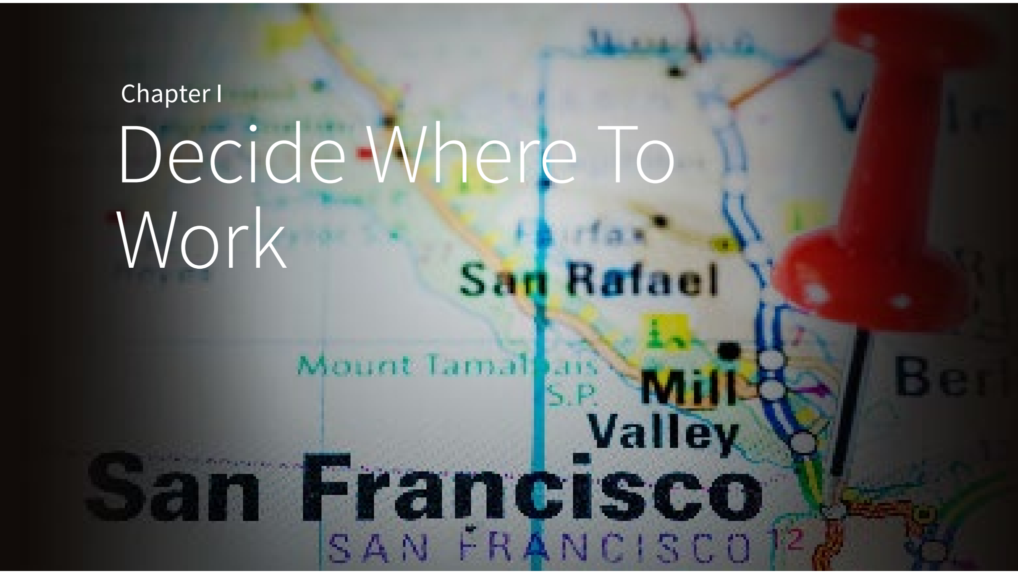
With any luck, and if you follow my advice, the payoff can be much larger.

This eBook can help you understand how to choose your first job, how to negotiate your pay, how long to stay, and other lessons for your career. To explore more of our knowledge about success over the entire Silicon Valley life cycle, check out our blog: blog.wealthfront.com.

Andrew S. Rachleff
CEO Wealthfront

Chapter I

Decide Where To Work



Your choice of company matters far more than your job title or even your compensation. Your best risk-adjusted bet if you are just starting out, or if you haven't succeeded yet, is to join a mid-sized company with momentum. You might also want to consider the person you'll be working for and whether she can be a mentor.

EVERY YEAR, MY STUDENTS AT STANFORD GSB who want to work for startups ask me for advice on which one they should join.

I disappoint them by recommending that they not go work for a startup at all. I tell them three words I know it's hard for them to hear: *You're not ready.*

I prefer to see them take their first jobs after graduation at mid-sized companies with momentum, not startups, because mid-sized companies with momentum are the companies most likely to be big successes.

> Everyone wants to recruit or back people from successful companies.

Why is success so important? You get more credit than you deserve for being part of a successful company, and less credit than you deserve for being part of an unsuccessful company. Success will help propel your career. At a fast-growing company, chances are good you'll have a higher position two years after you join. At a slow-growth company, no matter how good a job you do, you won't have the same opportunities to advance.

When it comes time to leave the successful company, you'll be able to write your own ticket. No one will remember if you were employee 20 or 120. Everyone wants to recruit or back people from successful companies because they know/think people carry the lessons of success with them.

You also may gain something that's even more valuable from that first job: insight. If you're part of a company that's the leader in a market for which you have a passion, you're more likely to develop a unique insight that could lead to a great company of your own.

Facebook's Lesson

Perhaps the best illustration of the way a successful company puts a halo over careers is Facebook. Back in 2006 and 2007, a handful of my students were considering job offers from what was then a mid-sized company with about $50 million in revenue. Some of my students were on the verge of rejecting those offers: Dreaming of startups, they believed that a job at a company already on a path to rapid growth would be boring.

Some of them listened to my advice, took jobs at Facebook, and are now benefitting. They are now able to start their own ventures, become venture capitalists or take their pick of jobs at hot companies. They're writing their own tickets.

Facebook is a rarity, of course: its market capitalization is so large that even employees who joined fairly late in the game got big payouts. In most cases, joining a mid-sized company, even one with enough momentum to reach an IPO while you're there, won't make you rich.

Insight, not energy, is the key to success in technology.

Making money is not the point for most of my students, anyway. They take my classes because they're the kinds of people who want to make an impact on the world. Because they have that desire, and they're impatient to fulfill it, some of them come away quite disappointed when I suggest to them that they ought to wait.

But the odds are that your startup is going to fail. Why take that chance early in your career? If you're willing to take three years to work for a company with momentum, then your experience at the mid-size company will allow you to do something more amazing in the future. Not many people get multiple shots at starting a company, so why not put your best foot forward?

By the way, if it hasn't been obvious already, I don't buy the adage that you should start a company when you're very young, because that's when you have the energy. Insight, not energy, is the key to success in technology, and insight doesn't arrive on a particular timetable.

Why Mid-Size Private Companies?

After we talk, I offer to give my students a spreadsheet of 45–50 private companies, U.S.-based or with a strong presence here, that fit my description of an ideal company to work for. I compile this list each year by talking to about 10–15 venture capitalists at the premier venture firms.

Now, I'm sharing an expanded version of my list with you (Table 1, p. 13), featuring 100 private companies.

All our advice on Silicon Valley careers is based on a simple idea: that your choice of company trumps everything else. It's more important than your job title, your pay or your responsibilities.

The private companies we've listed have revenue between $20 and $300 million. They're growing fast and appear likely to maintain their momentum for the foreseeable future. It's important that your potential employer have enough momentum to keep growing rapidly until you decide to leave — probably after about three or four years if you want to assure yourself of the aforementioned halo.

> Your choice of company trumps everything else.

Why not a startup? Most startups fail. That means their risk/reward ratios don't look good. That concept is important in investing, too: You want the highest possible return for the least amount of risk. We pay a lot of attention to risk/reward ratios at Wealthfront to build our clients' portfolios; you should apply the same sort of thinking when it comes to your career.

Why the upper limit of revenue? Above a certain company size, the lessons you learn are no longer applicable to the startup you eventually want to be part of. For example, if you join Facebook or Google today, you'll spend most of your time learning how to take advantage of your company's massive market position. Startups don't have that problem so those lessons learned are not of much value. Company-building lessons tend to translate until around $300 million of revenue, though that is extremely subjective.

What Happens Next?

After those first jobs, some of my former students have taken senior positions with hot startups. Others have founded companies, and had an easier time getting funded than they otherwise could have. They were smart: They took the time to make themselves ready for their startup careers. Now, those careers are taking off.

Table 1: Mid-Size Companies With Momentum

COMPANY & DESCRIPTION	LOCATION
37signals Frustration-free web-based apps for individuals & small businesses.	Chicago, IL
Acronis Storage solutions for mission-critical applications.	Burlington, MA
Actifio Protection & Availability Storage (PAS) -- recover anything instantly.	Waltham, MA
Adconion Media Group Multi-channel digital distribution platform with 687M monthly uniques.	Santa Monica, CA
Aerohive Networks Enterprise WiFi Solutions Vendor	Sunnyvale, CA

Airbnb Community marketplace for people to list, discover, and book unique spaces around the world.	San Francisco, CA
AppDynamics Application Performance Management	San Francisco, CA
Apptio Managing the business of IT.	Bellevue, WA
Arista Networks Software defined networking.	Santa Clara, CA
Atlassian Innovative Enterprise Software Solutions	Sydney & San Francisco
Birchbox A beauty product discovery service	New York, NY
Bit9 Advanced Threat Protection	Waltham, MA
BOKU Mobile Payments Platform	San Francisco, CA
Bonobos E-commerce driven men's retailer	New York, NY
Box Cloud Content Management	Los Altos, CA
Braintree Online and mobile payment processing	Chicago, IL

Click Here for the Full Table (Appendix A)

Chapter II

Don't Be An Offer Collector

Candidates who have been successful tend to focus their job searches. They look for the company with the highest odds of succeeding. If you spend time collecting offers, good companies won't want to hire you: They will see your search for the highest compensation or biggest title as a sign you haven't yet succeeded.

IN THE LAST CHAPTER I described the importance of being associated with success in your first job. Success gives you experience that makes you more marketable. With success comes the opportunity to move to another company with far greater equity upside or the aura to raise money for your own start up. Success gives you motivation, too: People who have tasted success want more.

I can always identify people who have *yet* to succeed because they attempt to collect numerous offers before choosing their next job. You might think this is a good idea. Nothing could be further from the truth.

Unsuccessful people choose jobs based on the best offer

People who have never experienced a big success in their careers usually choose their next job based solely on which company offers the highest compensation or the biggest job title. They don't understand that the quality of the company matters far more than the compensation or the job title, or they have little faith in their ability to choose which company will be most successful. They try and get as much as they can, as early as they can. This often leads to a poor company choice, which creates a vicious cycle.

> The quality of company you join has a far bigger impact on your net worth than the size of the compensation package.

At Wealthfront, we quickly filter out offer collectors. They probably haven't been successful—they are highly unlikely to bring the skills we need to improve.

Successful candidates look for success

Candidates who have been successful tend to focus their job searches. They look for the company in a space they enjoy with the highest odds of succeeding. They look for the same qualities an outstanding venture capitalist does: a compelling and differentiated vision, a large potential market, an unfair advantage and modest capital requirements. I believe they recognize these qualities because they have seen them before in their previous jobs.

Once they find that company, they attempt to negotiate a fair deal (see Wealthfront's Startup compensation tool for what constitutes a fair salary and equity offer) with just that company, rather than collect more offers. I am always happy to pay up for this kind of candidate, because the leverage she brings will likely be great.

Success is a proxy for judgment

Selection of more than one successful company is often used by sophisticated hiring managers as a proxy for good judgment, perhaps the most important quality a candidate can have. It's something I recommended to all my portfolio companies when I was a venture capitalist. That's not to say someone who hasn't worked for a successful company can't be a great hire. It's just that the odds favor the successful person.

I realize this advice is likely to be uncomfortable for many people who haven't yet worked for a company that succeeded. My advice to them: Focus your next job search on a company that already has tremendous momentum so you can be assured success. You may not earn as large an equity stake as you would like in the short term, but you are likely to be far better off in the long term.

Chapter III

Get A Fair Compensation Package

You need enough to live on, and you'll want to make sure you will be compensated within the industry norms. Our compensation tool can help.

YOU'RE TALKING TO A GREAT COMPANY, and they're offering you a job you love. Now it's time to figure out how you'll be compensated.

The quality of the company is far more important than your compensation, but you'll want to get what you're worth in the market. To help you do that, we created a tool (Figure 2) that shows typical compensation in technology companies for different positions.

Don't Negotiate Too Much

Well-run technology companies have compensation budgets, and your position will fall within a particular tier. A company can't offer you more money without taking money from the budget for another position.

If an executive asks you to name your salary first, ask them what the executive believes is fair. You can use our Tool to determine where the offer falls in comparison with the market, in terms of equity and cash. The tool allows you to look at compensation across 17 kinds of job functions, including software engineering, marketing, and product management.

We broke the compensation down by job level, company size — ranging from the tiniest startups to companies with more than 100 people, and by four different regions.

As you'll see if you play with the tool, smaller companies tend to give more equity compensation.

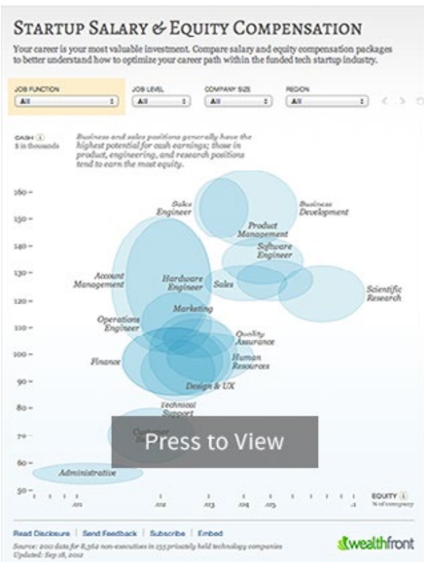


Figure 2: Wealthfront's Compensation Tool

Compensation in the Bay Area also tends to be higher than in other tech regions in the country.

The mean cash compensation across all tech startups in all the markets was $112,000. The mean equity compensation across all tech startups across all maturities in all the markets was .072%.

If you must name an amount

If at some point during the negotiation you're asked to name an amount or an equity stake, you can use our Tool to decide on reasonable numbers. Don't ask for an amount that is far above the average; the company most likely won't break its budgets to hire you, and you will have damaged the relationship right from the beginning.

> Compensation in the Bay Area tends to be higher than in other tech regions in the country.

If you're going to ask for a reasonable increase in the offer, ask for more equity. Getting another .1% can lead to a hell of a lot more money than another $10,000 of salary. In fact, we believe that to live in Silicon Valley, you need to earn an equity stake worth at least a few hundred thousand dollars. That means you'll need to make at least one winning bet on a successful company.

Based on my experience, most companies will offer you a fair wage and a fair equity package. Those that don't are those you don't want to work for.

Chapter IV

Ask These 12 Questions About Your Options

What really matters is the percentage of the company your options represent, and the rapidity with which they vest. These questions will help you understand how your prospective employer treats options.

NEXT TIME SOMEONE OFFERS YOU 100,000 options to join their company, don't get too excited.

Over my 30-year career in Silicon Valley, I've watched many employees fall into the trap of focusing on the number of options they were offered. (Quick definition: A stock option is the right, but not the obligation, to buy a share of the company's stock at some point in the future at the exercise price.) In truth, the raw number is a way that companies play on employees' naiveté. What really matters is the percentage of the company the options represent, and the rapidity with which they vest.

When you receive an offer to join a company, ask these 12 questions to ascertain the attractiveness of your option offer:

1. **What percentage of the company do the options offered represent?**
   This is the single most important question. Obviously, a larger number of options is better than a smaller number, but percentage ownership is what really matters. For example if one company offers 100,000 options out of 100 million shares outstanding and another company offers 10,000 options out of 1 million shares outstanding then the second offer is 10 times as attractive. That's right. The smaller share offer in this case is much more attractive because if the company is acquired or goes public then you will be worth 10 times as much.

2. **Are you including all shares in the total shares outstanding for the purpose of calculating the percentage above?**
   Some companies attempt to make their offers look more attractive by calculating the ownership percentage your offer represents using a smaller share count than what they could. To make the percentage seem bigger, the company may not include everything it should in the denominator. You'll want to make sure the company uses fully diluted shares outstanding to calculate the percentage, including all of the following:
   - Common stock/Restricted stock units
   - Preferred stock
   - Options outstanding
   - Unissued shares remaining in the options pool
   - Warrants

3. **How does your proposed option grant compare to the market?**
   A company typically has a policy that places its option grants relative to market averages. Some companies pay higher salaries than market so they can offer less equity. Some do the opposite. Some give you a choice. You'll want to know what their policy is in order to evaluate your offer within the proper context.

4. **What is the market rate for your position?**
   Every job has a market rate for salary and equity. Market rates are determined by the nature of your job, the age of your company, the number of employees, the amount of money raised, and the amount of revenue or profit the company is currently generating. Unfortunately a database that tracks all this information is not readily available, so unless you have a friend who is an associate at a law firm or venture capital firm, you can be stuck relying on the limited perspective of your other friends who work at private companies. There have been a number of rule-of-thumb formulas published in recent years, but we do not believe they accurately reflect the market for option grants. We built our Startup Salary & Equity Compensation Tool , also included in the last chapter, to help you better compare your offer across the tech industry.

5. **What is the vesting schedule?**
   The typical vesting schedule is over four years with a one-year cliff. If you were to leave before the cliff, you get nothing. Following the cliff, you immediately vest 25% of your shares and then your options vest monthly. Anything other than this is odd and should cause you to question the company further. Some companies might request five-year vesting, but that should give you pause.

6. **Does anything happen to my vested shares if I leave before my entire vesting schedule has been completed?**
   Typically you get to keep anything you vest as long as you exercise within 90 days of leaving your company. At a handful of companies, the company has the right to buy back your vested shares at the exercise price if you leave the company before a liquidity event. In essence, this means that if you leave a company in two or three years, your options are worth nothing, even if some of them have vested.

7. **Do you allow early exercise of my options?**
   Allowing employees to exercise their options before they have vested can be a tax benefit to employees, because they have the

opportunity to have their gains taxed at long-term capital gains rates. This feature is usually only offered to early employees because they are the only ones who could benefit.

8. **Is there any acceleration of my vesting if the company is acquired?**
Let's say you work at a company for two years and then it gets acquired. You may have joined the private company because you didn't want to work for a big company. If so, you would probably want some acceleration so you could leave the company after the acquisition.

   Many companies also offer an additional six months of vesting upon acquisition if you are fired. You wouldn't want to serve a prison sentence at a company you're not comfortable with, and, of course, a layoff is not uncommon after an acquisition.

   From the company's perspective, the downside of offering acceleration is the acquirer will likely pay a lower acquisition price because it might have to issue more options to replace the people who leave early. But acceleration is a potential benefit, and it's a really nice thing to have.

9. **Are options priced at fair market value determined by an independent appraisal? What is the exercise price relative to the price of the preferred stock issued in your last round?**
Venture capital-backed startups issue options to employees at an exercise price that's a fraction of what the investors pay. If your options are priced near the value of the preferred stock, the options have less value.

   When you ask this question, you're looking for a big discount. But a discount of more than 67% is likely to be looked on unfavorably by the IRS and could lead to an unexpected tax liability because you would owe a tax on any gain that results from being issued options at an exercise price below fair market value. If the preferred stock was issued, say, at a value of $5 a share, and your options have an exercise price of $1 per share vs. the fair market value of $2 per share, then you'll owe taxes on your unfair benefit – which is the difference between $2 and $1.

10. **When was the company's last 409A appraisal?**
    Only boards of directors can technically issue options, so you will typically not know the exercise price of the options in your offer letter until your board next meets. If your proposed employer is private then your board must determine the exercise price of your options by what is referred to as a 409A appraisal (the name, 409A, comes from the governing section of the tax code). If it's been a long time since the last appraisal, the company will have to do another one. Most likely that means your exercise price will go up, and, correspondingly, your options will be less valuable. 409A appraisals are typically done every six months.

11. **What did the last round value the company at?**
    The value tells you the context for how valuable your options could be. Common stock is not worth as much as preferred stock until your company is acquired or goes public, so don't fall for a sales pitch that promotes the value of your proposed options at the latest preferred price.

12. **How long will your current funding last?**
    You want to know when you're going to get diluted. Refer back to question number one for why this is important.

Chapter V

Seek A Mentor

A second but slightly less important factor than the quality of the company is your mentor. A great mentor gives your career an updraft.

IN CHAPTER I, DECIDE WHERE TO WORK, I explained the importance of early success in your career. You get more credit than you deserve for being at a successful company and less credit than you deserve for being part of an unsuccessful company. The critical question is how can you increase your likelihood of success.

In the aforementioned post, I gave the first part of the answer. Join a mid-sized company that has already reached critical mass and has a lot of momentum. The company you work for is a critical proxy for success. A second but slightly less important factor is your mentor.

Many great things can happen to you if you find a great mentor

First and foremost, you will learn lessons that you can apply to many other jobs. The vast majority of leaders in their fields trained under great mentors. Most every great doctor, lawyer, investor and marketer learned her craft from someone else. Some people confuse mentorship with the old boy network. But you don't look for a mentor for his or her connections. You look for one who has something great to teach in the field in which you want to learn.

Some young people think they don't need mentors. They chafe at the role of protégé. Taking on that role means they must admit they don't know much. My overconfident students are the ones who flounder early in their careers. Like it or not, we still live in a world where apprenticeship matters.

We still live in a world where apprenticeship matters.

A great mentor gives your career an updraft

If your mentor is on the rise, it is highly likely that she will be promoted or recruited to another company at a higher level. If your mentor is promoted, and you are good at what you do, then you are likely to be promoted along with her. If your mentor is recruited elsewhere, then you will likely be recruited by your mentor to her new company in a bigger role, or you may be promoted to replace your mentor. In either case your career will advance significantly.

How do you identify great mentors?

They are almost always on the fast track in their companies. Look for someone who has been promoted early and often. Ideally, your mentor is someone with whom you have great chemistry, but that is not always possible. If I had to choose between fast career growth and chemistry, I would go with success, which means fast career growth.

Sometimes I read advice about how to establish a relationship with a mentor. In my experience, the relationships either happen naturally or they don't. You find someone you want to be like, and accept whatever time and advice she is generous enough to offer.

Please keep in mind my advice is meant for someone who wants to rise rapidly themself, not someone who wants to have a great work-life balance. Learning from a driven mentor requires a lot of sacrifice, because you want to work hard to prove yourself to them.

A truly superb mentor will never be threatened by your success

She wants to help grow you into a peer, knowing your achievements will reflect well on her. One of my favorite interview questions is: Tell me about some people you have hired and where they are now. My favorite candidates hired people who are now their peers or higher. If they have developed others it is usually a sign they are on the fast track themselves.

My favorite candidates hired people who are now their peers or higher.

A lot of the advice we at Wealthfront give our Silicon Valley clients comes from my experience in venture capital and teaching at the Stanford Graduate School of Business. During my career, I learned a lot from my business school classmate and ultimately Benchmark Capital partner Bruce Dunlevie. It was only through his influence that I was able to grow into a more effective venture capitalist and now CEO.

He's still someone I turn to for advice. A good mentor relationship lasts long after your job at a single company. The relationship will change and grow over time. Your first job at a successful company will launch your career. A great mentor will help you stay on the fast track.

Chapter VI

Decide How Long To Stay

For most people, the right length of time is probably about four years, which is coincidentally when most options packages are fully vested. But there are corner cases: If you are unhappy about a circumstance that is unlikely to change, you should leave a job at any point. And, if you are really happy, it's fine to stay for longer than four years.

OVER THE YEARS MANY PEOPLE who have been granted options or RSUs have asked me for advice as to how long they should stay at their employer. As with most questions the answer is it depends.

It depends on your happiness, the company's prospects and your career path. For many people, four years seems to be about the right span of time. It's no coincidence vesting periods for most companies are four years, but your decision to stay at a job should not be driven by your vesting schedule.

The highest quality startups want employees willing to commit to the company's cause.

Don't job hop, but don't be miserable, either

People who are interested in maximizing the diversification of their private company option or RSU portfolios tend to only stay at each company for 1 – 2 years. The downside of such a strategy is future employers will regard you as a *job hopper.*

The highest quality startups tend to have their pick of the best talent, and they want employees willing to commit to the company's cause. Therefore, the only people who will want to hire job hoppers will be the companies you shouldn't want to work for. As a result you may get diversification, but a diversified portfolio of stock options that are not likely to be worth anything is a poor strategy.

That is not to say that you should stay at a company if you are unhappy. I have often heard people advise their friends that they need to stay at a job for at least a year to avoid the job hopper label. More often than not I have seen unhappy people who stick around lose their motivation, which often leads to them being terminated. Being fired is far worse than having one job on your resume that lasted less than a year.

In fact, if at any point in your employment you are unhappy because of a job circumstance that is unlikely to change, my advice is to leave. People will respect you for it. I certainly respect people who do.

Vesting is four years for a reason

Stock option and RSU vesting is most often mandated at four years because, frankly, that is what companies have observed as the attention span of most employees. The character of the employer changes significantly over four years. People who like working at startups tend not to enjoy working for an established company as much, for instance. Four years is also a reasonable amount of time to devote to a particular challenge in your career. After four years, employees tend to get restless and want to look for something new.

Your initial grant shouldn't be your final one

You shouldn't necessarily leave just because the vesting on your original grant is up. Life is a series of tradeoffs, and option grants are no exceptions. Enlightened companies grant stock to existing employees for notable achievements, promotions and continued service. I recommend to every CEO on whose board I sit that they should grant additional shares (vesting over four years) to employees when they reach their 2½ to 3-year anniversaries.

> Life is a series of tradeoffs, and option grants are no exceptions

The size of the refresh grant is often 80 to 100% of what the employee in question would have received had they joined the company as a new employee. The grant can either be made once every four years or a quarter of my proposed grant can be made each year. The logic of the refresh grant after only 2 ½ years is you don't want to wait until an employee is fully vested to reload them because their minds may turn elsewhere once they anticipate being fully vested.

If you receive additional shares from your current employer, you need to weigh the likely value of the additional grants against what you might earn from a new company grant over the same time period. Mature company grants are much smaller than earlier stage company grants, but that doesn't necessarily mean they are less valuable. A new employee grant from Facebook or LinkedIn when they had 1,000 employees would have been much more valuable than a typical new employee grant from a startup with only 50 employees.

Economics shouldn't be your only consideration

All that being said, your decision should not solely be based on economics. You need to consider the certainty of knowing how happy you are with your current job's environment and challenges against the uncertainty of what life will be like at your new company. On the flip side, you should consider the career risk of staying at a company too long. At a certain point, other companies won't even try to recruit you because they believe you won't leave.

Some people worry about being typecast if they stay in a particular type of job too long. My observation is most people rise through the ranks because they are great at one thing (and hire to address their weaknesses) rather than being very good at a number of things.

If you are happy, staying at a company for an extended amount of time is a reasonable decision. However only in rare circumstances are an employer and an employee a good match for a really extended period of time. That being said, environment often trumps economics if you really enjoy where you work.

You may need a few at bats

One last thing to think about with regard to length of stay is your ability to afford to live in your particular geography. As we explained in You Need Equity To Live In Silicon Valley, you have the greatest chance of being able to afford to live in an expensive geography if you work for at least a few private companies that award equity.

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Parting Words: Be Patient

If you're just starting out, pay attention to the fundamentals I've outlined in this book. If you've made some missteps, my advice is the same: Follow the fundamental lessons, even if it means taking what feels like a backward step in your career. Success breeds success. If you haven't succeeded yet in your career, my advice is to keep trying until you do.

THE SINGLE MOST IMPORTANT IDEA to take away from this eBook is that you should focus on career success early. Everything gets easier after that.

I mean: Do everything in your power to give yourself a career halo. Look for a company that is likely to be successful itself, figure out how join it, and work incredibly hard to be a success there. In the beginning, your pursuit of career success may mean you sacrifice time with your family. You may need to put off some of the big career goals you have for your life, like founding a startup or following some other passion.

In my experience, the patience pays off. Investing early in your career earns you later dividends — money and stature that make it easier to meet those other goals.

There's an important caveat here, though. The advice outlined in this book and in the paragraphs above offers the best risk/reward ratios for a successful career. That doesn't mean it's the best advice for everyone. If you are so passionate about something — an idea, a startup, or a career — that you absolutely cannot wait, then don't wait. If you can't sleep at night, you should follow your passion.

For everyone else, the rules make sense.

Lessons of success

- Pay the most attention to the quality of the companies you join. The company is more important than the job, compensation or title.

- Right after school, join a mid-sized company with momentum. Those are the companies most likely to succeed, and to give you the career halo you need. Again, the caveat: I know some students who are so eager to change the world that they can't be dissuaded from trying a startup, first. For them, the right advice is: Go to the startup. If it doesn't work out, find a mid-size company with momentum, even if you are a few steps behind your peers in terms of position.

- Don’t be an offer collector. That’s counter to the idea of focusing on a good company and will turn off your potential employer.

- Seek a mentor from whom you can learn.

- Get a fair compensation package, but don’t negotiate too much. If you ask for more, ask for more equity.

- Make measured judgments about how long to stay at a job. About four years seems to be the right amount for most people, but consider other factors, including your happiness, your refresh grants and how the company is changing.

- If you haven’t succeeded, keep trying until you do. Don’t use Silicon Valley’s unique tolerance for failure as an excuse to keep taking stupid risks with your career. I respect risk-takers. I respect success more.

I am a big believer in the golden rule. If you treat your co-workers and the companies where you work well, they will return the favor. There are no rules that guarantee you a successful career, just as there are no risk-free investments. But my advice will help you maximize the return on your career, which is your single most important investment.

Good luck — and I hope you get where you want to be.

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Our service manages a personalized online investment account for you that is fully diversified and periodically rebalanced – all with a low minimum balance of $5,000. We support Individual, joint, and trust taxable accounts, traditional, Roth, and SEP retirement accounts (IRAs), and 401(k) rollover accounts.

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Appendix A: Mid-Size Companies with Momentum

COMPANY & DESCRIPTION	LOCATION
37signals Frustration-free web-based apps for individuals & small businesses.	Chicago, IL
Acronis Storage solutions for mission-critical applications.	Burlington, MA
Actifio Protection & Availability Storage (PAS) - recover anything instantly.	Waltham, MA
Adconion Media Group Multi-channel digital distribution platform with 687M monthly uniques.	Santa Monica, CA
Aerohive Networks Enterprise WiFi Solutions Vendor	Sunnyvale, CA
Airbnb Community marketplace for people to list, discover, and book unique spaces around the world.	San Francisco, CA
AppDynamics Application Performance Management	San Francisco, CA
Apptio Managing the business of IT.	Bellevue, WA
Arista Networks Software defined networking.	Santa Clara, CA

Atlassian Innovative Enterprise Software Solutions	Sydney & San Francisco
Birchbox A beauty product discovery service	New York, NY
Bit9 Advanced Threat Protection	Waltham, MA
BOKU Mobile Payments Platform	San Francisco, CA
Bonobos E-commerce driven men's retailer	New York, NY
Box Cloud Content Management	Los Altos, CA
Braintree Online and mobile payment processing	Chicago, IL
BrightRoll Online Video Advertising Network	San Francisco, CA
Chartboost Helping developers build a business around their games.	San Francisco, CA
CipherCloud Cloud-based data protection for the enterprise	San Jose, CA
ClearSlide Web-based sales communication platform.	San Francisco, CA

Cloudera Enterprise support for Apache Hadoop	Palo Alto, CA
CloudFlare Performance & Security for Any Website	San Francisco, CA
Code 42 Software Backup and data management solutions. The company behind CrashPlan.	Minneapolis, MN
Coupons.com Digital Coupon Provider	Mountain View, CA
Crowdtilt Pool funds to do things together	San Francisco, CA
DataStax Scalable, flexible, continuously avalable big data platform based on Apache Cassandra.	San Mateo, CA
Delphix Database virtualization	Menlo Park, CA
DocuSign The world's largest and fastest growing electronic signature platform.	San Francisco, CA
Drobo Award-winning data storage products for small and medium businesses	San Jose, CA
Dropbox Always have your stuff, wherever you are	San Francisco, CA

Etsy A marketplace for handmade and vintage items, as well as art and craft supplies.	Brooklyn, NY
Eventbrite Online event management & ticketing	San Francisco, CA
Evernote Remember everything.	Redwood City, CA
Fab.com An online design store.	New York, NY
Fanatics One of the world's leading retailers of officially licensed sports merchandise.	Jacksonville, FL
Flipboard Digital Social Magazine	Palo Alto, CA
Gilt Groupe Coveted fashion and luxury lifestyle brands at sample sale prices.	New York, NY
GitHub A social network for programmers.	San Francisco, CA
Glam Media Media and blog network	Brisbane, CA
Hightail Formerly YouSendIt. Tools to share and control your content like a professional.	Campbell, CA
HootSuite Social Media Management System	Vancouver,

Hortonworks Leading commercial vendor of Apache Hadoop.	Sunnyvale, CA
HotelTonight The ultimate way to book a same-day hotel stay on your mobile device.	San Francisco, CA
HubSpot Replacing the world's annoying, interruptive marketing with marketing people love.	Cambridge, MA
Jawbone Innovative products to improve the mobile lifestyle.	San Francisco, CA
Jumio Next generation online and mobile credit card & ID verification products.	Palo Alto, CA
Lattice Engines Revolutionizing sales and marketing through the power of Big Data.	San Mateo, CA
Lending Club Borrow or invest in personal loans	San Francisco, CA
Lithium Technologies Social Customer Experience Software. Unlock the passion of your customers.	San Francisco, CA
Lookout Inc. Dedicated to making the Post-PC world safer for everyone.	San Francisco, CA

MapR Technologies Enterprise-grade Hadoop platform.	San Jose, CA
Medallia Software for capturing customer feedback.	Palo Alto, CA
Mixpanel Real-time web analytics	San Francisco, CA
MobileIron Mobile device management software	Mountain View, CA
ModCloth Rip-roaringly innovative, rapidly growing e-tailer of vintage-inspired fashion and décor.	San Francisco, CA
MongoDB The company behind MongoDB, the leading NoSQL database.	New York, NY
MoPub Mobile Ad Serving Platform	San Francisco, CA
Nest Labs The creator of the world's first Learning Thermostat.	Palo Alto, CA
New Relic SaaS Application Performance Management	San Francisco, CA
Nimble Storage Flash-based storage solutions.	San Jose, CA
Nutanix Enterprise-class Virtualization.	San Jose, CA

oDesk Enabling businesses to find, hire, manage, and pay talented professionals via the Internet.	Redwood City, CA
Okta Enterprise-grade identity management service designed to address the challenges of the cloud.	San Francisco, CA
One Kings Lane Leading flash sales site for home décor, furnishings, and accessories.	San Francisco, CA
Optimizely A/B testing you'll actually use.	San Francisco, CA
Pinterest Organize and share things you love.	San Francisco, CA
Plex Systems Improving manufacturing cost and quality through the use of technology.	Auburn Hlls, MI
POPSUGAR Everything women love, all in one place	San Francisco, CA
Prezi Cloud-based Presentation Software	Budapest & San Francisco
Puppet Labs IT Automation software	Portland, OR
Pure Storage Flash-based enterprise storage.	Mountain View, CA

Qualtrics Online survey software for the enterprise	Provo, UT
Quantcast Real-time digital advertising and audience measurement	San Francisco, CA
Rapid7 Risk Management Software	Boston, MA
Redfin Online real estate company	Seattle, WA
RightScale Easily deploy and manage business-critical applications in the cloud.	Santa Barbara, CA
Sencha HTML5 App Development Platform	Redwood City, CA
Silver Peak Systems Data acceleration software	Santa Clara, CA
Snapchat Real-time Picture Chatting	Pacific Palisades, CA
Sonos Wireless multi-room music systems for the home.	Santa Barbara, CA
SoundCloud Social Sound Platform	Berlin & San Francisco
Spotify Instant listening to specific musical tracks or albums.	New York & Stockholm

Square Making commerce easy for everyone.	San Francisco, CA
Stripe Simple, developer-friendly way to accept payments online.	San Francisco, CA
Sumo Logic Cloud-based log management and analytics	Redwood City, CA
SurveyMonkey The world's largest survey company.	Palo Alto, CA
TellApart Predictive customer analytics platform.	Burlingame, CA
Tenable Network Security Securing enterprise networks world-wide.	Columbia, MD
Think Finance Next generation online financial products for underbanked consumers.	Ft. Worth, TX
TrialPay Pay for one product by trying or buying something else.	Palo Alto, CA
Twilio Reinventing telecom by merging the worlds of cloud computing, web services, and telecommunications.	San Francisco, CA
Uber On-demand limos and taxis for the modern lifestyle.	San Francisco, CA

Urban Airship Mobile Push notification services.	Portland, OR
Vox Media Premium online publisher focused on sports, technology, and gaming.	Washington, DC
WhatsApp Mobile messaging app	Santa Clara, CA
WordPress/Automattic The most popular and fastest growing publishing platform on the web.	San Francisco, CA
Zendesk Provider of an Integrated on-demand helpdesk.	San Francisco, CA
Zscaler Cloud-delivered security services	San Jose, CA
zulily Daily Deals for moms, babies and kids	Seattle, WA
Zuora Subscription billing and management	Foster City, CA

All the companies on the list were contacted before being listed by Wealthfront. Information was compiled via company websites, Wealthfront's proprietary research, and company information sources like CrunchBase. To add information, please contact us at blog@wealthfront.com.