

ESOP UPDATE

Information about your Employee Stock Ownership Plan (ESOP)

ESOP is an all-American idea

“The American Dream” is the notion that each person should get an opportunity to use his or her abilities to make life better. Americans tend to value and admire pursuing “ownership” (home ownership, small business ownership and stock ownership) as way to achieve our dreams and goals. ESOP ownership is a modern twist on ideas that can be traced back to the very roots of our nation.



Many of our nation’s founding fathers — like John Adams, Thomas Jefferson and James Madison — advocated “broad ownership of property” to create a strong nation and help our democracy work better. For many people at the time, working the land (property) was how they “made a living.”

By the late 19th century, the idea of “shared ownership” was adopted by industry giants such as Procter & Gamble, Railway Express and Sears & Roebuck. They began the practice of setting aside stock in the company that would be given to employees who retired. There were no laws to encourage employee ownership. They did it because it was a good business practice. In the 1950s “the father of ESOPs,” Louis Kelso, made compelling arguments that broad ownership of businesses is good for both individuals and the health of our economic system.

ESOPs, established through legislation in 1973, extend these deeply ingrained American themes into the 21st-century workplace. Employees in an ESOP-owned company use their abilities to help their companies succeed, which can build wealth in their personal ESOP retirement accounts. ESOPs can provide an opportunity for employees to live the “American Dream by making life better for themselves and their families.