

ESOP UPDATE

Information about your Employee Stock Ownership Plan (ESOP)

Give me the money!

“Why can’t they give me my ESOP benefit now?” The short answer to this common question is: because your account is not done growing for you. A more complete answer requires more detail about how the ESOP works.

Your account is not available cash ... yet.

An ESOP is a trust fund that holds company stock. Stock is a certificate that represents part ownership of the business. Like any certificate of ownership — for example, the title to your car — it represents something that has real value but will not become cash until it is sold. In an ESOP, the stock is sold when you get your distribution — which will be after you leave employment at your ESOP-owned company.

Your ESOP value is invested in your future.

The value of your ESOP account is working for you. The Company Stock portion of your account is invested in the business. The dollars are invested in company assets like equipment, property and the working capital needed to continue to grow the business. The Other Investments portion of your account are dollars used to purchase more stock for your account when it is available. Investing in stock provides an opportunity for more wealth building in your retirement.

ESOP-owned firms need to plan for “cashing out” accounts.

ESOP companies are required to provide a market for the stock when participants are eligible for a distribution. Your company plans for this obligation. This is why most ESOPs have a waiting period and payment schedules as part of their design. These plan design elements are a protection for all participants who remain in the plan. They make it easier for the company to plan for the cash outlays needed to repurchase stock.

The distribution section of your plan’s Summary Plan Description (SPD) outlines the details about the provisions for when you can receive your distribution.

