

ESOP Overview

WHAT IS AN ESOP?

An ESOP is a tax-qualified, defined contribution retirement plan invested in employer securities. The ESOP is regulated by the IRS and the Department of Labor under ERISA. The ESOP is not interested in running the operations of the business.

WHO IS THE TRUST?

An ESOP is represented by a Trust and operates as a passive buyer of equity at any interest (1% to 100%). An ESOP Trustee is almost always independent in nature but range in size. As a flexible buyer, the ESOP can accommodate long-term exit strategies for owners with differing time horizons.

HOW IS AN ESOP CREATED?

An ESOP is a tax-qualified, defined contribution retirement plan invested in employer securities. The ESOP is regulated by the IRS and the Department of Labor under ERISA. The ESOP is not interested in running the operations of the business.

WHO DOES THE ESOP BENEFIT?

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HISTORY OF THE ESOP

1956

Louis Kelso closes the first ESOP, Peninsula Newspapers, after securing necessary exemptions for tax-qualified plan.

1964

IRS revises review process allowing regional offices to issue determination letters further enhancing closing efficiencies.

1986

Tax Reform Act of 1986 expands benefits to compel corporations to establish ESOPs.

Today

6,548 ESOPs covering more than 15 million employee participants.

1958

Louis Kelso publishes "Capitalist Manifesto" establishing groundwork for broad worker compensation.

1974

Congress passes ERISA establishing framework for ESOPs.

1997

Taxpayer Relief Act of 1997 expands benefits and allows S-Corporations to establish ESOPs.

1972

1990

2017

2020

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