

# MassCEO Employee Stock Ownership Plan

An ESOP ensures that hard work pays off - for you, for the business, and for the employees.



## What is an ESOP?

An Employee Stock Ownership Plan (ESOP) is a retirement plan that lets employees become owners of stock in the company they work for, offering stability and growth for the future.

## How Does it Work?

The company establishes a trust entity to buy shares from the business owner through borrowed funds. Gradually, employees can earn shares in the company based upon their salary and years of service, promoting strong engagement.

## Advantages

**Retirement Security:** provides a strong and stable retirement plan

**Increased Engagement:** employees will feel more invested in the success of the company

**Tax Advantages:** both the company and its employees can enjoy tax benefits

Allows your business to **continue to thrive**, and **your legacy to live on**

## Is it Right for You?

**Suitable for:** companies with at least 20-25 employees, and with annual revenues of \$5 million or more

Perfect for those looking for a **succession plan** or to boost **employee retention**

**Common Industries:** Engineering, Architecture firms, Construction, Professional Services (Law, Consulting, Finance), Wholesale and Distribution, Manufacturing

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## Feasibility Study

Conducted with advisors to assess if an ESOP is the right fit based on financials, company structure, and long term goals.

## Design the ESOP Plan

Work with experts to structure your ESOP including share allocation, financing, and governance.

## Company Valuation & Financing

An independent appraiser determines the value of the company. The ESOP is financed through internal profits, external loans, or seller financing.

## ESOP Trust Established & Buys Shares

A legal ESOP trust is created. The trust buys shares from the owner and holds them for the benefit of the employees.

## Share Allocation & Ongoing Management

Shares are allocated to employees over time with a vesting period. Ongoing management ensures smooth operation through annual appraisals and adjustments.

Some Massachusetts ESOPs Include:



## MassCEO can help!

Contact us today to learn more!

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 [www.mass.gov/massceo](http://www.mass.gov/massceo)

We're on a mission to expand employee ownership across Massachusetts, **empowering workers, creating jobs, and driving economic prosperity to all of Massachusetts.**



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