

State of Iowa Seeing Promise in Employee Stock Ownership Plans

ESOPs a promising tool for retaining business in local communities, supplementing employees' retirement readiness goals

Employee Stock Ownership Plans (ESOPs) are attracting more interest in Iowa, likely given both new state legislation and a broader phenomenon at work in the U.S.

Brian Brandt, regional managing director for the Eastern Iowa Business Center of the Principal Financial Group has certainly noticed a growing “buzz” around ESOPs. That is, more companies are interested to explore introducing or expanding their plans.

The referenced media source is missing and needs to be re-embedded.

This was exemplified through an event this spring hosted by Principal Financial Group in Cedar Rapids. The event showcased three local ESOP companies, including The Gazette Company, Apache Inc. and Timberline Manufacturing, all of which are clients of Principal Financial Group. Each company shared its story of becoming an ESOP and the benefits of doing so. More than 60 people representing more than 20 businesses joined the event.

“We’re getting a lot of questions about (ESOP),” Brian says. “People are attending our events and responding to our marketing around it. They want to learn more.”

Part of the impetus is likely that the State of Iowa has introduced two new incentives for businesses to consider introducing an ESOP.

The state has recognized that ESOPs both provide general economic benefits and

are a promising tool for retaining business in Iowa communities, as a press release by the Iowa Economic Development Association (IEDA) states.

For those reasons, the state has passed two pieces of ESOP-related legislation.

The first is the establishment of funding to help businesses interested in ESOP defray the upfront costs of feasibility studies. “An applicant to the program may be approved for financial assistance in an amount equal to 50 percent of the cost incurred for obtaining a feasibility study conducted by an independent financial professional,” the IEDA states.

The State of Iowa also now offers a 50 percent deduction from state income taxes for the net gain from the sale of stock to an ESOP.

But there’s a broader phenomenon at work that may also be making ESOPs more attractive to employees, Brian says.

This is the “era of personal responsibility” as a growing number of people realize that they cannot rely on the government to provide for their retirement security. They’re seeing that they need to take responsibility and begin saving and investing on their own.

An ESOP offers another avenue to create wealth as it can supplement an employee’s retirement readiness goals and 401k plan in particular.

Principal Financial Group holds an industry leadership position in the administration of ESOPs, one of a number of its service offerings. Principal Financial Group administers 40 per cent of the 100 largest ESOPs in the nation. Based on its number of recordkeeping plans, as identified by the [PLANSPONSOR Recordkeeping Survey](#) “Tying it all together, picking the best provider” of June 2011, it has been ranked No. 1 in the ESOP assets that it manages.

Brian’s role includes educating the business community through Principal Financial Group’s financial advisors, as well as facilitating public education workshops.

You can comment on this story below, or e-mail [michelle\(at\)axiomnews.com](mailto:michelle(at)axiomnews.com).

A version of this article was originally written for the [Our Voice news service](#). To learn more about generative newsroom options for your organization or community, please contact [peter\(at\)axiomnews.com](mailto:peter(at)axiomnews.com).