



The ESOP Association

Serving the Entire ESOP Community

ESOP Association Statement Regarding the Nomination of California's Small Business Advocate, Isabel Guzman, to Lead the SBA

January 8, 2021, Washington, D.C.— The ESOP Association (TEA) is encouraged by news reports that President-elect Joseph Biden will nominate Isabel Guzman to lead the Small Business Administration (SBA).

As the head of California's Office of the Small Business Advocate, Guzman has gone on the [record](#) stating the important role employee stock ownership plans (ESOPs) can play in helping our nation retain millions of businesses that might otherwise close when their Baby Boomer owners retire—as many are expected to do in the next eight years. Guzman has stated her desire to educate retiring owners about the advantages of ESOPs so they can consider transitioning their businesses to the employees who helped build them.

“Isabel Guzman is a terrific pick to lead the SBA. She has the experience and the mindset to lead in these difficult times for small businesses. For employee owners, it is gratifying to know that the incoming leader of the SBA is already well aware of the important role that employee ownership, and especially ESOPs, can play in retaining businesses and jobs, and helping to drive our nation's economy forward,” said James Bonham, President and CEO of The ESOP Association. “The SBA's importance to the ESOP community is hard to overstate, given how many of the nation's 10.6 million employee owners work at smaller ESOP companies.

“The SBA's role will become even more important to small companies, including ESOPs, in the coming days as the agency looks to distribute \$284 billion in new relief funds that Congress approved in December,” added Bonham. “Over the long term, we look forward to working with Guzman to ensure that the full intent of the Main Street Employee Ownership Act that sought to make SBA loans more accessible to ESOPs is fully implemented in the next four years as Congress intended.”

The ESOP Association

The ESOP Association (TEA) represents the interests of ESOP companies in the United States, including small and large employee owned companies in every sector and in all 50 states. In total, ESOP companies employ more than 10.6 million people and contribute \$1.377 trillion to the U.S. economy annually. The ESOP Association is the powerful voice of the ESOP community and the leading advocate for a policy agenda that helps employee owned companies compete, grows employee ownership here and abroad, and creates jobs across the United States. For

The International Employee Ownership Center

200 Massachusetts Avenue, NW • Suite 410 • Washington, D.C. 20001

Phone: (202) 293-2971 • Fax: (202) 293-7568 • E-mail: esop@esopassociation.org • Website: esopassociation.org

more information about TEA or to follow us on social media, please visit www.esopassociation.org.

Employee Stock Ownership Plans

An Employee Stock Ownership Plan (ESOP) is a tax-qualified retirement plan authorized and encouraged by federal tax and pension laws. ESOPs are similar to—and governed by some of the same laws and regulations as—401(k) plans. In other ways, however, ESOPs are quite different from 401(k)s. When companies launch an ESOP, they form a trust that purchases some or all the company's shares and holds these shares in retirement accounts for employees. When the stock value increases or decreases, so does the value of employees' accounts. Unlike 401(k)s, **most ESOPs require no out-of-pocket contribution from employees**. For employees who feel hard pressed to make an out-of-pocket contribution to a 401(k), an ESOP might be the only plan in which they can afford to participate.

The International Employee Ownership Center

200 Massachusetts Avenue, NW • Suite 410 • Washington, D.C. 20001

Phone: (202) 293-2971 • **Fax:** (202) 293-7568 • **E-mail:** esop@esopassociation.org • **Website:** esopassociation.org