

THE ESOP ASSOCIATION

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The Dawn of an ESOP Renaissance

Seven Forces That Will Define the Future of Employee Ownership

Remarks by Jim Bonham, President & CEO

Seven Converging Forces

Bending the arc of policy toward employee ownership

01 Retirement Security Crisis

02 The Private Equity Problem

03 Boomer Business Transfer

04 AI & the Ownership Question

05 Regulatory Clarity Dividend

06 Bipartisan Political Alignment

07 The Strategic Political Horizon

01

The Retirement Security Crisis

Congress will be forced to confront a systemic failure — and ESOPs are the structural solution.

\$38,176

Median 401(k) balance —
less than a Toyota Camry

4 in 10

Workers have NO access
to a workplace retirement plan

4.8%

Record hardship withdrawal
rate in 2024 — often to avoid
eviction

\$230,000

+

Average ESOP account balance
— vs. \$38K 401(k) median

02 The Private Equity Problem

Private Equity Playbook

- Acquire with heavy leveraged debt
- Boost paper valuations via financial engineering
- Extract via management fees & dividends
- Cut staff, close facilities, reduce services
- Exit in 5–7 years — community bears the cost
- **Carried interest loophole: 8 executives saved \$335M in taxes in 5 years**

VS

The ESOP Model

- Owner exits on favorable terms (Section 1042 tax benefits)
- Business stays intact, employees keep their jobs
- Ownership stays local — legacy preserved
- Voluntary quit rates 1/3 of national average
- Community retains its economic anchor
- Worker wealth builds with every year of ownership

The OBBBA (July 4, 2025) left the carried interest loophole entirely intact. When the political calculus changes, we must be positioned to redirect those tax expenditures toward ESOP expansion.

03 The Great Boomer Business Transfer

\$10
TRILLION

in business assets
changing hands
over the next decade

*The largest intergenerational
business transfer in history*

12M

Baby Boomer-owned businesses
— 40% of all US small businesses

25M

Americans employed by
Boomer-owned companies

<1/3

Boomer owners with any
formal succession plan

10K

Boomers reach retirement
age every single day

Without action: PE becomes the buyer of first resort. With action: ESOPs preserve legacy, jobs, and community wealth.

04

AI & the New Ownership Question

When AI raises productivity — who captures the gains?

The Scale of Disruption

- 92M jobs displaced globally by 2030 (WEF)
- 40–60% of jobs in advanced economies exposed (IMF)
- ~78,000 AI-attributed tech job losses, H1 2026

The Core Risk

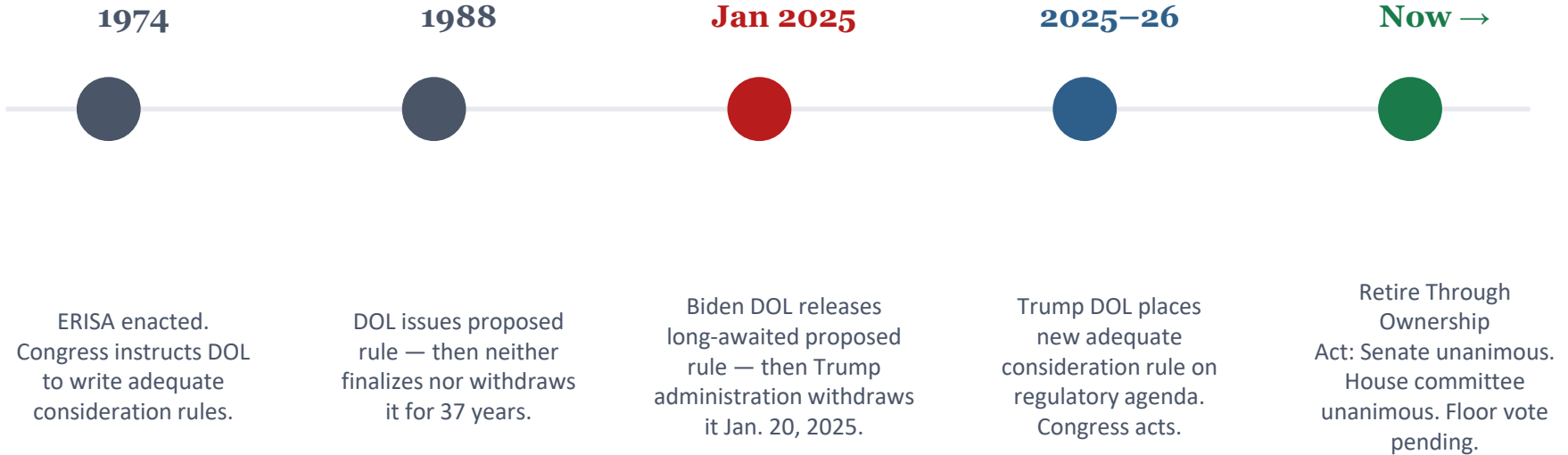
- AI shifts surplus toward capital owners
- Workers' combined income share falls ~5 pts without ownership change (IRAE, 2025)
- Middle class hollowed out — unless workers own the capital

The ESOP Answer

- Employee-owners share in productivity gains
- ESOP firms show lower layoffs even in downturns
- Efficiency + worker welfare are not in conflict — they're aligned

05 The Regulatory Clarity Dividend

50 years of ambiguity — finally ending.



The impact: Every hesitant advisor becomes a potential ESOP advocate. Every uncertain attorney becomes a deal-maker. The pipeline transforms.

06 The Bipartisan Political Alignment

Republican Case

- Capitalism distributing ownership broadly
- Reduces dependence on government programs
- Pro-growth, pro-worker business model
- Rewards productivity & long-term thinking

ESOP

Democratic Case

Reduces wealth inequality structurally
Improves retirement security for all workers
Gives workers a voice in corporate decisions
Redirects PE tax subsidies toward workers

"Employee ownership is not just good economics — it's good democracy." — Sen. Bernie Sanders, HELP Committee, July 2025

"These bills empower workers to have a stake in their company and build wealth for themselves and their families." — Sen. Bill Cassidy (R-LA)

07 Political Horizon: Preparing for Every Scenario

Democratic Majority / WH

- OBBBA unwound — PE tax shields targeted
- Carried interest revenues redirected to ESOP expansion
- Section 1042 expanded; new ESOP loan programs
- DOL staffed with pro-EO leaders
- Wealth inequality agenda = ESOP agenda

Republican Majority / WH

- Pass AORA — American Ownership & Resilience Act
- Finalize workable DOL adequate consideration rules
- ESOP expansion in next tax bill
- Pro-growth, anti-dependency framing
- Deepen regulatory simplification wins

2028 Presidential Field -- Both Parties

- Begin candidate briefings NOW -- both parties
- Host candidate forums on employee ownership
- Draft ESOP provisions into platform language
- Goal: ESOPs in every serious 2028 platform
- Winner takes office already committed to expansion

The frame to establish NOW: "The question is not whether to tax private equity. The question is whether to use those revenues to build more ESOPs."

The Road Ahead: A Three-to-Five Year Agenda

NOW → 6–18 MONTHS

- Pass Retire Through Ownership Act & ESOP Representation Act — House floor vote
- Engage DOL rulemaking on adequate consideration
- Launch 2026 candidate outreach — both parties

YEARS 2–3

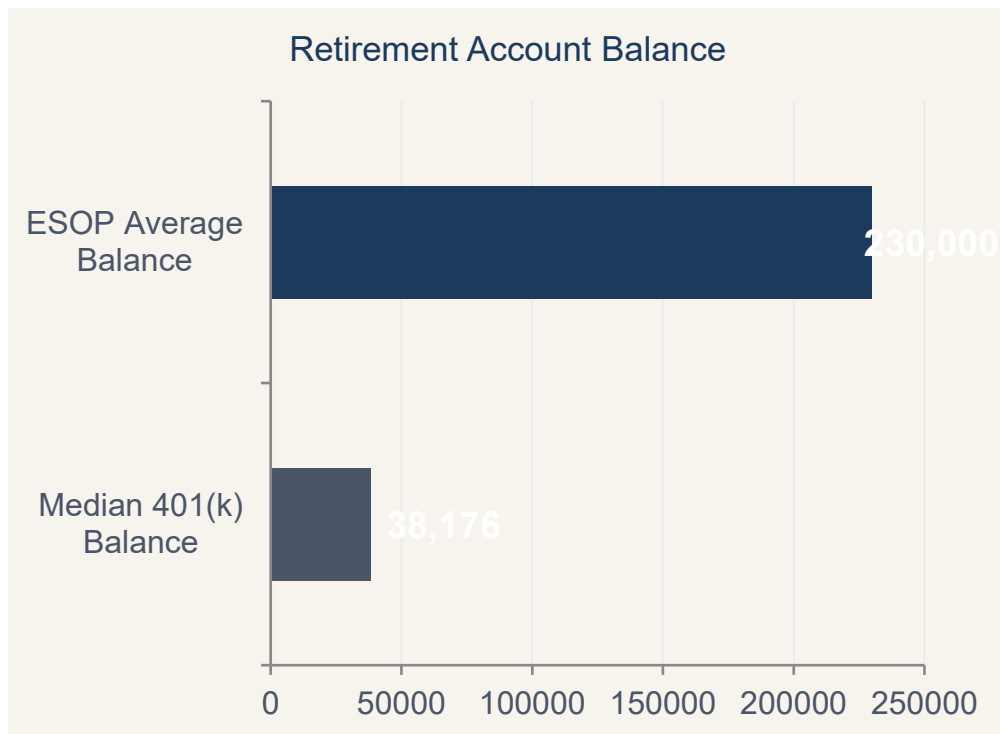
- Intercept Boomer succession wave — SBA / CPA / legal partnerships
- Publish PE tax expenditure brief + ESOP redirect proposal
- Position ESOPs as the AI workforce policy solution

YEARS 4–5

- Comprehensive ESOP Expansion Act (dependent on 2026 / 2028 outcomes)
- New financing mechanisms + AI-industry ESOP incentives
- Goal: Double ESOP companies AND employee owners within a decade

We can get there. The policy window is open. The research base is solid. The bipartisan support is real.

Why ESOPs Win: Retirement Security by the Numbers



2.6x

Higher employer contributions in ESOP plans vs. 401(k)-only companies

82%

Of ESOP workers confident they'll retire comfortably vs. ~47% nationally

12.1%

Average annual S ESOP return, 2002–2019 — one-third higher than the S&P 500

93.6%

Of ESOP companies offer a 401(k) IN ADDITION to the ESOP

The Right Idea at the Right Time

- Retirement system failing → ESOP model fixes it
- Private equity extracting value → ESOP model preserves it
- \$10 trillion transfer at risk → ESOP model captures it for workers
- AI reshaping who owns the upside → ESOP model answers it
- 50 years of regulatory fog → We are finally ending it
- Political alignment stronger than ever — from both directions

We are not at the end of something. We are at the beginning of a renaissance.