

# ESOP Advantage™

## Employee Stock Ownership Plan



Gill Capital Partners



## *The Smart Way to Structure Your Business*

### *The most important business move you'll ever make - could be your next one.*

If you are an entrepreneur

launching a new venture, or a business owner looking for strategic ways to free up retirement dollars, it pays to know the advantages of an ESOP. In today's business climate, more and more companies are starting to look before they leap –taking a hard look at finding the best avenue to achieve critical business and financial goals. With an ESOP, business owners enjoy a long list of benefits that includes powerful tax advantages, greater flexibility and control, and incentives for retaining and motivating talented employees. An ESOP is easily your best course of action when it comes to maximizing tax breaks, minimizing risk, and coming out on top.

For two decades, one company has provided a unique view on full-service financial planning, money management, tax preparation, retirement planning and in particular, ESOP. This company is Gill Capital Partners. A trusted partner, and one of the few companies that can offer a custom-fit ESOP plan for your business.

#### *Business Owners Can't Afford not to . . .*

If you're a new or seasoned business owner, ESOP is your lead strategy for generating the working capital you need to accomplish your aggressive business goals. An ESOP through Gill Capital Partners provides a long list of benefits that solve employee loyalty issues, maximize performance and generate cash flow. An ESOP allows you to:

- Raise working capital
- Service corporate debt through tax-deductible dividends
- Create a tax-friendly exit strategy by way of selling stock
- Build employee loyalty and boost on-the-job performance



## *Run the Numbers — ESOP puts cash back in your pocket.*

### *The Benefits:*

#### *Significant Tax Savings - A Light-Bulb Moment*

As an exit strategy, forming an ESOP is a highly profitable plan of action. Think about it, with a 401k strategy, you do not profit from the shares you sell to a 401k. With an ESOP, business owners sell some or all of their equity to the trust, and you trade in corporate and personal taxes for tax-free appreciation. Simply reinvest in domestic stocks and bonds, and you can defer all capital gains taxes. The best part of all of this – you’re still the one calling the shots.

#### *Incentive Based Retirement — The Key to Real Motivation*

Who works harder, owners or employees? The answer is owners. Giving employees a vested interest in the bottom line is the best way to boost on-the-job performance. Unlike a 401k where employees contribute their own money, employees don’t have to contribute a dime, yet they have equity in the company and an incentive to work smarter. If the company succeeds, everyone benefits, that’s the key.

#### *Borrow Money for Less — The Best Way to Generate Working Capital*

ESOPs are unique for a number of reasons. One of the most important and cost-saving reasons is their ability to borrow money. The ESOP borrows cash, which is used to buy company shares. The company then makes tax-deductible dividends and contributions to the ESOP to repay the loan. Dividends are often used to service debt, and they can be declared at any time by the Board of Directors. That means you are deducting principal and interest.

## *Structured for the Lifetime of your Company*

### *Inception*

- Capitalize your Company Using Retirement Money
- Avoid Paying Taxes and Penalties

### *Ongoing Tax Benefits*

- Receive a Tax Deduction for Annual Contributions Made to Employee Accounts
- Attract, Retain and Motivate Employees
  - Leverage the ESOP to Fund Future Growth and Acquisitions
- Service ESOP Debt Using Tax Deductible Dividends under Section 404(k)
- Shelter Corporate Income by Paying Tax Deductible Dividends to the ESOP

### *Exit Strategy*

- ESOP Provides a Market Place to Sell Your Stock
- Sell to Family Members, Management Team and/or Employees
- Defer the Capital Gains Tax on the Sale of Your Business under Section 1042



## *Step one: Your Company Establishes a Trust*

The biggest difference between a profit-sharing plan and an ESOP is the ESOP acts as a marketplace for shares of the company stock. A company can make tax-deductible cash contributions to the ESOP to buy out an owner's share, or have the ESOP borrow money to buy the shares. After the ESOP owns at least 30% of all shares, post transaction, the seller has a year to reinvest proceeds of the company sale in Qualified Replacement Property (QRP), and defer any capital gains tax.

## *Step two: Shares are allocated to employees*

Much like a profit-sharing plan, all full-time employees participate and shares are calculated based on individual compensation. Right away, employees have an incentive to remain with the company. And the longer an employee stays, the more valuable their shares become. After three to six years employees become fully vested, with 100% ownership over their stock.

## *More Value to Every Work Day*

In addition to contributing shares to an ESOP and deducting their value from taxable income, ESOPs can also be used in conjunction with employee savings plans. Rather than matching employee savings with cash, the company can match them with stock from an ESOP. Employees feel rewarded, and you get a welcome tax break.

## *What happens when an employee leaves?*

The company simply buys back their stock at fair market value and the company now owns the shares. The trust takes the proceeds and pays them out as a retirement benefit to the employee.

## *What about voting rights?*

Employees do have ownership in the company, however it's what's called beneficial interest, meaning, all voting rights are decided by the Plan Trustee, typically the owner. Unless you decide otherwise, employees can only vote their shares in limited circumstances, such as recapitalization of the company, merger, or sale.

## *How is the stock price set?*

An outside valuation expert sets the price at which the ESOP will buy out an owner. In most cases, selling to an ESOP turns out to bring a higher price than anything an outside buyer would be willing to pay.



## *The Difference is Capital...* **Gill Capital Partners**

**Gill Capital Partners** is the only company offering **ESOP Advantage**.™ It starts with getting to know you, and the details of your new business venture. We ask a lot of questions, how many employees you'll have, turnover numbers, expected debt and capital expenditures. Then, we suggest the most tax-effective way to structure your company whether it's a C corp., S corp., LLC or something else.

If we determine that an ESOP is the right direction for you, we customize your plan taking into account the unique needs of your business. In addition to a high level of personal service and expert planning, **Gill Capital Partners** provides a number of value added services and resources you won't find anywhere else, such as employee education to bring everyone onboard with your new ESOP.

### *About Gill Capital Partners.*

**Gill Capital Partners** is an independent Colorado financial services firm, serving clients since 1983. Their suite of services includes wealth management, institutional services and corporate services. To learn more about the Capital Difference, please contact Gill Capital Partners.

### *Let's Get Started.*

*Find out if **ESOP Advantage**™ feels right for you.  
Call us today at 303.296.6260 to set up a personal  
interview with a Gill Capital Partners Advisor.*



**Gill Capital Partners**

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