



**“CROSSING BORDERS”
UTRECHT
19 NOVEMBER 2015**



“Back to the Future”

**Applying the Basic Principles of
Financial Participation and Employee Stock Ownership
To
Today’s Millennial Workforce
by**

David Hildebrandt, Voorzitter IAFP -

Een overzicht van werknemersparticipatie in Amerika (modellen, trends, politiek, statistieken)

- An overview of Employee share ownership in America (models, trends, policy, statistics)

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MILLENNIALS



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BACK TO BASICS

SUCCESSFUL FINANCIAL PARTICIPATION AND EMPLOYEE STOCK OWNERSHIP PROGRAMS BEGAN IN AMERICA IN THE 1800’S, BEFORE THERE WAS AN INCOME TAX SYSTEM TO SUPPORT SUCH PLANS. A “Basic” financial Participation Plan-----

- ATTRACTS AND RETAINS QUALITY WORKERS**
- INCREASES WORKER SATISFACTION**
- INCREASES WORKER PRODUCTIVITY**
- INCREASES ENTERPRISE COMPETITIVENESS ON A LOCAL, NATIONAL AND GLOBAL BASIS**
- PROVIDES SUCCESSION PLANNING FOR CURRENT OWNERS**

IN SUM, A BASIC FINANCIAL PARTICIPATION AND/OR EMPLOYEE STOCK OWNERSHIP PLAN IS GOOD FOR THE WORKER, GOOD FOR THE EMPLOYER, GOOD FOR THE ENTERPRISE, AND GOOD FOR THE NATIONAL AND INTERNATIONAL ECONOMY



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OVER TIME THE US BASIC FINANCIAL PARTICIPATION PLAN HAS CHANGED

FINANCIAL PARTICIPATION PLAN DESIGN HAS CHANGED FROM A BASIC PLAN TO A PLANS DESIGNED TO TAKE ADVANTAGE OF TAX INCENTIVES TO THE EMPLOYER AND THE EMPLOYEE.

IN SUMMARY

- **US PLANS TODAY HAVE LOST MANY OF THE ADVANTAGES OF THE BASIC PLAN.**
- **TAX BENEFITS HAVE REPLACED BASIC FINANCIAL PARTICIPATION PRINCIPLES.**
- **TAX INCENTIVES FOR FINANCIAL PARTICIPATION ARE NOT BAD. USE INCENTIVES, BUT DO NOT SACRIFICE THE BASIC BENEFITS OF FINANCIAL PARTICIPATION TO GAIN THE TAX INCENTIVE.**

IAFP RECOMENDS A “BACK TO BASICS” PHILOSOPHY OF FINANCIAL PARTICIPATION AND EMPLOYEE STOCK OWNERSHIP PLAN DESIGN.

Financial Participation Then and Now

Traditional Financial Participation Plan
-1830 to 1974
-Attracts and retains quality workers
-Makes workers more productive
-Designed for Silent Age pre 1974 birthday

Baby Boomer Workers
Born 1945 to 1975

Generation X Workers
Born 1975 to 1990

Millennial Workers
Born 1990 to 1990

**Millennials
Not motivated
By Traditional
Tax Based FP**

Today's Financial Participation Plan
-2015
-Corrupted by tax incentives
to both workers and employers

1974 to 2015



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**BACK TO THE BASICS OF
FINANCIAL PARTICIPATION PLAN
DESIGN DOES NOT MEAN “BACK
TO THE PAST.”**

**IT MEANS “BACK TO THE
MILLENNIAL FUTURE.”**



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THE SUCCESSFUL FINANCIAL PARTICIPATION PROGRAM OF THE FUTURE MUST TAKE INTO CONSIDERATION THE FOLLOWING THREE ELEMENTS:

- 1. “BACK TO BASICS”-THE PLAN DESIGN MUST PROVIDE MOTIVATION TO ATTRACT AND RETAIN QUALITY MILLENNIAL EMPLOYEES,KEEP THEM SATISFIED, INCREASE THEIR PRODUCTIVITY AND COMMUNICATE THESE PRINCIPLES TO THE EMPLOYEES.**
- 2. “TAX INCENTIVES”-INCORPORATING AVAILABLE TAX INCENTIVES IN THE PLAN DESIGN CAN LEVERAGE AND MULTIPLY THE “BASIC” PRINCIPLES OF FINANCIAL PARTICIPATION, BUT CANNOT REPLACE THE BASIC PRICIPLES.**
- 3. “MILLENNIAL EMPLOYEE”-THE FUTURE SUCCESFUL FINANCIAL PARTICIPATION PLAN WILL RECOGNIZE THAT THE “MILLENNIAL GERNERATION OF EMPLOYEES (THOSE GENERALLY NOW BETWEEN THE AGES OF 19 AND 39), ARE VERY DIFFERENT FROM PRIOR GENERATIONS OF EMPLOYEES, AND MAY (ARE) NOT BE MOTIVATED BY THE SAME FINANCIAL PARTICIPATION PLAN FEATURES AS PRIOR GENERATIONS.**

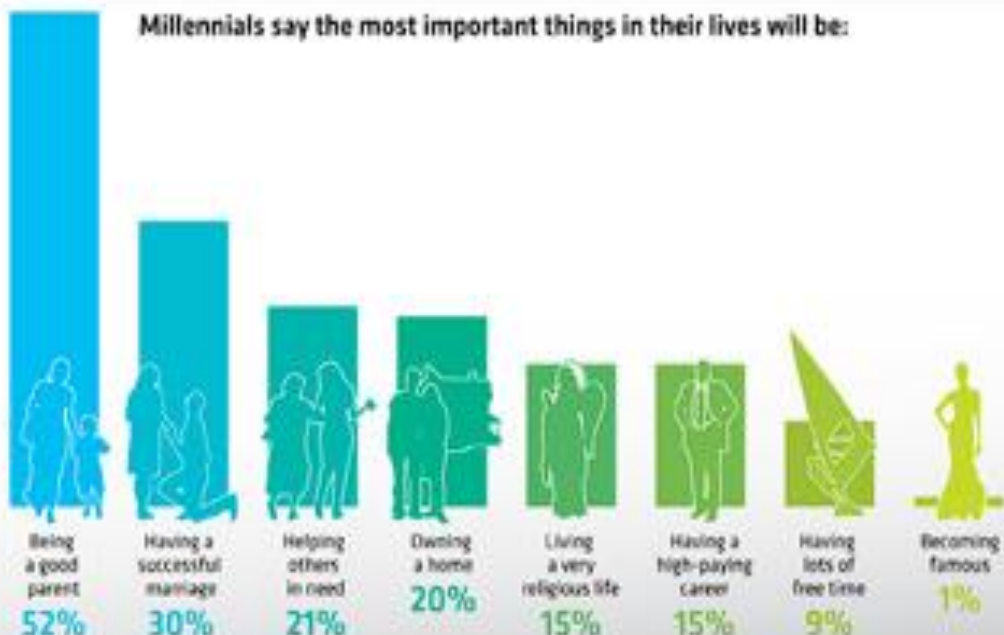


WHO ARE THE MILLENNIALS?

THE DEMOGRAPHICS



Millennials say the most important things in their lives will be:



Other names for Millennials:

Generation Y

Refers to the generation to succeed Generation X.

The Echo Boomers

Refers to the fact that many Millennials are children of Baby Boomers.

The Net Generation

Refers to the internet being a part of their lives that they grew up with and take for granted.

The Boomerang Generation:

Refers to the tendency for many Millennials to move back in with their parents after going away to college.

The Peter Pan Generation:

Refers to delaying the rites of passage into adulthood longer than most generations before them.

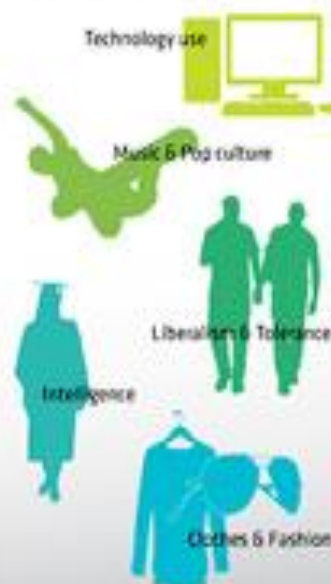
Marital status

(Millennials ages 18-29)



Top 5 things that make Millennials unique:

(according to Millennials)



Educational attainment

(% of Millennials ages 18-29)





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RESEARCH SHOWS THAT THE “MILLENNIAL EMPLOYEE:

- 1. Does not believe that the Government will provide an adequate retirement income.**
- 2. Does not believe that the employer will provide an adequate retirement income.**
- 3. Does not work in the traditional long term employment model, but changes jobs frequently for upward mobility.**
- 4. Does not necessarily plan to retire at 65 in the traditional sense.**
- 5. Is more interested in investment certainty than in market volatility in retirement and savings.**
- 6. Portability of savings programs is essential.**
- 7. Buys goods and financial services on-line rather than face to face.**
- 8. Trusts the internet more than parents, politicians and employers.**

"In Their Own Words": Millennials Compare their Generation to their Parents

Negative

40%

Neutral

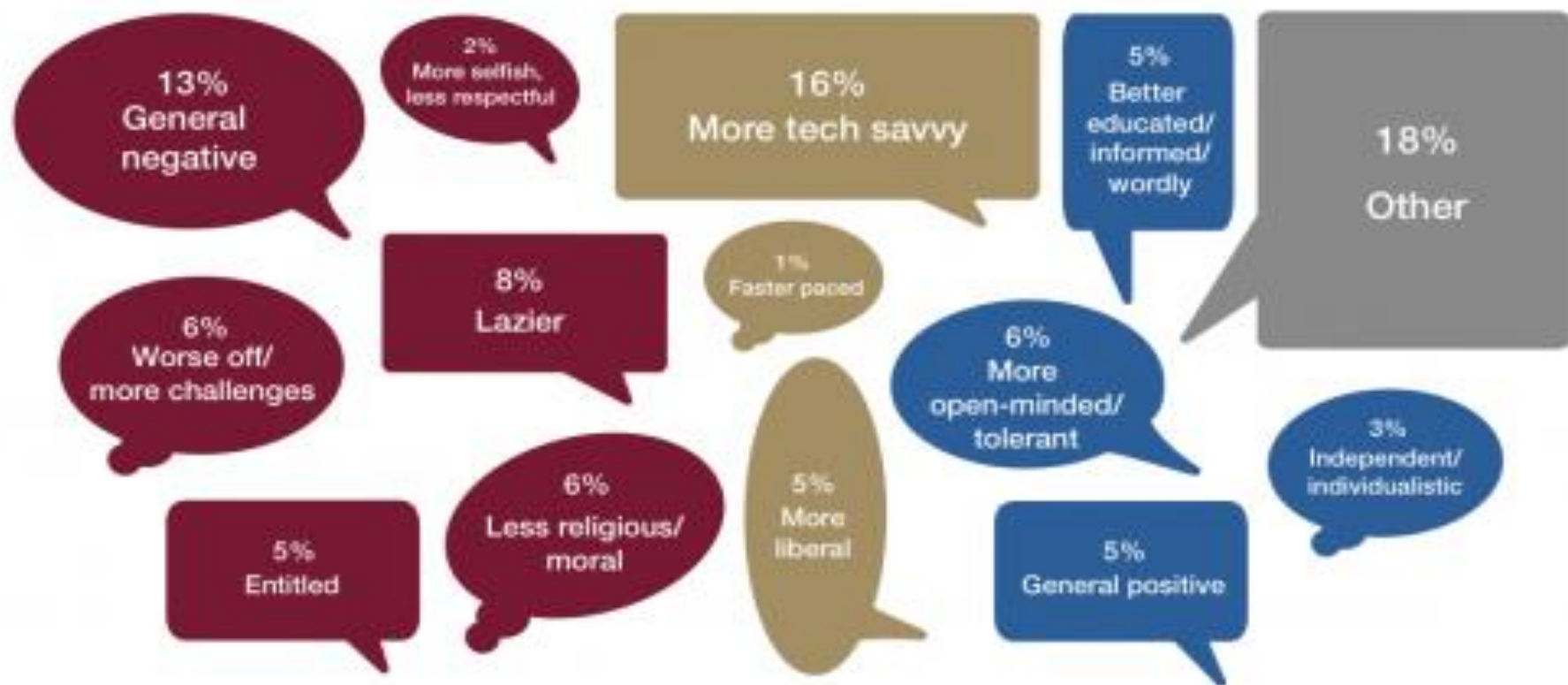
22%

Positive

19%

Other

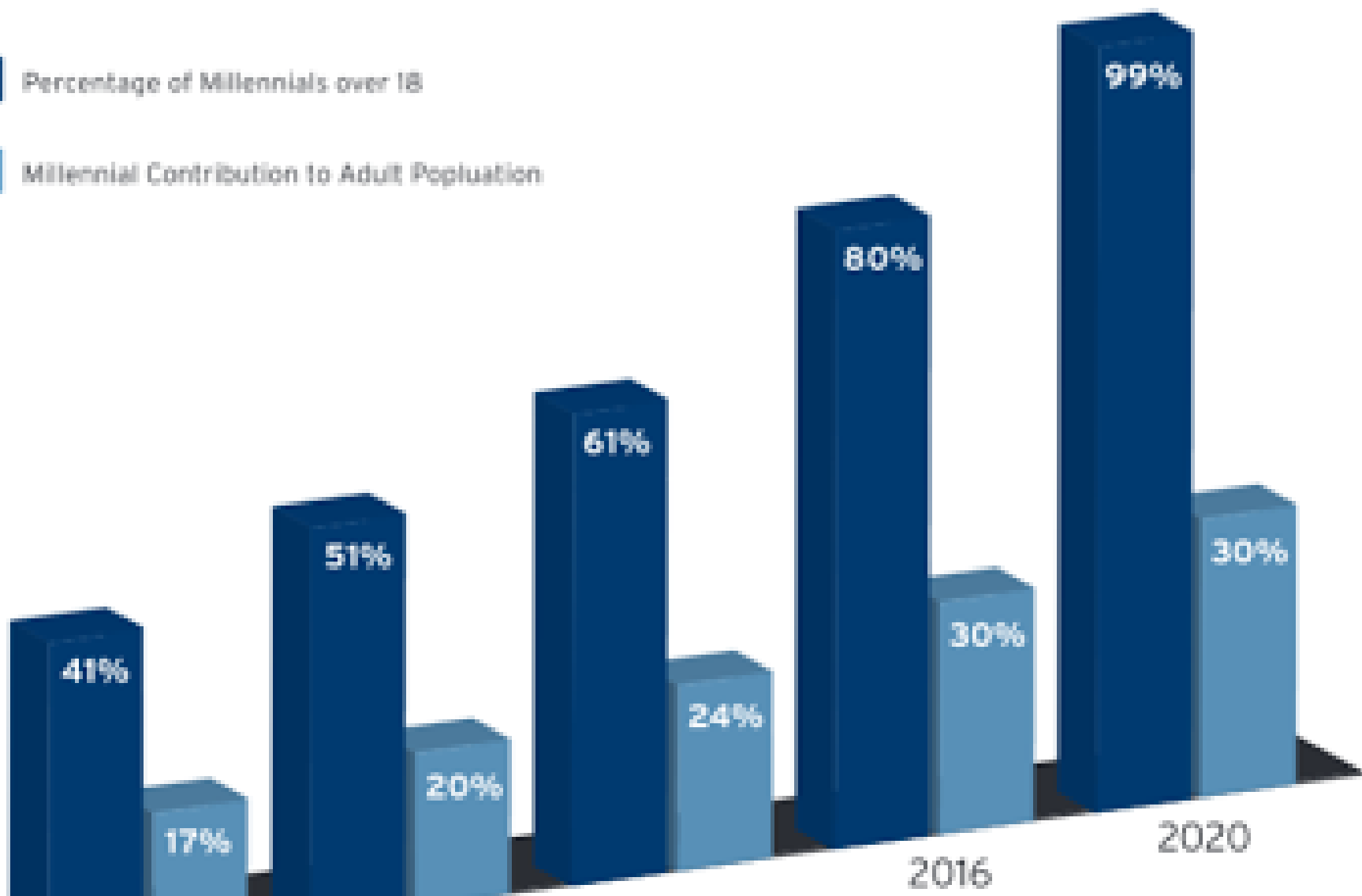
18%



MILLENNIALS WILL INCREASINGLY DOMINATE THE ADULT POPULATION OF AMERICA

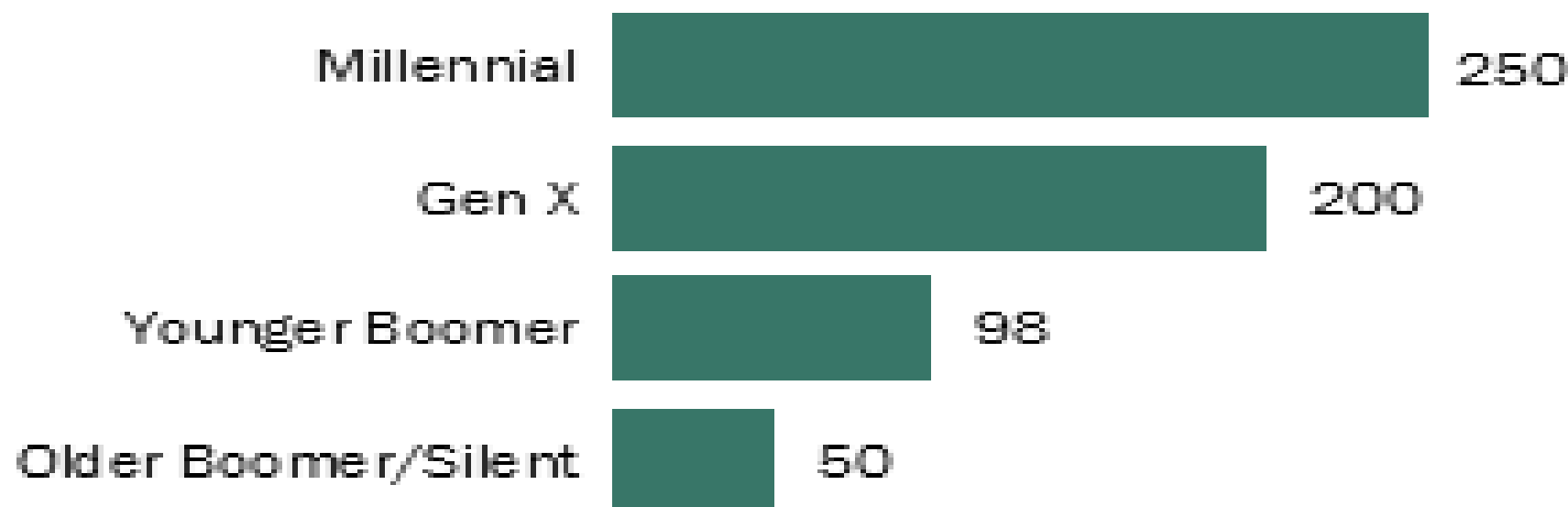
Percentage of Millennials over 18

Millennial Contribution to Adult Population



Generations, Facebook and Friends

Median number of friends



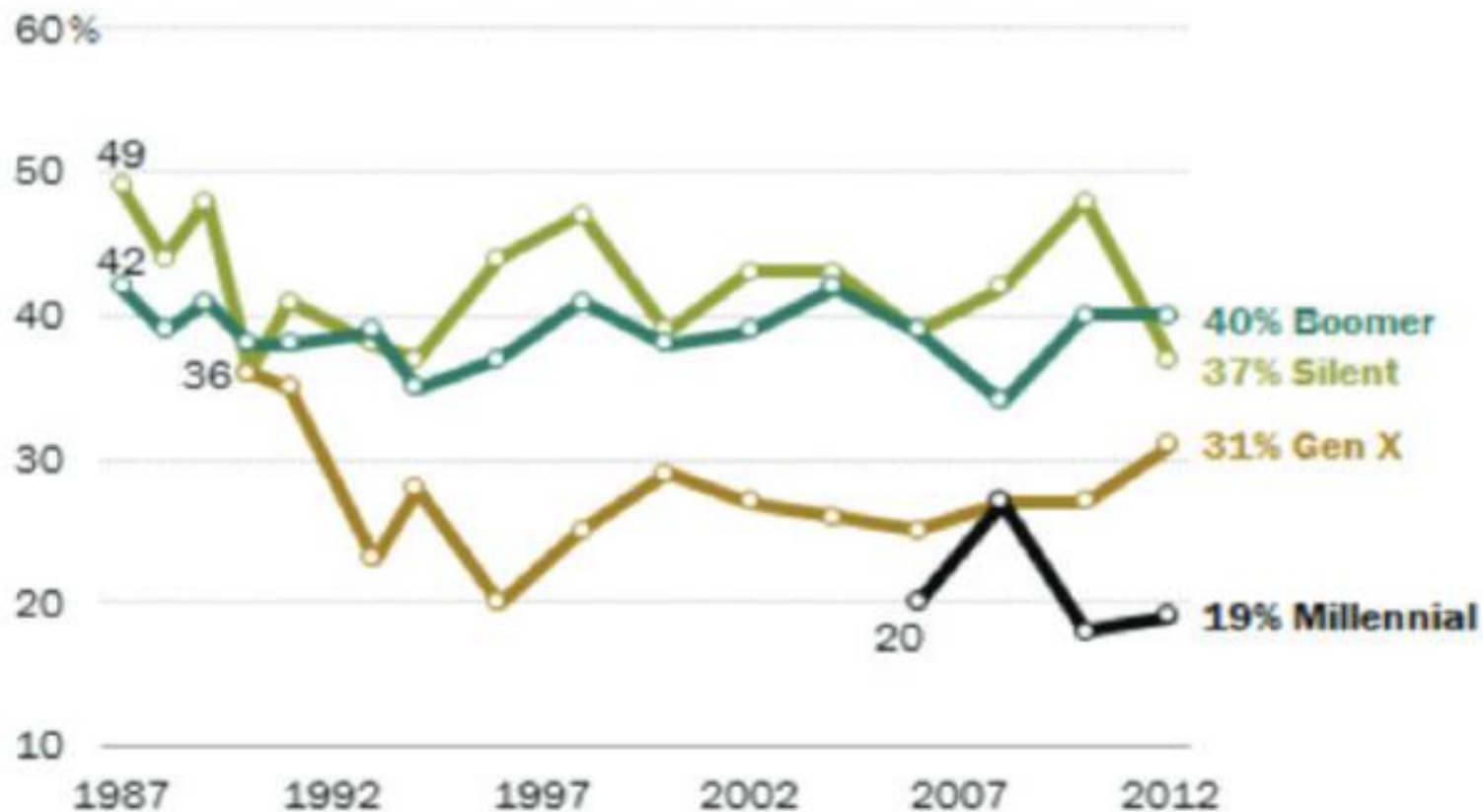
Note: Based on Facebook users, n=960. In 2013, “Younger Boomers” were ages 49 to 57, “Older Boomers” were ages 58 to 67 and “Silents” were ages 68 to 85.

Source: Pew Research Center’s Internet Project survey, Aug. 7-Sep. 16, 2013

PEW RESEARCH CENTER

MILLENNIALS LESS TRUSTING OF OTHERS

PERCENT SAYING THAT, GENERALLY SPEAKING, MOST PEOPLE CAN BE TRUSTED

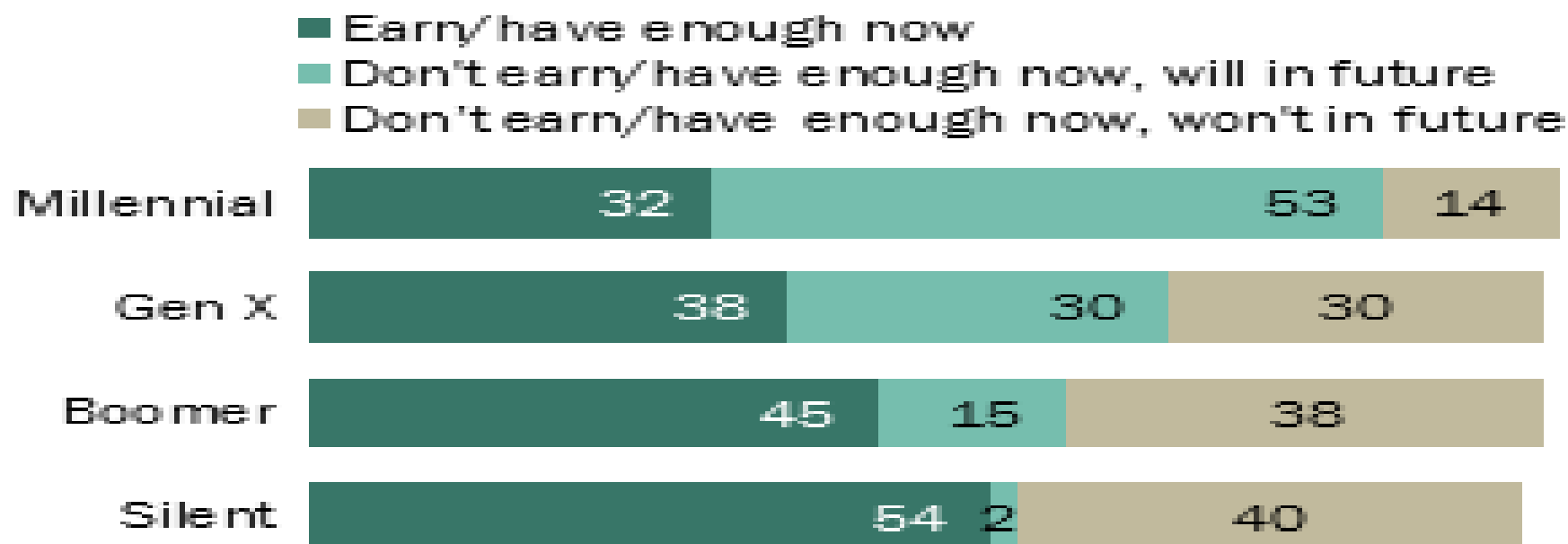


Question wording: "Generally speaking, would you say that most people can be trusted or that you can't be too careful in dealing with people?"



Millennials Upbeat about Their Financial Future

% saying they ... to lead the kind of life they want

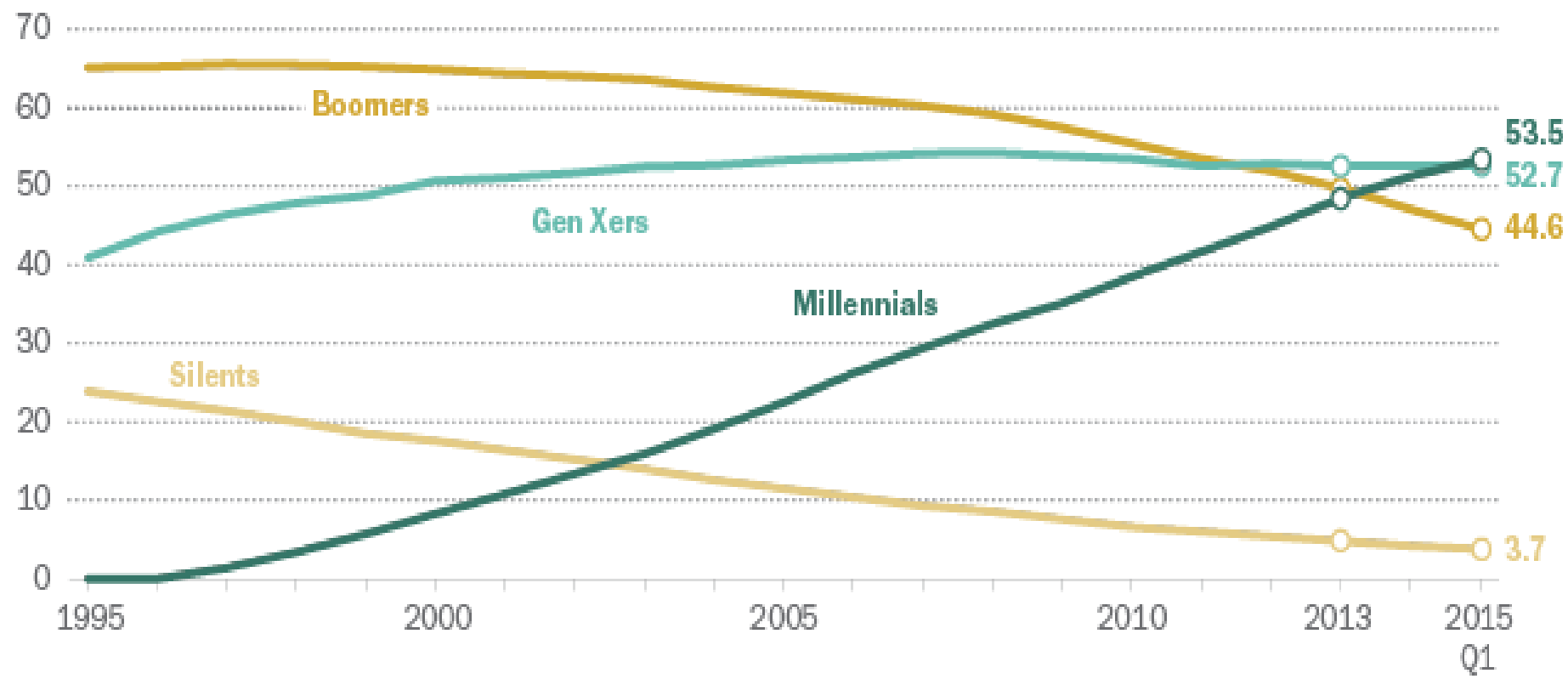


Note: Based on all adults regardless of employment status, N=1,821. Those who are employed were asked if they currently or will "earn enough money" and those who are not employed were asked if they currently or will "have enough income." "Don't know/Refused" responses not shown.

Source: Pew Research survey, Feb. 14-23, 2014

U.S. Labor Force by Generation, 1995-2015

In millions



Note: Annual averages plotted 1995-2014. For 2015 the first quarter average of 2015 is shown. Due to data limitations, Silent generation is overestimated from 2008-2015.

Source: Pew Research Center tabulations of monthly 1995-2015 Current Population Surveys, Integrated Public Use Microdata Series (IPUMS)

Priorities in Life Millennial Generation

1. 52%- Being a good parent.
2. 30%-Having a good marriage.
3. 21%-Helping others in need.
4. 20%-Owning a home.
5. 15%-Living a religious life.
6. 15%-Having a high paid career.
7. 9%-Having lots of free time.
8. 1%-Being famous

Millennials Will Shape the Social and Economic Structure of the US in the Next Decade

- 1. More than one in three Americans by 2020 will be Millennials.**
- 2. More than 75% of US Workforce by 2025.**
- 3. 89% prefer to buy from companies which support social issues.**
- 4. 87.5% do not think that “money is the best measure of success.”**
- 5. Favorite employers are Google, Apple, Facebook, US State Department and Disney**
- 6. 63% want their employer to contribute to social causes.**
- 7. 64% would rather make \$40,000 and work for a job they love, than \$100,000 elsewhere.**
- 8. Only 19% think “most people can be trusted.” (40% for other age groups)**
- 9. 83% do not like big companies.**
- 10. The average 21 year old has 52% of savings in cash. (23% for other age groups)**
- 11. 75% on social Media site, 40% have a tattoo, 20% have 6 or more.**
- 12. 90% say they now have or soon will have enough money (37% unemployed)**

**www.brookings.edu Eleven facts about Millennials;
Pew Research Center, www.pewsocialtrends.org 2010**

Financial Participation Plans Predictions for the Future

OVER THE NEXT TEN YEARS-

- 1. Tax incentive FP plans will be replaced by Basic Plans designed to motivate the Millennial Generation to greater satisfaction and savings.**
- 2. Stock plans will become more focused on the participants' desire to have input on the employer's social issues.**
- 3. Diversification of financial participation interests into more fixed income alternatives will become more prevalent.**
- 4. Portability of financial participation plan accounts will become easier and more prevalent.**
- 5. Employer contributions to charity and social causes based on worker productivity will become prevalent.**
- 6. The traditional definition of an employee, and employer/employee relationship will start to change into a more task or project specific term.**
- 7. Communication with employees will be done on social media, not in print or face to face meetings.**
- 8. (You fill in a prediction!)**

What Generation Are You?

Do you sleep with your cell phone?

Millennial ages 18-29= 83%

Gen X ages 30-45=68%

Boomer ages 46-64=50%

Silent age 65+= 20%

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HERE COME THE MILLENNIALS

Ages 18 to 37, this group is bigger than the baby-boom generation and finally poised to start spending. What it means for the economy, from housing and autos to banking and tech.



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David A. Hildebrandt

Kirton McConkie PC

60 East South Temple Street

Suite 1800

Salt Lake City, Utah USA 84145-0120

dhildebrandt@kmclaw.com

Global Telephone 1-202-256-1770

Office Telephone 1-801-323-5923

Toll Free Telephone 1-866-867-5135

Fax 1-801-321-4893

David A. Hildebrandt is of Counsel with the law firm of Kirton McConkie PC. He has more than 40 years of experience in the design, implementation, administration and government regulation of domestic and international financial participation programs, employee benefit programs, insured life and savings programs, ESOPS, qualified and non-qualified public and private retirement plans, deferred compensation programs, insurance programs, and other cash and stock based compensation and benefits programs

Prior to 2005, Hildebrandt was a partner in a major global law firm resident in Washington DC. He was also the General Counsel to the Plan Sponsors/401(k) Council of America (PSCA), www.pzca.org, which is the largest U.S. association of employers which sponsor defined contribution, profit sharing, 401(k) retirement plans, and other forms of deferred savings and compensation programs for their employees.

David is the Chairman, of the Association International Pour la Participation Financiere (International Association for Financial Participation, "IAFP"), <http://aipf-association.fr/en/iafp-the-edito>, Paris, France. IAFP is the international association of companies, academics, and individuals in the which support financial participation for employees as a means of increasing productivity and fostering worker satisfaction. As Chairman of the IAFP, he consults with the European Union on the harmonization of benefit program laws for EU Member States, and works regularly with government and private entities worldwide, including in the People's Republic of China.

David is a charter member of the American Bar Association's College of Employee Benefits Counsel, and is an internationally experienced speaker and expert on public and private sector retirement, savings, wealth accumulation and retirement plans. David a US lawyer admitted in the District of Columbia, several states and Federal Courts, and the US Supreme Court. David is also a US Certified Public Accountant.