



Five Tips for Financial Literacy Training for ESOPs

Tip #1 Assume your employee-owners are genuinely interested in learning how your company makes money.

They may not have expressed their interest because they, mistakenly, thought they would not understand how to read their company's financial statements. However, if you follow the tips below, you can make this information easy to understand.

When we provide training for ESOP companies, employee-owners are buzzing with excitement at the end of the training because they can see how their efforts contribute to their company's profitability and their ESOP's value.

Tip #2 Demystify the language.

Imagine sitting in a dry lecture where the terms *COGS*, *SG&A*, *Accrual Accounting*, and *Gross Margin* are being presented. Likely to tune out? You bet. Then imagine hearing about real world examples that explain the terms and connect them to your work. Now your employee-owners will be leaning forward in their seats. For example: have photos of actual employees and a brief job description. Ask employee-owners to sort these employees into *COGS* and *SG&A*. This will drive home the difference.

Tip #3 Show every employee owner how their contributions show up in the Profit and Loss Statement.

Be as specific as you can: take an example of a recent improvement or customer success story and show how it translates to the financial statements.

Tip #4 Use interactive activities to explore the concepts you want your employee-owners to understand.

People learn best when they are engaged and solving problems. Create actual scenarios related to your company's finances and ask your employee-owners to generate answers.

Tip #5 End by asking each employee owner to identify one or more things they can do to make their ESOP more profitable.

Check back with them in a month and ask: what did you do and how did it work out? Use this as an opportunity to begin or strengthen a broader continuous improvement program, where employee-owners are identifying and implementing ways to improve the business.

Final Thought: The strongest ESOPs are the ones with the highest employee engagement. Showing your employee-owners how their contributions add to the company's profitability is a powerful way to generate engagement.