



## Building a Balanced Retirement Strategy

Because the Ames ESOP is invested primarily in company stock, it is important to understand diversification—what it is, when it's available to you, and how it works alongside your 401(k).

### How the ESOP works

One of the most valuable benefits at Ames is participation in the Employee Stock Ownership Plan (ESOP). Each year, Ames may contribute to the ESOP on your behalf. These contributions are generally invested in company stock and allocated based on compensation and eligibility. As the company grows, the value of your ESOP account can grow as well.

Unlike a 401(k), you do **not** contribute your own money—Ames makes all contributions.

### ESOP diversification rights

Federal law requires ESOPs to allow participants to diversify a portion of their accounts once age and service requirements are met.

Under the Ames ESOP:

- **At age 55 with 10 years of participation**, you become eligible to diversify.
- You may diversify **up to 25%** of your ESOP account over five years.
- In the sixth year, you may diversify **up to 50%**.  
Diversified funds are moved from Ames stock into the Ames 401(k) plan.

Diversification allows long-tenured employees to gradually reduce concentration in company stock while keeping their retirement savings within the plan.

### What is diversification?

Diversification spreads investments across different kinds of assets, industries, and markets. If one underperforms, others can help balance returns over time—reducing risk, especially as you approach retirement.

### Why the 401(k) matters

While the ESOP is a powerful way to share in Ames' success, it is **not intended to be your only source of retirement savings**. Your 401(k) plan plays an important role by allowing you to:

- Make pre-tax and/or Roth contributions.
- Invest across a wide range of asset classes.
- Build diversification into your investment strategy before ESOP diversification becomes available.

Even after ESOP diversification is available, the 401(k) remains the primary way to control how much you save and how diversified your investments are.

### A balanced approach to retirement

The ESOP and 401(k) are designed to work together:

- The **ESOP** offers ownership and long-term value tied to Ames' success.
- The **401(k)** provides flexibility, choice, and diversification.

Together, they create a more balanced retirement strategy.

Ames is committed to helping you understand and make the most of your retirement benefits. Learn more on the [ESOP page](#) on SharePoint.

**Ownership is a benefit. Diversification is how you manage it.**