P&G STAR Award: Options or Cash?

Truepoint
WEALTH COUNSEL

OPTIONS ARE THE BETTER CHOICE WHEN:

You want to maximize wealth

- Options are leveraged and have higher growth potential than investing the cash

You think P&G stock will appreciate by more than 2.3% annually over the next 10 years

- While past performance is no guarantee, the stock has exceeded this breakeven point in 84% of the 487 historical rolling 10-year monthly periods since 1980

You already have

- Adequate diversification outside of P&G stock
- Sufficient cash or vested option grants to meet any liquidity needs

CASH IS THE BETTER CHOICE WHEN:

You need to diversify

- Options increase your P&G concentration, while cash can be immediately invested in a diversified portfolio

You have near-term cash flow needs

- Cash is also attractive if you have a liquidity need and no other available sources

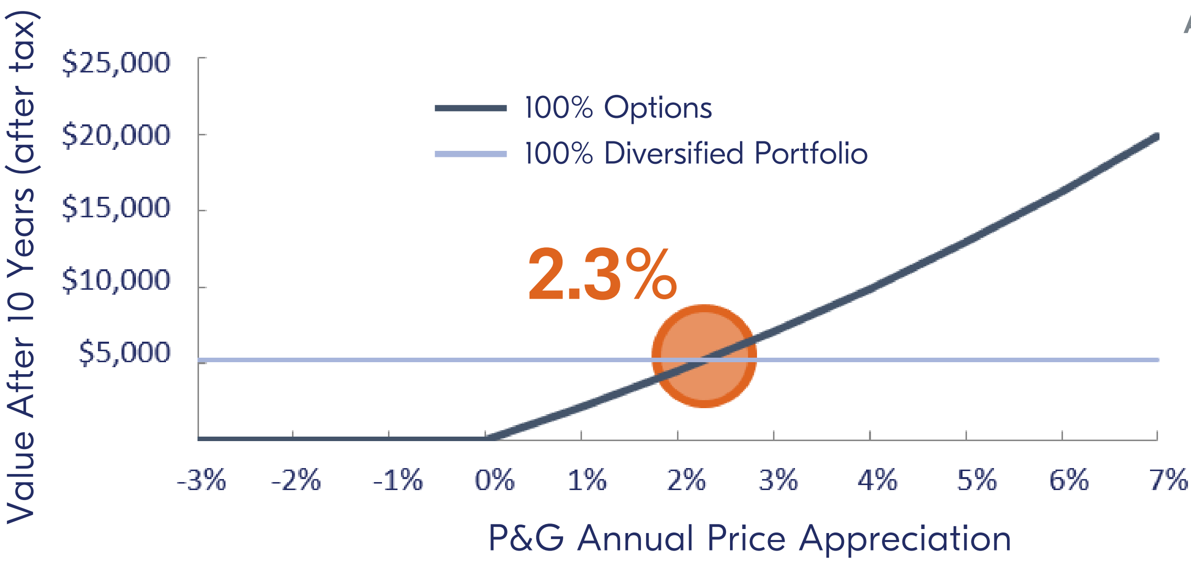
You are risk-averse

- If P&G stock fails to appreciate over the 10-year period, the options will expire worthless

You want to hedge again option risk

- Electing a mix of options and cash serves as a hedge — options provide upside potential, while invested cash provides downside protection

THE MAGIC NUMBER: 2.3%



Assumptions

- $5,000 cash equivalent value
- Cost of stock option = $19.15
- Grant price = $131.12
- $3,000 (after tax) cash is invested in a diversified portfolio earning 5.75%
- 40% total tax rate

COST OF STOCK OPTION:

Valuation can change between now and when grants are received in September as cost of stock option depends on P&G volatility and dividend yield, along with interest rates

The decision that is best for you depends on the considerations noted above and the specifics of your own financial situation including:

- Financial exposure to P&G including both P&G stock and compensation
- Level of financial security
- Outlook for P&G stock
- Cash flow needs

Have more questions about your election? Contact us: 513.792.6648 or info@TruepointWealth.com