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 3.4% annually over the next 10 years. While past performance is no guarantee, the stock has exceeded this breakeven point in 83.4% of the 494 historical rolling 10-year monthly periods since 1982.

You already have adequate diversification outside of P&G stock and sufficient cash or vested option grants to meet any liquidity needs.

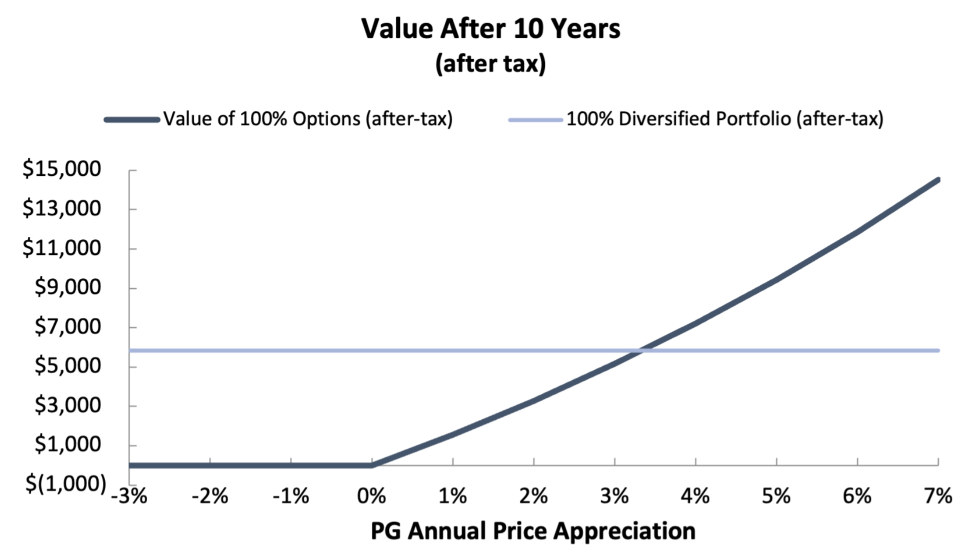
Cash Is the Better Choice When...

You need to diversify. Options increase your P&G concentration, while cash can be immediately invested in a diversified portfolio.

You have near-term cashflow 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 against 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:

3.4%

Assumptions:

- $5,000 cash equivalent
- Cost of stock option = $29.79
- Grant Price = $148.95
- Diversified portfolio earns 6.9% annually
- 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
- Cashflow needs

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