P&G STAR Award: Options or Cash?

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 3.5% annually over the next 10 years. While past performance is no guarantee, the stock has exceeded this breakeven point in 91.1% of the 506 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.

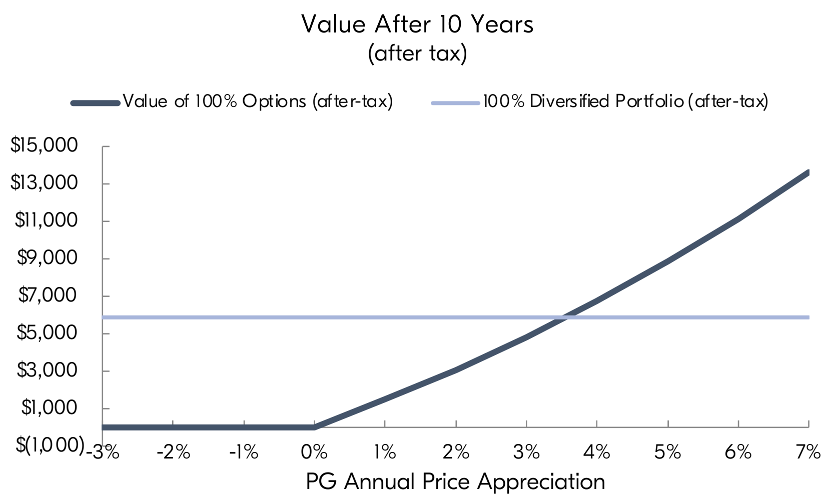
Cash Is the Better Choice When...

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:

3.5%

Assumptions:
- $5,000 cash equivalent
- Cost of stock option = $35.14
- Grant Price = $164.58
- 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 need

Let's Talk...

After you've reviewed our analysis, reach out to our team to talk more about which choice is most appropriate for you and your financial goals.

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