



What Should P&G retirees do with their Profit Sharing Trust accounts?

If you are a P&G retiree or alum and hold a Profit Sharing Trust (PST) account, you must decide what to do with that account once you end your employment with the company. Here we will outline what your options are and what the implications are for each of those options.

Upon retiring/separating from P&G, do you leave your PST at P&G, do you roll it to an Individual Retirement Account (IRA), or do you elect Net Unrealized Appreciation (NUA)? The yearly PST contribution is comprised of two parts, common stock and preferred stock. While preferred stock typically only makes up 20-25% of the account, this is where the real value is if a participant elects NUA upon separation from the company. Let's evaluate each option noted above:

- a. Leave it in the PST. This is as simple as it sounds – you do nothing, and your assets stay within the P&G plan. There is a price to pay for simplicity though as you must continue to hold a minimum of 40% of the balance in P&G shares which often leaves participants exposed to a concentrated position risk (e.g. should P&G's share price materially decline, it could disproportionately affect your net worth).
- b. Roll it to an IRA. With this option, you choose a custodian (e.g. Charles Schwab) and open an IRA. You then transfer the PST assets over to the IRA account. You can now invest the proceeds into any of the securities available to you, numbering in the thousands, with no P&G concentrated position constraints.
- c. Elect NUA. NUA involves opening two outside accounts, an IRA and an after-tax brokerage account. There are many complexities, procedural and tax law considerations to ensure this is done correctly, but the overarching idea is that you move your P&G preferred shares to the after-tax account and your common shares to an IRA. This can provide significant tax savings when done correctly.

There are many other considerations that a PST owner needs to be mindful of. I know firsthand the questions a PST holder faces as I was a 15+ year P&G employee and still retain my PST and Savings Plan. Having both plans allows me to remain up to date on any policy changes and to be aware of the most current offerings. Should you ever want to talk P&G, or retirement planning in general, don't hesitate to give me a call.

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