

# The Stock Options Analyzer™

When options become part of your compensation package at P&G, you are faced with some additional opportunities and challenges on how to best navigate this portion of your compensation package. In keeping with Procter and Gamble's conviction that financial success of P&G executives should be tied to the financial success of its shareholders, the stock options program offers remarkable incentive and rewards, but the ability to properly evaluate this part of the compensation is often overlooked and misunderstood by those who can benefit from it most.


In our experience, many P&G executives rely on their own gut feeling or homemade analysis to determine how long to hold their options before exercising them. Often, they wait until the final year or months of exercise availability before they finally pull the trigger. In our planning process, we use The Stock Options Analyzer™. This tool utilizes advanced metrics that are impartial, objective and not tied to the emotional biases of the options holder. We analyze the past performance and risk metrics of P&G stock to determine and create the most probable time frames and price points at which to exercise each option grant. We proactively design a stock option exercise program specifically geared towards obtaining the maximum value from each grant while attempting to minimize the downside risk inherent in stock option assets. We evaluate the tax impact of stock option assets and stock option exercises to assess the benefits or disadvantages of taxable option income on your adjusted gross income.

"The difference between something good and something great is attention to detail."

The Stock Options Analyzer™ helps our clients see not only the upside potential, but to recognize the dangers of the leverage when P&G stock fails to perform as expected. We help you to see the full picture and get a true understanding of the leverage that stock options provide. More importantly, we show you how the strategy of your stock option exercises tie in with the success or failure of your overall financial picture and retirement income plan. In the final analysis, utilizing The Stock Options Analyzer™ allows you to see a clear path to your ultimate final destination.

# The Stock Options Analyzer™

## *Answers the Questions*

- 
- ◆ What is the after-tax value of my stock options?
  - ◆ What is the Black-Scholes valuation of my stock options and how does it affect the way I think about my options?
    - ◆ When should I exercise each of my option grants?
      - ◆ Should I exercise a grant at one time or in stages?
  - ◆ What metric can I use to determine the best time to exercise an option grant?
    - ◆ How do I know if the risk of continuing to hold onto a particular grant has started to outweigh the potential gain of holding on?
      - ◆ How does taxation of my option grants work and how does that impact the timing and methodology of exercising my options?
    - ◆ How does the rest of my financial picture and my anticipated cash flow affect the way I should think about my stock option portfolio?

*Jay Finke is a registered representative of Lincoln Financial Advisors.*

*Securities and advisory services offered through Lincoln Financial Advisors Corp., a broker/dealer (Member SIPC) and registered investment advisor. Insurance offered through Lincoln affiliates and other fine companies. Clarity Wealth Management is not an affiliate of Lincoln Financial Advisors. Lincoln Financial Advisors does not provide legal or tax advice. CRN-1998385-011818*