Beyond Wealth
PARTNERS

NUA vs. Direct Rollover

A Critical Decision for P&G Employees with Company Stock

WHAT IS IT?

When you retire or leave P&G, you face a one-time, irreversible decision: roll everything into an IRA or elect Net Unrealized Appreciation (NUA) — transferring the preferred shares in your PST Plan to a brokerage account with the rest rolling over to an IRA. The benefits are in the taxes.

DIRECT ROLLOVER TO IRA

→ All assets roll to a Traditional IRA — no immediate tax due
→ Taxed as ordinary income on every future withdrawal (10–37%)
→ Tax-deferred compounding continues inside the IRA
→ Higher RMDs over time on full appreciated value

NUA STRATEGY

→ Preferred shares transfer in-kind to a brokerage account
→ Pay ordinary income tax on cost basis now ($6.82/share)
→ These shares then taxed at capital gains rates (0–20%) when sold
→ Reduces future Required Minimum Distributions (RMDs)

HOW NUA WORKS — STEP BY STEP

1. **Triggering Event** — Retire, turn 59½, become disabled, or pass away.
2. **Lump-Sum Distribution** — Distribute your entire plan balance in one tax year
3. **Stock Transferred** — Company stock moves in-kind to a brokerage account. Other assets roll to an IRA.
4. **Pay Tax on Cost Basis** — You owe ordinary income tax on the cost basis of the preferred shares in the year of distribution.
5. **Sell When Ready** — When you sell the stock at a future date, the appreciation (NUA) is taxed at favorable long-term capital gains rates.

NUA WORKS BEST WHEN...

→ Your cost basis is very low relative to current stock value
→ You are in a high-income tax bracket and would benefit most from capital gains treatment
→ You plan to sell the stock within a few years — not hold it indefinitely in an IRA
→ You want to reduce future RMDs by keeping the stock outside your IRA

CONCRETE EXAMPLE:

P&G Employee Retiring with $3m in combined 401k and PST Plan with $650k of Preferred Shares ($25,000 basis)

NUA STRATEGY:

$2.35m rolled over to IRA and $650,000 to brokerage account

RESULT:

Only pay ordinary income tax on $25,000 of cost basis + 0–20% capital gains on $650k of NUA when sold. If structured properly, these shares can be sold at 0% Federal Long Term Capital Gains brackets over time.