Why This Matters
For many Procter & Gamble (P&G) professionals, a substantial portion of their retirement wealth resides within the Profit-Sharing Trust (PST). Key decisions made at retirement—particularly how these assets are distributed—can have a lasting impact on retirement tax efficiency and cash flow.

Two Advanced Tax Strategies P&G Retirees Should Evaluate
For individuals who have spent a meaningful portion of their career with P&G, there is often a unique and highly valuable tax planning opportunity embedded within their retirement assets. In our experience, many retirees are either unaware of these strategies or have not fully considered how they can work together to enhance retirement savings.

Strategy #1: Net Unrealized Appreciation (NUA) - A More Deliberate Approach Than a Full IRA Rollover
A common default for P&G employees at retirement is to roll the entirety of their Profit-Sharing Trust (PST) into a Rollover IRA. While this approach is straightforward, it may not be optimal for participants who have accumulated P&G preferred shares within the plan throughout their career.

Historically, these shares were contributed with a low-cost basis (e.g., $6.82 per share). Rather than rolling those shares into an IRA where all future distributions are taxed as ordinary income there is an opportunity to transfer them in-kind to a taxable brokerage account under NUA rules. This distinction can result in a meaningful reduction in lifetime tax liability, particularly for those with significant appreciation in their shares.

Why does this strategy offer more tax efficiency?

- Ordinary income tax is recognized only on the original cost basis at the time of distribution.
- The embedded appreciation (NUA) is deferred and ultimately taxed at long-term capital gains rates upon sale.

P&G discontinued contributions of preferred shares in July 2025. While the strategy remains available for those who have accumulated shares, the opportunity set is finite.

Strategy #2: Proactive Capital Gain Management — Utilizing the 0% Tax Bracket
Following your NUA distribution the shares are held in a taxable account which introduces additional planning flexibility by having the ability to manage realized gains over time.

Under current tax law, long-term capital gains may be taxed at 0% for taxpayers within certain income thresholds. In 2026, that includes taxable income up to $49,450 for single filers and $98,900 for married couples filing jointly.

When factoring in the standard deduction, this creates an opportunity for many retirees, during early retirement years, to realize capital gains at little or no federal tax cost.

This can be implemented in two ways:
- Generating tax-efficient retirement cash flow by selling appreciated shares.
- Systematically “resetting” cost basis by realizing gains and repurchasing shares, thereby reducing future tax exposure.

Consider a simplified example:
A married couple, both retire at age 62 with 3,000 P&G preferred shares in their PST. The preferred shares have a $6.82 cost basis and a current market value of approximately $160 per share and thus the embedded appreciation of their preferred shares is substantial.

- **Step 1:** Execute an NUA distribution. Transfer shares to a taxable account. Ordinary income tax is due only on the cost basis ($6.82 x 3,000 = $20,460), while the appreciation is now subject to capital gains treatment.
- **Step 2:** During lower-income years before Social Security or Required Minimum Distributions (RMD’s) begin, you can selectively realize gains to support spending or reposition the portfolio while potentially staying within the 0% capital gains bracket.

The result is a transition from what would have been fully taxable ordinary income into a more flexible and tax-efficient retirement income stream.

Important Considerations
These strategies require careful coordination and should be evaluated within the context of a broader financial plan:
- NUA treatment requires a qualifying lump-sum distribution within a single tax year
    - The main four qualifying events are: separation of service, reaching age 59.5, disability, and death.
- State income taxes could have an impact on the overall benefit, as the 0% rate is only applicable to federal income taxes.

- Capital gain harvesting should be coordinated with other strategies, such as Roth conversions, which utilize the same income thresholds.
- Any post NUA distribution appreciation must meet long-term holding requirements (at least one year) to qualify for favorable tax treatment.

Bottom Line

For P&G retirees, the combination of NUA treatment on preferred shares and proactive capital gain management represents a sophisticated and often underutilized planning opportunity.

When executed thoughtfully, it can materially reduce lifetime tax liability and improve retirement cash flow efficiency. However, these strategies are most effective when incorporated into pre-retirement planning, rather than addressed after the fact.

To fully evaluate whether these opportunities apply to your situation, the next step is a pre-retirement review of your PST holdings with a trusted advisor to align these strategies with your broader financial and tax planning goals.
