To: P&G Employees
From: John B. Cornetet, CPA, J.D., CFP 513-771-2444

Re: Comparison of P&G Plus to an IRA

There are advantages and disadvantages with both options. I will analyze them to help you make the decision whether to use P&G Plus or an IRA.

P&G Plus

1. Ad hoc distributions may be taken after age 55, without a 10% penalty. You do not have to set up a substantial equal payment plan. Each year you may take out only what you need to live on. Thus, this option provides more flexibility with distributions.

2. The cost of money management may be slightly lower. First, there is no cost associated with the P&G stock. Thus, 40% of the account has no fee. The J.P. Morgan funds have a new fee structure with fees as low as .20% and as high as 1.25% depending on the fund selected.

3. While the assets are held by the PST, they are protected from creditor's claims.

4. You must keep 40% of the account in P&G stock. This limits your ability to diversify away the company specific risk.

5. If you die while in P&G Plus, your spouse may continue in P&G Plus or do an IRA rollover. However, your children may not. They must withdraw the entire account within five years and pay income taxes.

6. Your investment options are limited to the J.P. Morgan pre-mixed funds.

IRA

1. There is a 10% penalty for distributions taken prior to age 59 1/2. If you retire and roll your plan into an IRA, you must set up a substantial equal payment plan for five years or until age 59 1/2, whichever is longer to avoid the penalty. You run the risk of locking into a payment plan that is too small or too large over time. The amount may not be altered.

2. The cost of money management within an IRA is generally higher with fees between .5% and 2%.

3. Under federal law, IRAs are protected from creditors.

4. You are free to fully diversify the IRA account with no limitations on how much P&G stock you must keep.

5. If you die while your funds are in an IRA, your spouse may roll over the IRA into his/her IRA. However, the children may withdraw the money from your IRA, with no 10% penalty, over their

life expectancy. Thus, a 35 year old child would have the right to distributions over 47 years and delay income taxes over that period.

6. The investment options in an IRA are almost limitless.

Conclusions, Thoughts & Opinion

(Do not act on these general planning ideas without consulting with your tax advisor)

1. P&G Plus is the worse place to have your funds when you die. P&G requires your children to withdraw all of the funds within five years. Thereby subjecting the entire account to income taxes over a very short time frame. In an IRA, the income tax can deferred for years. Economically, there is no question that the IRA is superior. Therefore, I frequently recommend (after knowing the clients needs) to use P&G plus until they reach age 59 1/2, then roll the account into an IRA. Take advantage of the ad hoc distribution rules to avoid the substantial equal payments until the funds can be rolled into an IRA.

Another option is to do an IRA rollover with a portion of your account and leave a portion in P&G Plus. The amount to leave would be your estimated living cost until age 59 1/2. Invest the IRA and live off of the P&G Plus on an ad hoc basis. If you died prior to age 59 1/2, the bulk would be in an IRA and follow the rule to delay the income tax .

2. Being required to keep 40% in P&G stock increases the company specific risk in your retirement account. The rule of thumb is to have no more than 5% in any one company.

3. You must weigh on one hand (P&G Plus), low cost, and ad hoc distributions with (IRA) investment opportunity, diversification and the distribution rules at death.

John