

Beyond the Bounty

BY BRAD MORGAN

Covered Calls on PG Stock: A Smarter Strategy for Concentrated Wealth

For Procter & Gamble employees, stock ownership is often a source of pride—and risk. We help PG professionals manage that risk and generate income by implementing a **covered call strategy**—a disciplined approach to reduce volatility, generate cash flow, and retain long-term upside potential.

What Is a Covered Call?

A covered call involves selling call options against shares you already own. You receive cash upfront (called a “premium”), in exchange for agreeing to sell your shares if the stock rises above a certain price by a future date. It’s a way to get paid for staying invested—especially powerful with a stable, dividend-paying stock like PG.

Why PG Employees Should Consider This Strategy

We typically use this strategy for PG shares held in **taxable (non-retirement)** accounts, where diversifying would trigger significant capital gains. Covered calls provide a way to reduce exposure and generate income **without** selling the stock or realizing taxes today.

While the strategy **can also be run in retirement accounts**, our first preference there is usually to diversify the holding outright, as tax consequences are not a concern in those accounts.

Key Advantages of Our Covered Call Approach

- ✓ **Reduce exposure** by roughly one-third without selling shares
- ✓ **Generate consistent cash flow** — e.g., \$27,290 (2.6%) in premium over 185 days, or an annualized yield of 5.17%
- ✓ **Retain full dividend income** and upside up to the option strike price
- ✓ **Avoid concentrated strike risk** — we actively manage a ladder of strike prices to reduce exposure to a single outcome
- ✓ **Minimize call risk** — by dynamically adjusting contracts as market conditions change
- ✓ **Protect against unwanted sales** — we can add margin to the account so that if shares are called, we borrow against them and deliver the borrowed shares, avoiding a taxable sale

Real-World Example

From a January 2025 analysis on a \$1M PG stock position:

- **Premium collected:** \$27,290
- **Net annualized yield:** 7.21% (including 2.54% dividend)
- **Risk reduction:** 34.22%

This strategy allows you to stay invested in PG while reducing volatility and unlocking an income stream—ideal for those nearing retirement or looking for a tax-aware way to enhance returns from a concentrated stock position.

Let’s Talk

If you’re sitting on a large PG stock position and wondering what your next move should be, let’s connect. This strategy could be a simple but powerful way to enhance your plan.

✉ Reach out for a personalized review of your holdings and see how this strategy might fit your goals.



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