

Hapanowicz & Associates Case Study: Verizon Stock

John Smith is 45 years old and has 17 years of service at Verizon. He has saved diligently into his 401(k). His goal is to retire sometime after turning 65. Along with his 401(k), he also has a pension benefit that will provide his income in retirement.

John had not reviewed his 401(k) allocation in some time, as he has the mindset of saving consistently, as much as he can, and letting the markets “do their thing”. After a review of his 401(k) allocation by an H&A associate, it was discovered that John had a substantially high allocation to Verizon Stock. This was because the employer match in his 401(k) was made in the form of Verizon stock. What John did not know is that there is no minimum time commitment to hold onto that stock position, and he was therefore free to diversify away from such a large amount of money in one place within his 401(k).

It is essential that a 401(k) that will serve as one of the main resources of retirement income is allocated appropriately between stocks and bonds, as well as diversified across all asset classes and market sectors to best protect an investor from volatility in the markets. An allocation between stocks and bonds that was originally set in a 401(k) and was right for an investor at one point may not be the appropriate allocation for that same investor, as he/she gets closer to retirement. Be diligent about periodically reviewing the allocation in your 401(k). H&A recommends a review at least one a year.

H&A has been working with Verizon employees for over 20 years and has helped countless associates and managers build a Diversification Game Plan to reduce a large position in Verizon Stock as well as select the optimal customized allocation.

If you are unsure if your allocation is right for you and would like a complimentary review, give us a call and we would be happy to help you.



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Sources: Verizon Savings Plan for Management Employees; Mid-Atlantic Plan SPD; SPD for the Survivor Benefits Program for Mid-Atlantic Associates. All sources as of 3.3.21.