

Workers gamble with Ford stock

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From day one, Brian Pannebecker decided to put his 401(k) money into Ford Motor Co. stock. Only Ford stock. Now, the red ink at Ford has left his 401(k) in the red, too.

Pannebecker, 47, an hourly worker at the Ford Sterling Plant in Sterling Heights, has set money aside out of each paycheck for the past 10 years. Ultimately, he put \$72,000 into his 401(k). Now, he's got roughly \$36,000 in his 401(k) -- and all in the Ford stock fund.

And he's still buying Ford stock.

"I know it's a gamble," he said.

At Ford, plenty of hourly and salaried workers gamble, despite the company's losses of \$1.3 billion in the first half of this year. They say they have faith in the company and the Ford family, a bond built through years -- in some cases generations.

While many Ford workers are diversified in their 401(k) holdings, it is not hard to find workers or retirees who have 50%, 70%, 90% or even 100% of their 401(k) money in Ford.

By contrast, General Motors Corp. workers and retirees had less than 15% of



David Miner of Harrison Township has worked for Ford Motor Co. for 29 years. About 70% of his 401(k) is invested in Ford stock. Now, however, he is putting additions to his 401(k) into a Fidelity Real Estate Investment fund. (ROMAIN BLANQUART/Detroit Free Press)

Owning company stock

- **Set a realistic goal.**

Aim to have 10% or less of your money in your company stock. If you're well off, you might be able to risk 15% or 25%. No more.

- **Quit telling yourself that your stock is priced too low to sell.**

Yes, you might have paid more for the stock than you could sell it for now. Ask yourself how long could it take for that stock to climb back to what you paid for it.

It might never happen. Plenty of investors -- including those at Delphi Corp. and the old Kmart Corp. -- lost lots of money as they waited for their stock to rebound.

- **Start selling something.**

"Over time, no matter where the stock price is, the goal has still got to be to diversify the portfolio," said David Kudla, CEO and chief investment strategist for Mainstay Capital Management in Grand Blanc.

So even if the stock price is low, try to sell some stock -- hopefully after some good news and a slight climb in the stock price.

Don't sell off all of your stock at once.

- **Stop buying more company stock.**

If your stock's in trouble and you already own way too much of it, don't buy more.

- **Consider your age.**

If you'd really like to retire in five years or so, you want to start scaling down the risk. Someone who is 60 wants to own less stock, in general, than someone who is 30

their 401(k) assets in GM stock two years ago. And DaimlerChrysler workers had less than 5%.

Many Ford workers are taking way more risk than most financial planners would advise. A rule of thumb is that investors shouldn't hold more than 10%-15% of their 401(k) savings in their own company's stock.

The overall Ford 401(k) had nearly 40% of the assets invested in Ford stock as recently as 2004. The percentage has fallen with the stock price, down to 22.5%.

Ford stock has fallen about 80% from Jan. 8, 1999, when it closed at \$35.61 a share, once the stock is adjusted for splits. On Friday, Ford closed at \$6.89.

The company's 401(k) plan offers 34 different options for investing -- including a mix of mutual funds from Fidelity Investments and other mutual fund families.

But workers argue that they like Ford. And they've got faith that the Ford family isn't about to let the company go under.

"I still have confidence in the company," said David Miner, 51, who has worked for 29 years for Ford.

Miner, who is an hourly worker at Ford's Romeo Engine Plant, said the bulk of his 401(k) holdings -- about 70% -- is in Ford stock. He's not buying any more Ford now. But he's not selling any company stock yet, either. Not at these low prices.

Ford stock has been popular with both hourly workers -- who received no matching contribution from the company -- and salaried workers who did.

At one time, the match for salaried workers was generous -- 60 cents on each dollar of employee contributions up to 10% of the employee's base salary. Right now, salaried workers do not receive a match from the company.

The lesson of Enron

This is not the first time workers have found themselves on the wrong side of the company-stock bet.

In late 2000, about 60% of the money in the Enron Corp. 401(k) was invested in Enron stock. When the company crashed, life savings were destroyed.

And over the years, workers have seen their financial fortunes fall with stock prices at several Michigan companies, including CMS Energy Corp., Compuware Corp., the old Kmart Corp. and Delphi Corp.

Even after Enron, many employees hold onto huge chunks of company stock. Workers for other companies distanced themselves psychologically from Enron.

"They said what happened at Enron is different from what's happening at my company," said David Wray, president of the Profit Sharing/401(k) Council of America in Chicago.

Some Ford workers said the troubles at Enron were because of the fraud at the company. They don't see that kind of corruption at Ford. So they feel safe.

"I'm trying not to even think about the possibility that Ford will go out of business," said Pannebecker, who lives in Shelby Township.

Instead, he's living on the hope that Ford will reengineer a massive turnaround plan and that contract talks will go well between the UAW and the automaker in 2007. If so, he's thinking that the stock could shoot up from under \$7 a share to \$18 or \$20 a share -- and beyond.

Pannebecker, who once worked at Chrysler Corp., remembers the fortunes that were made when that automaker staged a dramatic turnaround -- after plenty of help from the federal government.

'Doing beautiful'

At times, such as when things were flying high in the late 1990s, everyday workers got rich buying Ford, too.

"It was a darling stock up until about 2000. We were doing beautiful," said David Grunow, 53, who works at Ford's Romeo Engine Plant.

Grunow now has about \$300,000 in his 401(k) -- including \$69,000, or 23%, invested in Ford stock.

He, too, thinks that Ford can stage a comeback.

"All they have to do is get the product out there," he said.

And if Ford stock moves from around \$7 to \$21? Well, he's got a shot at a gain of \$138,000.

Yet Grunow, who lives in Hazel Park, knows that nothing is certain. So he's not sure if he will be able to retire in five or so years, like he once considered.

While many workers remain hopeful that Ford can turn around their fortunes, they're also worried. Many never imagined in their wildest dreams that the stock could fall so low -- and stay so far down for so long.

"There's no guarantee it's ever going to come back up," said Miner, who has stopped buying Ford for his 401(k). He's investing new money in a Fidelity Real Estate Investment Portfolio Fund.

Yet he has faith in Ford.

"I'm going to hold the Ford stock until it gets back in the neighborhood where it belongs -- which is around \$30 a share," Miner said.

And he says if Ford gets around where it should be, his 401(k) -- now more than \$100,000 -- could be flying north of \$300,000.

"I'm just going to have to ride the storm out," he said.

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