

Detroit Free Press

'Nothing wrong with taking some profits' on Ford stock

By Susan Tompor (excerpt)

May 13, 2010

When Ford stock was beaten down to around \$2 a share early last year, more than a few folks in Michigan thought it was a good time to take a gamble.

Things worked out far better than the gamblers dreamed. Ford stock has increased more than sixfold; it closed at \$12.68 a share on Wednesday, up 37 cents or 3.01% a share.

But now what?

The refrain

"If only I'd bought Ford ..." It's a common lament when party talk around here turns to things financial.

As Ford stock moved up, some people were grouching that they didn't bet a hunch back in 2008-09 when Ford was around \$2 a share. Others secretly wondered whether neighbors who work at Ford had cleaned up.

Some leadership-level Ford executives had quietly received restricted stock-based grants in lieu of cash bonuses when the shares were trading in single digits, according to financial planners and others.

Ford will not say how many received how much, but the idea was to retain managers during Ford's transition to the company that posted a \$2.1-billion first-quarter profit.

But let's put things in a little perspective. Even when auto stocks sold for less than a fast-food lunch, buying was hardly a slam-dunk decision. Some gambled on General Motors and ended up with nothing after GM filed for bankruptcy last year.

For a time, auto experts worried about Ford's future, too.

Long and short of it

On Feb. 20, 2009, Ford stock closed at \$1.58 a share. The company had cut thousands of jobs. It did not hand out merit pay increases to salaried employees in 2007 or 2009. (Merit increases were granted this year effective April 1 for salaried employees to reflect last year's performance.)

The company's 401(k) matching contributions for salaried employees were suspended in 2005 and not reinstated until 2007. And then the 401(k) match was suspended again in January 2009 and not reinstated until a year later.

Mark Krugman, 52, an engineer who works on hybrids at Ford in Dearborn, said he remembers conversations with co-workers more than a year ago, when the stock was \$3 or less, who kept saying it was time to buy Ford.

Krugman, who doesn't plan to retire for another 10-12 years, said he had room to take on some risk. So he gradually took \$1,000 out here, \$1,000 out there from some mutual funds in his 401(k) to buy Ford shares in his 401(k).

"I'm invested for the long-term," Krugman said. "I'm not invested for the short-term kill -- but I enjoyed the short-term kill that I got."

As the stock went up, he gradually sold some of it. Krugman said he did not want to have more than 10% of his 401(k) invested in one stock, so he took some gains.

He later asked co-workers whether they had actually bought at \$3 a share and said they admitted they hadn't. Some said a financial adviser told them to stay away from automotive stocks; others didn't want to make the move.

Yet if you did buy low, what do you do now? Wait and hope that Ford goes much higher?

"There's nothing wrong with taking some profits," said David Kudla, CEO and chief investment strategist for Mainstay Capital Management in Grand Blanc.

Kudla maintains that Ford is a good stock to hold for the long term.

Even so, he said investors who have seen that kind of an incredible gain on any stock in the past 18 months or so need to consider their position.

Risk remains

Is a stock that was once 5% of your holdings now 25% of your portfolio? Be wary of that kind of growth.

Typically, a Ford employee or anyone else dependent on the auto industry wouldn't want to hold more than 10% of his or her assets in Ford stock, according to several planners.

After all, your job, your retirement, even, in Michigan, the value of your house could depend on car sales. And where is the automotive industry headed?

Russel Kinnel, director of fund research for Morningstar, noted that CGM Focus Fund had nearly 12% of its assets in Ford stock. Janus Aspen Overseas International had 5.61% of its assets in Ford.

But holdings can change over time, so pay attention. Overall, Kinnel said it's wise to sell into strength. "There have been tragic cases, like Enron, where people lost their jobs and their retirement savings in one day," Kinnel said.

Be humble and recall that some GM investors are now saying "if only" as well.