STEWARD

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A Balanced Look at Stock Buybacks

Part 1: How Do Stock Buybacks Work?

Stock buybacks, that is a company repurchasing shares of its own stock, have been targets for praise and criticism through the years. So, which are they: good or evil? We agree with The Wall Street Journal columnist Jason Zweig, who once wrote:

> "Buybacks are neither bad nor good. They are simply a tool. Just as you can use a hammer either to build a house or knock one down, buybacks are useful in the right corporate hands and dangerous in the wrong ones."

In other words, a stock buyback can help you, hurt you, or be a neutral event, depending on the particulars. Today, let's embark on a balanced look at stock buybacks.

Diversification Is Still Our Best Friend

Before we dive into any details, let's answer a bigger question: No matter how you may feel about stock buybacks, what should you do about them as an investor? If you're familiar with our general investment strategy, our answer will come as no surprise:

> Stock buybacks give investors yet another reason to prefer widely diversifying their investing across myriad asset classes around the world, rather than trying to get ahead by deliberately picking or avoiding particular stocks or industries.

As with any stock bid, even a well-devised buyback can backfire if the future doesn't unfold as hoped for. It can be even worse if the buyback motives were shaky to begin with. Because we can't predict, we advise investing across a globally diversified portfolio of low-cost mutual funds or ETFs, using fund managers who avoid engaging in market-timing or stock-picking. That way, you'll continue to capture long-term market growth—including any returns generated by stock buybacks—without needing to assess each one as it occurs.

In this context, let's look at how buybacks generally work. Even if you're not actively participating in individual stock buybacks, it's worth being informed about them—especially if you're employed at a company that may periodically offer them.

How Do Stock Buybacks Work?

In general, you and other traders can buy or sell any publicly traded stock on an open exchange like the NASDAQ or New York Stock Exchange (NYSE). Similarly, a company can participate in these same exchanges, using its retained earnings to buy back or extend a tender offer to repurchase some of its own stock.

However, just because a company wants to buy back shares, does not mean you have to sell any of yours. A stock buyback offer is just like any other trade on the open market. Before a trade occurs, would-be buyers and sellers must agree on a fair price.

If you are invested in a mutual fund or ETF, rather than directly in individual stocks, the fund manager decides on your behalf whether to accept company buyback offers. But the principle remains the same: The buyer and seller must agree on a fair price at which to trade.

There is also one noteworthy difference between a stock buyback versus simply selling stock to another trader. In a "regular" trade, one of you is the seller, and the other is the buyer. End of story. But when you own a company's stock, you own a piece of its capital, making you a co-owner. Thus, in a stock buyback, you may have vested interests on both sides of the trade.

And that's where things get interesting. How do companies use (and occasionally abuse) stock buybacks to deliver sustainable value to its shareholders? We'll explore that in our next piece.

Eric

Eric Hutchens, CFA®, CFP®, AIF®
Chief Executive Officer

> **Price is what you pay. Value is what you get.**
> —*Warren Buffett*

Headlines

- Allodium was happy to welcome a new team member in August. Join us in welcoming Amanda Byal, Client Service Associate. We hope you'll have a chance to say hello to Amanda soon.
- Anastasiia Miller passed the CFP® exam, a step toward becoming a CERTIFIED FINANCIAL PLANNER® professional.
- Share your experience with Allodium by leaving a **Google review** (click on the link)—it helps others who are seeking fiduciary advice.
- Our office will be closed September 7, November 26 and 27, for company holidays.

For more of Allodium's news, visit **www.allodium.com**

Upcoming Event

Giving with Intention: Connecting Your Values to Your Philanthropy

Tuesday, October 13, 2026 at 5:00 - 7:30 PM

We invite you to join us for a special fall event sponsored by Allodium and presented by the Minneapolis Foundation: **Giving with Intention: Connecting Your Values to Your Philanthropy.**

The evening will begin at 5:00 p.m. with appetizers and an opportunity to connect with fellow guests, followed by an engaging and interactive presentation exploring how your personal values can help shape more intentional charitable giving.

The Minneapolis Foundation will share real-life examples of how donors have connected their values with their philanthropy and offer practical ideas for moving from reactive giving—responding to the latest request or immediate need—to a more thoughtful approach that reflects what is meaningful to you.

You will also have an opportunity to participate in a guided, values-based exercise designed to help you identify and prioritize what matters most to you. You'll leave with greater personal insight and a practical tool you can continue to use when making future charitable decisions.

Contact **iavraamides@allodium.com** to reserve a spot or learn more.

NEW EMPLOYEE SPOTLIGHT:

Anastasiia Miller

Allodium is growing! We are pleased to introduce Anastasiia Miller, Associate Wealth Advisor, to our team.

Role at Allodium:
Associate Wealth Advisor

Joined firm on: April 13, 2026

Hometown: Kharkiv, Ukraine

Favorite movie: *The Imitation Game, Dead Poets Society, Lilo & Stitch*

Favorite book: I am a total bookworm, and my favorites tend to change over time. Lately, I have really enjoyed T*he House in the Cerulean Sea*, *The Go-Giver*, *Midnight Library*, *Shantaram*, and *The Nightingale*.

Favorite TV show: *Gilmore Girls, This is Us,* and *Sweet Magnolias*

Favorite food(s): Borsht

Favorite place in Twin Cities: Minneapolis Bouldering Project, Lake Harriet, University of Minnesota Arboretum

Favorite gadget/technology: Kindle

Favorite activity: Indoor bouldering, tennis, and reading

Favorite music: Classic rock (e.g., Led Zeppelin, Creedence Clearwater Revival, Kansas, Queen, The Beatles)

Person I admire most: My mom. She is the most resilient, resourceful, and inspiring person I know.

What I'm most thankful for: My health, my friends and family, and my cat.

WE APPRECIATE YOUR INTRODUCTIONS

Do you have a friend or family member who could benefit from independent, fee-only, fiduciary financial advice? We are here to help. Please contact us to arrange a friendly, no-obligation introduction. Our mission is to simplify and improve the financial lives of our clients.

Steward is published quarterly by Allodium Investment Consultants. Please contact **iavraamides@allodium.com** if you have any comments about this publication or wish to be added to or removed from our mailing list.