

Will autoworkers save or spend bonus checks?

By Susan Tompor (excerpt)
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Heavy-duty, profit-sharing checks soon will lighten the financial load for tens of thousands of Michigan autoworkers. But this year, the monumental bonus checks mean even more to some workers than a chance to pay bills or buy something special.

Richard Incrocci, 50, who works as a UAW forklift driver at the General Motors Flint Assembly plant, sees the GM bonus checks — which he expects to be as high as \$11,500 when GM announces its year-end earnings and the size of the checks Tuesday — as a symbol of just how far the auto industry and GM, in particular, have come from the industry's darkest days back in 2009.

The union and GM built a better working relationship, he said, and GM engineers designed "extraordinarily beautiful" trucks with the Chevy Silverado and GMC Sierra that consumers want to buy. ...

...Retailers, furniture stores, car dealers, restaurants and others in communities where workers live could see a modest boost if consumers spend much of their bonus cash. ...

...Fiat Chrysler workers expect checks Feb. 17; Ford workers expect their checks March 9. ...

...Some employees talk about using some money toward their children's college education or paying down their grown children's bills, said David Kudla, CEO for Mainstay Capital Management based in Grand Blanc.

Some want to rent a nice cottage Up North this summer or buy a camper, he said.

"You hear everything," Kudla said. "It's a lot of money to anybody." ...

...It's not all that uncommon for some consumers to be carrying significant debt on a credit card with double-digit interest rates, said Kudla.

If you're paying 15% or 20% or more a year on credit cards, you'd have a hard time arguing that you can be guaranteed to make that kind of money by investing it. ...

..."If you're paying down debt or investing, you're helping your balance sheet," Kudla said.

When it comes to the second bucket, or saving for retirement, employees in the auto industry can opt to put profit-sharing money directly into their retirement savings plans at work. ...

...Salaried employees in the auto industry receive performance-related awards, which are not the same as the UAW-related profit-sharing checks, and Kudla said salaried workers need to watch how they contribute to retirement savings.

Dump way too much in the 401(k) out of the bonus, if you're a salaried employee, and you could lose out on some matching money for 401(k) contributions from the company later in the year, he said.

The bonus money or profit-sharing money at the auto companies does not qualify for matching contributions in the retirement savings plans, Kudla said.

"It's pay that the company considers not eligible for the match." ...

...What autoworkers should not do, of course, is bank on these types of profit-sharing windfalls indefinitely. ...

..."The auto industry is cyclical. It has its place in the economic cycle. It tends to rise and fall with the economy," Kudla said.