

The Detroit News

Business | Saturday, February 8, 2014 | Section A

Firms hope auto bonuses boost sales

BY MICHAEL MARTINEZ (excerpt)

The Michigan economy is about to ring up a windfall, as autoworkers across the state spend thousands of dollars in bonus checks.

General Motors Co. on Thursday became the latest Detroit automaker to announce profit-sharing for its 19,600 hourly Michigan workers. They'll get up to \$7,500 each, before taxes, in March. That news comes on top of earlier bonus announcements by Ford Motor Co. of \$8,800 for its hourly workers, and Fiat-Chrysler Automobiles with \$2,500 bonuses, plus up to \$1,000 extra if plants meet certain targets.

In all, that's some 61,000 Michigan workers with discretionary cash in hand by the end of March. Add the numbers up — even after taxes — and that's an injection of tens of millions of dollars into the state economy.

"It's a windfall. It's not money they were planning on, so it can be used for some discretionary spending," said David Kudla, CEO and chief investment strategist of Mainstay Capital Management in Grand Blanc. "It affects the local and national economy. We're talking about a lot of dollars going out at once to these folks."

Overall, the Detroit automakers are handing out about \$800 million in bonuses to about 130,000 workers across the country. Once commonplace, bonus checks became largely nonexistent during the Great Recession as GM and Chrysler battled bankruptcy, and Ford nearly did the same.

This marks the fourth-straight year all three automakers have paid out bonuses to hourly workers.

While workers are likely to stash some of the money into savings and retirement plans, they're as likely to spend on long-delayed purchases, including appliances, furniture, big-screen TVs and toys like boats and motorcycles.

Local furniture stores, marinas and motorcycle shops from Fenton to Ferndale are anticipating sales bumps. Some are offering promotions to woo autoworkers to their stores. ...

...Not everyone advocates spending the bonus money, however.

Kudla said he's already talked with a number of autoworkers about how to save their newfound wealth.

"This is a perfect opportunity to take this and roll it into their workplace savings plan at work and defer income taxes on it," Kudla said. "Don't immediately think about how you can spend it, maybe think about how you can pay down debt."

The bonus check amounts are higher this year. GM's checks increased about \$750 from a year ago; Chrysler's increased about \$250 and Ford's checks increased about \$500. ...