

GM rolling out new buyouts

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By Todd Seibt and Corey Williams

DETROIT - General Motors is offering buyouts and retirement incentives to 5,200 hourly workers represented by the UAW.

GM would not reveal how many workers it expects to leave under the program, but noted that 5,200 are eligible, spokesman Dan Flores said.

More than 34,000 GM workers left last year by way of retirement or buyouts, Flores said.

The program announced Tuesday will be offered to all UAW-represented hourly employees working at GM's Service Parts Operations facilities across the country.

In addition, it will be available to hourly employees at GM's Pittsburgh metal stamping plant; Massena, N.Y., casting plant; and to all hourly employees currently assigned to jobs banks in Oklahoma City; Linden, N.J., and Rancho Cucamonga, Calif.

A second phase of the program is expected to be implemented in early 2008 and will involve UAW-represented hourly employees who work in GM's assembly, stamping, powertrain and engineering facilities.

The automaker and union have not agreed upon the specifics of phase 2, Flores said.

GM wants more than 16,000 hourly UAW workers to exit the company. Many would be replaced by workers at the lower tier wage scale approved under a landmark four-year contract with the union.

Such new hires would be mainly in non-manufacturing jobs and would receive less pay and lower health care and pension benefits than the workers they replace.

Buyout considerations

Mainstay Capital Management in Grand Blanc advises hundreds of active and retired autoworkers, hourly and salaried, on about \$700 million in retirement savings, investments, and buyouts. Some general tips:

- Develop a comprehensive income and investment plan - including risks to retirement savings such as taxes, inflation and longevity.
- Weigh the value of the incentives against the benefits of continuing to work. Keep in mind the risk of staying at a troubled company - and the risks of giving up a steady paycheck.
- Don't underestimate the emotional impact. You need to be psychologically and financially ready for the change.
- There is often little room for negotiation in wide-ranging buyouts, but it doesn't hurt to ask.
- Any lump sum payouts need to be part of a bigger investment plan, not spent as windfalls.
- Carefully evaluate the tax treatment on the buyout offer. Study ways to structure your finances, and any payouts, to minimize the tax impact.

Source: Mainstay Capital Management,
www.mainstaycapital.com

Current UAW employees earn about \$28 an hour, while entry-level wages begin at about \$14-\$15 an hour, Flores said.

"Certainly, we are focused on cost-reduction efforts," Flores said. "In the U.S., it's a competitive marketplace and customer demand is softening. There is an urgency to cutting costs as quickly as we can."

Rick Wagoner, GM's chairman and chief executive officer, said the program was designed to conform with the 2007 labor agreement with the UAW.

"We continue to work closely with our UAW partners to improve our competitiveness in the currently challenging U.S. market conditions, while also investing in future products and technologies critical to support our leadership in fuel economy," Wagoner said in a prepared statement.

David Kudla of Mainstay Capital Management in Grand Blanc helps hundreds of GM and other automaker employees, hourly and salaried, evaluate buyouts. Mainstay currently manages approximately \$700 million in worker assets, much of it in 401(k) programs.

Buyouts and two-tier pay plans are now part of the fabric of America's work force, Kudla said, and all employees must take more responsibility for their own futures. They must also crunch some very real numbers to assess accurately buyouts such as the one GM is preparing to offer.

"The first and most important step for employees is to develop a comprehensive retirement income and investment plan," Kudla said. "That means taking full advantage of any retirement savings programs and benefits the company makes available."

"The plan should be updated periodically, evaluating "what-if" scenarios that may arise in the near or distant future," Kudla said.

Many workers who save and plan carefully are pleasantly surprised about their financial options under various buyout payouts, he noted.