# 5 Smart Ways CEOs Can Spend Those $1.5 Trillion in Tax Cuts

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It was a sweet New Year’s present, all right: To begin the year, corporations and their CEOs came into a windfall of cold hard cash, thanks to the Tax Cuts and Jobs Act (TCJA).

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The TCJA cut corporate taxes from 35 percent down to 21 percent, giving CEOs the (not-unpleasant) challenge of spending $1.5 trillion in tax cuts.

Of course there is a touch of controversy here: Since the 2008 financial crisis, Main Street Americans have been royally fed up with C-Suite bonuses and golden parachutes. As a result, the new tax cut continues to spark debate as to whether Wall Street or Main Street will benefit the most. And, ultimately ,only time will tell.

But then there’s that other, happier, result of TCJA: We are starting to see examples of how companies are spending the money — on both sides of the argument.

Specifically, nearly 100 companies have announced plans to spend a record $178 billion in stock buybacks. For example, Cisco plans to spend $25 billion buying back shares, while Alphabet will spend up to $8.6 billion. These moves will boost their stock prices, which will benefit shareholders. (For the many who are senior executives, the stock boost will add plenty of zeros to their personal savings accounts.)

On the other side of the argument are those large companies that have opted to use the tax money to give back to their employees via bonuses, wage increases and larger 401K matches. McDonald's, for example, plans to extend tuition reimbursement, while Walmart, AT&T and many others have given out bonuses.

Local companies are also planning to reinvest for future growth. Phoenix-based Axon enterprises, for example, has pledged to hire new talent in Scottsdale and Seattle to work on research and development around police body cameras, next-generation policing software and Taser weapons.

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There is no doubt that corporations and their CEOs received an enormous financial gift here. But how these leaders choose to spend the money will have profound implications on the future of their organizations, the economy and their own careers.

While many will seek immediate earnings gratification, smarter companies and CEOs will invest wisely for long-term growth. Here's how that could happen:

# 5 smart ways CEOs can spend corporate tax savings

**1. Reward the right employees, not poor performers:** Reinvesting additional dollars into employee-rewards systems

is a proven way to improve retention rates, while providing a multiplier effect that boosts a company's employer brand.

This reinvestment also acts as a motivator; studies show that motivated employees simply perform better. However, not all employees are created equal. So, incentive programs need to be focused on two tiers: A players and promising B players, whether they work in the C-Suite or the mail room.

C players – meaning those who don't perform on the job and don't live by an organization's core values – shouldn't get a thing. They don't deserve a spot on a team in the first place, but if they are flying under the radar of front-line managers, you can invest the tax money to recruit a workforce of A players to be reckoned with for decades to come.

**2. Invest in new technology:** Companies that don't invest in technology are likely to wind up like Blockbuster Video. The once dominant video rental chain was put out of business because it failed to adapt once movies became available via streaming. We Americans aren't the only people in the world to get this, either: At the World Economic Forum in China last year, experts spoke passionately about the need for companies to embrace new technology.

In fact, no sector is immune as the world becomes increasingly global, mobile and social. It will be extremely wise for a CEO to invest in new technology, whether that means ad tech, fin tech or artificial intelligence. Big data will perhaps continue to be the most important currency in business, and corporations should hire the smartest data scientists to turn that data into dollars while protecting privacy.

**3. Expand operations and win the war for talent:** In 2017, unemployment reached its lowest levels since 2001, which created a talent shortage for American companies. Following the tax breaks, companies are now expanding and creating new positions. JPMorgan Chase, for example, announced plans to

hire 4,000 new employees and increase wages for 22,000 of them by an average of 10 percent.

This makes sense because companies know they must act quickly to win the war for talent. To do so, companies should offer compensation packages above industry average; cultivate a winning company culture; and modernize recruiting tactics. For example, Deloitte created "Will You Fit Into Deloitte," a gamified interactive recruitment video that gives candidates an inside look at the company. This innovation greatly improved the consultant's recruiting success.

**4. Give back through corporate social responsibility:** Corporate social responsiblity (CSR) programs and company profits are not mutually exclusive. In fact, companies such as SalesForce and the NBA have robust CSR programs that help fuel brand image and revenue.

Millennials and the next generation of business students want to work for companies that make a difference and have a sense of purpose. As Blackrock chairman and CEO Larry Fink, who manages $6 trillion in investments, said in his annual letter: "To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society." Company leaders have a fiduciary responsibility to make profits; so, in today's world, those that choose not to give back to society do so at their own peril.

**5. Retrain Americans left behind:** Unemployed workers must be retrained for the jobs of the future, including those in renewable clean energy and technology. It's wonderful that the government's Power Plus Plan has a $10 billion plan to retrain coal workers, and that the Solar Training Network aims to train 75,000 people by 2020. But there is also a huge opportunity for *corporations* to take a leadership position. Retraining workers will result in a workforce that is loyal and motivated. Moreover, the positive PR could result in

immeasurable return on investment, position the company doing the retraining as a leader and check the CSR box in the process.

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Overall, it’s going to be interesting seeing how the corporate tax cut impacts America, its workers and the global economy. In the meantime, CEOs have been given a windfall of cash. How they decide to spend it will have an enormous impact on us all.

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