It's Bonus Season - **Does More Money in Consumers' Pockets Mean Increased Sales for Your Business?**

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THE TAX CUTS AND JOBS ACT

The new tax plan lowered the corporate tax rate from 35% to 21% starting on January 1, 2018, prompting a slew of marquee American businesses, like Home Depot, Fedex, Walmart and Disney to reward their employees with the savings they made. These companies, among many others, have announced plans to invest in their employees in the form of bonuses, wage increases, or a bump in retirement contributions.

TO SPEND OR TO SAVE

It's estimated that more than $1.7 billion will be distributed in bonuses this quarter, and Prevedere's leading indicators point to consumers spending, not saving, this extra cash:

- **Employment is full**
- **Consumer confidence is high**
- **Bonus recipients will largely be hourly and low income earners, a demographic that generally spends in accordance with the health of the economy**

WILL THIS IMPACT YOUR BUSINESS?

Yes, a healthy influx of cash is expected to hit the economy this month, but not all retailers and CPG brands should expect to see this translate into increased sales. How do you answer the following questions?

- **Do low income earners already make up a large portion of your customer base? This demographic will likely spend bonuses with brands and retailers they know, trust, and regularly patronize.**
- **What are your product lead times? This is likely only a short-term boon, so marketing dollars should go towards promoting "splurge items" with shorter lead times.**

THE BOTTOM LINE

The Tax Cuts and Jobs Act will result in more disposable income for many Americans in Q1. However, this boost will be short-lived. Unless your business meets the criteria discussed above, it's best to continue to focus on core business initiatives.