



INVESTOR ALERT

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Buddy, Can You Spare a Dime?

Investors need to keep a tight hold on their purse strings when they see a CEO with a base salary of over \$1 million. With the deductibility cap for non-performance-based compensation set at \$1 million there is no good reason to pay a CEO a base higher than that.

There, might, however be poor reasons that the CEO is being paid a base salary over the deductibility cap.

- The CEO can't live on his fixed income of "only" \$1 million. If the CEO needs more than \$1 million to take care of his day-to-day expenses, then those expenses have gotten too expensive. If his personal budgeting is a challenge, can you trust him with the budget for an entire company?
- The CEO lacks confidence in his variable compensation. Since his variable compensation is mostly fixed to the success of the company, is he equally pessimistic about the company's future?

If the CEO needs to have an unusually high base salary, it's time to get someone in that position with more budget discipline and more confidence in his and the company's future.