SUMMER 2021

Commercial Insights

EXPERIENCE FOR BUSINESS LEADERS

REGIONS.COM/COMMERCIALINSIGHTS

THE FUTURE OF WORK IS NOW

When it comes to workplace disruption, the end of the pandemic is just the beginning.

Big decisions demand big data

The race to a more secure supply chain

Regions Bank

WELCOME

This summer has brought some relief from a tumultuous era — and even cause for optimism. Vaccinations are continuing, and many employees are feeling comfortable returning to the office. During this period, we've learned new ways to innovate both how we work and how we interact with one another. And in the coming months, we'll see business leaders apply those lessons to create stronger and more adaptable organizations.

It's no secret that the American workplace has been changed by the pandemic. Our feature story, *New Trends in the Post-Pandemic Workplace (Page 10)*, discusses this shift, exploring how many organizations have adopted a more flexible, people-centric approach to work.

Of course, the pandemic also exposed the inherent weaknesses in supply chains worldwide. In *Unmasking Supply Chain Vulnerabilities (Page 14)*, we examine lessons learned and what businesses can do to mitigate future risks.

Finally, a new administration coupled with federal regulations bring with them some different considerations for business leaders, which we explore in our business intelligence piece *The Potential Impacts of a New Political Administration (Page 3)*.

For more on issues shaping business, be sure to check out our brand-new podcast series, *Commercial Insights with Regions Bank*. Each episode features leading industry professionals sharing their insights on these matters and more.

Sincerely,

BRIAN WILLMAN
Executive Vice President
Head of Commercial Banking

CONTENTS

Editorial and Design: imagination.
Editor: Jessica Austin
Special Contributors: Elizabeth Taylor, Daniel Grattan, Kelley Brown-Murro, Carl Lund, Dennis Tygart, Deron Smithy

Investment, Insurance and Annuity Products:
- Are not FDIC-insured
- Are not Deposits
- Are Not Bank Guaranteed
- Are Not Insured by Any Federal Government Agency
- May Lose Value
- Are Not a Condition of Any Banking Activity

ON THE COVER: STOCKSY

Potential Business Impacts of a New Political Administration

Here are just a few of the potential changes that business leaders should prepare for in the coming months.

STOCKSY

President Joe Biden's administration kicked off with the American Rescue Plan Act of 2021, the $1.9 trillion economic stimulus bill that included a slew of resolutions focused on pandemic recovery.

"When you have large spending packages, the next conversation is: How do we pay for it?" says Elizabeth Taylor, Executive Vice President, Head of Government Affairs and Economic Development at Regions Bank.

Taylor predicts that to mitigate some of the upward of $5.3 trillion spent on pandemic response by both the Trump and Biden administrations, corporate tax rates could increase to 28 percent and the capital gains rate may be eliminated. "Some business owners are concerned about how an increased tax rate could affect the sale of their business or part of their business," she notes.

Of course, a new administration's impact extends far beyond taxes.

FOCUS ON HEALTH AND SAFETY

The pandemic's impact on worker health and safety will persist. Although Occupational Safety and Health Administration guidelines may be less restrictive a year from now, regulations around how businesses protect their employees and customers may apply to both on-site safety and sick leave. Daniel Grattan, Senior Vice President, Federal Government Affairs at Regions Bank, notes that the American Rescue Plan Act extends the payroll tax credit to support for time off for emergency paid family leave through Sept. 30, 2021, adding that companies can claim a credit of up to $12,000 per worker for paid leave benefits.

Employers planning for 2021-22 should remember that the stimulus bill held some temporary healthcare benefits and extensions, which may signal long-term changes to national healthcare policy.

INFRASTRUCTURE POTENTIAL

Grattan and Taylor note that this administration's infrastructure agenda may offer increased opportunity. "It may encourage utilizing materials that are sourced from American manufacturers," explains Grattan. "If you are a manufacturer in the United States right now, you may see some production increase over the next two to four years as the infrastructure plans take shape."

"I think that it's really more widespread than people anticipate," says Taylor about the plan, which will likely be enacted late this summer and include broadband internet, water systems, electrical grids, and transportation.

To learn more about what's next in Washington, D.C., and how it may affect your business, visit **regions.com/commercialpodcast** and listen to "Episode 5: The Business Impact of a New Political Landscape."

Using Big Data to Drive Big Decisions

You probably already have the data — here's how to leverage it.

As digital transformation initiatives have accelerated over the past year, data analytics is becoming more important for gaining a competitive, efficient edge, and the applications are almost endless. Not only can they reduce guesswork in everyday tasks and save companies money, but robust data analytics capabilities can also help inform long- and short-term business strategy.

However, while data can be relatively easy for most companies to acquire, research shows that 95 percent of businesses struggle to actually manage it. Aggregation and reporting tools can process the basic pieces of business intelligence a company collects, making large volumes of data easier to interpret. Most data analytics tools offer built-in dashboards that enable users to organize and visualize key performance indicators (KPIs) in a given area at the company.

When it comes to interpreting big data, machine learning can help companies identify patterns and inconsistencies. Such tools can empower leaders to gain deeper insight into factors influencing their business — for example, linking payment patterns to industry trends.

MAKING SMARTER DECISIONS

With the right volume of information, data analytics tools can also be used to forecast trends and KPIs. Forecasting tools can be used for a variety of purposes, such as projecting revenue or the value of certain products in order to ensure accurate market pricing.

On the financial side, data analytics can help convert data into tangible business recommendations. For instance, if your capital reserves reach a certain level compared with market trends, your accounting department can recommend a cap on cash spending or alert leaders of investment opportunities.

Such tools can also be invaluable when it comes to both marketing and customer experience. For example, if your forecasting model shows a potential turnover in your customer base, an algorithm can trigger an outreach initiative to help you improve retention. Historical data can also be applied to tailor ads to specific customer segments, enabling companies to better reach the right audience in the right place at the right time.

Ultimately, data can help organizations better understand the bigger picture. But while such tools can be insightful and informative, advanced data analytics can't fully replace humans just yet. When it comes to interpreting data, remember that context is key.

Visit **regions.com/commercialinsights** for more on business innovation and technology.

GETTY IMAGES

BIG DATA

Large, complex data sets that may be analyzed to reveal patterns and trends relating to human behavior and interactions.

Investing in an Employee Financial Wellness Program

How supporting your workers' financial well-being may actually benefit your bottom line.

Looking for guidance? Visit **regions.com/next-step/seminars** to explore Regions' Next Step Financial Wellness Program.

Money is the single largest source of worry for the average American, ahead of work, relationships or health. While some might assume that deep financial burden is limited to a small segment of the population, research shows that just 5 percent of American workers have complete financial stability.

Not only does financial stress impact your employees' well-being, it can also impact workplace productivity. Nearly six in ten Americans say they worry about their finances at work, and 45 percent admit that concerns surrounding their financial health have an impact on their overall productivity.

Understanding that most people do not have access to professionals who can help them reach their financial goals, an increasing number of employers have begun stepping in to address this need. According to a 2020 survey conducted by the Employee Benefit Research Institute, 52 percent of firms now provide financial wellness programs as an employee benefit. These perks may include workshops on topics like benefits information, retirement planning, or investment planning; access to a dedicated financial adviser; or even student loan repayment assistance.

Given that the average American with student debt owes over $32,700, repaying student loans is a top concern for workers, particularly among millennial employees — 40 percent carry student debt, and the vast majority cite it as an impediment to their financial goals.

Student loan repayment programs are not new in the workplace, but they are growing: 8 percent of employers offered some form of them in 2019, double the amount from 2017. Notably, a new law allows employers to contribute up to $5,250 toward loans per employee through 2025 tax-free.

WORTH THEIR WEIGHT IN GOLD?

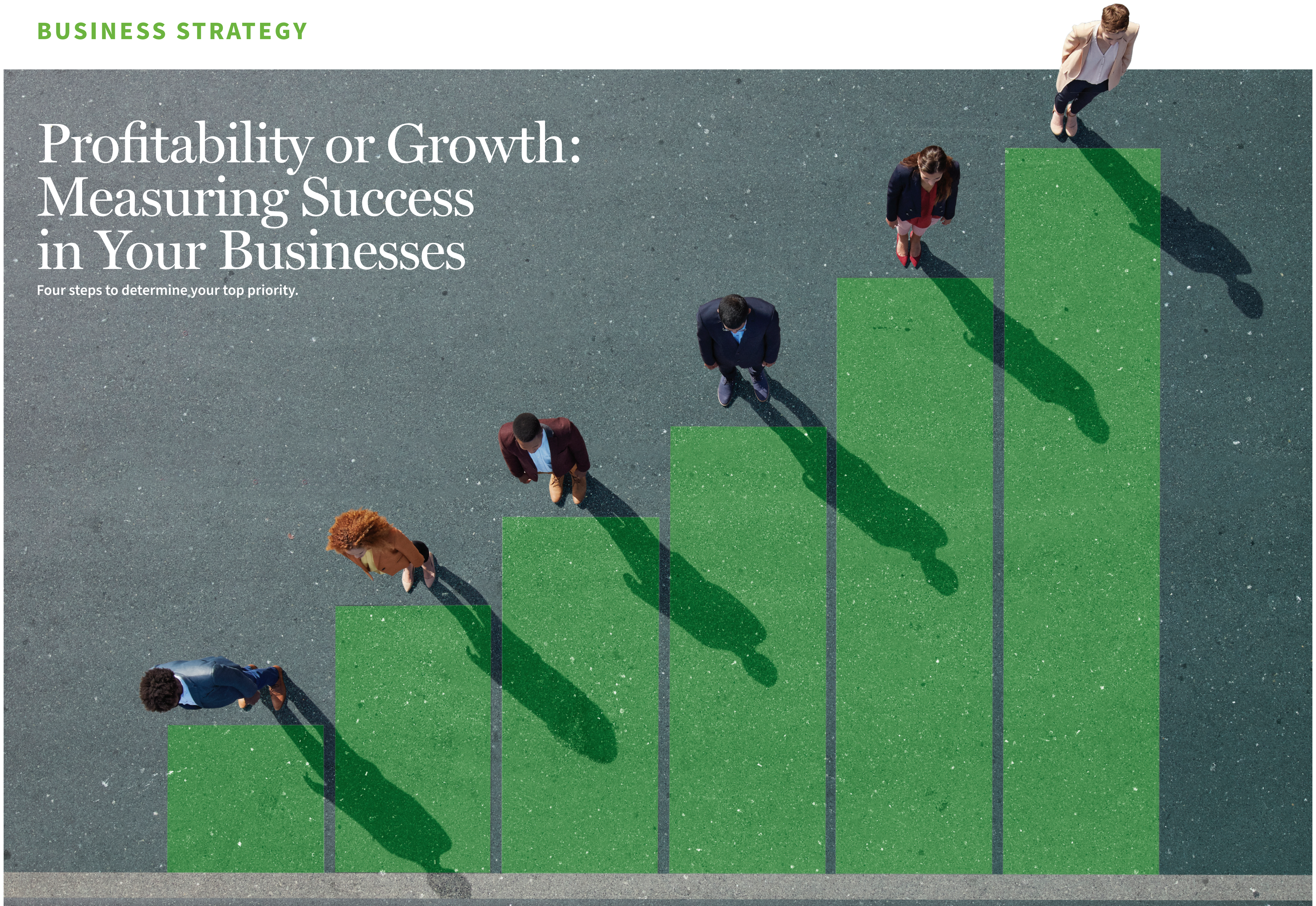
Not only do such programs help employers attract top talent, but offering repayment assistance or tuition reimbursement may also help with employee retention. Of course, these kinds of initiatives are not free. EBRI finds that midsize companies typically spend between $50 and $500 annually per employee on financial wellness programs, making it important for employers to carefully consider the ROI of such offerings.

For employees, however, the benefits are often tangible. Of those who had recently participated in a financial wellness program, 51 percent of employees said they felt more engaged with their company, 40 percent said they felt more productive and focused at work, and 35 percent said they were less stressed.

GETTY IMAGES

Profitability or Growth: Measuring Success in Your Businesses

Four steps to determine your top priority.



Defining Profitability vs. Growth for Your Business

These two metrics often overlap when it comes to assessing a company's success. In this piece, we define "profitability" as high revenue margins and "growth" as expanding market share and user base. However, it's also important for business leaders to decide what these metrics mean for them and ask the following questions:

- What is your timeline for achieving your milestones?
- What profit margins will help you achieve your other financial goals, such as business initiatives or your retirement lifestyle?
- Which growth markers are more important for you: number of employees, number of locations, market share, or customer or user base?

GETTY IMAGES

For the vast majority of organizations, revenue and profitability will always be critical metrics for one simple reason: They're vital to a company's immediate survival. However, over the past decade, an increasing number of tech business leaders have prioritized growth over profit. As a result, a growing list of wildly successful and recognizable American companies — including Airbnb, Uber, and Pinterest — have struggled to consistently turn a profit.

Furthermore, in 2019, capital market research source Pitchbook analyzed 100 startups worth more than $1 billion that had successfully completed an initial public offering. Of these companies, 64 percent were unprofitable. But while a focus on growth over revenue has become a battle cry in tech, this strategy may not be right for every company.

Before prioritizing growth or profitability, take a step back and carefully evaluate a few defining elements in your business profile: long-term goals, maturity, market position, and stakeholder engagement.

SHAPING YOUR METRICS

First, consider your ambitions and objectives. If you hope to be acquired or take your company public, then high growth may be the most important metric for your business, as it can attract investors and buyers. However, if you plan to retain your business and perhaps ultimately hand it down, then consistent profitability will likely be the most valuable.

Next, assess the stage your business is at. The younger your company, the higher impact growth will have on your success. For example, brand-new companies will need to be laser-focused on growth, which could cement their position and share in the market to begin generating revenue. By contrast, growth is often less crucial to mature companies' success — though it's certainly still a major factor. For instance, a well-established boutique consulting firm can increase revenue by focusing on client relationships: retaining its best-selling customers and expanding services to its existing customers rather than investing in rapid new business development.

Then, determine your product positioning in the industry at large. A consumer tech company may, for instance, prioritize growth through user acquisition efforts to achieve its next milestone. By contrast, a manufacturer may find its growth and profitability initiatives must mutually support each other and decide to boost its customer base and inventory.

Finally, your decision may rely on the stakeholders involved with your business. If you're an independent business owner, you likely have more freedom to chart your own course. However, companies beholden to investors may have a fiduciary responsibility to concentrate almost exclusively on profitability.

When it comes to measuring success, many business leaders ultimately find that the right profitability-growth balance is most effective at maintaining stability while ensuring ongoing expansion.

NEW TRENDS IN THE POST-PANDEMIC WORKPLACE

The end of the pandemic is just the beginning when it comes to workplace disruption. Here's how both employers and workers stand to benefit.

SHUTTERSTOCK

As business leaders work to determine what the proverbial new normal will look like for their organization, one thing is apparent: The American workplace has been transformed. While the pandemic's impact on teams was disruptive, stressful, and rife with problems, it also ushered in new ways of working — ones that many business leaders are hoping to carry forward into the post-pandemic world.

"Going forward, the idea is to take the best of the pre-pandemic world and the best learnings from the pandemic world, and figure out how to merge them together," suggests Kelley Brown-Murro, Senior Vice President, Market Executive at Regions Bank.

Like so many teams across the country, Brown-Murro and her team navigated a new landscape during the COVID-19 pandemic. They have adapted to new ways of getting the job done, evolved, and uncovered new efficiencies along the way.

WORKING TOGETHER AND EMERGING STRONGER

At the start of the pandemic, many executives viewed remote work as a necessary — but certainly not ideal — solution. For the 60 percent of organizations that didn't have a remote work policy in place, concerns ranged from plummeting productivity levels to potential damage to team communication, collaboration, and company culture to inability to do the work from home.

Extended time away from the office certainly hasn't suited every team, yet a recent PwC survey finds that 83 percent of executives and 71 percent of employees felt that the shift to remote work was successful for their organization. Employees and managers alike have cited increased productivity as a key benefit — Capgemini Research Institute finds that in 2020, over 60 percent of organizations saw productivity rise as much as 24 percent.

While many C-suite leaders are still working to determine how the rapid shift to remote work has impacted their company culture, some have already witnessed positive shifts within the teams they manage. "A lot of people worry about their culture and what they're losing by not going into the office, but in a lot of ways, I think it's improved," explains Brown-Murro, who says that the ability to engage with her colleagues in a more relaxed, casual setting has been beneficial. "When your team can see into your home environment, you connect in a way that you wouldn't if you were in the office."

And for many leaders, the experience has also offered the opportunity to connect with their employees on a more human level. "I know so much more about my employees now — how they like to be managed and what they're dealing with in their personal lives," Brown-Murro explains. "When you're meeting colleagues over video, you see their pets, their children, their artwork and home projects — and it's really become quite wonderful. We see into each other's lives and better understand each other's challenges."

For many executives, the benefits of remote work have led them to change their stance on the matter: 75 percent now plan on making remote work a permanent fixture within their organization for a significant number of employees in the next few years. And given that 68 percent of employees surveyed by Qualtrics have expressed a desire to continue working remotely to some extent, this will be welcome news for many American workers.

In the end, the pandemic may have succeeded in facilitating a stronger sense of trust among colleagues — perhaps far better than any corporate-sponsored team-building exercise could.

"This experience took our existing culture to another level," says Brown-Murro. "We worked through this crisis together. We leaned on each other. I think that experience really bonds all of us and makes us able to trust each other."

THE FUTURE OF MEETINGS

Before the pandemic, many professionals managed a busy calendar packed with meetings, business travel, and presentations. At one time or another, most American workers have been able to relate to that old office joke: "Yet another meeting that could have been an email."

Although the pandemic hasn't changed our reliance on meetings, it may have changed the way we approach them. An analysis conducted by Harvard Business School found that during the first eight weeks of lockdown, workers attended 13 percent more meetings — perhaps in an attempt to compensate for in-person communication. However, the same data shows that meetings also became more efficient during this period, running 20 percent shorter compared with the eight weeks leading up to lockdowns.

The shift from conference rooms to video calls has naturally ushered in a more relaxed environment. Incidents that would have previously been cause for embarrassment — technical failures, background noise, poor connectivity, household interruptions — became par for the course.

"It's been refreshing, particularly for our clients," explains Brown-Murro. "Before the pandemic, a dog barking in the background or a baby crying was something they tried to avoid. Now, it's almost welcomed."

WHAT WILL BECOME OF BUSINESS TRAVEL?

As in-person meetings came to a screeching halt, most organizations adopted new ways to connect with clients — many of which will likely be maintained post-pandemic. Not only are corporations reaping the financial benefits associated with reduced travel and client entertainment expenditures, but many senior professionals have enjoyed the opportunity to spend less time in airports. As a result, some organizations will likely reevaluate their need for business travel. A study conducted by airline industry consultant company IdeaWorks predicts that as much as 36 percent of all business air travel could disappear post-pandemic.

For Brown-Murro's team, the future of meetings will ultimately be influenced by the clients themselves. "The pandemic helped us realize a lot of our tasks can be done remotely," she explains. "Our clients can tell us how they like to communicate and meet them where they want to be met. That can be in person or remotely, and going forward, the clients are going to dictate that."

PREPARING FOR WHAT'S NEXT

The workplace transformation spurred by COVID-19 has presented both positives and challenges. If the pandemic has taught businesses anything, it's this: Flexibility and agility are key to withstanding disruption. As leaders consider what "normal" looks like for their own organizations, those same tenets will carry them forward.

"I'm excited about the future," says Brown-Murro. "I think that we'll continue to evolve, and I think that we'll take a lot of great learnings from this period."

Tips for Managing a Distributed Workforce

In episode 4 of *Commercial Insights with Regions Bank*, Kelley Brown-Murro shares strategies for maintaining company culture, boosting productivity, and building stronger bonds in a remote environment.

Visit **regions.com/commercialpodcast** to listen to "Episode 4: Managing a Hybrid Team."

STOCKSY

CULTURE SHIFT

In the wake of the pandemic, many C-suite executives are rethinking their stance on remote work.

Before the Pandemic

6 in 10 companies

didn't allow or allowed only a small number of employees to work remotely

Of the remaining **40%** of companies that allowed remote work:

9% were remote-first

8% were hybrid

23% allowed remote work on a case-by-case basis

The New Normal

More than 9 in 10 companies

will allow employees to work remotely in the next few years

28% will be remote-first

47% will be hybrid

19% will allow remote work on a case-by-case basis

7% will expect almost all employees to be in-office

SOURCE: CAPGEMINI RESEARCH INSTITUTE

PERSPECTIVES

Unmasking Supply Chain Vulnerabilities

The race to identify and mitigate the weak links across industries.

During the early days of the COVID-19 pandemic, the risks inherent in supply chains became abundantly clear — few as obvious as those associated with overreliance on suppliers from a single geography. Indeed, lockdowns in manufacturing hubs sent shockwaves around the globe, and companies that limited sourcing their goods and materials to specific regions suddenly found themselves unable to meet customer demand.

"Concentration risk — or the overconcentration of providers in a certain geographical market — had a compound effect," explains Carl Lund, Head of Procurement Operations and Supply Chain Management at Regions Bank.

The pandemic exposed not only the risks associated with overreliance on a single supplier or geographic region but also limitations in manufacturing and distribution capacity — particularly in the United States. Likewise, border shutdowns, outbreaks at distribution centers, and widespread shipping delays exacerbated an already dire situation.

PPE SHORTAGES BROUGHT KEY VULNERABILITIES TO LIGHT

"A supply chain that's running smoothly will get the right products, with the right quality, at the right price, to the right place, at the right time," explains Lund. He points to the immediate need for personal protective equipment (PPE) at the start of the pandemic as a prime example that highlighted weaknesses at each of those points.

"There was such a great supply and demand imbalance that it led to constraints across the board — not only in manufacturing and distribution capacity, but also efficacy. For example, anyone can provide you with disinfectant, but if it doesn't meet certain quality standards, it won't be effective."

Capacity constraints, logistics issues, or slowdowns at inventory management centers aren't unfamiliar challenges to supply chain leaders. But the pandemic's perfect storm left virtually no organization untouched, with 94 percent of Fortune 1000 companies experiencing supply chain disruption as a result.

REBUILDING AND RESTORING

As companies move forward with planning for the aftermath of the pandemic, they will have to fundamentally revamp their procurement process and supply chain strategies. Vendor diversification, renewed contracts, and dedicated supply chain oversight will be key.

GETTY IMAGES

Lund reiterates how critical it is for a company to deliver products and services against multiple, parallel benchmarks. "Each link in the supply chain offers an area of complexity, but with the right safeguards in place, those risks can be managed effectively."

In our new business podcast series, *Commercial Insights with Regions Bank*, Lund shares steps that organizations can take to help mitigate future disruption and outlines tactical tips for organizations looking to build a stronger, more resilient supply chain.

Visit **regions.com/commercialpodcast** and listen to "Episode 3: Building a Less Vulnerable Supply Chain" to find out what you can do to mitigate future supply chain disruption.

Family Discussions About Your Legacy

How to start — or revisit — estate planning.

The COVID-19 pandemic has served as a bracing reminder of the fragility of life and has convinced many people that it's time, once and for all, to create a plan that best provides for their loved ones both today and long after they're gone.

"If there are any positives that can come from the pandemic, one is that people have moved legacy planning off of the back burner and are beginning to evaluate their options," says Dennis Tygart, Regional Wealth Strategist at Regions Private Wealth Management in Atlanta. Conversations around wealth transfer can be complex and time consuming, so starting them today will ensure that your family is on the best footing possible for the future.

Legacy planning requires a team approach. Families must work closely with their wealth adviser, trust adviser, wealth strategist and other advisers to develop a strategy — or retool an existing plan — that effectively distributes wealth to future generations in a manner that reflects the parent's values, while also preserving family harmony.

GETTY IMAGES

WHAT MATTERS TO YOU?

Legacy planning involves far more than simply deciding who gets what. "We view legacy planning as the process of helping families develop a strategy to pass on both their wealth and their values to future generations," Tygart says. "We not only ask what a client wants to accomplish through the transfer of wealth, but we ask why, in order to understand his or her priorities and level of commitment."

That matters because the strategies you choose for wealth transfer can have a profound impact on you and your beneficiaries. "Most people earned their wealth through a strong work ethic," Tygart says. "They want their children to have the same set of values but often worry that giving their children too much wealth at one time will be a disincentive for them to build their own financial life."

While there are rules to follow when deciding how to pass on wealth to your heirs, the plan you create is ultimately highly personal. Most plans use one of three basic approaches as their foundation:

The Inheritance Approach: Families whose next-generation members are mature and have established careers often choose to transfer wealth through their wills, with the confidence that receiving a large sum all at once won't derail an heir's pursuit of a career and meaningful life.

The Discretionary Trust Approach: Some families worry that their children will overspend on a lavish lifestyle and quickly exhaust a large inheritance. In those cases, one solution is to set up a trust fund administered by a trustee, who receives guidelines from the grantor — the parent or whoever set up the trust — and has sole discretion over how the money is used.

The Incentive Trust Approach: This approach requires beneficiaries to show their efforts before receiving funds. For example, a beneficiary may present evidence of his or her professional earnings, such as a W-2 or 1099 tax forms, at the end of a year to a trustee, who then distributes matching funds from the trust.

> "Legacy planning is not a static process. It is dynamic and should reflect your current priorities and the current rules."
>
> — Dennis Tygart, Regional Wealth Strategist, Regions Private Wealth Management

MAINTAINING HARMONY — AND YOUR LIFESTYLE

Discussing your intentions and expectations with your beneficiaries is essential for maintaining family harmony. "We encourage our clients to share their legacy plans with the next generation to avoid future conflicts," Tygart says. Every family is different, but many begin by having individual conversations with each beneficiary and then gathering as a group to discuss the plan. This allows individuals to think about the plan before a larger meeting so they can ask informed questions.

One common misconception about legacy planning is that you have to make sacrifices today — skip vacations or maybe even sell the beach home — in order to secure your children's financial future. "You worked really hard to get where you are," Tygart says. "No one should willingly sacrifice their current lifestyle for future generations." A well-designed legacy plan helps you grow wealth, as well as pass it on. Tygart notes that he regularly does "stress tests" to legacy plans to ensure that they won't diminish current living standards.

CONSIDER THE FUTURE OF YOUR BUSINESS

For business owners, their business is often the largest asset in their estate, but deciding how to divide shares of a business equitably can be a challenge. What if one beneficiary wants to keep the enterprise alive, but their three other sibling beneficiaries are eager to exit the business? "What's fair doesn't have to be equal," Tygart says. In one scenario, he says, a business valued at $1 million might be left to one child, while other siblings receive lesser amounts of cash. Why is that fair?

A business requires reinvestment to grow, so $1 of business is not the same as $1 of cash. "This is the art of the process, rather than the science."

DON'T MISS ADVANTAGES

Estate taxes are one reason to revisit your plan. For the 2020 tax year, the lifetime estate tax exemption is $11.58 million per individual, or $23.16 million per couple. However, this high threshold is scheduled to "sunset" at the end of 2025, when it drops by half, and political changes in Washington, D.C., could reduce it even sooner. Under the current rules, making a gift from your estate today could have advantages. "Any tax on the future growth of that money would happen outside of your estate, while your taxable estate has dropped by that amount," Tygart notes. "You can do a good amount of estate planning all in one move."

If you already have a legacy plan in place, it's wise to give it a fresh look from time to time. "Legacy planning is not a static process," Tygart says. "It is dynamic and should reflect your current priorities and the current rules."

TALK TO YOUR REGIONS WEALTH ADVISER ABOUT:

- Wealth transfer strategies that align with your goals.
- Tips for how to begin legacy planning conversations with your family.
- How gift taxes might affect your plans for giving.

Taking Advantage of the Low-Rate Environment

While low interest rates can be leveraged to fuel business growth and improve liquidity, it's important to weigh the pros and cons.

In response to the recession spurred by the COVID-19 pandemic, the Federal Reserve signaled that interest rates will remain low through 2023. This environment could provide a unique opportunity for many organizations to take steps to fortify themselves for the coming financial cycle.

"Current absolute rate levels and financing spreads are conducive to building liquidity for future needs, while carrying costs are relatively low," explains Deron Smithy, Executive Vice President and Treasurer of Regions Bank. He adds, "Liquidity is the lifeblood of any business and can help build a bridge to better times."

Some organizations are considering taking this opportunity to support growth plans, optimize the structure of their balance sheet, improve financing costs, and provide much-needed capital for the recovery ahead. However, before moving forward, they should consider some risk factors.

WEIGHING THE RISKS

Smithy points out that business leaders who are debating whether or not to take advantage of low rates should remember that pent-up demand and unprecedented fiscal and monetary stimulus, when coupled with improving labor conditions and COVID trends, which may help the economy snap back in the near term, could also fuel greater inflation and end this period of so-called easy money.

With that in mind, business leaders should avoid becoming overly reliant on using low rates to maximize cash flow. While Congress and the Fed have recognized the importance of liquidity in times of financial stress, relying on low rates for the long term can be short-sighted.

"Do not expect robust growth and low rates to exist for an extended period. If indeed we experience strong growth in the second half of 2021 and into 2022, the potential for an unwanted rise in inflation increases," he warns.

Business owners should use this environment to manage risk for the intermediate term and set their business up for success in a continued economic expansion. Some approaches may include:

- Evaluating the maturity profile of the organization's entire liability structure and ensuring that future refinance needs are not overly concentrated.
- Refinancing, consolidating, and/or extending maturities of obligations that are set to mature over the next few years while absolute rates and borrowing spreads are at historically low levels.
- Avoiding becoming overleveraged or too reliant on low rates to maximize near-term profits. Use this environment to manage risk for the intermediate term and set your business up for success in a continued economic expansion by evaluating strategies to hedge financing costs in a rising-rate environment.
- Prefinancing growth plans at very attractive levels.

Before moving forward, Smithy encourages businesses to perform "what if" analyses to determine how high financing costs could rise before expansion plans are challenged and to carefully think about these strategies to reduce that risk. He encourages business leaders to seek the guidance of their relationship manager to help them develop a through-the-cycle approach to effective risk management.

GETTY IMAGES

Contact your relationship manager to learn more about how the current rate environment may benefit or impact your business.

Regions Bank
1900 Fifth Avenue North
Birmingham, AL 35203

New Podcast!

COMMERCIAL INSIGHTS

with Regions Bank

How would experienced banking professionals advise business leaders to respond to today's challenges and opportunities? With Regions' new podcast series, you can learn just that. In this podcast, Regions Commercial Banking thought leaders and business advisors bring specialized knowledge to offer insights on issues that impact how you might manage your business. And with episodes released every other week, you'll hear about what's new, what's next, and what you can do to best position your business for what's ahead.

Listen at regions.com/commercialpodcast.

Regions Bank