



**5 WAYS**

**TO AVOID LUMP-SUM  
RELOCATION TRAPS**

# FIRST OF ALL, LET'S DEFINE A RELOCATION **LUMP SUM.**

A lump sum is a set amount of money given to an employee or new hire for relocation. The money is intended to help them move to their new job location. The lump sum amount varies depending on the company, employee level, or any number of other factors.

# A LUMP SUM SOUNDS EASY FOR THE EMPLOYER, RIGHT?

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*Instead of arranging relocation services, you just give your employee some cash and a set time frame.* The employee handles all the arrangements needed to move to their new location. Your only administrative task is cutting a check. But ...

What you don't know about lump sums can hurt you —  
and your employee.

In many ways, a lump sum can be more problematic  
than the alternatives. It can also be even more  
**EXPENSIVE AND TIME-CONSUMING.**

Let's look at some of the biggest traps that companies can fall  
into when they choose a lump-sum approach.

Trap No. 1:

# THE INCOME TAX BITE





**Nobody likes taxes.** Yet, a relocation lump-sum payment is treated like a bonus. It's immediately considered taxable income to the employee.

**AS THE EMPLOYER, YOU MUST WITHHOLD  
STATE AND FEDERAL TAXES AND PAY SOCIAL  
SECURITY TAXES.**



**For employees, the tax impact can come as a big surprise.**

A \$20,000 lump sum translates to only about \$13,000 after taxes.

That's why most companies “gross up” the lump-sum payment to cover the employee's tax liability — which can add almost 50 percent to the employer's cost for the lump sum.

**IT'S A LOT MORE COST-EFFECTIVE IF THE EMPLOYER  
MAKES DIRECT PAYMENTS ON THE EMPLOYEE'S BEHALF.**

Trap No. 2:

# THE COST-CONTROL DILEMMA







**IRONICALLY, THE LUMP-SUM APPROACH WAS CREATED TO ENSURE COST CONTROL. HOWEVER, IT'S ACTUALLY NOT VERY SUCCESSFUL IN DOING SO.**

**Relocation is expensive.** The average cost to relocate a homeowner is around \$90,000; for a renter, it's around \$25,000. But individual relocations can vary greatly.

In some cases, the lump sum covers more than the actual costs. This means the company spent more than it had to on the move.



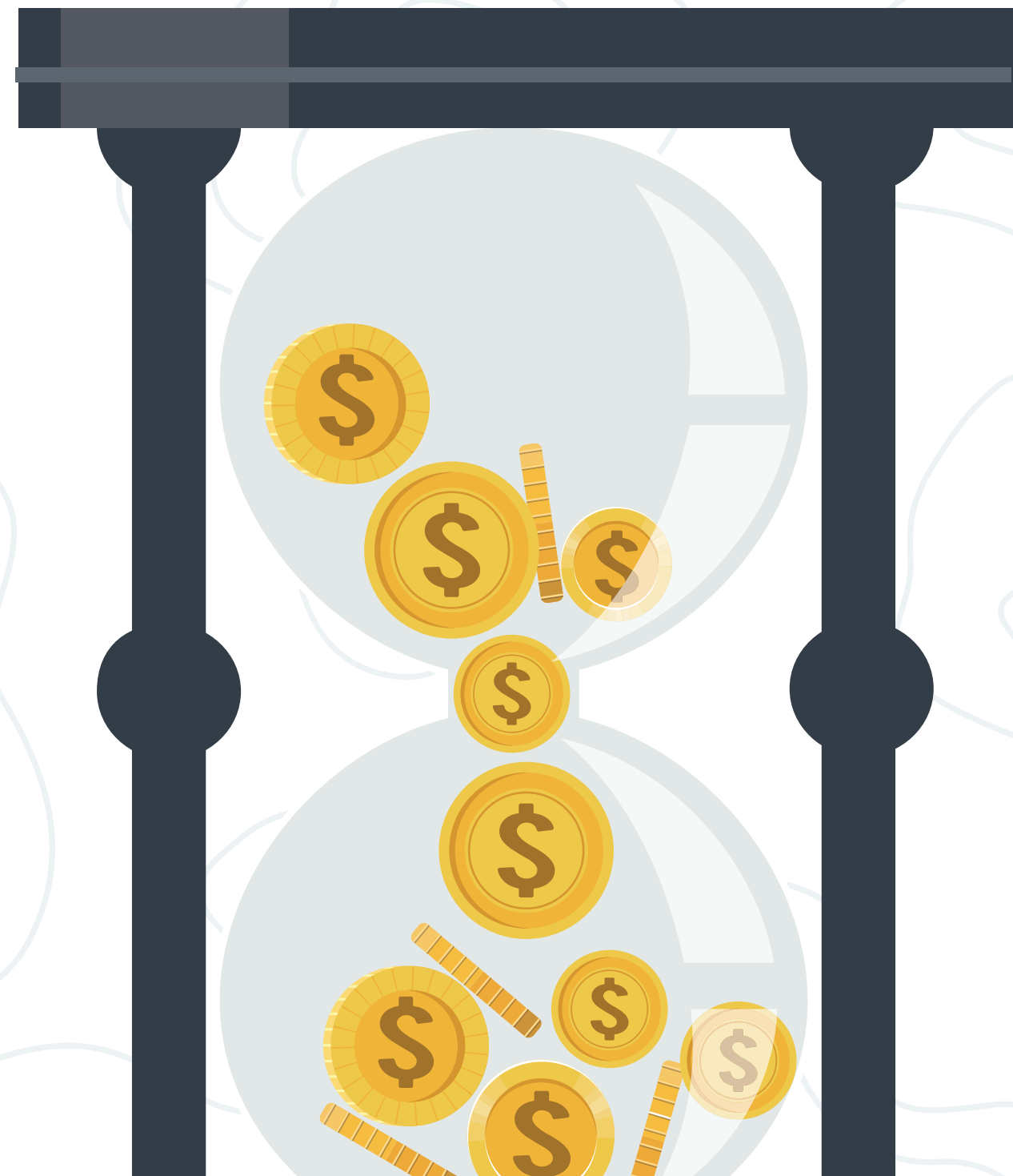
## **OR THE OPPOSITE COULD BE THE CASE ...**

An employee often has more relocation expenses than their after-tax lump sum covers. It's difficult to refuse a valuable employee if they ask for more money in the middle of a move.

The employer frequently has to pay more money, or the employee ends up paying for cost overruns. Either way, it's not a good outcome.

Trap No. 3:

# THE TIME COMMITMENT CONUNDRUM



# RELOCATION HAS MANY MOVING PIECES.

## How does your employee:

- ▶ Hire a reputable moving company?
- ▶ Sell their house quickly at a competitive price?
- ▶ Locate temporary housing in a good neighborhood?
- ▶ Find reliable information about the local housing market?
- ▶ Complete all these activities by their new start date?

**AND THIS IS JUST THE SHORT LIST.**



It's true that your employees can answer many of these questions through online searches or co-worker referrals.

But how long will it take? How much time should your employees invest in these activities? And what if they make a mistake or two along the way?

**THE CONSEQUENCES CAN BE COSTLY:  
AN UNPRODUCTIVE EMPLOYEE, A FAILED  
MOVE – OR WORSE, A RESIGNATION.**

Trap No. 4:

# THE NEGATIVE EMPLOYEE EXPERIENCE





**The idea of saving some of the lump-sum money might appeal to some employees.** They decide to rent a self-haul truck or sell their home without the help of a real estate agent. They might even sleep on a friend's sofa for a few weeks. But, it's not a great relocation experience.

**UNFORTUNATELY, A LUMP-SUM APPROACH ENCOURAGES THIS KIND OF BEHAVIOR.**



Relocation is one of the more stressful events your employee will ever experience. Especially with their family and home in flux.

## **A LUMP-SUM APPROACH JUST ADDS TO THEIR STRESS.**

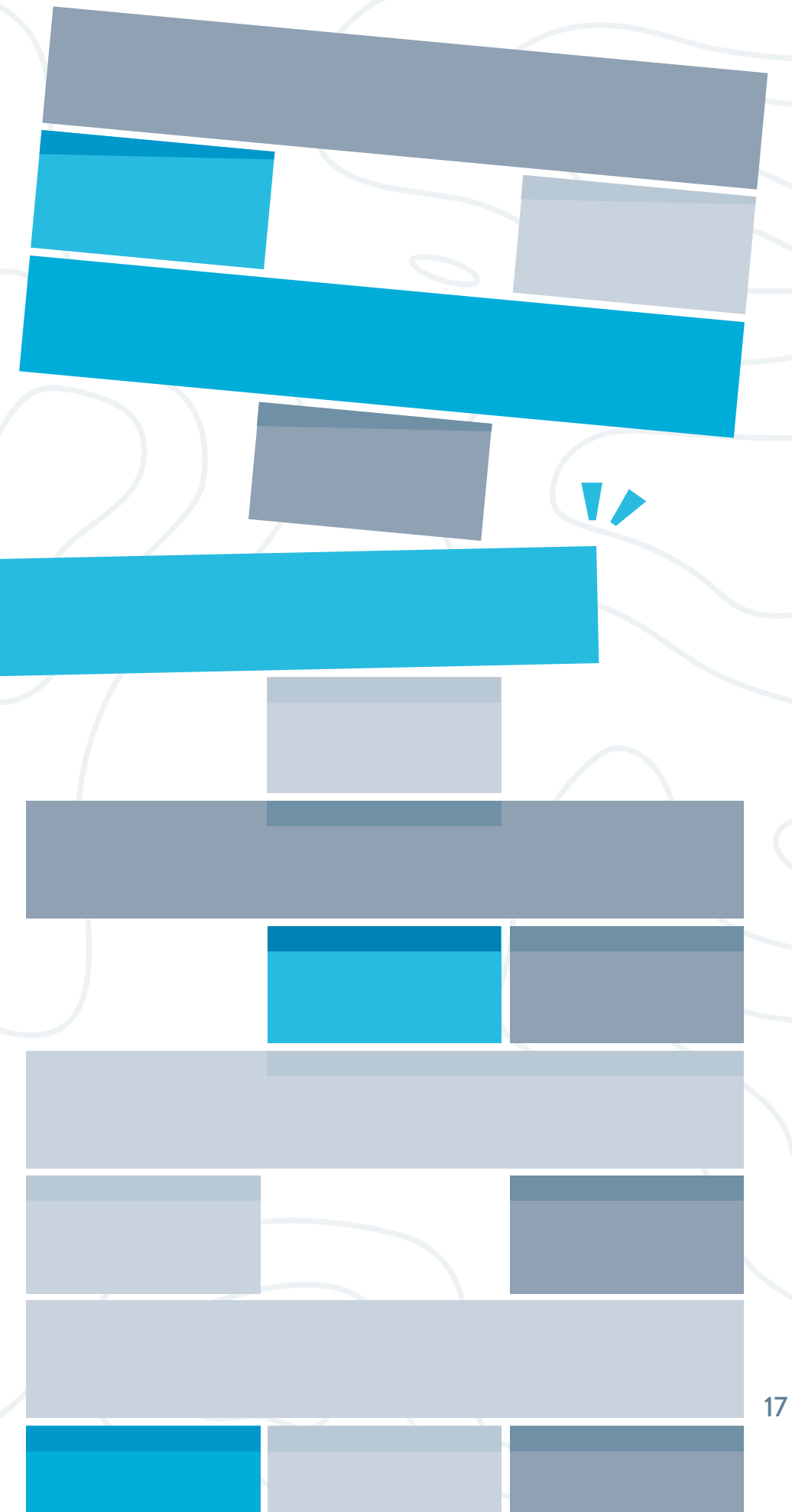
These conditions distract the employee from their goal.

Employees need to get to the new location as soon as possible, ready to do their job.



Trap No. 5:

# THE ACCOUNTABILITY INEVITABILITY





When things go sideways with a relocation lump sum, who are your hiring managers going to turn to for a solution?

**THAT'S RIGHT: YOU!**

**IT WILL BE UP TO YOU TO RESOLVE THE PROBLEMS THAT LUMP SUMS CREATE.**



In short, a lump-sum approach doesn't help an employee achieve the best possible outcomes. They need a trouble-free move, a settled family, and an on-time start date — all at a reasonable cost.

Lump sums may seem like the simple solution. But in the end, they can be more costly, complex, and negative for the employee than the alternatives.

**SO, WHAT ARE THE ALTERNATIVES?**



One alternative is a traditional corporate relocation package.

**YOU CAN USE A RELOCATION MANAGEMENT COMPANY LIKE NUCOMPASS TO ADMINISTER YOUR ENTIRE RELOCATION PROGRAM.**

Outsourcing to a professional relocation firm is a great solution for many companies. It works especially well for larger organizations with a high volume of executive moves.

There's also a new alternative to lump-sum programs, called **CoPilot™**.

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IT'S FOR COMPANIES THAT WANT SOME OF THE ADVANTAGES OF A LUMP SUM, WITHOUT ALL THE DISADVANTAGES.

# COPILOT IS A CLOUD-BASED RELOCATION PLATFORM

**It gives you a powerful set of tools to:**

- ▶ Easily create a relocation budget for each employee
- ▶ Take advantage of all tax benefits
- ▶ Get full cost tracking and payroll reporting

## **CoPilot empowers your relocating employee to:**

- ✓ Manage their own move, within your set budget
- ✓ Use vetted suppliers for a quality relocation experience
- ✓ Control their relocation on their own schedule
- ✓ Access relocation tools from any computer or mobile device

**AND IF THEY NEED HELP, WE'LL BE HERE WITH A  
FULL RESOURCE CENTER AND ONLINE CHAT.**



LEARN MORE ABOUT HOW COPILOT  
CAN HELP YOUR ORGANIZATION  
AVOID LUMP-SUM TRAPS FOR GOOD.

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Visit us at [NuCompass.com/CoPilot](https://NuCompass.com/CoPilot).