Lump Sum Programs

Weichert
WORKFORCE MOBILITY

The Issue

We've all seen that movie where a character happens upon a suitcase full of money. At first, they see it as the answer to their problems. But by the third act, the suitcase is empty, and they're no better off than when they found it.

It's something of an analogy for lump sum programs. They're a low-cost approach allowing relocating employees to spend the funds however they need, but that freedom can be more of a curse than a blessing. Without proper guidance, employees risk making uninformed choices, perhaps leaving a negative impression of the company that moved them.

The Mobility Impact

In recent years, lump sums for relocating employees have made a comeback. And it's easy to see why. As organizations seek greater control over program costs and employees increasingly demand greater flexibility and benefits tailored to their unique circumstances, lump sums address both parties' concerns—with minimal fuss.

Lump sums work best for less complex moves that don't require as much assistance, like relocating college graduates and entry-level new hires. They aren't recommended for executives and critical moves; these employees typically need to be in their new location quickly, have minimal time to research and coordinate their own services, and prefer the personal guidance of a Mobility Counselor.

Under a lump sum program, money is given to an employee instead of some or all services/benefits traditionally provided to relocating employees to facilitate their move.

Our Recommendations

How do you develop a program that works for your goals, your employees, and your corporate culture? The following steps are based on our work with a broad range of multi-national companies to develop successful lump sum programs:

- **Identify move types or tiers eligible for a lump sum**; you may need different approaches for different employees. For example, a new hire college graduate does not incur the same expenses as a mid-level homeowner, even if the limit is designed to address the same provisions.
- **Define the benefits covered as specifically as possible.** If the assistance is intended to cover house hunting trips, include the number of days, meals, and transportation. Spouses and/or children should be factored in as well.
- **Develop the approach that is appropriate for the company's financial/accounting culture.** Some companies prefer a fixed amount, while others develop a matrix using a few variables (homeowner/renter and mileage, for instance).
- **Calculate the average cost of each benefit for your traditional move patterns.** If necessary, calculate different amounts based on employee level or tier, and by homeowner or renter. Add up the amounts to determine the estimated cost per employee. This will reflect the top of the range for the lump sum or cap. Also, don't forget the gross-up provision.
- **Determine the amounts based on the calculation method.** Use amounts that are conservative and encourage the employee to be resourceful (but not so conservative that it prevents mobility or creates negative feelings among employees).
- **Evaluate your methodology.** It's not necessary to wait an entire year to determine if the amounts and approaches are appropriate; revisit the lump sum program in three to six months to assess whether the amounts need adjusting.

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By the Numbers

23% Lump sum amount of $1 to $4,999

29% Lump sum amount of $5,000-$9,999

32% Lump sum amount of $10,000-$14,999

22% Lump sum amount of $15,000-$19,999

33% Lump sum amount over $20,000

Source: 53rd Annual Atlas Corporate Relocation Survey (2023)

Client Impact

To determine the right amounts for your lump sum program, collect feedback from your employees and managers, and answer these key questions:

- Do you receive a lot of requests for exceptions?
- Do you hear criticism that the amount is insufficient to cover the intended costs?
- Do employees turn down moves?

The answers to these questions will help you gauge the current program's effectiveness. Once you have a better idea, you can make changes where needed to design a more attractive, effective, lump sum program while respecting budgetary restraints.

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The Bottom Line

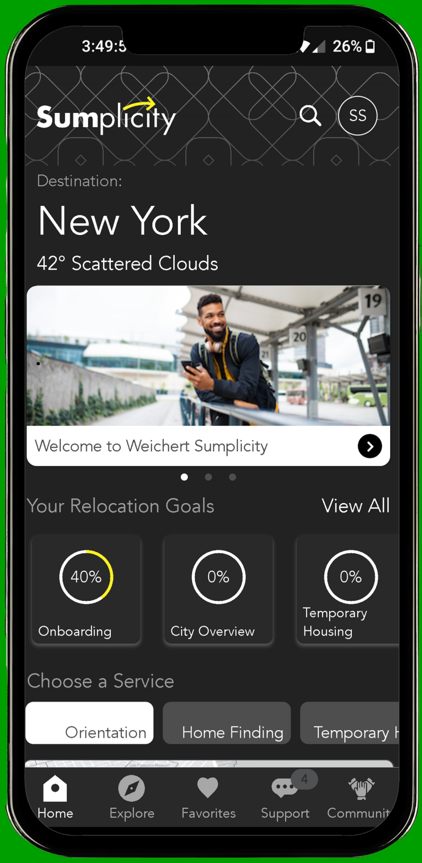
The resurgence of lump sums in the industry reflects the fact that they're easy to implement and provide the highest level of flexibility. But it's important to heed the warning of the "suitcase full of money" example; without guidance, adequate planning, or knowledge of the process, your lump sum program can swing from blessing to curse quickly.

Weichert Workforce Mobility has prepared this information from the most current data available. However, the client is advised to consult with their own tax and legal counsel with regard to any interpretation of IRS regulations or subsequent changes in policy.

References:
Weichert Policy Database
53rd Annual Atlas Corporate Relocation Survey (2023)

Sumplicity

Weichert's Sumplicity is a fast, easy, BOLD technology that elevates the experience of relocating employees receiving a lump sum. Sumplicity improves on other lump sum solutions by giving employees the things they actually need get settled quickly and easily: local experts; a vetted list of certified suppliers; curated content specific to their unique journeys; maps to locate and view housing options in their targeted destination, and special savings opportunities on things like home financing and insurance.



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