LUMP SUM ALLOWANCE:

ONE SIZE DOES NOT FIT ALL

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Ever purchase clothes labeled "one size fits all?"
Chances are you found them either too big or too small.

Now let's say you're a transferee receiving a fixed lump sum to cover your transferee's home finding, temporary living and final move expenses. That fixed lump sum is the same one that most transferees receive. Do you think it'll be the perfect fit for all your needs?

Without considering geographical distance and human dynamics, a flat lump sum will never be the perfect fit. The allowance will be too small or too big. And you'll likely only hear about the ones that are too small.

Let's explore why a distance-based lump sum approach may not be a good fit and how a calculated, geographically sensitive lump sum may be just right.

THE FLAWS OF THE FIXED LUMP SUM

Many companies provide a fixed lump sum for their transferees' home finding, temporary living and final move expenses. This fixed amount is provided to all transferees as a pre-determined amount based upon policy level and/or distance.

There are downsides to providing a distance-based lump sum. Namely, the transferee may get too much or too little when geography and family size are not factored in. For example, a single transferee moving from San Diego to Los Angeles will not have the same needs as a transferee moving with a family of four. If the lump sum was based on distance alone, the transferee with a family is unlikely to have a justifiable amount for their expenses. On the other hand, the single transferee may have excess funds.

Additionally, a distance-based allowance does not consider the actual geographical cost differences. This may result in the transferee receiving insufficient or surplus funds. For example, let's say a company has a transferee with a family of four moving from Boston to Orlando. Should they receive the same amount as the family that is moving from Orlando to Boston? The distance is the same, but the costs are very different. For the family moving to Boston, the cost for lodging alone can be double the cost in Orlando. Providing a fixed lump sum based on distance may lead to additional exception requests for the family moving to Boston. It can also cause conflict between the organization and its transferees, potentially resulting in a failed relocation.

If a fixed lump sum isn't the answer, what is a better alternative? Let's explore a transferee-specific calculated lump sum program that is also geographically sensitive.

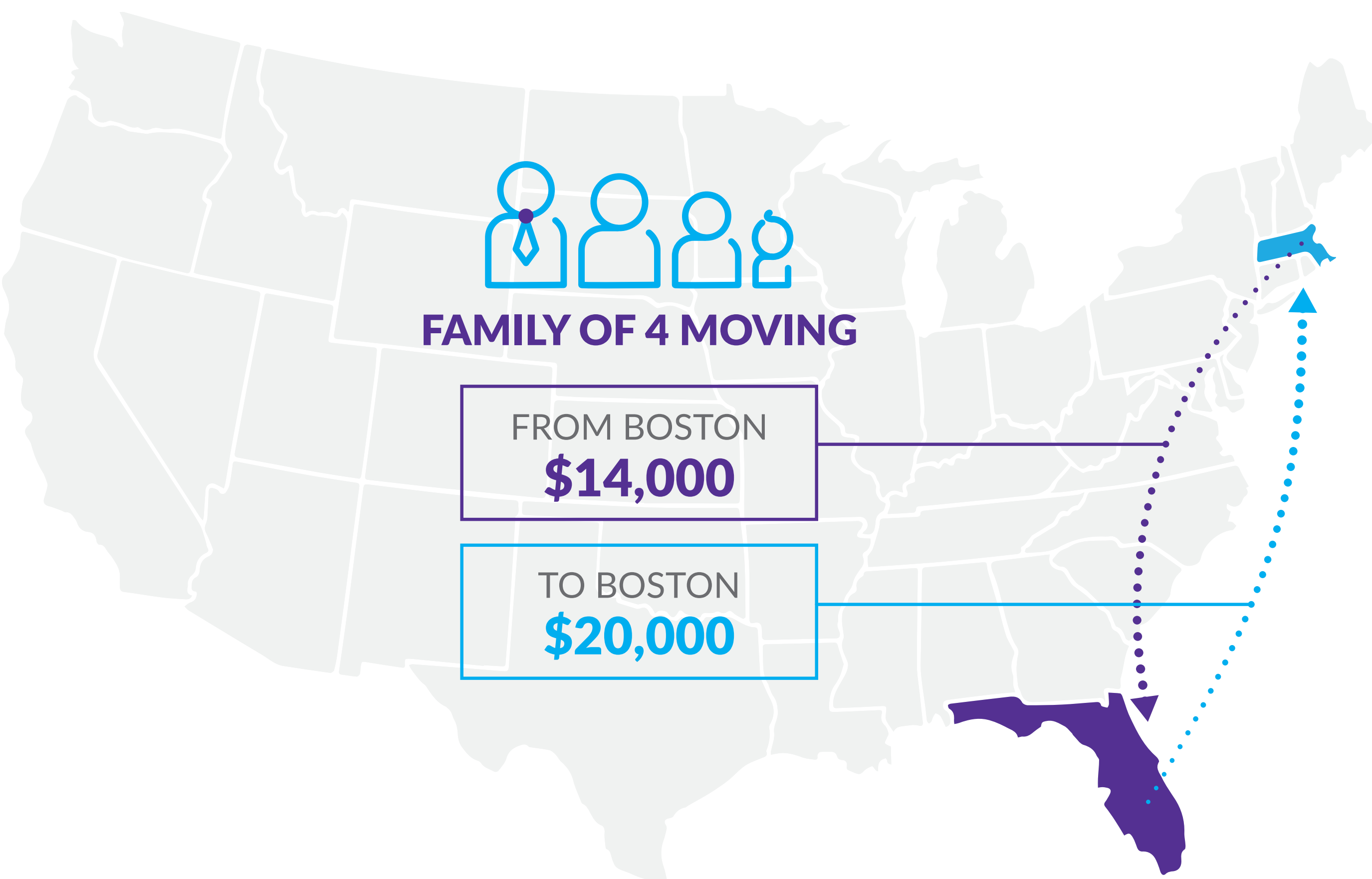
THERE ARE DOWNSIDES to providing a distance based lump sum

A DYNAMICALLY CALCULATED LUMP SUM

Just as the name implies, a dynamically calculated lump sum is both employee and geographically specific. This means that each transferee is provided a lump sum that is specific to their family size, where they are moving from and to, based on applicable policy parameters.

Most companies that use this approach set different parameters for renters and homeowners. For instance, a homeowner may be provided with 30 days of temporary living while a renter may be provided with 14 days. Let's take a look at how this specific, calculated approach can work with real data. In using the same example above, the cost for a four-person family moving from Boston to Orlando would be approximately $14,000. That includes their home finding, temporary living and final moving expenses. However, if we look at the reverse scenario with the same family size moving from Orlando to Boston, the lump sum would be slightly over $20,000. That's an increase of over 30%!

A dynamically calculated lump sum is both **EMPLOYEE AND GEOGRAPHICALLY SPECIFIC**



By providing a geographically-sensitive amount specific to an individual employee's family dynamic, you get a lump sum program that provides the best fit for every transferee. Your organization can continue to control costs and create fairness. Exception requests will decline when your transferees are provided with what they need to get from point A to point B. And it doesn't hurt that your transferee will have more flexibility using their allowance. That's a win for both you and the transferee.

Now you can see why a geographically-specific, calculated lump sum program is a more effective method than a fixed lump sum, distance-based model. If you still have questions or you're ready to put it into practice, we're here for you.

If you want to learn more about transferee-specific lump sums, and receive a sample report, reach out to the Motus team today.

CONTACT US

Your organization can continue to **CONTROL COSTS AND CREATE FAIRNESS**

Motus is the definitive leader in solutions for businesses with mobile-enabled workforces. Motus simplifies reimbursement and management of mileage, mobile devices and remote work with proprietary software that calculates personalized reimbursements for each employee, while improving employee productivity, reducing overall mobility costs and supporting customers' tax and labor law compliance programs. The company's unmatched living cost data, refined over more than 80 years and updated in real time, has made Motus the leading provider of mobile workforce management solutions for top Fortune 500 companies. Motus automotive data, captured and analyzed across the world's largest retained pool of drivers, also underpins the annual Internal Revenue Service (IRS) business mileage standard, the amount an individual can deduct for business vehicle expenses. For more information please visit **www.motus.com** or connect with us on **Twitter**, **Facebook**, **Instagram** or **LinkedIn**.

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