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## **White Paper# 5: What Do I Do Now? A Journey through a Relocation**

### **Introduction**

Your organization finds that it is in need of that one exceptional talent to complete the department operation. The organizational management has sourced, recruited, interviewed and believe you have found the perfect candidate for the need. As a result you have extended the candidate your offer of employment. Like many of your peers you made the offer contingent on the candidate reporting for work within three weeks from acceptance.

If you are like many organization you believe in a culture of rough justice and expect the new employee (or an internal transfer) to find the answers to what comes next on their own. You do this with the full expectation that the employee will have moved and been up to full productivity as quickly as possible.

What many employers fail to realize is that from this point on, the new hire or internal transferee has over three hundred separate activities to complete before they can reach that goal.

This **DBAI White Paper** will serve as a roadmap for you the employer, as to what comes next for the new employee to get to your organization. The hope is that you will have a better comprehension of the effect of relocation on your hires and current employees.

Every employee who is informed, that they are being relocated moves through four distinct stages of emotion. These stages apply even if the employee is moving for a position that they really wanted.

The very first emotion is that of shock. "What have I done?" "How am I going to explain this to my family" This feeling of shock moves into anger followed by depression. They cannot begin to be productive until they reach the final stage, which is resolution to the move process.

Some studies have suggested that these processes are considered complete at the point at which the employee can walk into the grocery store in the new location and recognize someone they know.

Over the next roughly 420 days your transferees have 300 separate activities that must be completed before they have settled into the new location. To give you an idea of what the process is lets walk through a typical transferee and the tasks they are now confronted with.

### **Stage I: Pre-Move**

The pre-move stage covers the period of approximately 90 days from the time you notify them that they are being relocated. It is at this time that the process begins. The pre-move period is the time when the employee begins the breakaway from the world that they know and feel comfortable in. The family, both immediate and extended has to be notified. Family reaction can include such reactions as the grandparents saying that they will never see the grandchildren again. This notification is usually done through either a family meeting or via a phone call to the relative in question. The employee also at this time needs to obtain the details of what relocation benefits you are going to provide to the family involved in the move. The impact on you the employer is that you need to have a relocation policy in place before you move someone.

The question for time eternal is which came first the chicken or the egg. We have the same situation here. It is very difficult to assist the transferee with the stress levels when you do not have a clear understanding of how you are going to do it. The policy must be clear, concise and easily understood.

Part of the family meeting is to assess the new job offer and what it means to the family and the employee's career. This assessment includes reviewing the financial impact and what are the ramifications if they turn the move down. It used to be a given that an employee would not turn

down a job transfer for fear that it would end their career. Today that is no longer the case. One of the questions that the family will pose is whether or not the transferee can find other employment with another employer and not have to relocate.

Having decided to accept the position, the next activity is to plan out a timeline for the move. When does the employee need to report for work? When does the family need to be there for the start of school? One aspect of this is to obtain information about the new area. The information should also include the prospect of the spouse find a replacement position if they are still working. As the timeline begins to unfold, the transferee needs to plan a visit to the new business site and explore the type of housing that will be available.

The transferee should at this point be put in touch with a real estate professional. In any given market today the transferee will find two types of agents. The first is the one who has been selling real estate forever and is sure that what they have been doing is the only way to do it. The other type of agent is one who has gone out of their way to learn about the relocation process and the difficult times that the transferees face when they are asked to move. It is best for all concerned that the transferee find one of the latter type agents to work with. It may not be the best choice to deal with the wife of the friend of the local manager either. Their interests are not in the employee but rather with the manager. With the assistance of the real estate professional, the transferee must assess the quality of life and the cost of living in the new area. This would include evaluating the impact of the move on the children from both a recreational and educational perspective. The last part of this process is to prepare the spouse's resume and begin to lay out the job search campaign.

### **Stage II: New Community/Home Search**

From here on out the stages begin to overlap each other. The decision factor is how quickly the timeline can move along to the next stage.

Many corporations suggest to their transferees that this stage should not take place until they know the value of the current residence. When your relocation policy involves a home purchase program, the policy sometimes states that the employee should wait until the appraisals are complete. This stage usually occurs between day 30 and day 90 after the notification of the relocation has been given to the employee.

With the family and corporate management, the transferee needs to first determine when the home search will take place. This timing decision is directly related to your relocation policy and its home finding component. As the timeline is being constructed, the transferee needs to begin to receive information on the new community. This information can be generated through the local newspaper, chamber of commerce, bank newcomer departments and destination services firms which operate in the marketplace. Ideally the information once it is received should prepare the family to review the housing options.

The housing options range from the purchase of a new residence to renting an apartment or residence. The decision lies with the family and is based on a) the duration of the assignment; b) the cost to purchase vs. the funds needed to rent and c) how comfortable the family is with the new area. Additionally the transferee needs to assess the commuting situation. Every employee would love to have a five-minute commute, but that is not always reasonable. With the commute time calculation completed, the family can begin to assess in earnest the educational opportunities available.

As the family settles on the communities that they are interested in, they begin to also evaluate the recreational needs of the family and the accessibility of religious entities in the area. Once this is done, the transferee needs to take every step to gain pre-approval on a mortgage loan. This should be done before the actual tour of available homes. With the knowledge of the loan amount they qualify for, the family in conjunction with the real estate professional can establish the price range that they need to be looking at. Also important is that the pre-approval will also establish if they can even afford to live in the community that they are considering.

The time for the home search trip has arrived and so the transferee needs to discuss travel plans with both the department manager and human resources. If your policy does not allow for the children to accompany their parents on the house-hunting trip then arrangements must be made for someone to watch them while your transferee and spouse are looking at homes.

Once the home has been identified, the transferee via their agent should begin the process of making and negotiating an offer to purchase the home the employee has selected. The employee should also immediately order a full general home inspection on the property. It is crucial that the contract be contingent on an acceptable professional inspection report. In addition, if the mortgage vehicle requires mortgage inspections, they should also be ordered. Assuming that the offer is accepted the process kicks into play a whole other set of activities. These activities include securing new owners or renters insurance, completing the mortgage process and managing their broker, lawyer and lender.

As the date of closing of escrow arrives, the transferee needs to obtain a certified check in the amount of their down payment on the property and bring it to closing.

The last activity in this phase is to begin in earnest the spouse's employment search.

### **Stage III: Disposition of the Old Residence**

This stage begins at day 45 and continues to day 150 after notification of the relocation is given to the transferee.

The purchase of a home is a family's greatest financial investment that they will make. With this investment comes a whole bundle of associated issues. For instance, if the family has lived there any length of time, an emotional bond with the property has probably been created. These issues make it difficult for the transferring family to look at the process objectively. The transferee may not be in a position to make the best judgments about marketing the property. The result is that many companies are providing pre-marketing assistance to the transferees.

Pre-marketing assistance creates a change in focus. This change in focus begins with the transferee understanding that the residence is no longer their home, it is their product that they have offered to the market. To begin this process we need to estimate a value for the property.

Appraisers operate under a principle, which is called the Principle of Substitution. What this principle tells the transferee is that a buyer is not going to pay any more for their home than a buyer would pay for a comparable property in the marketplace. From this concept, the transferee must establish a price that provides them the kind of return on their investment that they want and yet does not price the home out of the market. Part of this value process is to seriously look at the property from the point of view of the prospective buyer.

The transferee needs to look at the home and determine its weak points. For example, non-neutral color carpets, peeling paint, torn screens or signs of leaking roofs. It is recommended that the transferee obtain a full home inspection prior to putting the home on the market in order to learn about problems before they become a problem later down the road.

In determining the price for a home, the transferee needs to locate, interview and hire the services of a real estate professional. With this assistance a marketing plan should be developed, detailing how the marketing of the home will be done. It is one thing to say that the home is worth i.e. \$100,000 it is another to establish how you are going to get that price. Integral to this plan is a list of personal property that the transferee is going to leave with the home.

In conjunction with the establishment of the list price, the transferee needs to consult their tax advisor to seek advice on the impact on the family of the sale. If the transferee is relocating overseas, it raises a new set of obstacles. One of these issues is the effect on capital gains if you move the transferee to a new city upon their return from the foreign assignment. If they rent out the home while they are gone, it does not count in the two-year residency rule for the writing off of any capital gains.

If the decision is to rent the home during their absence, then they need to begin the process of locating a residential property manager that they feel comfortable with and that they can trust. The property manager like the real estate professional can assist the transferee in establishing the right rent level based on its type and location.

Whether the transferee is going to rent the home or sell it, it becomes crucial that the home be kept in showing conditions at all times. This means that dirty dishes must be put into the dishwasher before you leave the home.

When the home sells, the parties to the transaction must set a vacating date and organize the papers required for the closing. From the final price on the home, the transferee needs to establish whether they need to obtain a bridge loan in order to close on the new residence. As the

closing date approaches, the transferee needs to locate and pack separately valuables and personal papers that they will keep with them during the move.

The final aspect to this stage that the transferee must find a way to dispose of the personal property that they are either not going to need or are being left for the new resident of the property.

#### **Stage IV: Moving Out**

The time has arrived for the big day. The transferee and the family are now preparing for the final trip to the new location.

Based on the nature of the housing market, this stage occurs between 90 and 150 days after the notification that they are relocating. This phase is imbedded with potential minefields. The transferee and the family are under a great deal of stress due to the start of the new job and getting the family settled as quickly as possible. It is very likely that something could be overlooked.

It is amazing what we collect when we are in one place for too long. One of the first tasks that the family is confronted with is determining what is going to be moved. Part of this decision is based on what your relocation policy says that they can move.

A key part of your new hire process should be providing the transferee with the exact terms of your household goods policy. From this information, the transferee can begin to establish the moving dates and obtain the estimates from the household goods carriers.

With the assistance of the moving professionals, the family needs to establish which items the mover will pack and the ones that the transferee will personally pack.

One potential problem is what do you do with those items that are non shippable. These items may not be put on moving vans based on legal statements or because they have the potential to cause harm. Examples of these items are such things as plants and pets. They require special attention.

As moving day arrives, the transferee and the family have some required tasks to complete:

- Need to close out the bank accounts and wire transfer the funds to the new bank
- Need to empty the safe deposit boxes
- Need to arrange for the shut off of the telephone, water and electric
- Need to cancel the newspapers
- Need to send new address notifications to charge cards
- Need to send new address notifications to all magazine subscriptions
- Need to provide a new mailing address to post office and mortgage holders on the old residence and all service providers.
- Need to transfer all medical and school records to the new city

The day of reckoning is here and now the transferee needs to be sure that they have packed the car and planned out the final trip. While they are planning the trip, they need to supervise the packing and loading of their belongings. The transferee needs to keep an inventory of their own , as to what went into which box.

Finally, they need to arrange to leave the keys for the new occupant and say good-bye to friends and relatives. If you are providing the transferee with a final trip expense funds check, they need to get the check before they leave town.

#### **Stage V: Settling In**

The family has moved out of the old residence and arrived in the new location. This usually occurs during the time period of 90 days and 180 days after the notification of the relocation.

Typically, a transferee arrives in the new community and may need to arrange for temporary living and a place to temporarily store their belongings. Part of the reasoning behind this is that following the closing on the new residence, the family is going to want to get into the residence and clean it they way they want it to appear.

At the same time the transferee needs to be in touch with the household goods movers to confirm the arrival date of their furniture. When the furniture does arrive, the transferee begins the process of unpacking and getting the home in order. Part of this process is to check the items for possible claims against the movers for damages.

Either prior to arrival or shortly after they arrive in the new location, the transferee needs to contact the local utility companies in order to get them turned on in the new residence. This may also call for the payment of deposits, which the treatment of must be outlined in your relocation policy. One aspect of this process is to determine what telephone services will be needed. Do they need a separate line for the kids? Do they need separate lines for the computers? Is DSL service available?

As this segment ends, the drudgework begins. The transferee must make the rounds to open new bank accounts, enroll the children in school, get automobiles and pets licensed, register to vote, join a place of worship etc. The family needs to learn the area to identify shops that they will patronize.

One critical aspect of this stage is to locate, and inquire about using the services of local professionals like accountants, lawyers, doctors, dentists and hospitals. After locating a lawyer, the transferee must insure that their wills abide by local laws governing the disposition of the estates.

The final task in this stage is to notify friends, relatives and others about your new telephone numbers and addresses.

### **Stage VI: Settling UP**

This final stage takes place anywhere from day 120 until 420 days after the notification of the relocation is to commence.

This stage finds our transferee and family settled into the new area and the new home. Now the time has come to pay the costs. This stage involves monetary commitments on both ends of the move. Unlike the other five previous stages, this one is easier to provide just a bullet list of the activities.

- Pay the real estate commission
- Pay the mortgage application costs
- Pay the closing costs
- Pay the temporary living costs
- Pay the storage in transit costs
- File and have adjusted the insurance claims
- Pay the insurance premiums
- Pay license registration costs
- Pay utility deposits and installation costs
- Retain an attorney
- Maintain and file relocation expense reports
- Get refunds from old insurance policies
- Get refunds from mortgage escrow accounts
- Receive reimbursements and incentive from employer
- File tax return and calculate needed tax liability assistance payments

### **Conclusion**

In the course of this white paper, we have tried to demonstrate to you the reader, that corporate America needs to realize that the movement of employees from one place to another is not a simple process. When you tell someone that they are moving, you open a domino affect of activities that tell whether this move is going to be successful. The next time you decide to move an individual, remember that you are not just solving a business problem. When we ask an employee to move, we move the entire family with their individual lifestyles.



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