

RELOCATION

Interprovincial travel considerations

Employees face tough decisions around cost of living, taxes, housing costs

By Lisa Hulet

Canadian employees evaluate a variety of factors when considering an interprovincial relocation, and rightly so — moving from one province to another can have significant financial impacts, primarily relating to housing, cost of living and personal tax liabilities.

Housing at destination and cost of living were among the top four challenges to managing domestic relocations, according to a 2017 Canadian Employee Relocation Council survey of 56 organizations. And high housing costs were one of the top three reasons employees declined a domestic relocation.

Concerns like these can deter transferees from accepting a relocation, which can hinder the ability of a company to grow and succeed in a particular market.

However, implementing the right relocation policies and processes can minimize these risks and facilitate movement of the best talent to the right location when needed.

Housing costs

As in other countries, the average cost of a home varies but the price tag can be two or three times greater in the destination city. For example, the average home price in October in Greater Moncton, N.B., was \$182,600, while in Calgary, it was \$422,000 and in Greater Vancouver, it was \$1,062,100, according to the Canadian Real Estate Association.

Companies can offer a transferee a variety of financial incentives such as subsidies and allowances to help offset a higher housing cost in the destination city, but housing costs alone aren't the only deterrent. Often, when moving to higher cost areas, even with financial incentives, transferees are unable to find comparable housing.

And moving into a smaller home or apartment might not be appealing to transferees, especially if they are accustomed to larger accommodations.

Alternatively, moving to a region with lower housing costs — such as moving from an urban to a rural destination — can also be a barrier to relocation, as the new destination may have an inferior infrastructure or amenities compared to a candidate's home city.

Cost of living

A corporate relocation can be financially beneficial for employees moving to a region with a lower cost of living. Unfortunately, a relocation often requires a transferee to move to an area with a higher cost of living, which can affect his family's lifestyle.

A higher cost of living can impact a wide range of pursuits, from dining out and entertainment to groceries, child care and education. A reduction in disposable income means transferees will have to sacrifice certain activities which, ultimately, will have a negative impact on their standards of living.

As with housing, employers have programs to offset higher costs of living, but this support is often temporary and will only sustain a transferee's lifestyle for a finite period of time.

Taxes

Tax implications are another factor transferees consider when weighing whether or not to accept a relocation.

While most employers in Canada don't see interprovincial tax differences as a significant deterrent to employees, employees should be aware of the tax differences, as they could be responsible for paying higher personal income taxes.

For example, a transferee earning \$155,000 per year would have a 14 per cent provincial income tax rate in Alberta versus a 20.3 per cent rate in New Brunswick.

If planning to move to another province, employees should remember that their province of residence on Dec. 31, 2018, may be the one they'll have to pay their taxes to for all of 2018.

So, if an employee is moving to a higher-tax province, she may want to delay her move until the new year, if possible. On the other hand, if moving to a lower-tax province, she may want to make that move before Dec. 31, 2018.

Expertise helps

One way to overcome the challenges of an interprovincial move in Canada is to work with a relocation

professional, whether on-staff or via a third-party provider.

Mobility professionals can calculate relocation subsidies based on actual rental and housing costs, educational needs, cost-of-living allowances, and other factors.

They also understand in which situations specific policies, such as lump-sum reimbursements, are ineffective and can be detrimental to the transferee or company.

Relocation professionals can also help employers consider relocation policy components they might otherwise overlook. While financial assistance is an essential component in overcoming relocation hurdles, other factors, such as cultural or language training, are equally important.

For transferees who don't speak French, for example, relocating to Quebec is bound to create significant language barriers. Mobility professionals can help procure cultural and language assistance as well as English-speaking educational programs for transferees' children — a rarity in Quebec.

Mobility plays a vital role in a company's ability to attract, retain and develop skilled talent. In Canada, nowhere is this more evident than in interprovincial moves, which can present as many challenges as international assignments.

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