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# Cost Saving Without Sacrifice



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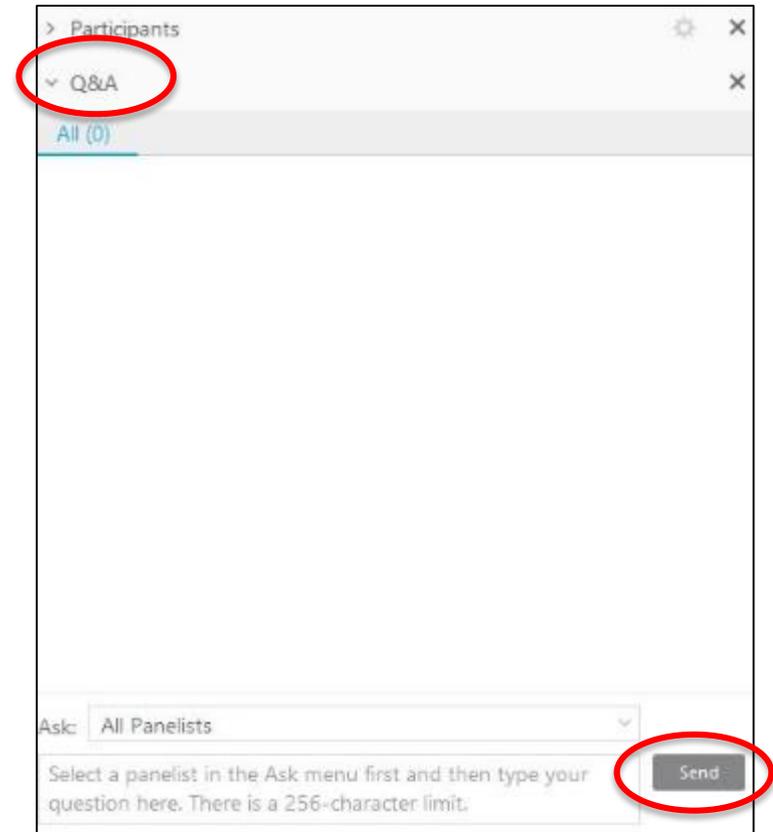
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# Today's Presenter



**Phil Smith**  
**Director Financial & Compensation Services**  
**Crown World Mobility**

# Session Overview

“A practical discussion about understanding the costs of an assignment and how to reduce non-productive costs”



# Agenda

- Budgeting for assignment costs
- Anticipating and mitigating exceptions
- Using consultants and specialists to mitigate risk
- Reducing non productive costs



# BUDGETING FOR ASSIGNMENT COSTS



# Budgeting for Assignment Costs

- DO Create a budget
- DO Track actual costs
- DO Monitor impact of variations
  - “Creates an audit trail & record of decisions made”
  - “Use the learning to refine future estimates and inform policy decisions going forward”



# Budgeting for Assignment Costs

- Identify all expected cost elements – use policy categories as a start
- Anticipate timing
- Think about sources, currency & language

## Assignment Cost Estimate

CE Policy: Long Term Estimate  
 Assignee Name: Smith, Spencer  
 Number of Dependents: 0 --- Family Size: 1  
 Duration Years: 2018 to 2020 (Version: 1)  
 Home Country: Brazil  
 Host Country: United States - State/Province/Canton: Alabama  
 Assign Initiation Date: 1-Jan-2018  
 CE Policy: Long Term Estimate

Exchange Rate for USD to BRL: 3.2567985670086  
 Exchange Rate for BRL to USD: 0.30705

Total Estimated Assignment Cost:  
 Incremental Estimated Assignment Cost:

	BRL	USD
Total Estimated Assignment Cost:	1,951,969.03	599,352.09
Incremental Estimated Assignment Cost:	1,095,750.03	336,450.04

	01-Jan-18		01-Jan-19		01-Jan-20		Total Cost	
	BRL	USD	BRL	USD	BRL	USD	BRL	USD
Basic Salary	200,000.00	61,410.00	210,000.00	64,480.50	220,500.00	67,704.53	630,500.00	193,595.03
Compensation and Benefits Totals:	200,000.00	61,410.00	210,000.00	64,480.50	220,500.00	67,704.53	630,500.00	193,595.03
Pre Assignment Airfare	6,513.60	2,000.00	-	-	-	-	6,513.60	2,000.00
Cultural Training	15,027.19	4,000.00	-	-	-	-	15,027.19	4,000.00
Visa, Immigration, Work Permit	15,306.95	4,700.00	-	-	-	-	15,306.95	4,700.00
Household Goods Expatriation - Surface Shipment	22,349.58	6,862.44	-	-	-	-	22,349.58	6,862.44
Household Goods Expatriation - Air Shipment	3,393.03	1,041.83	-	-	-	-	3,393.03	1,041.83
En Route Airfare	6,513.60	2,000.00	-	-	-	-	6,513.60	2,000.00
Temporary Living	16,283.99	5,000.00	-	-	-	-	16,283.99	5,000.00
Initial Relocation Costs Totals:	83,387.94	25,604.27	-	-	-	-	83,387.94	25,604.27
Mobility Premium	20,000.00	6,141.00	21,000.00	6,448.05	22,049.99	6,770.45	63,049.99	19,359.50
Foreign service premium	10,000.00	3,070.50	10,499.98	3,224.02	11,025.01	3,385.23	31,524.99	9,679.75
Cost of Living Allowance	20,000.00	6,141.00	21,000.00	6,448.05	22,049.99	6,770.45	63,049.99	19,359.50
Spouse/Partner Allowance	12,538.67	3,850.00	12,538.67	3,850.00	12,538.67	3,850.00	37,616.01	11,550.00
Host Utility Allowance	10,000.00	3,070.50	10,499.98	3,224.02	11,025.01	3,385.23	31,524.99	9,679.75
Tax Briefing and Filing	11,398.80	3,500.00	11,398.80	3,500.00	11,398.80	3,500.00	34,196.40	10,500.00
Ongoing Allowances Totals:	83,937.47	25,773.00	86,937.43	26,694.14	90,087.47	27,661.36	260,962.37	80,128.50
Repatriation Allowance	-	-	-	-	22,049.99	6,770.45	22,049.99	6,770.45
Repatriation Airfare	-	-	-	-	6,513.60	2,000.00	6,513.60	2,000.00
Repatriation Lodging	-	-	-	-	31,265.27	9,600.00	31,265.27	9,600.00
Departure Services	-	-	-	-	6,513.60	2,000.00	6,513.60	2,000.00
Household Goods Repatriation - Surface Shipment	-	-	-	-	20,228.92	6,211.29	20,228.92	6,211.29
Household Goods Repatriation - Air Shipment	-	-	-	-	9,037.88	2,775.08	9,037.88	2,775.08
Repatriation Totals:	-	-	-	-	95,609.26	29,356.82	95,609.26	29,356.82
Home Taxes - Federal	8,801.41	2,702.47	9,121.98	2,800.90	8,660.33	2,659.15	26,583.72	8,162.52
Home Taxes - Social	7,301.33	2,241.87	7,301.33	2,241.87	7,301.33	2,241.87	21,903.99	6,725.61
Home Tax ER Portion Social	170,435.02	52,332.07	132,041.37	40,543.30	187,180.55	57,473.79	489,656.94	150,949.16
Home Taxes Totals:	186,537.76	57,276.41	148,464.68	45,586.07	203,142.21	62,374.81	538,144.65	165,237.29
Host Taxes - Federal	86,283.24	26,493.27	60,544.60	18,590.22	97,509.30	29,940.23	244,337.14	75,023.72
Host Taxes - State/Provincial	18,788.47	5,769.00	14,714.22	4,518.00	20,566.68	6,315.00	54,069.37	16,602.00
Host Taxes - Social	25,926.72	7,960.80	22,867.51	7,021.47	25,926.72	7,960.80	74,720.95	22,943.07
Host Taxes - Healthcare	6,903.11	2,119.60	5,348.05	1,642.12	7,581.34	2,327.85	19,832.50	6,089.57
Host Tax ER portion Social	25,926.72	7,960.80	22,867.51	7,021.47	25,926.72	7,960.80	74,720.95	22,943.07
Host Tax ER portion Healthcare	6,903.11	2,119.60	5,348.05	1,642.12	7,581.34	2,327.85	19,832.50	6,089.57
Host Taxes Totals:	170,731.37	52,423.07	131,689.94	40,435.40	185,092.10	56,832.53	487,513.41	149,691.00
Hypothetical Tax Deduction - Federal	(37,952.37)	(11,653.28)	(40,702.37)	(12,497.66)	(43,589.87)	(13,384.27)	(122,244.61)	(37,535.21)
Hypothetical Tax Deduction - Social	(7,301.33)	(2,241.87)	(7,301.33)	(2,241.87)	(7,301.33)	(2,241.87)	(21,903.99)	(6,725.61)
Hypo Tax Deductions Totals:	(45,253.70)	(13,895.15)	(48,003.70)	(14,739.53)	(50,891.20)	(15,626.14)	(144,148.60)	(44,260.82)
Total Assignment Costs:	679,340.84	208,591.60	529,088.35	162,456.58	743,539.84	228,303.91	1,951,969.03	599,352.09
Hypo Tax ER Portion Social	71,600.00	21,894.78	75,180.00	23,084.02	78,939.00	24,238.22	225,719.00	69,307.02
Basic Salary	200,000.00	61,410.00	210,000.00	64,480.50	220,500.00	67,704.53	630,500.00	193,595.03
Less Home Norm Costs Totals:	271,600.00	83,394.78	285,180.00	87,564.52	299,439.00	91,942.75	856,219.00	262,902.05
Incremental Assignment Costs:	407,740.84	125,196.82	243,908.35	74,892.06	444,100.84	136,361.16	1,095,750.03	336,450.04



# Budgeting for Assignment Costs

COA	Expense Category	Expense Type	Expense Details
10001	Travel	Pre-Assignment Airfare	Assignee
10002	Travel	Pre-Assignment Airfare	Spouse and/or dependants
10003	Travel	Pre-Assignment Train	Assignee
10004	Travel	Pre-Assignment Train	Spouse and/or dependants
10005	Travel	Pre-Assignment Other Transportation	Car Mileage
10006	Travel	Pre-Assignment Other Transportation	Fuel
10007	Travel	Pre-Assignment Other Transportation	Toll
10008	Travel	Pre-Assignment Other Transportation	Rental Car
10009	Travel	Pre-Assig	
10010	Travel	Pre-Assig	
10011	Travel	Relocatio	
10012	Travel	Relocatio	
10013	Travel	Relocatio	
10014	Travel	Relocatio	
10015	Travel	Relocatio	
10016	Travel	Relocatio	
10017	Travel	Relocatio	
10018	Travel	Relocatio	
10019	Travel	Relocatio	
10020	Travel	Relocatio	

Expense Category	Expense Type	Expense Details
Accommodation	Deposit	Hotel at Home
Children Education	Hotel	Hotel at Host
HHGs and Pet Transportation	Lease Cancellation Fees	Hotel in transit
Immigration	Parking Fees	Housing
Language Training	Real Estate Broker Fees	Lease Cancellation Fees
Other	Rental Costs	Parking Fees
Partner Assistance	Serviced Apartment	Real Estate Broker Fees
Per Diem/Allowances	Tax	Rental Costs
Relocation Expenses	Temporary Accommodation	Serviced Apartment at H...
Taxation	Utility Fees	Serviced Apartment at H...
Travel		Tax
(blank)		Temporary Accommodat...
		Temporary Accommodat...



# ANTICIPATING & MITIGATING EXCEPTIONS



# Anticipating & Mitigating Exceptions

- DO Plan ahead
- DO Seek compromise – “Instead of ” vs. “as well as”
- DO Audit local delivery

*“Deliver the global policy framework within the local context”*

*“Checking what has been delivered can be revealing”*



# USING CONSULTANTS & SPECIALISTS



# Using Consultants & Specialists

- DO Spend wisely on Data
- DO Consider how data can be recycled
- DO Engage with your providers

*“Supplementing your own skillset and working in collaboration with your Providers can pay dividends”*

*“Analyse where good advice could really make a difference”*

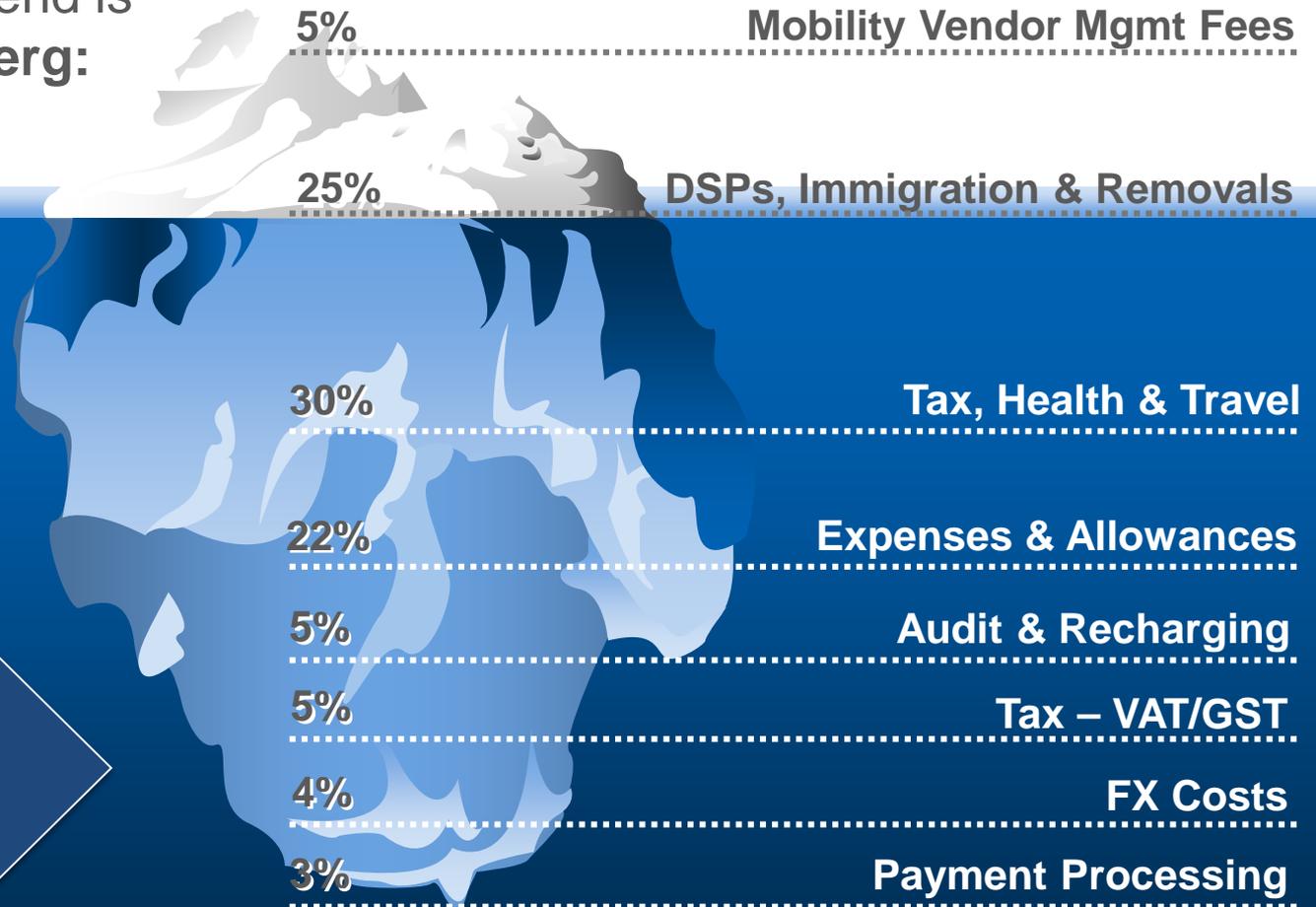


# HIDDEN & NON PRODUCTIVE COSTS



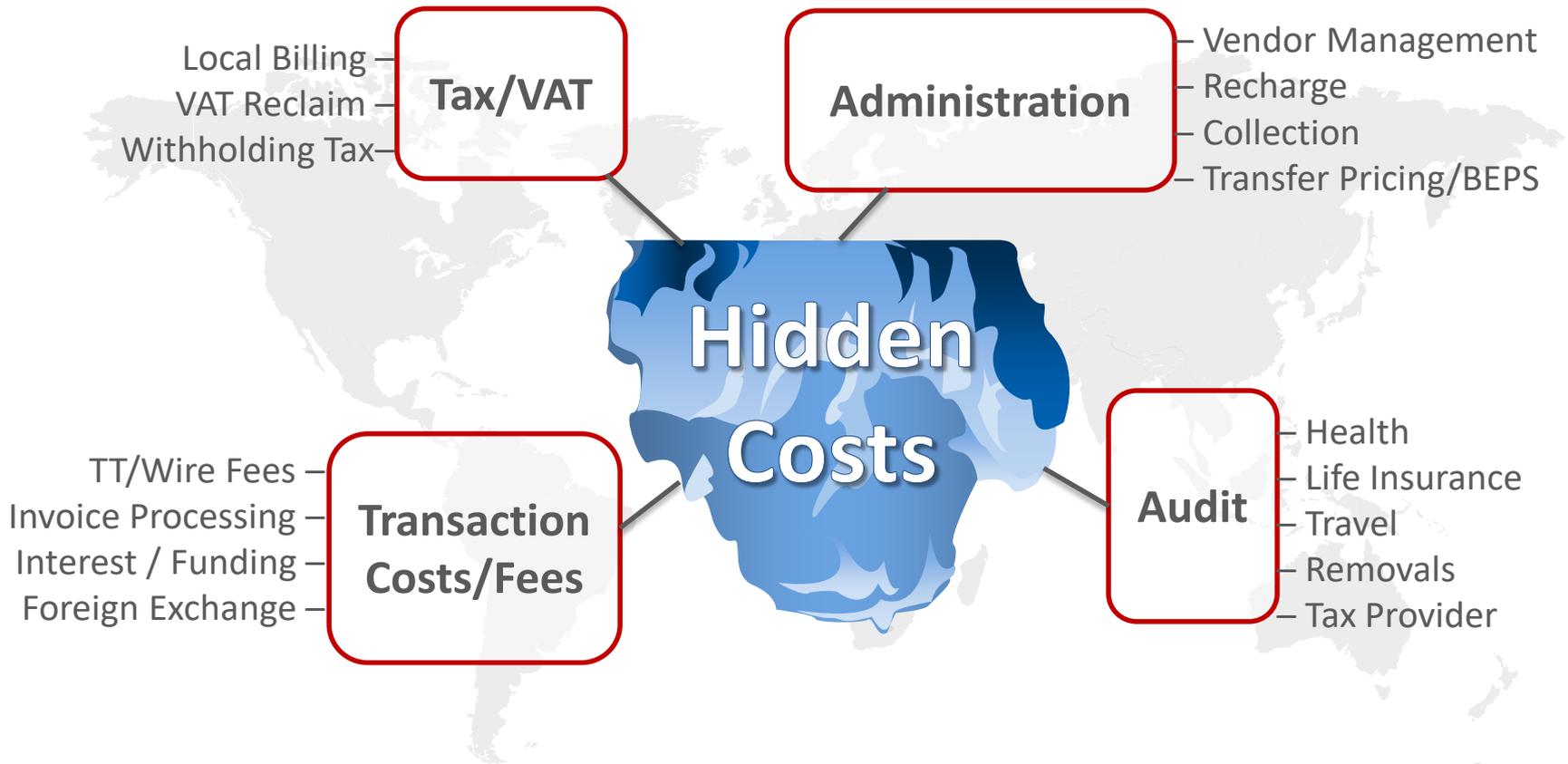
# The Cost Iceberg

Mobility Vendor spend is the **tip of the iceberg**:

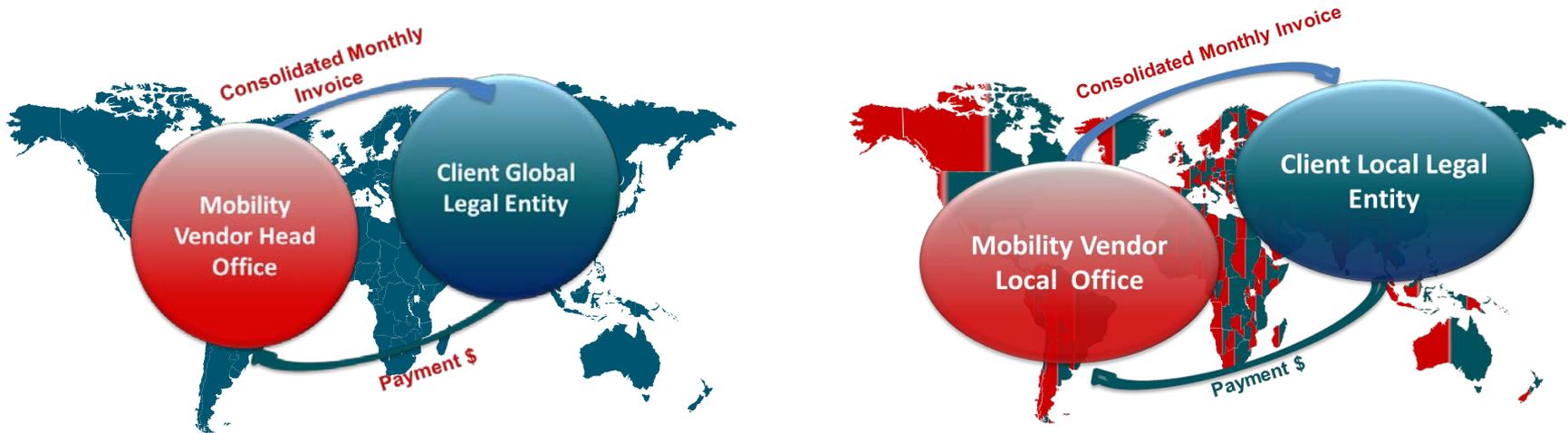


**Hidden costs**

# Mapping from Costs to Identify savings



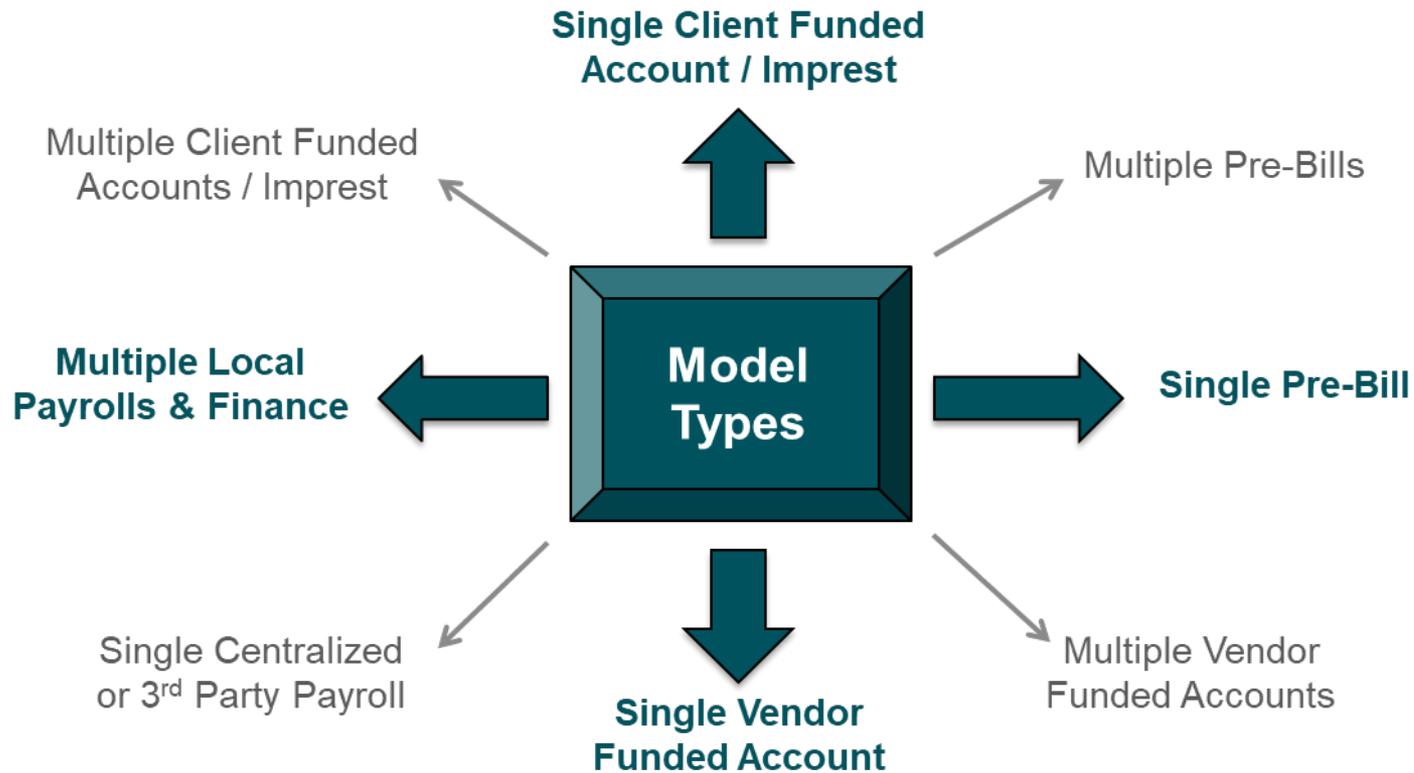
# Billing Models



Consolidated Monthly Invoices



# Funding Models



# Local Billing (Tier One)

- Suits DSP Services & Immigration
- Reclaim the VAT/GST
- Vendor presence required
- \$0.6k - \$4k savings on a USD\$20k relocation
- USD\$500k on a \$5m program

Example Countries	VAT / GST Rate
Australia	10%
Brazil	From 17%+
China	From 3%+
France	20%
Malaysia	6%
Mexico	16%
Japan	8%
India	14%
Singapore	7%
United Kingdom	20%



# Imprest/Pre-Bill (Tier One)

- Advance Vendor a pre-agreed amount
- Top up billing per schedule or as required
- Direct Debit ACH or immediate payment terms
- Billing per schedule or on demand
- Save on fixed disbursement fees – 1 to 5%
- Save on interest costs – 1 to 5%



# FX Margin (Tier Two)

- Each conversion costs money
- Margins vary by currency pair & volume
- Savings achieved from 50-75% off base rates
- Alternative option: eliminate the conversion
- 1% saving on USD\$5m = USD\$50-100k



# Global Disbursement (Tier Two)

- TTs/International wire costs can be significant
- Intermediate banks may deduct fees
- Local disbursements are cheaper & loss free
- Savings of 50%+ possible
- Eg. 5000 payments = \$75k savings



# 3<sup>rd</sup> Party VAT claim (Tier Two)

- Reclaim of 3rd Party vendor VAT
- Vendor presence is not required
- Recovery opportunities & lead times vary
- \$1m volume = \$100k refund

Example Countries	VAT / GST Rate
France	20%
Germany	19%
Italy	N/A
Netherlands	21%
United Kingdom	20%



# Multiple Accounts (Tier Three)

- Multiple Location – Bank Fees
- Multiple Currency – FX conversions
- Applicable to scenarios where:
  - >100 assignees with monthly rents in a location
  - >USD\$5m volume in one currency
- Examples:
  - USD \$80k savings on bank fees
  - USD \$180k savings on FX



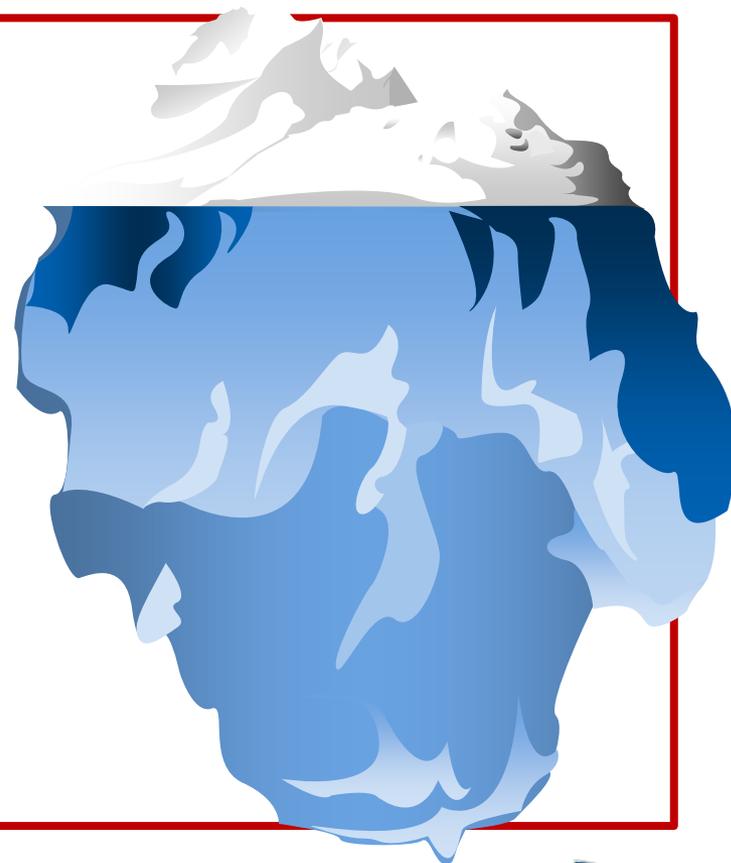
# Global Vendor Data (Tier Three)

- Auditing all global suppliers
  - Shipping, Tax, Health, Travel & Life
- External cross-charging, collection & remittance
- Reduce leakage
- Efficient, defined & outsourced administration

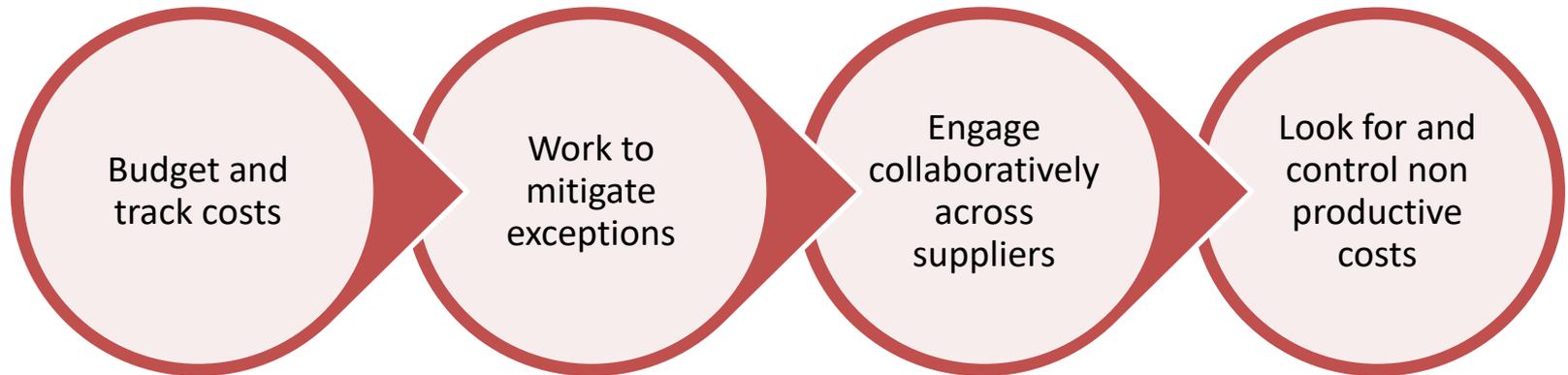


# Starting the Conversation

- Start a discussion....
  - Internal – Finance / COE
  - External – Provider
- Explore – model the costs
- Identify material opportunities
- Put together a roadmap
- Prioritize your biggest icebergs
- Record outcomes to share



# A Final Recap





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