

A man with light brown hair, wearing a blue button-down shirt, is shown from the chest up. He has a thoughtful expression, with his right hand resting on his head. The background is a bright, slightly blurred office setting with window blinds.

**Planning your  
redundancy strategy.**

**Secure, Build, Succeed.**

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*Wealth Planning*  
PARTNERS

# Making the most of your redundancy.



## Financial advice checklist.

- Think about actions prior to redundancy to defer payments and consider the tax consequences.
- Create an immediate action 'hit list', to manage initial transition.
- Seek advice to gain a 'birdseye' review of your total financial situation, including income, insurance, superannuation and investment planning.
- See your accountant for tax opportunity analysis and advice on tax effective positioning of your redundancy payout.

The reality of redundancy is something that strikes many Australians. It may be sudden or it may come as no surprise at all, but in most cases it will be a time of uncertainty and change. It can also be a time of opportunity and renewal.

There are many issues to face and decisions to be made, so it is important to gain some perspective and get informed about the options, the pitfalls and opportunities. This brochure will give you an overview of these issues to help you start the process and your financial adviser can then give you specific advice to help you navigate the challenges of redundancy and make the most of your situation.

### First things first

A redundancy payout may be quite a significant amount and can be complex in terms of taxation. The important thing at the outset is not to rush into decisions about spending and investing the money. Consider putting it on hold in a high interest savings account until you have assessed your position properly and obtained sound advice.

You can then take some time to consider your future employment or retirement options, adjust your budgeting and sort out financial issues such as investment, insurance, superannuation and taxation. You may also need some time to adjust emotionally to your situation, so make sure you don't act hastily.

### Getting to grips with the financial issues

It is vital not to underestimate the range of financial decisions that must be made. This is where experienced advice can be so useful. Some of the issues that will need informed consideration are:

- How do you make the most of your redundancy payment?
- How will you budget for ongoing living expenses in the short and medium term?
- What Government income support will you qualify for?

- What are the tax implications of the lump sum payment and how is it used?
- Will there be any change in the timing of your retirement plans?
- How can you ensure family security is maintained through proper insurance?
- Should you use some of the redundancy funds to reduce non-deductible debt, such as credit cards, personal loans, or your mortgage?
- Are there opportunities to boost your super savings and obtain the inherent tax advantages?

The only thing that is certain on all of these issues is that there are no 'one size fits all' answers. Everyone will need a different approach based on sound planning and quality advice.

Some people may be in a situation where they are aware of their potential redundancy in advance. In such cases, if the employer is open to discussion, there may be significant financial advantages to be gained, such as having some redundancy payments deferred to achieve taxation advantages. This makes it essential to seek advice as early as possible before redundancy occurs to plan your situation carefully.

### Assessing your lifestyle and employment options

A vital part of making decisions on finances is to firstly have a clear idea of what your lifestyle and employment objectives are. This ensures your financial decisions will be relevant and purposeful. In assessing this, questions to be considered include:

- Will finding a new job be an urgent consideration, or will you be able to take some time out?
- Would you prefer to retire early if finances allow?
- Will you want to perhaps re-train in a new industry or profession and take a new career tack?
- Is there potential to start your own business and gain more independence?

- Do you want to reconsider your housing situation or location?
- What family related issues need to be considered?

Being able to share these issues with family and with advisers can help you make more objective decisions.

## Breaking down your redundancy payment

Any redundancy payment you receive from your employer may be made up of some or all of three different components. The tax position on these components can be complex and is central to your financial decision making. Below is an overview of how each component is treated, but advice is essential to properly analyse your specific tax issues and opportunities:

- A genuine redundancy payment – which is generally tax free up to an amount of \$9,780 + \$4,891 for each year of completed service (2015/16 tax year).
- Employment Termination Payment – which includes amounts in excess of the tax free genuine redundancy payment. The tax payable can be

quite complex and will depend on the size of payment, your age.

- Unused annual and long service leave – this is taxed in a similar way to your normal income, but with tax offset to limit total tax to 32% (including Medicare Levy). Long service leave accrued before 16 August 1978 will only have 5% of the amount taxable.

A rash decision on spending or investing your lump sum may have tax implications, so professional advice is important to properly assess and minimise your tax liabilities.

## Superannuation planning

If you were a member of your employer's superannuation fund then you may be required to rollover accrued superannuation benefits into another fund. This could either be:

- A public offer super fund
- Another employer's super fund if you are entering new employment
- A self-managed super fund.

Seeking appropriate advice can help you assess options for your retirement accumulation needs.



## Taking a positive approach.

### Strategies to help you move on:

- Try not to take it personally – it is the role that is redundant, not you.
- Seek support and avoid negative influences such as colleagues embittered about their own redundancy.
- Polish up your resume to re-affirm your valuable qualities and experience.
- Keep an open mind and consider other opportunities – contracting, up-skilling or retraining or moving.





If you need redundancy advice, we're here to help.

Making the most of your redundancy depends on quality advice from an experienced professional to avoid making the wrong decisions. Please feel free to contact us for an obligation free appointment, where we will discuss your situation and how we may help you to achieve what's important to you.

## Insurance risks and opportunities

Any insurance that applied under your old employer super fund is likely to expire, potentially leaving you exposed to unnecessary risks. There may, however, be 'continuation options' from the old fund for a limited time, so make sure you consult your adviser to take advantage of this opportunity and to review your insurance arrangements so that your plans are economical and effective.

## Social Security entitlements

You may well be eligible to receive Centrelink benefits while you remain unemployed, such as Newstart benefits, but there could be waiting periods involved, so it's vital to act promptly and to get the right advice on what you may be entitled to and how to apply for it.



**To help you explore options in redundancy, contact us to arrange a meeting.**

**Get the advice you need so you are confident you have your plans in place.**

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**To find out more about how these solutions may help you achieve and maintain your financial and lifestyle goals through retirement speak to your financial adviser today. Call Wealth Planning Partners at (07) 5593 0855.**

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