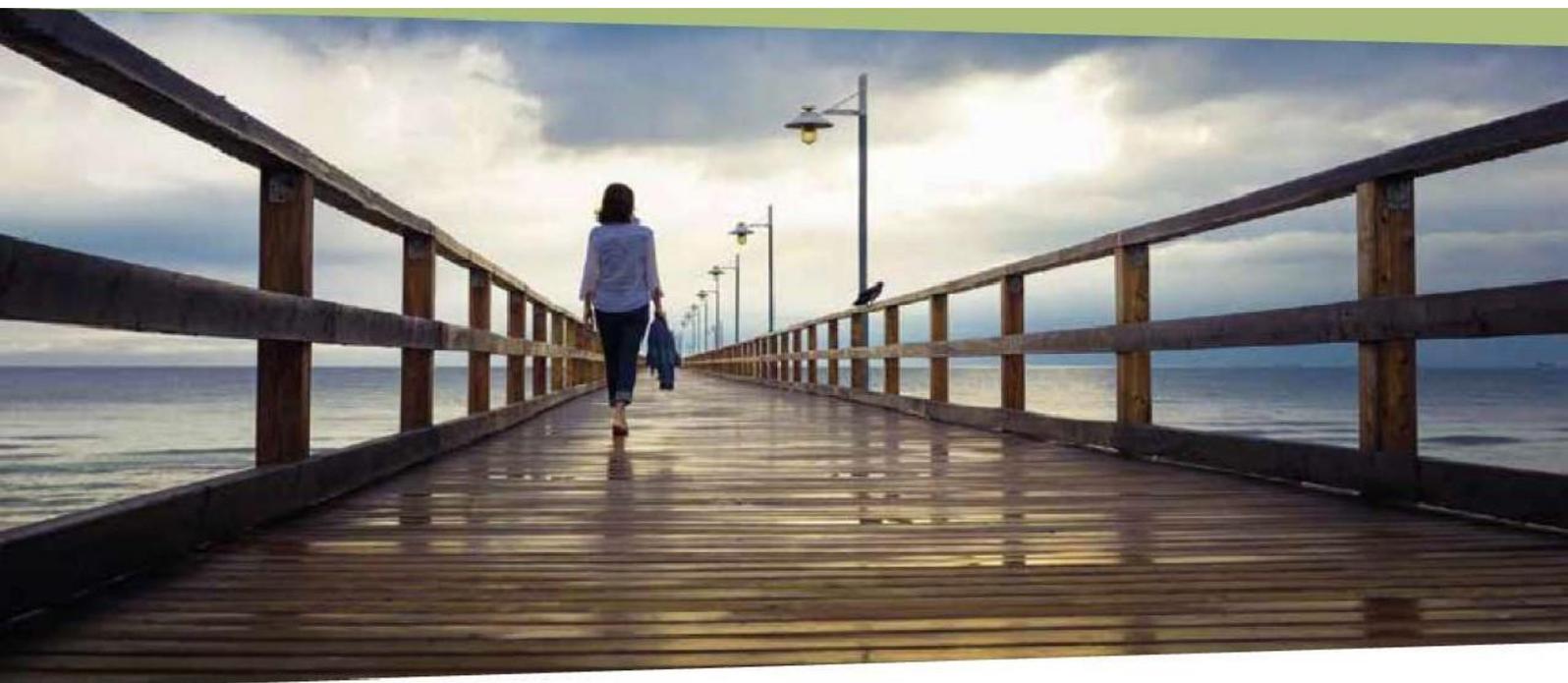


Planning your redundancy strategy



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 become informed on the options, the pitfalls and opportunities.

This brochure will give you an overview to help start the process and your financial adviser can then provide specific advice to help navigate the challenges of redundancy and make the most of your situation.

First things first

A redundancy payout may be 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 from your tax adviser.

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, to avoid acting hastily.

Getting to grips with the financial issues

It is vital to understand the range of financial decisions that must be made. This is where experienced advice will be useful. Some of the issues that will need to be considered 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?

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. 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 your adviser 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 three different components. These are a redundancy payment, Employment Termination Payment and unused annual and long service leave. 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 \$9,514 + \$4,758 for each year of completed service (2014/15 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, as well as your age.
- **Unused annual and long service leave** - this is added to your assessable income and taxed at a maximum of 32% (including Medicare Levy). Long service leave accrued before 16 August 1978 will only have 5% of the amount taxable.



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.

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 to ensure your plans are economical and effective.

Social Security entitlements

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

Financial advice checklist

Issues you need to consider in your redundancy planning:

- Think about actions prior to redundancy to defer payments and consider the tax consequences.
- Create an immediate action 'to do list' as soon as redundancy occurs, so you can manage initial transition.
- Review your total financial situation, so you can make informed decisions on income and investment planning.
- See your tax adviser and get advice on tax effective positioning of your redundancy payout.
- A superannuation review to identify any opportunities created by your redundancy payout.
- An insurance review to continue to protect you and your family.
- Seek investment advice specifically targeted at making the most of your redundancy payout, in line with your financial goals.

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

Take a positive approach

Everyone manages their situation differently, but here are some suggested strategies to help you move on:

- **Try not to take it personally** — it is the role that is redundant, not you.
- **Seek support but avoid negative influences** such as other redundant colleagues who may feel bitter about their situation.
- **Polish up your resume** and remind yourself about the valuable qualities and experience you possess.
- **Keep an open mind and consider other opportunities** — contract work, up-skilling or retraining, moving interstate for work.

If you need financial advice on your redundancy, we can help

Making the most of your redundancy depends on quality advice from an experienced professional to avoid making the wrong financial decisions. Please feel free to contact us to discuss your situation and help you achieve your goals.

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



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