

# Putting your redundancy strategy in your own hands



Ongoing economic uncertainty means that it's still not uncommon to read a story about large or high profile businesses making staff redundant. The flow on effects from past tough economic times are still being felt in many sectors of the economy and redundancy remains an all too common possibility for employees of both large and small businesses.

For some, redundancy can be a real blow to self-esteem, especially if they have been happily settled in the same job for many years. Others may see it as an opportunity and actively seek out redundancy as a springboard to a change of career or lifestyle or a way to transition to retirement more rapidly.

Whatever your situation, there are ways to address the challenges that can make it easier to cope with and put you in a position to face the future with optimism.

## **Dealing with the emotional impacts**

For those who take redundancy as a blow to their confidence and self-worth, it is important to start taking practical steps as soon as possible to build momentum and focus on the future, rather than dwelling on the past.

It can be difficult not to take things personally, but the important fact to remember is that it's the job that has been made redundant, not the person.

Focussing on what you can control instead of what you can't and taking action on some practical steps can help activate the emotional recovery process. Updating and polishing up your resume is a great first step. Putting your skills, experience and interests down on paper encourages you to take a more objective look at the positives and what you have to offer prospective employers.

It is also important to seek help if you are struggling to come to terms with your situation. Keeping things bottled up can be very counterproductive, so professional counselling and being honest with friends and family about your feelings is critical.

### **Financial worries can be eased**

Acting swiftly and planning properly on the financial issues surrounding redundancy is also integral to getting back on your feet. Dealing with financial obstacles early on will dramatically improve your situation down the track. In fact many people report an improvement in their quality of life and financial situation after a redundancy, but you need to have a plan to make the most of it.

For many people redundancy could result in quite a significant windfall. The temptation, of course, is to use the money for a long holiday or a new car, but it is vital that you plan for both immediate income needs and your longer term investment situation, before making any rash decisions with your payout.

The first thing to get to grips with is the taxation situation. Making rash or poorly informed decisions on your payout may mean you end up paying more tax than you need to. If possible, it is better to get on the front foot, get some sound advice and take actions before a redundancy payment is made to you, so that you can make the most of any tax saving opportunities.

The timing of your redundancy payout can be crucial to the tax outcomes and opportunities may be created by delaying payment. This may allow some funds to be directed toward a salary sacrifice contribution to super, which effectively reduces tax payable to 15% rather than paying your full marginal tax rate.

Delaying a termination payment into a new tax year may allow you to take advantage of any increases in tax free thresholds that apply to your payout. It may also help reduce your taxable income for the current year and thereby reduce the amount of tax payable. Of course, you will need to talk

with your employer about whether these options exist so clarifying options early as you can is important

Centrelink entitlements, such as Newstart allowances or age pension benefits, may also be available and should be investigated as soon as possible. Depending on your leave entitlements and liquid assets, you may not be eligible for benefits immediately, but knowing what you can expect later on will help you budget properly. Centrelink can also assist with employment opportunities and training.

Once those initial issues are dealt with, you can then look at planning your budget and whether you need to use your payout to fund living expenses. Another possible use of payout funds is to reduce debts, but this needs to be considered in the broader context of your total financial situation. There is no one-size-fits-all answer to these questions, which is why it is so important to plan carefully and take on some professional advice.

### **Considering all your options**

There may be other possibilities to explore such as setting up a new business or taking early retirement. The latter option may be made more achievable by implementing what is known as a 'transition to retirement strategy'. This basically allows you to draw an income from super without actually ceasing employment altogether. To take advantage of this strategy you must have reached your 'preservation age', (which is between 55 and 60, depending on your date of birth), and take your superannuation as a transition to retirement pension. If it turns out to be feasible for your situation then there may be substantial benefits to be gained.

The strategies better designed to work for you will depend on your personal circumstances, so it makes a lot of sense to get help from a qualified financial adviser to help sift through the possibilities. They have the experience and tools to examine the options objectively, weigh up the pro's and con's and help you implement a recovery plan that gives you the greatest benefit.

Of course everyone is different so it's advisable to contact a financial adviser for personal advice based on your unique situation and objectives. By sorting out the financial aspects properly it can lift a load off your mind and help you assess the possibilities available in the, social security and superannuation systems. Professional help is readily available and it can make a real difference, not just to your finances, but to your whole attitude about your future after redundancy.

**For further information call Mark Rando\* from Rando and Associates on (08) 9792 4800.**

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