MAKING THE MOST OF YOUR REDUNDANCY

If you are leaving your employer due to redundancy, you have a great opportunity to make a fresh start.

Now could be the best time for you to think about a career change, become self-employed or consider retiring if you are close to retirement. But regardless of what your next steps might be, it's important that you:

- understand the payments you may receive from your employer and what tax treatments apply
- consider the financial issues likely to be relevant to your age and career goals, and
- speak to a financial adviser to find out how you could manage your redundancy payments effectively.

Note: The information in this article assumes you're departing due to a genuine redundancy. This will generally be the case if you are under age 65, your employer has determined that your position no longer exists and you are not replaced by another employee.

Types of payments

The types of payments you may receive in the event of a genuine redundancy include:

- A **genuine redundancy payment**, which is tax-free up to a limit based on your full years of service with your employer.
- An **Employment Termination Payment (ETP)**, which is a lump sum payment you may receive when your employment arrangement has come to an end. Examples include genuine redundancy payments exceeding the tax-free limit, unused sick leave, unused rostered days off, payments in lieu of notice and golden handshakes (also known as 'ex-gratia' payments).
- **Other payments** you receive from your employer including accrued annual leave, accrued long service leave and your final pay.

Each of these payments are paid as cash, less any applicable taxes. The table in the Appendix summarises the tax treatment of these payments in the 2017/18 financial year in the event of a genuine redundancy.

Financial issues to consider

When you take a redundancy, you will need to decide what you are going to do with the payments you are eligible to receive. Other financial issues you may need to consider will depend on whether you intend to find a new job or you plan to retire.

If you plan on finding a new job, some of the important questions you should address include:

1. How will you meet your living expenses until you find another job?
2. Will you be eligible for the Newstart Allowance or other relevant social security benefit?
3. Will you need to move your superannuation to another fund?
4. Should you merge your superannuation into one account?
5. Should you use some of your superannuation to pay yourself a pension (if eligible)?
6. Will any insurance policies taken out on your life cease when you leave your employer?
7. What should you do with any left over redundancy pay when you find another job?

Some key questions to consider if **you'd like to retire upon leaving your employer** are:

1. Have you accumulated enough wealth within and outside superannuation to provide an income to meet your ongoing lifestyle needs?
2. Should you use some of your superannuation to pay yourself a pension (if eligible1)?
3. Will you be eligible for the Age Pension or other relevant social security benefit?
4. Do you need to review your estate plans?
5. Do you need to review your insurances?

Value of advice

After reading this information, we recommend you contact us to assist you to:

- decide what to do with the payments you are eligible to receive from your employer
- make the most of your super to help you become financially secure in retirement

- ensure you and your family are financially protected in the event of death or disability, by having appropriate insurance cover, and
- determine whether you are eligible for any Government income support payments.

We can also assist you with a range of other needs which may include:

- improving your cashflow
- growing your investments
- managing your debt, and
- considering your estate planning needs.

Appendix – tax treatment of payments

Payment	Tax payable in 2016/17
Genuine redundancy payment	Tax-free up to a maximum of $10,155 + ($5,078[2] x each completed year of service)
Employment Termination Payment[3] • Tax-free component[4] • Taxable component - If under preservation age[5] - If preservation age[5] or over	 Nil - First $200,000[6] taxed at 32%[7] and excess taxed at 47%[7] - First $200,000[6] taxed at 17%[7] and excess taxed at 47%[7]
Accrued annual leave	100% of payment taxed at maximum rate of 32%[7]
Accrued long service leave[8] • To 15/08/1978 service • From 16/08/1978 service	 • 5% of payment taxed at your marginal rate • 100% of payment taxed at maximum rate of 32%[7]
Final pay	100% of payment taxed at your marginal rate

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[1] To be able to access your superannuation to commence an income stream you must have reached your preservation age[5].
[2] This threshold is indexed on 1 July of each year.
[3] A different tax treatment may apply to ETPs received when leaving an employer voluntarily or where a redundancy is not considered as genuine.
[4] Since 1 July 2012, if you receive an ETP that reasonably could be expected to be received as a result of a voluntary termination of employment and that payment causes your income to exceed $180,000 (the 'whole of income' cap), the part of the ETP that causes your income to exceed $180,000 will not be subject to a tax offset and will be taxed at 47% including the Medicare Levy.
[5] For those born before 1 July 1960, preservation age is 55.For those born on or after 1 July 1960, your preservation age will depend on your date of birth. For more information see the ATO website (www.ato.gov.au)
[6] This is the ETP cap. This cap is current for 2017/18 and is an annual limit that applies to all ETPs received as a result of a genuine redundancy or other involuntary terminations of employment in a financial year (or related to that year).
[7] Includes Medicare Levy.
[8] In some cases, you'll need to have worked for your employer for at least 10 years to qualify for long service leave. However, some employers have a statutory obligation to pay pro-rated long service leave if you are made redundant after five years of service.

How can AustAsia Group help you?

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