



**Putting your
redundancy
to work**

36 years of trusted financial
and wealth management
advice

Putting your redundancy to work

Redundancy can happen when you're just starting your career, in the thick of it, or are getting ready to retire.

Causes include technological advancement, industry disruption, business restructuring, even office politics. Some are voluntary, others are not. Every redundancy is different. One thing they have in common, though, is that getting the right financial advice is crucial for getting into the best position to take advantage of what comes next.

Financial Issues

When you take a redundancy, there are many financial issues you need to consider. How you use the proceeds of your redundancy will depend on whether you intend to find a new job, start your own business, or retire.

When you are made redundant and retirement isn't an option you need to ask:

- How will I pay the bills and keep putting food on the table until I find another job?
- Am I planning to work full-time, part-time or work for myself?
- Do I need to move my superannuation to another fund?
- How will I meet my home loan repayments?
- What should I do with any "left over" redundancy pay when I find another job?

If you are planning to retire, there is a different set of questions:

- Have you accumulated enough retirement savings to support your lifestyle needs?
- If not, is semi-retirement an option?
- What is the best way to maximise the return from my savings and investments?
- Should you use some of your superannuation to pay yourself a pension?
- Will you be eligible for the Age Pension or other relevant Centrelink benefits?
- Do you need to review your estate plans?

How do I know if I can afford to retire?

If you're unsure you're financially able to retire or want to consider your options, the advice of a qualified professional can help. Lambourne Partners can help you work out how much money you need to sustain your lifestyle when you are no longer working and how best to organise the investments and assets you have.

The value of our advice

Redundancy can be a stressful and emotional time. The financial decisions you make at this moment can have a big effect on what comes next.

This is why we strongly recommend you seek financial advice.

At Lambourne Partners we can help you:

- Understand the payments you may receive and what tax consequences apply
- Consider the financial issues likely to be relevant to your age and career goals
- Help you manage your payments effectively

We can also help you grow your investments, improve your cashflow, manage any debt you may have, and your estate planning needs.



Can I afford financial advice?

Financial advice is more affordable than you might think and it can make an enormous difference. If you're thinking of taking a redundancy or are being made redundant, contact Kurt Purkiss on (02) 4969 6600 for a cup of coffee and a chat. It won't cost you anything.

From this conversation we can provide you with a clear idea of how we think we can help you and a precise schedule of what that would cost, so that you have all the information necessary to make an informed decision.



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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 the years of service with your employer.
- An **Employment Termination Payment (ETP)**, which is a lump sum payment you may receive. Examples include payments in lieu of notice and golden handshakes (also known as 'ex-gratia' payments).
- **Other payments** you may receive include accrued annual leave, accrued long service leave and your final pay.

Tax on Payments:

PAYMENT	TAX PAYABLE IN 2019/20
Genuine redundancy payment	Tax-free amount of \$10,638' + (\$5,320 x each year of service)
Employment Termination Payment <ul style="list-style-type: none">• Tax-free component• Taxable component<ul style="list-style-type: none">- If under preservation age- If preservation age or over	Nil <ul style="list-style-type: none">- First \$210,000 taxed at 32% and excess taxed at 47%- First \$210,000 taxed at 17% and excess taxed at 47%
Accrued annual leave	100% of payment taxed at maximum rate of 32%
Accrued long service leave <ul style="list-style-type: none">• To 15/08/1978 service• From 16/08/1978 service	<ul style="list-style-type: none">• 5% of payment taxed at your marginal rate• 100% of payment taxed at maximum rate of 32%
Final Pay	100% of payment taxed at your marginal rate

Example

Michael is 46 and has been working at Fine Cheeses Incorporated for 15 years. On 1 July 2019, he was offered a redundancy package consisting of:

- 4 weeks' pay per year of service, calculated on a current wage of \$1,500 per week PLUS
- 5 weeks' pay in lieu of notice. Michael's overall entitlement is \$97,500 consisting of:
 - A tax-free component of \$90,438
 - An excess component of \$7,062

Because he's under his preservation age, Michael's overall tax liability will be \$2,259.84 (plus the Medicare levy). If he was his preservation age or over, his overall tax liability would be \$1200.54 (plus the Medicare levy).

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