

# Media Release



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## Helpful Steps for Redundancy

People facing redundancy should be aware of their workplace and legislative entitlements to help ensure they don't miss out on receiving the correct redundancy payout, according to Dante De Gori, Technical Manager at ClearView Retirement Solutions.

"If you're made redundant, one of the first steps is to check what your rights and entitlements are so you know where you stand. From there, you can start to work out your finances, which includes your tax position and how you will need to budget going forward," said Mr De Gori.

A genuine redundancy payment is one received by an employee aged less than 65 years who is dismissed from employment because their position has become genuinely redundant. If you're made redundant, the following steps may be of particular benefit:

### Step 1: Check your employee entitlements

Your redundancy payment can be made up of all or any of the following payments on termination of your employment, such as:

- payments in lieu of notice
- golden handshake or severance payment
- unused sick leave
- unused rostered days off

Check your contract of employment or award for your entitlements as they may vary from case to case.

### Step 2: Check tax breaks on redundancy payouts

Genuine redundancy payments for taxpayers aged under 65 years are exempt from tax up to certain limits. The tax-free component for the 2008-09 financial year is \$7,350 plus \$3,676 for each completed year of service (this amount is indexed each year to the average ordinary-time wage).

"The tax-free part of the payment is not included in assessable income and investors can't roll this amount into superannuation," said Mr De Gori.

Amounts in excess of the tax-free component are treated as an Employment Termination Payment (ETP) and will be taxed according to rules set down by the government. Tax rates are as high as 46.5 per cent (including the Medicare levy of 1.5 per cent), though concessional tax rates apply at certain levels depending on an employee's age and the date of their employment contract.

"Taxation rates on ETPs are complex," Mr De Gori said. "To make sure you're taxed correctly, you should seek the advice of an appropriately qualified financial expert who can help make sure you receive the right amount."

### Step 3: Check if you can roll over into superannuation

For some people, who qualify for 'transitional rules', it may be possible to roll over an ETP payment into their superannuation fund and take advantage of lower tax rates, which do not exceed 15 per cent. "There are strict rules governing the transitional rules, but if eligible this can increase the tax effectiveness of a redundancy payment" said Mr De Gori.

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## **Step 4: Make sure all leave is included**

It is common to receive lump sum payments that are made up of unused annual and/or long service leave. These payments must be taken as cash, however they are concessionaly taxed when received due to a genuine redundancy.

## **Step 5: Ask about Centrelink income support**

If you are made redundant, you may also be entitled to income support payments from Centrelink. In most cases, people under the age pension age (63.5 years for women and 65 years for men) may want to consider applying for Newstart Allowance.

A waiting period may apply. Annual leave, long service leave and redundancy payments are generally treated as income over the period for which the annual or long-service leave was paid and Centrelink won't pay benefits for that period (called the income maintenance period). For example, a person who receives a 12-week redundancy payment won't receive any income support for 12 weeks from when that redundancy payment was received.

Separately, claimants may not receive income support for up to 13 weeks from receiving their payout if they have liquid assets like cash over a certain level, though the waiting period runs concurrently with any income maintenance period. The waiting period may vary between one to 13 weeks and may apply if you have liquid assets over the following limits:

- \$2,500 - if you are single with no dependants, or
- \$5,000 – for all other people.

Liquid assets may include:

- Cash, term deposits or other money available at short notice
- Shares and managed investments

## **Step 6: Check what happens with your insurance**

Employees may have taken out life insurance and/or income protection insurance with their employer's superannuation fund. You should consider confirming if there is the option of maintaining these insurance covers (ie. Also know as a continuation option) "If there is, check what process is required to keep the insurance cover in place and maintain your protection.," said Mr De Gori.

## **Step 7: Assess your expenses**

In a situation like this people need to ask themselves if there are any discretionary expenses, which they can cut or reduce such as Pay TV, magazine subscriptions or spending on luxury goods. "Some people may consider home and contents insurance, life insurance or health cover as discretionary, but any decision in relation to these items should be very carefully considered" Mr De Gori said.

To contact your local ClearView adviser, please visit [www.clearview.com.au/advisers](http://www.clearview.com.au/advisers)

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## **About ClearView**

ClearView Retirement Solutions is a financial services group of companies that specialises in providing financial advice, products and services to people nearing, or in their retirement. ClearView Financial Advisers are committed to making high quality retirement advice and service accessible to their local community. Initial meetings are free of charge and without obligation.

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