If you are facing redundancy you have some important decisions to make...

Do you look for another job, start your own business or perhaps retire if you are ready? Everyone is different.

Losing your job through redundancy can be a stressful time, and could mean a bump in the road financially and emotionally. You are likely to have a lot of questions about redundancy and what it means to your financial and lifestyle plans. Speaking to a financial adviser at this time can prove very beneficial and may assist you in making major financial decisions.

What is redundancy?

Redundancy occurs when a job is no longer required to be performed – the job has become redundant – not you. Redundancies can be voluntary or compulsory and can occur for a number of reasons such as:

- economic slow down;
- re-structures;
- mergers, takeovers or acquisitions; and
- new technology advancement automate roles that were performed manually.

Generally, a genuine redundancy payment arises if your employer has determined that your position no longer exists, you are not replaced by another employee, you are under 65 years old and are not retiring and you are not being dismissed for other reasons (such as disciplinary or performance). Other conditions also apply.

How do I manage my financial situation?

It is important to think carefully about the actions you take financially following redundancy. There are no hard and fast rules on what to do with a redundancy payment – it all depends on individual circumstances.

Such as:

- do you have a family to provide for?
- do you have a mortgage you need to cover?
- what are your living expenses?
- is it time to retire?
- how much will you need?

Our Budget Tool can help you identify your current and future situations in terms of your spending habits. You can access the Budget Tool on our website plum.com.au in the Leaving your employer section.

What payments will I receive?

When you are made redundant your employment is terminated and you receive a redundancy payment, usually including unused leave and severance pay.

The types of payments you receive from your employer can be grouped into three main categories – each with different tax implications. These include:

- a tax free redundancy payment;
- an employment termination payment; and
- other termination payments.

This could mean you will receive a lump sum, which may contain taxable and/or tax-free components depending on which type of termination payment you are receiving.

A tax free redundancy payment

If you are leaving your employer as a result of a genuine redundancy, some (or all) of your payment will be tax-free and must be received as cash.

The maximum tax-free redundancy payment you can receive in the 2015-2016 financial year is $9,780, plus $4,891 for each completed year of service. These thresholds are indexed (increased) on 1 July each year. The amount of the payment that exceeds the tax-free portion is treated as an employment termination payment and may be subject to tax (refer below).
Plum Superannuation Fund
Redundancy – what now?

Employment Termination Payment

On leaving your employer, you may be entitled to an employment termination payment (ETP). ETP’s also include payments for unused rostered days off, in lieu of notice, gratuity or golden handshake, compensation for loss of job or wrongful dismissal and invalidity.

You don’t have the option of rolling over your ETP to a super fund and must receive your ETP as cash after any applicable taxes are deducted (see table 1).

You could, however, invest the after-tax proceeds in super as a personal after-tax contribution1 should you wish to take advantage of the maximum tax rate of 15 per cent on investment earnings in super.

Tax payable on ETPs in 2015-2016

The tax treatment will depend on the ETP type (which is often a result of how employment is terminated). The following table summarises the tax rates payable in the 2015-16 financial year on ETPs that are received as a result of a genuine redundancy or other involuntary terminations of employment².

<table>
<thead>
<tr>
<th>Component</th>
<th>Tax payable¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax free</td>
<td>Nil</td>
</tr>
<tr>
<td>Taxable³</td>
<td></td>
</tr>
<tr>
<td>If under preservation age</td>
<td>First $195,000$¹ taxed at 32%¹ and excess taxed at 49%¹</td>
</tr>
<tr>
<td>If over preservation age</td>
<td>First $195,000$¹ taxed at 17%¹ and excess taxed at 49%¹</td>
</tr>
</tbody>
</table>

Note: An ETP must generally be made within 12 months of terminating employment in order to qualify for lower tax rates.

Table 1

Other termination payments

On termination of employment, you may also be eligible to receive a range of other payments that must be taken as cash. Table 2 below outlines the main examples and how they are taxed in the 2015-2016 financial year in the event of a genuine redundancy?.. Different rates apply where the ETP is from other circumstances such as voluntary resignation. These payments could be used to meet your immediate needs or invested in super as a personal after-tax contribution to build your retirement savings.

Is there any Government support and will I qualify?

This will depend on what you own and your income. Waiting periods may also exist depending on the benefit you are applying for. You might like to think about registering for the Newstart allowance with the Department of Human Services and checking your eligibility for income support. If you have a partner, it may also be worth your partner checking their own income support eligibility. The Department of Human Services provides a service on retrenchment and financial issues including assessment criteria that you might find useful. Contact Employment Services Line on 132 850 or visit the website – humanservices.gov.au

Table 2

<table>
<thead>
<tr>
<th>Payment</th>
<th>Tax treatment in the event of a genuine redundancy</th>
<th>When tax is paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued annual leave</td>
<td>100% taxed at a maximum rate of 32%¹</td>
<td>Deducted by your employer</td>
</tr>
<tr>
<td>Accrued long service leave</td>
<td>5% taxed at your marginal rate</td>
<td>Deducted by your employer</td>
</tr>
<tr>
<td>Pre 16 August 1978 service</td>
<td>100% taxed at a maximum rate of 32%¹</td>
<td>Deducted by your employer</td>
</tr>
<tr>
<td>Post 15 August 1978 service</td>
<td>100% taxed at your marginal rate¹</td>
<td>Deducted by your employer</td>
</tr>
<tr>
<td>Final pay</td>
<td>100% taxed at your marginal rate¹</td>
<td>Deducted by your employer</td>
</tr>
</tbody>
</table>

What about my insurance?

Another important point to consider is your personal insurance. Check to make sure what (if any) insurance can continue once you leave your employer. When you leave your employer, your membership may (unless you direct otherwise) be transferred automatically to the Personal Plan, together with your standard and any voluntary Death and Total and Permanent Disablement (TPD) insurance cover.

If you do not transfer to the Personal Plan your insurance cover may actually cease. Further information about continuing your cover can be found in the Personal Plan PDS and other materials, which will be supplied to you at the time you leave your employer.

What now?

It is easy to keep your super with the Fund.

You can stay with Plum by becoming a member of the Personal Plan as your benefit will automatically transfer to and generally continue in the same investment option. There is no cost to join and no ongoing contribution fees. Your Death and TPD insurance cover may continue automatically, without having to fill out forms or undergo medical checks. If you would like more information about the Personal Plan please visit our website at plum.com.au or call us on 1300 55 7586 between 8am and 7pm AEST (8pm daylight savings time), Monday to Friday.
Seek advice

Once you’ve considered this information, you may wish to make an appointment with a financial adviser. A financial adviser can explain the financial issues surrounding redundancy in more detail and help you make the most of your opportunities. They can also recommend a range of other strategies to help you achieve your lifestyle and financial goals - now and in the future.

Did you know...

As a Plum member you can call us for help about your super. We can provide you with free phone based advice on a range of super strategies. If you need more in-depth help, you can access personal face-to-face advice via a Momentum financial adviser. To access any of these services, contact us on 1800 061 790, from 8am to 8pm AEST Monday to Friday.

Important information

An interest in the Plum Superannuation Fund ABN 20 339 905 340 (Fund) is issued by PFS Nominees Pty Ltd ABN 16 082 026 480 AFSL 243357 (Trustee). The Fund administrator is Plum Financial Services Limited ABN 35 081 812 731 AFSL 243356 (Administrator). This material has been prepared by the Administrator and it contains information that is general in nature. The information does not take into account your objectives, financial situation or needs. Before acting on the information you should consider whether it is appropriate having regard to your personal circumstances and seek licensed professional advice. Any general tax information provided in this publication is intended as a guide only and is based on our general understanding of taxation laws. It is not intended to be a substitute for specialised taxation advice or an assessment of your liabilities, obligations or claim entitlements that arise, or could arise, under tax law, and we recommend you consult with a registered tax agent.

It is recommended that you consider the Fund’s Product Disclosure Statement (PDS) before you make any decisions about your superannuation. To obtain a copy of the Fund’s PDS, please call us on 1300 55 7586. Neither the Administrator, the Trustee, nor any other company in the National Australia Bank group of companies guarantees you any liability whatsoever for any decision that is made on the basis of or in reliance of the information contained in this material. Please note that the information contained in this material is believed to be current as at July 31. Any changes in the law or policy subsequent to this date have not been incorporated.

Momentum Financial Advice is a service provided by GWM Adviser Services Limited (GWMAS) ABN 66 002 071 749 AFSL 230692 through an agreement with PFS Nominees Pty Ltd as trustee of the Plum Superannuation Fund (Trustee). Your financial adviser may charge you a service fee for advice. GWMAS and your financial adviser may also receive a commission when applications are lodged for certain financial products (including life insurance). Further information on any fees, commissions and any other benefits received by GWMAS and your financial adviser for the services you receive can be obtained from the financial adviser’s Financial Services Guide. Neither Plum Financial Services Limited (Plum) nor the Trustee endorses or guarantees any advice provided by GWMAS or any financial adviser referred through the Momentum Financial Advice services. The Trustee, through its administrator, Plum, merely facilitates members’ access to these services and does not accept any liability for the services provided.

GWMAS, the Trustee and Plum are part of the National Australia Bank group of companies. National Australia Bank does not guarantee or accept any liability in respect of the services.

Phone based advice and the online advice tools (Personal Super Calculator and Insurance Advice Calculator) and any financial product advice provided through these services is provided by National Australia Bank Limited (NAB) ABN 12 004 044 937 AFSL 230686. Neither the Trustees, (PFS Nominees Pty Ltd ABN 16 082 026 480 and MLC Nominees Pty Ltd ABN 93 002 814 959) nor the Administrators (Plum Financial Services Limited ABN 35 081 812 731 and MLC Limited ABN 90 000 000 402) endorse or make any representation or give any guarantee or warranty in relation to the services and financial product advice provided by NAB and its authorised representatives. The Trustees, through their Administrator merely facilitate members’ access to these services and do not accept any responsibility or liability for the services and any financial product advice provided. National Australia Bank Limited, The Trustees and the Administrators are part of the National Australia Bank Group of companies.

© 2015 Plum Financial Services Limited ABN 35 081 812 731 AFSL 243356 (Administrator). PFS Nominees Pty Limited ABN 16 082 026 480 AFSL 243357. Part of the National Australia Bank Group of Companies. An investment with PFS Nominees Pty Limited is not a deposit or liability of, and is not guaranteed by NAB.