

When R = Redundancy

Over the past few months we have started to see the first major signs that the global financial crisis will impact Australia.

The slowing of the world economy and that of our major trading partners has begun to have a negative affect on employment levels and jobs growth. Redundancy is now a term we will hear more often and many of us know people who have recently been made redundant, or are concerned about our own jobs.

Redundancy can place a great strain on individuals, families and finances. Good planning can help minimise some of the emotional and financial pain that often comes with unforeseen or unwelcome job loss.

Here are the important facts that you need to know about redundancy and how you can survive in the current financial environment should you be affected by it.



1. What is redundancy?

Redundancy is usually referred to as the situation when a job is no longer required to be performed by anyone. This is not personal – your job has been become redundant – not you.

Redundancy can occur for many different reasons, including:

- An economic slowdown
- An employer reclassifies roles and the duties of your position are allocated to other roles
- A merger, takeover, sale or acquisition of an organisation
- A departmental restructure
- New technology or innovations that may mean your role is no longer required to be performed manually

When a person is retrenched or made redundant their employment is terminated and they receive a financial package or payout.

2. How do I manage my financial priorities?

Redundancy can be compulsory or voluntary. However, for many workers redundancy can be unexpected and unwanted. This can cause a huge strain, both emotionally and financially at a time where most of us not have sufficient funds to:

- Pay off existing debts such as a mortgage or personal debt
- Support school age children
- Provide for a comfortable retirement

If you are retrenched without being offered any choice, it is important to concentrate on the future.

Being able to access a lump sum may present you with new opportunities that you would not otherwise have, but you must manage it effectively and work out your priorities carefully.

Seek as much help as you need, consider your skills, work to a plan but be as flexible as you can, and weigh up your choices carefully.



3. How much will I get from my redundancy payment?

If you accept redundancy as a result of a negotiated agreement with your employer, you will be entitled to a termination payment that will generally have a number of different components. This may include:

1. Accrued annual leave and leave loading owing to you.
2. Accrued long service leave.
3. A redundancy payment (including a payment in lieu of notice and possibly including accrued sick leave).
The redundancy payment may include an Employment Termination Payment (ETP) component.

Remember, the first two components listed above are your normal entitlements. You would receive this money if you simply resigned from your job.

The redundancy payment generally consists of a certain number of weeks' pay for every year of service.

If you are employed under an industrial award or agreement, the minimum payments that must be included will generally be stated in that agreement. If you are not sure, speak to your union representative or HR department or go to workplaceauthority.gov.au

A new higher federal minimum standard will apply from January 2010 for most employees.



It is not unusual for the payment to include four to six weeks of your base salary, and then an additional two to four weeks base salary for every year of service with the company.

If you accept a package under a redundancy scheme, by law your employer must provide you with a 'Schedule of Payments' outlining exactly what you will receive under the scheme. It is advisable to have the schedule professionally checked to ensure that it is correct. **An IFFP Planner can assist you with this.**

4. What should I do if made redundant?

The options you may be considering if you have been made redundant are likely to vary depending on your life stage, your personal and family priorities, skills and financial position.

You may regard the lump sum you receive as providing you with the opportunity to embark on a new direction or project or to retire from the workforce earlier than otherwise might have been possible.

Alternatively, you may be seeking new employment and have some concerns about managing your debts or how long it might take to find another suitable position.

Whatever course you are considering, it is important to weigh up your alternatives and make an informed decision about these possibilities - any associated costs and risks and the real benefits they would offer you, so that you can plan ahead wisely.

In all situations, it is important to take stock of your current financial position at the outset. **An IFFP financial planner can help you work out the best use for any lump sum you receive.**

Preparing a 'snapshot' of your situation provides a feel for the overall picture of your personal circumstances and highlights any important issues. Dealing with the key considerations below can help those who experience redundancy take back control of their lives:

a) Insurance Cover - If you are made redundant you need to consider what insurance cover - Death, Total & Permanent Disability (TPD) and/or Income Protection (IP) you have through your superannuation fund or employer and whether you will need to extend or replace it. **Always contact your super fund to confirm your level of cover and your ongoing eligibility and conditions.**

b) Assets - Prepare a list of your assets you own or partially own including:

- How much you owe on each
- A realistic estimate of their market value

Calculate your equity (the proportion that you actually own) in each asset by subtracting any amount you owe on it from the estimated market value.

c) Income - Prepare a list of all income sources that your household will have after the redundancy including:

- Centrelink income support
- Dividends from any shares you own
- Rental income from any investment property you own and any other sources such as bank interest

Record the monthly amounts and total them.

d) Loans and debts - Prepare a list of your loans and any other debts, such as amounts outstanding on credit cards (including store cards), personal or car loans or deferred payments for goods. Against each item, record:

- The amount owing
- The amount you repay monthly
- The applicable interest rates for them
- Whether or not there are penalties for late payment
- Whether there are penalties for early repayment

Then, add all these amounts up so that you have a full understanding of the total amount you owe and how much you will need to meet your monthly repayments. If you consider that you might experience difficulty meeting your repayments, there may be alternatives available to you. For home mortgage holders made redundant, many banks are now offering up to 12 months deferral of payments.

Don't wait till problems mount up. Discuss your situation with your providers immediately if you are being made redundant. Lenders are usually more inclined to discuss different repayment options if you approach them as soon as you can.

e) Living expenses - Which expenses for day-to-day living are essential and which could you realistically economise on or even, in the short term, suspend altogether? List your living expenses in two categories:

Essential expenses, such as:

- Mortgage payments or rent
- Utilities- electricity, water & phone
- Groceries etc
- Insurance cover (house, contents and car)
- School fees

Discretionary (non-essential) expenses:

Consider cutting back on some of your discretionary expenses and reduce spending where you can, but remember, only you can decide what you and your family can & can't live without.

Record the monthly amount you spend on each item (bills for the past year, credit card statements and bank account statements will assist you to do this).

You can find a handy budget planner to download at iffp.com.au to help you track your expenditure.

f) Your skills and abilities - Taking stock of your 'personal assets' is as important as understanding and managing your current financial position. Your personal assets are your skills and abilities, which are very relevant to planning your financial future, for instance:

- What skills would you bring to a new endeavour or be able to offer a new employer?
- Would you find any satisfactory outlet for exercising your abilities if you retired early?
- What would you do with your days?

5. What other support is available to me?

In redundancy situations, your company may offer assistance in preparing a resume, job seeking skills or retraining options via an outplacement service. Accept any help that is offered, regardless of the options you are considering, but remember for any financial matters contact your industry super fund or IFFP first.

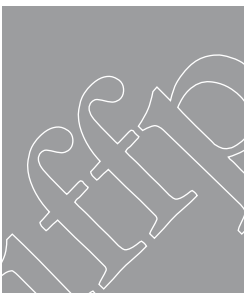
Other sources of support can include:

- Trade unions and professional associations:** If you are a member you can often access a variety of information, training and referral services offered by your organisation.
 - Your industry superfund:** Most funds provide access to financial advice services. They can assist you develop a plan to deal with your lump sum and changing financial circumstances.
 - Local community organisations:** Some offer training, counselling and assistance.
 - Job Network/Job Services Providers:** national network of private and community organisations dedicated to finding jobs and providing assistance job seekers. workplace.gov.au/workplace
 - Centrelink:** You may be eligible for income support from Centrelink. Waiting periods and income and asset tests apply. They also offer some government training programs for the longer term unemployed. Go to centrelink.gov.au for details.
 - Emotional support:** The emotional consequences of redundancy can be serious, varying from feelings of helplessness to deep depression. Apart from helping you find a new job or transition to a new career, outplacement companies can also provide support in dealing with the emotional consequences of redundancy. If you have family members or friends who have been made redundant, encourage them to get help if they need it.
- Your family doctor is also a good starting point. You can also visit beyondblue.org.au or superfriend.com.au for further support.



The Do's and Don'ts if made redundant:

Do	Don't
Ensure you receive a schedule of payments from your employer, and that you have a clear understanding of what you will receive in your redundancy package.	Accept a redundancy package before looking at the conditions of your Industrial or Employment Agreement. Visit workplaceauthority.gov.au for more information.
Check your level of insurance cover and conditions with your industry super fund.	Just assume that your schedule of payments has been calculated correctly. Check with your trade union, professional association or a qualified Financial Planner.
Try to remain positive and take control of the situation without letting it take control of you.	Make any sudden investment decisions with your lump sum or accumulated super.
Consider your options carefully. Keep an open mind and ensure you use your redundancy package in the most effective way possible.	Refuse assistance from people or organisations that can help or offer support.
Contact your industry super fund to talk about your options. Ask to speak to an IFFP financial planner.	Spend your redundancy payment without giving full consideration to how your package can best be used in your circumstances.
Seek emotional support if you feel overwhelmed by the situation.	Allow the situation to overwhelm and take control of you.
Record and prioritise all your essential and non-essential living expenses to help plan a budget and track your financial commitments.	Put off speaking to your financial provider if you have any outstanding loans or debts. They may be able to provide you with a new repayment plan to take into account your circumstances.



It is important that the person you seek financial advice from has only your interest in mind. Industry Fund Financial Planning offers financial advice with experienced, qualified financial planners located in every State and Territory. IFFP provide personalised high quality, low cost financial advice based only on clients best interests. You can find further information on dealing with redundancy and other Fact Sheets on financial issues at our website at iffp.com.au

Industry Fund Financial Planning: 1300 138 848 iffp.com.au