

Fact sheet Help with retrenchment

Being retrenched is a big change that can be stressful in the short term. That's partly because there are important financial decisions that you need to make straight away. This fact sheet contains information to help you through the retrenchment process.

How you can use your payout

Your entitlements

Before you decide anything, you need to understand the various components that make up the retrenchment package you receive from your employer.

Your total payout will probably contain:

1. Annual leave you were eligible for but hadn't taken, including any applicable leave loading.
2. Long service leave you have accrued.
3. A retrenchment payment.

Some employers also include an amount based on unused sick leave in retrenchment payouts.

Your retrenchment payment

Your retrenchment payment is all the extra money you receive because you have been retrenched. Known as an Employment Termination Payment (ETP), it may contain a:

- tax-free component; and
- taxable component.

Depending on your employment contract, you may have a Transitional Termination Payment (TTP). You will only have a TTP if you were entitled to an Eligible Termination Payment under an employment contract or agreement that was in force before 10 May, 2006. Only TTPs can be rolled into super. ETPs cannot be rolled into super.

Tax-free component

Your tax-free limit is \$8,435 plus \$4,218 for each year of service with your employer. Amounts up to the tax-free limit make up your tax-free component.

How the taxable component of your redundancy payments are taxed

Your employer will provide you with a summary of your package that indicates how your total payment is made up and shows you whether you are entitled to a TTP or not. The taxation of these payments is detailed below. These rates assume that your Tax File Number has been provided.

ETPs	
Your age*	Tax treatment
Under 55	First \$165,000: 30% [†] Amount over \$165,000: 45% [†]
55 or older	First \$165,000: 15% [†] Amount over \$165,000: 45% [†]

TTPs taken as cash	
Your age*	Tax treatment
Under 55	30% ^{†‡}
55 or older	First \$165,000: 15% [†] Amount over \$165,000: 30% ^{†‡}

TTPs rolled into super	
Your age*	Tax treatment
All ages	15% [†]

* Age on the last day of the financial year when the payment was made.

† Plus Medicare levy of 1.5%

‡ TTP amounts over \$1 million are taxed at 45% (plus Medicare Levy of 1.5%) except when rolled into super and falling within your before-tax contribution limits.

Note: Flood Levy may also apply to payments received in the 2011/12 year.

For further details go to www.ato.gov.au

What to do and when

First week:

Review your payout

Check that the summary of your package supplied by your employer is accurate or, if you feel you need to, ask an accountant to check the details for you. Also check whether you received a TTP. If you did, you'll need to make a decision about what you will do with this payment (take it as cash or roll it over into super) and advise your employer.

Retiring or returning to work?

If you are 55 or over, there are several options available to you. Whether you are in a position to retire early or not, you may wish to consider setting up a retirement income stream. This may help you supplement your income while you are looking for work. And when you return to work, the Government's Transition to Retirement (TTR) arrangements will allow you to continue your income stream, salary sacrifice your wage and potentially save thousands in tax.

You can use the Over 55 Savings Planner at www.australiansuper.com/calculators to work out how much income you could receive and its impact on your total savings.

Work out a budget

You may find it useful to do a budget to work out how much cash you'll need over the next few months and whether you need to cut down on your household expenditure. One helpful strategy is to divide your living expenses into essentials (such as groceries, rent or mortgage repayments and power bills) and optional extras (like eating out and entertainment).

Contact Centrelink

You may be entitled to financial assistance from Centrelink. But there may be a waiting period before you become eligible for income support, so it's a good idea to contact Centrelink immediately to:

- Register as a job seeker, using the Employment Separation Certificate you can request from your old employer.
- Check your eligibility for income support before you decide what you'll do with your redundancy money.
- Check your eligibility for a Health Care Card, which may help reduce your living expenses.

You will also need to contact Centrelink if you are retiring and qualify for the Age Pension.

You can check the details of eligibility on the Centrelink website at www.centrelink.gov.au or by calling 13 28 50 (Employment Services) or 13 23 00 (Older Australians).

First month

Decide how to use your TTP (if you have one)

If you are eligible for a TTP, your employer will give you a pre-payment statement that allows you to choose between three payment options:

1. Rolling over the full amount (of your TTP, not your total payout) into your super fund.
2. Taking the full amount in cash.
3. Taking some of the TTP as cash and rolling over the rest.

You must provide your instructions in the space provided and return the statement to your employer within 30 days. If you don't return it in time, your employer will pay the TTP in cash and it will be too late to roll it over.

Advantages of rolling over your TTP

- If you are under 55, you may only pay half the tax you would pay on most or all of your TTP if you took it in cash – normally 15% versus 30%.
- You ensure that you get long-term benefit from your payout rather than using it all in the short term.

Review your insurance arrangements

Even if you make no further contributions to your AustralianSuper account in the coming months, your cover for Death, Total & Permanent Disability (TPD) and Income Protection (IP) will continue for 13 months from the end of the month in which your last employer contribution was made (insurance premiums will continue to be deducted monthly). However, now is a good time to review your cover. The calculators on our website at www.australiansuper.com/calculators allow you to weigh up the different levels of cover and their effect on your premiums.

Reorganise loans and debts

If you have been retrenched unexpectedly, you may have loan repayments or other financial obligations that will now become hard to manage. The sooner you discuss your situation with the lender the better.

If you need help with this you can access free financial counselling. Details of what help is available is on the Financial Counselling Australia (FCA) website www.financialcounsellingaustralia.org.au or call 1800 007 007 from anywhere in Australia.

Within two months

Organise your super

One thing you don't have to worry about is your super. You don't have to do anything to stay with AustralianSuper and keep paying some of the industry's lowest fees to have our expert team looking after your savings.

If you take a new job, you can simply ask your new employer to pay your Superannuation Guarantee contributions into your AustralianSuper account. This helps you avoid paying duplicate fees or switching to a fund that uses some of its investment earnings to pay share-holder dividends or commissions to financial advisers.

If you have super in other funds, you can easily combine all your super savings into your AustralianSuper account. This will save you from paying unnecessary extra fees as well as making your total super balance much easier to keep track of.

Consider getting professional advice

You may find it useful to get some general advice about planning and managing your finances. As an AustralianSuper member you have access to fee-for-service commission-free financial advice with an Industry Fund Financial Planning (IFFP) adviser. Contact IFFP on 1300 138 848 or visit www.iffp.com.au for more information.

Alternatively, Centrelink's Financial Information Service runs seminars and provides free advice on a whole range of financial issues, including one outlining the choices you have following retrenchment. For details, you can call 13 23 00 or visit their website at www.centrelink.gov.au and follow the links through to the Financial Information Service page.

Feeling better

Being retrenched is often associated with a series of shocks such as suddenly losing your job, facing the prospect of unemployment and the possibility or reality of financial hardship. Such experiences are bound to have an emotional impact on you. The support of your family or simply having a bit of time to get used to the new situation may be all it takes to get you past your initial reaction.

However, if you remain angry, frustrated, pessimistic, anxious or depressed when you are over the initial shock, you may find it helpful to talk to someone.

To check whether your reaction is normal or something you should talk to someone about, you can visit the beyondblue website (www.beyondblue.org.au). Follow the Get information link to download a copy of the booklet *Taking Care of Yourself – and Your Family* – after Retrenchment and Financial Loss – or call 1300 224 636 to be sent a copy.

This very useful booklet outlines the range of emotional reactions that people commonly feel after being retrenched, identifies danger signs you can look out for, and contains plenty of suggestions to help you maintain a positive outlook and find the right support if you need it.



Looking after your wellbeing in stressful times

We are living through stressful times. For some, stress may lead to depression, alcohol related issues or more serious problems. It's not unusual and it's not something to be ashamed of. If you or anyone you know is experiencing high levels of stress, or feel like you're struggling to cope, visit the SuperFriend website at www.superfriend.com.au

Created by a group of concerned industry super funds, including AustralianSuper, the site brings together the resources of a wide range of health organisations and provides information and advice covering:

- simple and effective ways to improve physical and mental wellbeing
- achieving a wholesome work/life balance
- detecting the symptoms of common mental and emotional problems; and
- reaching out for and obtaining help.

Frequently Asked Questions

Q: Will extra super be included in my termination payment?

A: No.

Termination payments do not include Superannuation Guarantee (SG) contributions. Once you or your employer have notified us that you have been retrenched, we will be able to tell you exactly how much super you have been paid.

We will also be able to tell you how much, if any, of your super is unrestricted 'non-preserved' and 'available' for withdrawal.

Q: Can I stay with AustralianSuper?

A: Yes.

You will automatically stay with AustralianSuper. You don't need to do anything while you're between jobs.

When you get a new job, you can simply ask your new employer to pay your contributions into your AustralianSuper account.

If you set up your own business and become self-employed, you may choose to transfer your balance to our Personal Plan, especially designed for self-employed people, just by completing a form.

If you are already 55 or over and have at least \$10,000 in your account, you can also start drawing an AustralianSuper Pension as part of your transition to retirement. If you are continuing to work part-time, you can use the AustralianSuper Pension to top up your income. If you are permanently retiring, an AustralianSuper Pension can provide you with a flexible, adjustable income that is tax-free after age 60. Visit www.australiansuper.com/pension for details.

Q: Can I withdraw some of my super right now?

A: If you are under 55, you can only withdraw super as a lump sum if:

- you have unrestricted non-preserved benefits; or
- you qualify and gain approval for the early release of super on compassionate grounds (such as needing money to pay for medical treatment to relieve a severe condition) or because of financial hardship (which must include having been on government support for the previous 26 weeks and being in receipt of continuing support).

You can check to see if you have any non-preserved super by calling us, checking your six-monthly benefit statement, or by logging in to your online account.

Once you have turned 55 (provided you were born before 1 July 1960), you can either:

- retire permanently and withdraw as much of your super as a lump sum as you choose

- retire permanently and begin drawing an account-based income stream like the AustralianSuper Pension out of your super funds; or
- cut down your working hours and use the account-based income stream to top up your earnings.

Q: Will taking out a few thousand dollars now make a big difference to my final benefit?

A: Yes.

Any substantial withdrawals you make from your super now will have a big impact on your retirement savings. Use our online calculators at www.australiansuper.com/calculators to look at the impact a withdrawal may have on your retirement benefit.

Q: Are there any additional fees?

A: No.

There are no extra fees charged by Australian Super associated with being retrenched, changing employers or being unemployed. Even if you changed funds and closed your AustralianSuper account, there would be no termination fee, only a \$35 withdrawal fee.

The standard \$35 withdrawal fee also applies if you withdraw any unrestricted non-preserved super.

Q: Will my insurance cover continue?

A: Yes.

If you have Death, Total & Permanent Disablement (TPD) and/or Income Protection insurance cover through AustralianSuper, you will remain covered at the same level for 13 months even if no new contributions are added to your account, provided there is still enough money in your account to cover the premiums.

Q: Can I still get a retrenchment payout if my employer goes into liquidation?

A: Yes.

If you haven't been paid any or all of your entitlements because your employer is bankrupt or in liquidation, you can send in a General Employee Entitlements and Redundancy Scheme (GEERS) claim form. The GEERS scheme can pay up to three months' outstanding wages, all outstanding annual and long service leave, up to five weeks' wages in lieu of notice and up to four weeks' wages in retrenchment entitlements for each full year of employment with your employer – although there are limits for higher salary earners. For more details, visit www.deewr.gov.au or call the GEERS hotline: 1300 135 040.



For More Information

If you need more help with retrenchment, call us on **1300 300 273**. Some staff at AustralianSuper are bi-lingual and/or can help you with access to interpreters.

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