

Your guide to

Redundancy



**FREE initial
consultation**

At Welby we provide flexible solutions to meet your changing financial needs.

Throughout life, many things can have a significant impact on your financial needs and plans for the future. At Welby we can follow your circumstances as your life journey progresses, from marriage and property purchases, to starting a family, business commitments, retirement and inheritance planning, even moving abroad; the list is endless. We are here to support all your plans. Our aim is to ensure that your financial plans remain relevant and on track for the future.

Our team of independent financial advisers are here to simplify the financial planning process. Our conversations with you are expertly focused on all aspects of your goals, alongside our knowledge to help you stay on the best financial path for you.

This guide focuses on *Redundancy*, a situation that can be highly stressful and financially challenging. We can apply our expertise to advise you on your rights to redundancy pay, minimising the tax payable on a lump sum and your next steps after being made redundant.

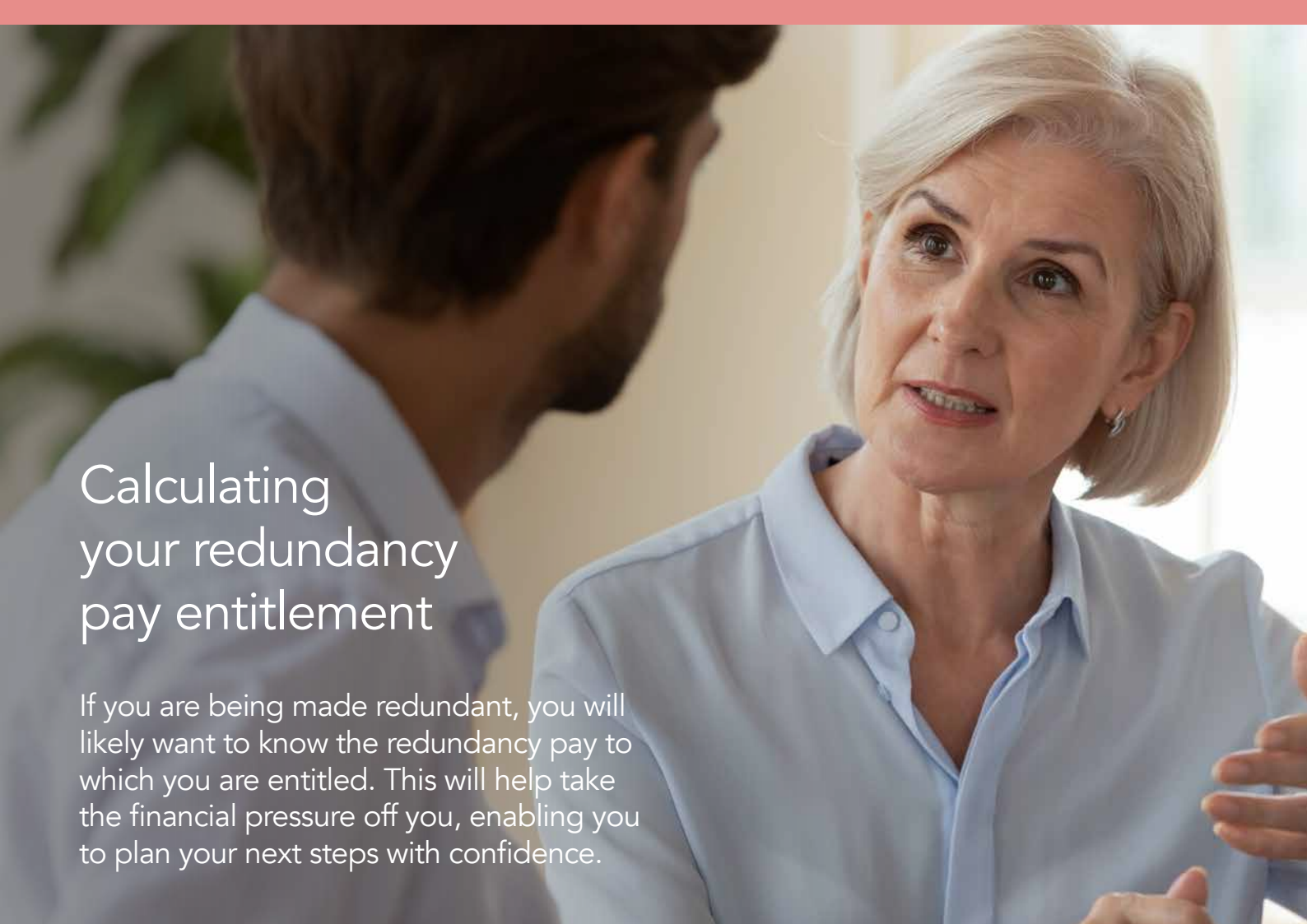


The reassurance of Chartered status

Welby are proud to carry the prestigious title of Corporate Chartered status, awarded by the Chartered Insurance Institute. Welby demonstrate commitment to professional standards through ethical practice and an ongoing investment in expertise through continuous professional development.

For our clients, it shows dedicated customer service from our team and the capability to deliver the highest level of financial advice.

Our highly skilled team is always at your service



Calculating your redundancy pay entitlement

If you are being made redundant, you will likely want to know the redundancy pay to which you are entitled. This will help take the financial pressure off you, enabling you to plan your next steps with confidence.

Statutory redundancy

Statutory redundancy is the legal minimum pay to which you are entitled and is calculated according to your length of employment, age, and weekly pay at the time you are made redundant. You are not entitled to statutory redundancy pay if you have worked for your employer for under two years.

You will receive:

- half a week's pay for every full year you were aged under 22
- a week's pay for every full year you were aged between 22 and 41
- one and a half week's pay for every full year you were aged over 41.

'Weekly pay' for the purposes of statutory redundancy is capped at £544 and the maximum you can receive is £16,320. Length of service is capped at 20 years.

The more generous employer

Some employers will offer additional money on top of your statutory redundancy pay as part of your contract. Many offer this as part of a combined employee benefits package to attract the best talent to their company. This is called 'contractual redundancy pay' and by law it cannot be less than the statutory amount you are entitled to. You should check your contract of employment to see whether you have any contractual redundancy entitlement.

You will have to pay tax on any redundancy payment over the value of £30,000.

Understanding the redundancy pay you are entitled to will enable you to plan your next steps



How will my lump sum be taxed?

When planning your finances following redundancy, it is important to remember that your redundancy payment may be subject to tax.

A redundancy payment is made up of two parts:

- a) the redundancy payment itself
- b) other payments such as salary, holiday pay and payment in lieu of notice (PILON)

Your redundancy payment is tax-free up to a threshold of £30,000, with anything over this amount classed as relevant UK earnings and thus subject to Income Tax and National Insurance (NI). Meanwhile, the second part of your payment will be counted as relevant earnings and will be subject to Income Tax and NI (irrespective of whether the total amount of both parts adds up to more than £30,000).

Planning your long-term future

The period after being made redundant is often a time to reflect on your long-term plans for the future. Depending on the stage you are at in your career and your long-term goals, your redundancy could actually provide you with the opportunity to make a positive change.

When planning your next steps, don't just limit your horizons to finding a new job in the same sector.

You could follow a number of routes, including:

- A change of career
- Becoming a consultant or contractor
- Starting your own business
- Retraining or returning to education
- Taking early retirement.

Whatever path you decide to take, we can assist with sound financial planning advice to help you take your next steps with confidence



What to do with your lump sum

Once you have been awarded your redundancy lump sum, it is important to plan carefully to ensure you make the most of it.

Making your redundancy pay work for you

Being faced with a lump sum following redundancy can feel daunting, with a wide range of options open to you for spending or investing it. You may need to live off your redundancy payment until you find a new job. In this instance, it is advisable to place it in a high-interest current or instant-access savings account, so the money is there when you need it.

If you don't need your redundancy payment to live on (for example you have found a new job immediately or have savings) there are various options available. For example, you could use it to clear any debts, overpay on your mortgage, or invest it. Or, you could use part of your payment as a pension contribution.

Using your redundancy pay tax-efficiently

One of the best ways to minimise the tax payable on your redundancy pay is to invest it into a pension scheme or ask your employer to pay the taxable part of your redundancy pay as an employer pension contribution (redundancy sacrifice).

Tax relief on personal contributions to a pension is limited to the higher of £3,600 or 100% of earnings in each tax year. The Annual Allowance, for contributions from ALL sources, is currently £40,000. In addition, you may be able to carry forward any unused Annual Allowance from the previous three tax years, subject to certain conditions and if you have been a member of a registered pension scheme.

If you are over 55, you should also be aware of the Money Purchase Annual Allowance (MPAA). This is triggered when you take money from a defined contribution pension and limits the amount you can pay into your pension tax-free to £4,000. The Lifetime Allowance (£1,073,100 in 2021/22) must also be considered.

If your redundancy package is valued at over £30,000, advice is essential to ensure maximum tax-efficiency



Have I lost valuable benefits with my job?

In addition to losing your job, you may also have lost valuable employee benefits such as private healthcare, income protection, or life insurance.

Losing these benefits can have as much of an impact on your financial stability as losing your salary.

It is therefore important to source replacement cover to protect you and your family against unexpected events but, with a vast number of protection products on the marketplace, it can be difficult to understand which kind of cover you need. This is where professional financial advice becomes invaluable.

The value of financial advice

Redundancy poses a number of financial difficulties on individuals and their families. Getting made redundant may result in the need to cut down your spending to

fit a stricter budget while you are not working. Your redundancy payment may be an opportunity to clear debts or make shrewd investments. Whatever you decide to do with your lump sum, professional financial advice can help ensure your redundancy money works for you.

Redundancy can also be a time to reflect on your longer-term financial goals. Whether you are thinking about changing your career path, paying off your mortgage or planning for retirement, we can work with you to secure your and your family's financial future.

Why Welby?

Chartered status is a mark of the highest standards of professionalism and client care and remains the 'gold standard' of excellence and integrity within the profession. If you have been made redundant, then working with a Chartered Financial Adviser like Welby means the peace of mind of knowing you're already on the way to getting back on track.

Taking financial advice following a redundancy will help you to get a robust plan in place, giving you the breathing room you need to consider your next steps

Your redundancy checklist

Getting made redundant can feel like a devastating blow, but working through the steps on this checklist can help you come to terms with your redundancy and get back on track:

Read over your redundancy paperwork – make sure you have received what you are entitled to and that you don't do anything to compromise your redundancy agreement (e.g. getting a new job too soon)



Work out your needs according to three scenarios: finding another job immediately, not returning to work straight away, or simply taking your retirement. If you wish to continue your career but don't find a new job quickly, consider the financial resources you have to support you. If you're thinking about retiring, take a look at your current pension savings to ensure you'll have an adequate income to support your lifestyle.



Draw up a thorough plan that takes into account your new income and essential outgoings – this will help you plan for your future.



Consider replacing lost workplace benefits. If you are now unprotected due to losing insurance or health cover, you may want to take out individual policies.



Take financial advice regarding your redundancy payment. At Welby, we can help answer important questions such as how to minimise the tax payable on your lump sum, making pension contributions, which investment funds to choose, and how your decisions will affect your longer-term plans for the future.



Get in touch

If you have queries or would like to discuss any aspect of retirement planning, get in touch.

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