

# REDUNDANCY AND YOUR SUPER

May 2024

This information is about Media Super. It doesn't account for your specific needs. Please consider your financial position, objectives and requirements before making financial decisions. Read the relevant Product Disclosure Statement (PDS) and Target Market Determination to decide what's right for you. Call **1800 640 886** or visit [mediasuper.com.au](http://mediasuper.com.au).

United Super Pty Ltd  
ABN 46 006 261 623 AFSL 233792  
as Trustee for the Construction  
and Building Unions Superannuation  
Fund ABN 75 493 363 262 offering  
Media Super products (Media Super).

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If your role is made redundant, it can be a confusing time. A lot of decisions need to be made, but the good news is you don't need to do anything with your super straight away.

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Reactions to redundancies can be mixed. Initially most people may feel overwhelmed and worried about finding a new job, maintaining their lifestyle, and concerned about how family and friends will react to the news.

However, redundancy and the associated payment may also bring relief and a sense of freedom to explore new opportunities, such as early or semi-retirement, travel or a new career. For everyone, it involves making some important financial decisions, which may include superannuation.

Thankfully, your Media Super account doesn't need to change. Just remember that you can take your Media Super details to your next role.

## What will happen to my super?

This will depend on your current employer fund. If your employer contributions are being paid to Media Super, then nothing happens immediately to your super account. Your insurance cover may change however, so make sure your level of cover reflects your situation.

Some large employers, such as media companies, have corporate funds for their employees. If you leave the company or your position is made redundant, your entire super balance may be transferred into another plan run by the same administrator. But that doesn't mean your super will be handled the same.

Make sure you check out the features of your new plan to ensure:

- You have been provided with the same, or similar, level of insurance cover
- You are not going to be penalised with higher fees
- Your money has been transferred to an investment option that's right for you.

Finding out this information can ensure that you stay in control of your retirement savings. Investing in a low-cost fund run only to benefit members, such as Media Super, may significantly improve your retirement outcome.



## Redundancy payment

A genuine redundancy payment is calculated by your employer and is usually based on your salary and years of service.

It may comprise of three parts:

- tax-free amount
- unused leave and unused long service leave payments
- employment termination payment

### Tax-free amount

This only applies to a genuine redundancy up to an individual's Age Pension age. The tax-free amount is made up of a base amount and a service amount for each completed year of service.

The base and service amounts are set by the Federal Government and indexed each year in line with average weekly ordinary time earnings (AWOTE).

For 2023-24, the tax-free amount is made up of \$11,985 (base amount) plus \$5,994 for each completed year of service. Visit [ato.gov.au](http://ato.gov.au) for further details of current indexed amounts.



## CASE STUDY - KRISTY

Kristy was made redundant, and her redundancy payment of \$50,000 (not including any unused annual or long service leave) was paid in the 2023-24 financial year. It is a genuine redundancy, and she has five completed years of service. Her tax-free amount\* is \$41,955, and the balance of \$8,045 is her employment termination payment.

\* The tax-free amounts have been calculated using the 2023-24 indexed amounts.

### Unused leave

Unused annual leave and long service leave accrued since 16 August 1978 is included in assessable income and is taxed at a rate of 32% (including the Medicare levy). If no TFN is provided, 47% withholding tax rate applies.

## Employment termination payment (ETP)

This is any payment amount in excess of the tax-free amount. It does not include any unused annual or long service leave, but may include amounts for:

- unused rostered days off or sick leave
- payment in lieu of notice
- a gratuity or golden handshake.

If your employment commenced before 1 July 1983, the portion of your ETP relating to the service period before that date will be treated as the tax-free component. The remaining amount is the taxable component of the ETP.

ETPs received within 12 months of termination of employment qualify for a lower or concessional rate of tax, which is capped by the Federal Government.

The ETP cap is indexed each year in line with AWOTE. Visit [ato.gov.au](http://ato.gov.au) for further details and current indexed amounts.

For 2023-24, the employment termination payment (ETP) tax cap is \$235,000, and the taxable component of the ETP will be taxed as follows:

Age at 30 June	ETP amount <sup>†</sup>	Tax rate
Under preservation age	Up to \$235,000	32% <sup>‡</sup>
	\$235,000 and over	47% <sup>‡</sup>
Preservation age and over	Up to \$235,000	17%
	\$235,000 and over	47%

Figures apply for the 2023-24 financial year.

Tax rates include the Medicare levy of 2%.

<sup>†</sup> Lower limits for the concessional tax treatment will apply if you've previously received ETPs related to the same termination or another ETP in the same financial year, or if your ETP is a 'non-excluded payment' (such as a golden handshake, a non-genuine redundancy payment, a payment in lieu of notice, or a payment for unused sick leave or unused rostered days off).

<sup>‡</sup> Tax rates show the maximum tax payable on the taxable component, up to your ETP cap for the year.

ETPs received after 12 months may be taxed as income at your marginal tax rate.

The ETP cap amount applies to the taxable components of any ETPs paid in the financial year or for the same employment termination, even if in an earlier year.

### ETPs and your super

The ETP amount must be taken as a lump sum, and although an ETP cannot be rolled into super, you can make a post-tax (non-concessional contribution) to super with all or part of this amount. You should check the contribution caps, and you may want to get advice before doing this.

## We're here to help

You don't need to work things out alone. If you have any questions you can speak to our Advice Services team over the phone from 8:30am to 6pm (AEST/AEDT), Monday to Friday. Visit [mediasuper.com.au/advice](http://mediasuper.com.au/advice) for more details, or you can contact us on the details below.

## Tax on concessional (pre-tax) contributions

Concessional contributions into super are ordinarily taxed at 15%, however higher income earners are liable to pay 30% tax on concessional contributions. Since 1 July 2017, the income threshold for paying the 30% tax (Division 293 tax) is \$250,000.

## Access to super

When your employment ends, some of your super may become accessible. If you are considering withdrawing any available funds from your super, you need to consider:

- the advantages of using these funds to improve your current lifestyle, versus
- the disadvantages of withdrawing funds from both a concessional tax environment and your future retirement lifestyle, as well as any tax implications (particularly if you are below preservation age).
- any impacts this may have on your insurance cover.

The taxable component of any lump sum will be taxed as follows:

Age	Tax rate
Below preservation age	Your marginal tax rate or 22%, whichever is lower
Preservation age to 59	0% on the first \$235,000 Then 17% or your marginal tax rate, whichever is lower, on the remaining balance
60 and over	Tax-free

Figures apply for the 2023-24 financial year.  
Tax rates include the Medicare levy of 2%.



You can find out more at [mediasuper.com.au/accessing-your-super](https://mediasuper.com.au/accessing-your-super)

## Centrelink

Register with Centrelink when you cease employment if it's likely you will be entitled to an income support benefit at some stage. If you have received a redundancy payment, there is likely to be a waiting period before any income support benefit is paid.

For more information you can contact Centrelink on **132 300** or visit [servicesaustralia.gov.au](https://servicesaustralia.gov.au).

## Managing your redundancy payment

Take the time to consider how to make the most of your redundancy payment and think about getting advice.

If you don't have a new role to go to, you may need these funds to maintain your lifestyle and pay debts. When you are settled in a new role, or have income from another source, you can then make decisions about any remaining funds.

This can be a confusing time, so take up any assistance offered, whether from employee assistance programs and job search agencies or from family and friends.

## More information

Our Member Services team is available to help on **1800 640 886** between 8am and 8pm (AEST/AEDT), except for national public holidays. Alternatively, email us at [enq@mediasuper.com.au](mailto:enq@mediasuper.com.au).



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**1800 640 886**  
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Visit us in person in Adelaide, Brisbane, Melbourne, Perth and Sydney.  
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