media super
An Industry SuperFund

# REDUNDANCY AND YOUR SUPER

Being made redundant can be a confusing time. A lot of decisions need to be made, but the good news is your Media Super account will be unaffected.

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 will involve making some important financial decisions, which may include superannuation.

Thankfully, your Media Super account doesn't need to change, and you can continue to enjoy the benefits associated with your membership.

## 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 your existing account will be unaffected by your redundancy; investment options, fees and charges will remain the same. Your insurance cover may change however.

Further, if you do start in a new role, you can take your Media Super account with you by simply giving your membership details to your new employer.

If your super contributions are being paid to a corporate fund, it is likely that your super balance will be transferred to a retail or personal plan run by the same administrator. In this case you should consider the features of the new plan to ensure that:

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

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, can significantly affect your retirement lifestyle.

## 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
- employment termination payment
- unused leave and unused long service leave payments.

### 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 2020-21, the tax-free amount is made up of $10,989 (base amount) plus $5,496 for each completed year of service. Visit **www.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 2020-21 financial year. It is a genuine redundancy, and she has five completed years of service. Her tax-free amount# is $38,469, and the balance of $11,531 is her employment termination payment.

# The tax-free amounts have been calculated using the 2020-21 indexed amounts.

### 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 30 June 1983, the portion of your ETP relating to that 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 **www.ato.gov.au** for further details and current indexed amounts.

For 2020-21, the employment termination payment (ETP) tax cap is $215,000, and the taxable component of the ETP will be taxed as follows:

| Age at 30 June | ETP Amount | Tax rate |
|---|---|---|
| Under preservation age | Up to $215,000 | 32% |
| | $215,000 and over | 47% |
| Preservation age and over | Up to $215,000 | 17% |
| | $215,000 and over^ | 47% |

Figures apply for the 2020-21 financial year.
Tax rates include the Medicare levy of 2%.

^ ETPs that are not related to genuine hardship (e.g. golden handshakes) obtain less favourable tax treatment. Those ETPs only avail of the concessional tax rates for the portion of the ETP which brings the *total income* of the recipient up to the ETP cap.

ETPs received after 12 months will be taxed as income at your marginal or higher 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.

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 or 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.

**Unused leave**
Unused annual leave accrued since 15 August 1978 is included in assessable income and is taxed at a maximum rate of 32% (including the Medicare levy).

## Income threshold

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

On ceasing employment, 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 concessionally taxed environment and your future retirement lifestyle, as well as any tax implications (particularly if you are below preservation age).

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

| Age | Tax rate |
|---|---|
| Below preservation age | 22% |
| Preservation age to 59 | 0% on the first $215,000 |
| | 17% or your marginal tax rate, whichever is lower, on the balance |
| 60 and over | Tax-free |

Figures apply for the 2020-21 financial year.
Tax rates include the Medicare levy of 2%.

## 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 **www.centrelink.gov.au**

## Managing your redundancy payment

Take the time to consider how to best use 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 consider taking up any assistance that's offered, whether from employee assistance programs and job search agencies or from family and friends.

Our Helpline and/or your Media Super Business Development Manager (BDM) is available to assist you. Our Helpline is available on **1800 640 886**, alternatively, your local BDM's details can be found at: **mediasuper.com.au/bdm**.

For more complex or personalised advice, you may wish to arrange an appointment with a Media Super Financial Planner.*

## Get some advice

In times of uncertainty, it can help to discuss your financial situation with an expert. Our Media Super Financial Planners* can help you understand your current position, determine what your goals are and look specifically at your superannuation and retirement planning needs.

As a valued member of Media Super, you are entitled to an initial one hour consultation with a Media Super Financial Planner, at no cost to you and without any obligation. This initial consultation will help you understand how the financial planner may be able to assist you. Your planner will discuss the nature of any advice they might recommend and provide a fixed price fee quote for your consideration. Should you choose to proceed with the personal advice, you can authorise the Fund to deduct the eligible advice fee from your Media Super account.

You can contact your Media Super Financial Planner* directly to arrange an appointment. Find your state based planner at **mediasuper.com.au/financialplanners**.



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