

# Worried about redundancy?

*As the effects of inflation continue to have an impact on employers and our daily lives, many of us are left worrying about the potential of losing our jobs.*

If you're worried about being made redundant, there are sensible and practical steps you can take to prepare for the possibility of redundancy and to protect your financial well-being.

1

## *Have a back-up plan*

If you're starting to worry about job security, then act now and put a back-up plan in place. Preparation is everything and it's worth putting aside three months income in an account that you can access easily. This doesn't need to be three month's salary, just enough to cover all your essential outgoings. If you are able to cut any costs during this time, it is worth doing. If you can, save it.

2

## *Review your finances now*

Many of us have no idea how much we spend on a monthly basis. One of your first steps should take is to look at your monthly income and then your monthly outgoings. Draw up a budget that includes essential items such as mortgage payments, food, utilities and car insurance. Have a serious look at what you could do without or cancel to cut costs. Many banks have useful apps that can help you track your spending.

3

## *Make sure you receive what you're entitled to*

If your job is made redundant you should make sure you are being offered the right sum of money. If you've been with your employer for two years or more here are rules on what you're entitled to:

- ▶ The amount is based on your age, your salary before tax and how long you have worked for the business. For anyone aged between 22 and 40, the minimum is one week's pay for each full year you have been there. You are entitled to half a week's pay for every year worked under the age of 22 and one and a half week's pay for years aged 41-plus. There are limits though.
- ▶ The maximum statutory redundancy payment anyone can get is £19,290.

If you are a member of a union or staff association, they may have support services they can provide or put you in touch with.



#### 4

### *Don't pay too much tax*

Of course, your employer may offer you more than the statutory amount. If that's the case, then you need to be aware that up to £30,000 of a redundancy payout is not taxable – but holiday pay or pay in lieu of notice is not included in this and will be taxed as normal.

One of the most efficient ways to reduce your overall tax bill if you receive a lump sum of £30,000 or more is to have some of it paid into your pension. Your employer should be able to help you do this but you can also speak to the pension scheme administrator to ask if they will accept a personal lump sum contribution.

Depending on the time of year that your employment ends you may be due some tax back. You should contact HMRC if you have paid any income tax during the year and are likely to be out of work for some time. What you've already paid in tax will be based on the assumption that you would earn the same amount all year.

#### 5

### *Don't miss out on the benefits available to you*

Whether you need the money or not you should investigate registering for the Jobseeker's Allowance. Depending on your circumstances, you may be able to receive credit for national insurance (NI), which means continuing to receive NI contributions as though you are working.

This will help prevent any sizeable gap developing in your NI record, which could affect your pension or benefit rights in the future.

Most people who were employed under PAYE will have made enough national insurance contributions to qualify for contributions-based Jobseeker's Allowance, which is payable for 26 weeks regardless of savings and income. You don't need to wait until you have used up any redundancy payments or savings. However, savings, including any redundancy payments, can affect your entitlement to other means tested benefits.

#### 6

### *Could this be an opportunity?*

Depending on your life stage you will have different priorities. You will be faced with choices which could include retiring early, starting your own business or seeking new employment.

It's important that you understand what you want to do next before deciding on how to best use your redundancy payment. Taking some time to make the right decision will support your long-term well-being.

If you are approaching retirement age your payment could be a welcome boost to your retirement planning and help you generate an income. If you've not yet reached that stage and still need to work, you could use this as an opportunity for a career change.

Your lump sum may tide you over while you retrain or look to set up a business. In this case you should make sure you are aware of any benefits your employer provided such as life cover, private medical insurance, critical illness cover and income protection before deciding on whether you need to replace them. You should also try and ensure your pension planning remains on track.

### *We're here to help*

With so much to consider it's important you seek financial advice. A financial adviser can help provide you with valuable reassurance as well as professional help. Whether that's helping you review and understand your existing spending, deciding on the most tax efficient way of using your lump sum or helping you generate an income for your retirement.

At a time when you're most vulnerable they can make sure the actions you take are the right ones for your short- and long-term prosperity.

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