Tips for coping with redundancy

PETRA CHURCHER | 31 MARCH 2014

In some parts of South Australia unemployment levels are approaching the “train wreck” economies of Europe.

This is particularly true of areas north of Adelaide where we have unemployment of 18 to 19 per cent.

Young people are being hit the hardest and the shutdown of Holden and its flow on effect on associated businesses will exacerbate this situation as more and more workers lose their jobs.

Redundancy has a financial impact on South Australians and their families; it also has an emotional impact.

People can feel very upset and angry: they may also be unprepared. When redundancy occurs quickly and unexpectedly, its impact is greater than when you know it’s coming and have had time to prepare.

This all leads to an important question: are there are any positives in such a dire situation? For some there are.

Examples such as the opportunity to update your skills or learn a new one, spend time with your family, re-evaluate your work life balance, get fit, take a holiday, gain access to a lump sum to pay down debt, invest for the future or retire early are all potential positives in an often horrid scenario.

While a redundancy is cause for concern for the majority, it’s important not to panic. Instead, take stock, look closely at your financial situation and strategically plan your next steps.

So what action steps should you consider?

Establish your own temporary “pay office”

Essentially this means setting up two bank accounts, with one specifically for your redundancy lump sum in a high interest earning account. From this account pay yourself your weekly salary into the everyday account that would normally receive your salary.

The idea here is to only spend the money you would normally earn and not touch the balance. You can manage your own “salary” and avoid spending any extra. The lump sum may seem a lot of money, but will not go a long way if you spend it too quickly. It’s important to preserve your funds adequately until you find alternative employment, while still trying to enjoy your life.

Consider your mortgage

Depending on how much is in your redundancy package, you may have enough funds to pay off all or some of your mortgage. How much you pay off needs to be balanced against an assessment of how much money you need to live, feed your family, pay school expenses for children etc.

Sort out super and insurance

Be aware of what is going to happen to your employer superannuation and any associated insurances attached to it. This is particularly important if you have had any past health issues.

Check your payment
Have your termination payment checked for accuracy. These calculations can be complex so it’s important to have them checked by an expert.

**Talk to Centrelink**

Check your eligibility for Centrelink benefits: while it may not be much fun, pride needs to put aside in these situations. Join a career transition program – your workplace may recommend one, or ask Centrelink what they have on offer.

**Take control**

Budgeting and controlling your spending are about the most important things you can do.

Put some new life goals in place: be clear about what you want and plan to achieve it.

Take back some control and make the most of this transition.

My final tip is that this is not the time to take any financial risks. Make good solid choices and gain expert advice.

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