

# REDUNDANCY AND YOUR SUPER

**It's important to be aware of the impact redundancy could have on your super.**

## What payments could I receive?

If you leave work because of redundancy or approved early retirement, you could receive the following payments from your employer:

- Unused leave payments, such as accrued annual or long service leave
- A bona fide redundancy payment or approved early retirement scheme payment
- An Employment Termination Payment (ETP).

You may also be able to access your unrestricted non-preserved or restricted non-preserved super benefits.

Different types of termination payments are taxed differently.

Payments made directly to you by your employer	
<b>Taxed as income</b>	<ul style="list-style-type: none"> <li>• Unused long service leave, annual leave and/or leave loading.</li> <li>• Salary, wages and allowances owing to you for work done or leave already taken.</li> </ul>
<b>Not taxed as income</b>	<ul style="list-style-type: none"> <li>• Tax-free element of a bona fide redundancy and approved early retirement scheme payments (\$10,399 plus \$5,200 for each completed year of service with your employer).</li> </ul>
<b>Employment termination payments (ETPs)</b>	<ul style="list-style-type: none"> <li>• Unused rostered days off.</li> <li>• Amounts in lieu of notice.</li> <li>• Unused sick leave.</li> <li>• A gratuity or 'golden handshake'.</li> <li>• Taxable element of bona fide redundancy and approved early retirement scheme payments.</li> </ul>

## What is a bona fide redundancy or an approved early retirement scheme?

Bona fide simply means genuine. Your redundancy is considered genuine if the job you were doing is no longer required and your employment is terminated for this reason. This means you will not be replaced by another person, and there is no agreement with your employer for you to be re-hired.

An early retirement scheme is a plan that offers you incentives to retire early or resign because your employer is rationalising or reorganising their business operations.

The taxation of both payments is the same.

### Example of how a bona fide redundancy is taxed

Bill has been made redundant by his employer and receives a bona fide redundancy payment of \$100,000. Bill has completed 10 years of service with his employer. The tax free element of his bona fide redundancy payment is calculated as follows:

$$\begin{aligned} &\text{Base limit } (\$10,399) + \$5,200 \text{ for each year of service} \\ &\text{So for Bill:} \\ &\$10,399 + \$52,000 (\$5,200 \times 10 \text{ years of service}) \end{aligned}$$

Bill's tax free component of his redundancy payment is \$62,399. The remaining \$37,601 is classified as an ETP.

### What is an ETP?

An ETP is a lump-sum payment made to you when your employment is terminated, and may receive concessional tax treatment. ETPs cannot be rolled into superannuation, however they can be used to make personal (after-tax) contributions (subject to the non-concessional contributions cap) and a tax deduction claimed. If you are aged between 65 and 74, you must meet work test requirements. If you are aged 75 or more you cannot contribute to your super account.

## How is the taxable component of my ETP taxed?

ETPs are taxed at different rates depending on your age, and combined must be \$205,000 or less to fall under the lower-tax-rate cap.



Age is at 30 June during the year the payment is received. Tax rates above include the 2% Medicare levy. Limit of \$205,000 is indexed annually by average weekly ordinary time earnings (AWOTE) in \$5,000 increments. For more taxation information visit the Australian Taxation Office website at [www.ato.gov.au](http://www.ato.gov.au)

## Can I access my super?

Whether you can access your super depends on if you have reached your preservation age at redundancy, and in some cases your employment status.

If you were born...	Your preservation age is...
Before July 1960	55
1 July 1960 - 30 June 1961	56
1 July 1961 - 30 June 1962	57
1 July 1962 - 30 June 1963	58
1 July 1963 - 30 June 1964	59
On or after 1 July 1964	60

### If you are under preservation age...

You can access any unrestricted non-preserved benefits at any time, which generally comprise after-tax contributions paid into your account before 30 June 1999 (and their investment earnings up to that date) on leaving employment. Other amounts are required to remain in super until you permanently retire after reaching your preservation age.

### If you have reached preservation age...

You can access your entire super benefit after you have permanently retired.

If you are still working, you can access your preserved benefits by opening an LGIAsuper Transition to Retirement Pension account (TTR). With a TTR, you access up to 10% of your preserved benefits as a pension. See the Pension accounts Product Disclosure Statement for details. Otherwise you can access the same amount as when you were under preservation age.

### If you are age 60 or over...

You can access your total benefit on leaving employment, whether you are permanently retiring or not.

## Important note for Defined Benefit Fund members

If you are a member of the LGIAsuper Defined Benefit Fund and accept another role with a local government employer within 60 days, your defined benefit account will continue and you will be unable to access your super in cash. If you are considering a lower-paid role, you should contact us to determine what impact this may have on your super benefit and discuss the options available.

## Any questions?

Redundancy can be a difficult time for you and your family. LGIAsuper can help you explore your options and prepare for the future. For more information call us on **1800 444 396** or visit our website at [lgiasuper.com.au](http://lgiasuper.com.au).

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T 1800 444 396  
F 07 3244 4344

E [info@lgiasuper.com.au](mailto:info@lgiasuper.com.au)  
W [lgiasuper.com.au](http://lgiasuper.com.au)

GPO Box 264  
Brisbane Qld 4001

LGIAsuper Trustee ABN 94 085 088 484 AFS Licence No. 230511  
LGIAsuper ABN 23 053 121 564