



# WORRIED ABOUT REDUNDANCY?

**Unemployment figures have been accelerating upwards as the economic environment deteriorates and are predicted to go higher for the remainder of the year, leaving the spectre of redundancy looming large for many people. However, for anybody worried about their job security, there are a few practical steps that can potentially cushion the blow.**

## **Build an emergency fund**

Holding three months' income in readily available funds will provide some breathing space in the event of redundancy. This should be in an instant access savings account or ISA but do check the small print – banks frequently penalise savers for taking money out of a savings account through loss of interest. An emergency fund is particularly important for families where there is only one breadwinner.

## **Assess your outgoings**

Keeping track of expenditure can highlight potential problem areas. You may find you have old direct debits for things you no longer need – insurance payments on long obsolete mobile phones, for example. See if you can switch to cheaper utility providers, better value car insurance or credit cards with lower interest rates. Set a budget and then make sure you stick to it.

## **Pay off debt where possible**

Reducing debt can significantly cut your monthly outgoings. Start with the most expensive debt first, which is likely to be credit and store cards. Banks will also charge heavily for overdrafts, even when they are arranged, and personal loans can be cheaper. It is worth checking the rates for all debt and, if you can't pay it off, switching to cheaper types of debt. Mortgages will usually be the cheapest debt – so although it is worth paying down mortgage debt, it should be a lower priority than unsecured debts.

## **Delay large purchases**

This is not the time to start a kitchen refurbishment or loft conversion. Keep new purchases to a minimum and consider putting planned expenditure on hold. With house prices falling, refurbishment may not add value the way it did only a couple of years ago.

## **Check your insurance situation**

Unemployment cover can be bought on its own or with policies such as income protection, and protects in the event of longer-term unemployment. The cost will vary depending on when the payments kick in and the level of income needed. Insurers have policies in place to ensure that people don't take it out in the knowledge they may be made redundant imminently. There is usually a qualifying period and the insurer will not provide a policy if there is already a specific risk to the policyholder's job.

## If the worst happens and you do lose your job

### Check your financial rights

Everyone is entitled to statutory redundancy, even if the company goes bust. For those who have been employed for more than two years, this is one week's pay for every year of employment. For those over 40, this increases to 10 days' pay for each year. Some companies will pay out more than statutory redundancy.

### Check your employment rights

Companies need to follow the proper procedure when making someone redundant and, if they do not, you may have reason to claim for unfair dismissal.

### Check what you are entitled to from the Government

Claiming benefits is not a long-term solution, but can offer a temporary respite.

### Invest any lump sum wisely

While it is tempting to dip into capital for living expenses, it may be worth investing a lump sum to generate an income. While this may be less than you are used to, it will provide some breathing space to find alternative employment. Alternatively, use the sum to pay down debt and reduce your outgoings.

### Maximise your tax benefits

The first £30,000 of any redundancy payment is tax-free. The remainder can also be free of tax if it is moved into a pension. This is a suitable option for those nearing retirement. A lump sum of 25% of a pension pot can be taken as a lump sum from 55, so it may only mean tying the money up for a few years.

### Ensure you claim any insurance entitlement

It may sound obvious, but it is time to dust down the files and root out any insurance policies you may have forgotten about. Unemployment insurance and income protection will kick in after a certain number of months, depending on the policy. Payment protection insurance has proved poor value, but if you already have historic policies in place, you may also be able to claim.

### Look at your mortgage repayments

You may have a number of options depending on the flexibility of your mortgage and it may be possible to take a payment holiday. This will either lengthen the term of your mortgage or increase your payments when they resume, but can give you up to a year with no mortgage repayments. You may also be able to reduce repayments by changing the length of the mortgage or switching to interest-only.

### Consider alternative sources of income

Could you rent out a room in your house perhaps? Under the rent-a-room scheme, you can earn £4,250 per year tax-free. Also, you may be able to take short-term, part-time jobs or raid the attic for things to auction.

