

Navigating Redundancy

This document contains important information and you should read it carefully and keep it safe for future reference.



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IMPORTANT INFORMATION

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Introduction



Facing redundancy is a challenging and emotional time, but understanding your rights, financial options and how to plan for the future can help you to navigate this period with confidence. This guide provides key steps to take when dealing with redundancy, ensuring that you make informed decisions during this transitional time with the support of your financial adviser.

Understanding redundancy

Redundancy occurs when your employer needs to reduce their workforce.

The key reasons for this tend to be due to financial difficulties, company restructuring or technological changes. It's important to know that redundancy is about the role being removed, not your performance.

Your employer must prove that your role is no longer necessary or is being eliminated. They are required to follow a fair process, which typically includes consultation, considering alternatives to redundancy and offering suitable alternative employment where possible. If your redundancy is part of a group layoff, the employer must apply fair and objective selection criteria (e.g., skills, experience or performance).

Government benefits and support

If you've been made redundant, you may be eligible for [Jobseeker's Allowance](#) or [Universal Credit](#) while you look for new employment. Jobseeker's Allowance is based on your National Insurance contributions, whereas Universal Credit is a means-tested benefit designed to support you if you're out of work or on a low income. You can apply for these benefits online, and it's a good idea to do so as soon as possible to avoid gaps in income.

If you're a homeowner, redundancy may impact your ability to keep up with mortgage payments. If you're eligible for universal credit, you may also qualify for support for mortgage interest, which helps cover mortgage interest payments on loans up to £200,000. **Keep in mind that this is a loan and will need to be repaid when you sell your home.**

Assess your financial position

Redundancy is a time when financial discipline becomes crucial. Creating a realistic budget is essential for managing your outgoings and ensuring that your savings or redundancy payment lasts as long as possible. Start by assessing your current spending and making cuts where necessary. Key areas to focus on include:

Essential expenses

These include rent or mortgage payments, utilities, groceries, loans such as a car loan and any debt repayments.

Discretionary spending

Eating out, entertainment and non-essential shopping should be minimised during your period of unemployment.

Insurance

You should also consider reviewing your existing insurance policies. Income protection insurance, for example, can help to provide a safety net in the future if you're concerned about job security. If you had life insurance or health insurance as part of your employment package, you may need to purchase new policies to ensure continuous coverage.

Review your savings and investments

Assess your savings and any investments to understand how much you have to cover your living expenses.

It's important to prioritise liquid assets, such as cash in savings accounts, that can be easily accessed during this period. Avoid dipping into longer-term investments such as any retirement savings accounts unless absolutely necessary, as these have tax implications and could harm your future financial security.

If you have outstanding debts, consider how you'll manage repayments during this period of reduced income. Contact your lenders to discuss options such as pausing or reducing payments temporarily. Prioritise high-interest debts (e.g., credit cards) to prevent them from accumulating further interest.

Explore pension options

If you have a defined contribution pension, your employer will stop contributing once you're made redundant.

However, you can continue contributing to the pension yourself, subject to certain limits. If you receive a redundancy payout, consider contributing a portion of it to your pension to maintain your long-term retirement savings. It is important to note that once pension contributions are made, you cannot access them until you reach the age of 55, rising to 57 in 2028.

If you're part of a defined benefit (final salary) scheme, redundancy may impact your pension entitlements. Consult with your pension provider or a financial adviser to understand how your redundancy affects your benefits.

If you're over 55, you have the option to access your pension savings (increasing to 57 in 2028). However, this should be considered carefully,

as withdrawing from your pension early can impact your future retirement income. You're allowed to take up to 25% of your pension pot tax-free typically, subject to the limit of £268,275, but the remainder will be subject to income tax at your highest marginal rate. Discuss this option with your adviser before making any decisions and to avoid any substantial tax liability.

Bear in mind investment do carry risk and should be considered over the longer term, five years or longer.

The tax implications of pension withdrawals will be based on your individual circumstances, tax legislation and regulation which are subject to change in the future.

Dealing with the emotional impact

Redundancy can be a highly emotionally challenging time affecting your confidence, self-esteem and mental well-being.

It's important to prioritise your mental health during this time. While redundancy is difficult, it's important to remind yourself that it's not a reflection of your abilities. Many people experience redundancy during their careers and go on to achieve success in new roles.

You may also consider professional counselling or therapy to help process your emotions and build resilience.

Long-term financial planning

Redundancy presents an opportunity to reassess your financial goals and overall life objectives.

Take this time to review your career plans, retirement goals and investment strategy. Consider what adjustments you might need to make to your financial plan, such as delaying retirement or adjusting investment strategies to account for lower contributions during this period.

If you haven't already, consider building an emergency savings fund to cover 3–6 months of living expenses. This can help you to manage future uncertainties with financial security.

Redundancy can be a challenging time, but with the right financial planning, you can navigate this period with confidence and protect your long-term financial health. By understanding your redundancy package, managing your expenses and seeking professional advice, you can create a solid plan that ensures financial stability while you transition to the next phase of your career.

Please remember when investing, your capital is at risk. The value of your investment (and any income from them) can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.

