



# BIRCHWOOD INVESTMENT MANAGEMENT LTD NEWSLETTER FOR THE OUTPLACEMENT INDUSTRY

## Welcome to Birchwood

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**At Birchwood Investment Management, we have 25 years' experience of working with leading UK outplacement companies, providing a bespoke financial planning service to help thousands of people find practical solutions to the challenges of redundancy and early retirement.**

Our tailored packages and workshops cover all redundancy requirements – from those who need to understand the benefits system to others seeking financial planning advice to deal with large redundancy payments.

We can provide your clients with on-site seminars or one-to-one advice. Whichever approach we use, our team's specialist knowledge and client-centric approach are designed to provide effective advice at what is likely to be a very stressful time.

Redundancy is a complex issue, and every individual case is different, but this briefing is designed to highlight some common key issues. We hope you find it useful.

## Redundancy Pay: How is it Calculated?

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**A redundancy payment will depend on the scheme that an employer operates, but under the statutory redundancy payment scheme, the amount an employee receives will depend on their age and length of service, up to a maximum of 20 years.**

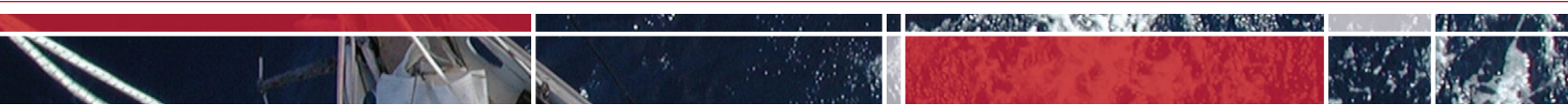
This determines the number of weeks for which pay is due. There is an upper limit on the amount of weekly pay, currently £310, which changes each February in line with the Retail Prices Index. You can calculate the number of weeks' pay due using the following amounts:

- 0.5 week's pay for each full year of service, where the age during the year was less than 22
- 1 week's pay for each full year of service, where the age during the year was 22 or above, but less than 41
- 1.5 weeks' pay for each full year of service, where the age during the year was 41 or above.

If service crosses two bands, the figures in each band should be added together.

For example, someone aged 49 with 15 years of service will be entitled to 19 weeks' redundancy pay – one week for each completed year of service between the ages of 34 and 41 and 1.5 weeks' pay for each completed year of service between 41 and 49.

Redundancy payments, up to a maximum of £30,000, are not subject to income tax or National Insurance.





# Redundancy and Benefit Entitlement

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**Someone who has been made redundant may be entitled to a range of benefits. Everybody's personal circumstances are different, so it is difficult to generalise, but here are some of the commonest benefits that someone made redundant may be able to claim.**

**Jobseeker's allowance (JSA)** is claimed through Jobcentre Plus and is paid to people who are unemployed, or work less than 16 hours a week, and are available and looking for full-time work. People who have paid enough National Insurance will be eligible for **contribution-based JSA**, for up to six months.

The current rates (2007-08) are £46.85 per week for 18 to 24-year-olds and £59.15 for anyone over 25. An occupational pension of £50 or more a week will reduce the amount of contribution-based JSA paid.

**Income-based JSA** is paid if not enough National Insurance contributions have been made or the person is still unemployed after six months.

Income-based JSA is means tested and will depend on other income or savings the claimant or their partner has. If the claimant has savings over £6,000, they may receive reduced benefits. If they have savings of more than £16,000, or £12,000 if they are over 60, they may not qualify for benefits.

**Working tax credit** tops up the earnings of low-paid working people, so will stop when the person receiving it is no longer working.

However, all families with children can **claim child tax credits** if their income is no more than £58,175 a year (up to £66,350 if the child is under one). The Inland Revenue must be told of any changes at once to allow the correct credits to be calculated.

**Housing benefit**, to help with rent, and **council tax benefit**, to help with council tax bills, are claimed through the claimant's local council.

To calculate how much benefit the claimant receives, the council will look at factors including income, savings, family circumstances and

whether other people living in the property could help with the rent or council tax bill.

To qualify for these benefits, capital - which includes redundancy payments, but not the claimant's home - and savings must fall within certain financial limits. Savings above £6,000 will affect the amount paid and savings above £16,000 usually means these benefits will not be paid.

Other benefits that people who have been made redundant may be eligible for, depending on their individual circumstances, include:

**Income support** – for people aged 16-59, who are not in full-time work or actively seeking work and are on a low income. Eligible claimants include single parents and carers. This is affected by savings above £6,000 and is unlikely to be paid to people with savings over £16,000.

**Incapacity benefit** – this is designed to help people who cannot work, or look for work, due to ill health or a disability. To be eligible, they must be unable to claim statutory sick pay from their employer, be under the state pension age (60 for women and 65 for men) and have paid sufficient National Insurance contributions.

Potential claimants of income support or incapacity benefit should contact Jobcentre Plus.

**Mortgage help** is limited to mortgage interest. Someone who took their mortgage out before October 1995, and receives income support, pension credit or income-based JSA, will receive no help for the first eight weeks, 50 per cent for the next 18 weeks and full help after that.

If their mortgage was taken out after during or after October 1995, they will have to wait 39 weeks to receive financial help with the interest payments. This only applies on mortgages up to £100,000.

Anyone being made redundant should start investigating the benefits they are entitled to as soon as possible – ideally before leaving work – so that they can submit claims and have a clear idea of the financial help available at the earliest opportunity.

**To find out more about how Birchwood Investment Management can help you, contact us:**

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