

## You are the client!

**GARDNER BROWN CONSULTING INC.** can assist you by assessing the true benefits and costs of various options.

Our role is to act for you, the client, and not for your previous employer. As a result, any recommendations will be objective and in your best interest.

Fairness of the severance being offered is not an issue in our consultation process. If help is needed with this, an employment lawyer is trained to deal with these matters.

In receiving severance and/or early retirement packages, there are many challenges and opportunities that need careful review to determine the best option for you.



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## Financial considerations when you lose your job

Financial health is usually one of your first concerns. Dealing with this right away provides you with the freedom to pursue successful career search or enjoy your retirement.

**GARDNER BROWN CONSULTING INC.** has suggestions for getting organized financially:

- Sit down with your partner and family to review your finances.
- Check your family budget. If you don't have a spending plan, now may be a good time to start one.
- When possible, delay large expenditures.
- Cut back on everyday spending.
- Set aside money for expenses that cannot be postponed.
- Seek the help of a Certified Financial Planner to assist you in making the best choices to maximize your financial resources.



**Doreen Gardner Brown, BHEc CFP® AFC**

*Certified Financial Planner®  
Accredited Financial Counsellor*

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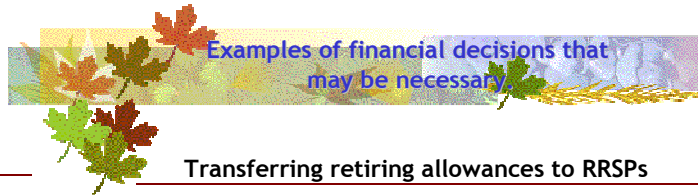
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### Sheltering a lump sum in an RRSP

If you have been offered a Lump Sum payment it would be considered to be taxable income and will be reported on a T4A slip at tax time next year. This Lump Sum may be eligible for tax shelter in an RRSP. The amount that can be sheltered from tax is determined by combination of your years of service and your status under your former employer's pension plan.

### Calculating the eligible retiring allowance

- < For everyone, \$2,000 per year or part year of service with your current employer up to and including 1995 can be rolled into an RRSP. Service after 1995 cannot be counted in determining your eligible amount since the tax rules changed in 1995.
- < If you were not a member of a pension plan, an additional \$1,500 per year of service up to and including 1988 will apply. This brings the total for years prior to 1989 to \$3,500, with the years from 1989 to 1995 remaining at \$2,000.

### Transferring retiring allowances to RRSPs

If you do a direct transfer from your former employer to your RRSP, using a form that you can get from your financial institution, you will avoid the requirement for your company to withhold tax from this payment. Funds other than the severance pay and unused sick time such as vacation pay or salary continuation payments are not eligible for a rollover into an RRSP under the retiring allowance provision. Your eligibility to make the standard annual RRSP contributions is not affected by these special contributions.

### Choosing RRSP Investments

There are a variety of investment choices for your RRSP. You will possibly want to have some of your RRSP investments very liquid, maybe in a savings account or cashable GIC or a money market mutual fund. When it becomes necessary to withdraw some money from your RRSP to cover living expenses, you will have ready access to your funds. Once you are through the transition and have a better idea about the future, you can develop a more long-term investment strategy for the RRSP funds remaining.

### Paying off current debts

If you have outstanding debts, you may want to ask your financial institution to consider giving you a loan to pay these off. You could make a lump sum payment on such a loan with the extra money you may receive for vacation pay, etc.

### Reducing next year's income tax

You may want to make a few small contributions to your RRSP this year. For example, you could set-up a direct deposit to your RRSP of \$25 per pay cheque, in 5 or 6 months you would have about \$250 to \$300 to use as a deduction when you do your tax return next April. This may reduce the amount of tax you will be required to pay.

### Arranging for benefits

Your medical and extended health plans with your company will end. If you already have a new employer, take a close look at the benefits. If you would like more than is available, look into purchasing these on your own. This needs to be dealt with right away so there will be no gap in the coverage you need.