Prudential Investment Managers
APRIL 2019

Investing after retrenchment

So you've been retrenched. The good news is that some people see their careers receive a positive boost after they lose their jobs. The bad news is… well… you've lost your job. With that comes a tidal wave of emotions, from anger to shame to disappointment to fear. Ironically, just as your mind is in the midst of all those emotions, you're going to have to make some serious decisions about your finances and about your investments – and whether you've seen this coming or not, you're unlikely to be in the right headspace for calm, rational, long-term decision making.

As tough as it may be, don't panic and don't do anything rash. Take care of the necessary admin first (for example, making sure your retirement, investment, banking and medical aid accounts are linked to your personal email, and not your soon-to-be-defunct work account). Then, set up a meeting with your financial adviser. Retrenchment packages vary from company to company. Whatever your payout is, when you receive it you'll need to carefully plan what to do with it – and that's where your financial adviser will be able to help. They'll probably advise you to not blow it on your dream holiday, house or car, even though you may be tempted to do so. It's probably wiser to invest a portion of it in a unit trust where it's fairly easy to access if you need it. Throughout the process, speak to your financial adviser about the tax implications of your various options, as you'll definitely want to avoid paying heavy taxes on any payouts!

Depending on how much you've saved and how long it takes you to find another job, you may end up in a situation where money is tight and you need to dip into your payout to cover your monthly expenses. This is where unit trust investments come in handy: when you don't need the money, it continues to grow, and when you do need it, it's easily accessible.

Remember that there's a difference between your retrenchment package and your retirement savings. If you've been working for a while, you may have amassed a fairly large (and very tempting) sum of money in your pension fund. Don't blow it. It's likely that you'll have to leave your ex-employers' retirement fund, in which case you'll be given the very tempting (but tax heavy) option of taking the cash or preserving it in a preservation fund. Rather stay in the market: re-invest it in an appropriate fund, and avoid a hefty tax bill now and even heftier regrets later in your life.

Once you've made a clear, well-considered financial plan around your short-term budget, your medium-term investments and your long-term retirement savings, your next urgent step is to weigh up your career options. If you're still young and marketable, you may want to start sending your CV to prospective employers. If you're older than 55 and a member of a pension fund, you may consider taking an early retirement. If you're thinking of doing that, be sure to speak to your financial adviser about it first, and be very clear about the financial implications. To get the conversation going, you may want to try out our "Retirement Calculator" to get an idea of whether or not retiring now is in fact a realistic option.

To sum up, while losing your job is definitely not the best experience in the world… it's also not end of the world. Make sure you don't let your emotions get the better of you, chat to your financial adviser and make the necessary adjustments to your investment goals where necessary.

For more information, contact your financial adviser or our Client Services team on 0860 105 775 or at query@prudential.co.za.