

56) FINANCIAL PLANNING FOR AN EMERGENCY - The latest in a series of articles by Iain Gregory of Caithness CAB

Do you remember when jobs were fairly easy to find? I decided to take what is now called a “Gap Year” after Highers and got three jobs right away. During the day I dug ditches for the Forestry Commission, which was great. If we were on piecework we shovelled enthusiastically and, if we were not and there was a drop of rain, we sat in the Transit on “wet time” and I became an excellent poker player. At nights I served drinks in a very upmarket hotel and got lots of tips. On Saturdays, because I was moderately handy with a rifle and could drive a Landrover, I was recruited by a local estate to accompany the Keeper when there was a shooting party. This was very interesting and also highly profitable. All you had to do was carry the guns and then make sure that the guest actually pointed same in approximately the right direction. I recall one occasion when some rather over-excited shooters from a certain southern European country got this badly wrong. Tormoid, the keeper, who had served all over Europe in the war and who had a wide knowledge of potential risks, had warned me in advance that things could go adrift and they did. The Pointer put the grouse up and Tormoid and I had to dive behind a peat stack to avoid being peppered. Unfortunately the dog was not quite so quick and a near international incident ensued, which was only resolved following a highly advantageous (for Tormoid) financial agreement being reached.

Sadly today employment is not so easy to find and at CCAB we regularly help people who have fallen into difficulties due to the death of a breadwinner, or redundancy, or who are simply unable to manage due to a low wage or a reduction in hours or pay. So what can you do? Well, there are a number of risks which we all face – death; illness or accident; loss of a job or reduction in income.

Firstly, although we do not like to think about it there is always a chance of looking right, left and forgetting to look right just as 38 Tonnes of truck is bearing down on us. Life cover is vital for most people and, unless you have serious health issues, it is surprisingly cheap to buy, particularly for younger families who probably need it the most. Firstly check and see what benefits you may have from your job. Is life cover included with your pension scheme? Does your employer or union or professional association provide a group policy? How much extra cover do you need? There is an excellent guide on the Government-backed Money Advice website <https://www.moneyadviceservice.org.uk> – and it really is worth having a look.

The next step in your planning is to consider how long you could actually manage to stay afloat if you found yourself with no income or a greatly reduced one. It is always excellent advice to make sure that you have an emergency fund – what used to be called “rainy day” money. The usual recommendation is to have enough cash ring-fenced in a separate account to cover you for three months living costs – including mortgage / rent,

housekeeping and everything else. This is not easy, but it needs to be a priority. If you can manage to put even more aside then all the better. Also, despite all the issues that have arisen over the wrongful selling of PPI, there is a case for making sure that you have some form of insurance in place to cover things like the mortgage if you are taken seriously ill or have a crippling accident. There are plenty of legitimate and properly set up policies on the market and it is worth researching this – you could see an Independent Financial Adviser or, again, have a look at the Money Advice Service to see what is available. Making sure that you have some cover in place could easily be the best investment you ever make and an IFA will keep you on the right track.

Redundancy is another area where you need to know your rights. It is far from unknown for people to be “paid off” and told that they are entitled to nothing beyond their wages due to date. This is where CCAB, or your union, come in – union membership is a good idea by the way, judging by some of the cases I see regularly.

There are 2 types of redundancy pay you could get:

- Statutory’ redundancy pay - what the law says you’re entitled to
- Contractual’ redundancy pay - extra money your contract says you can get on top of the statutory amount

If you're entitled to either type of redundancy pay, it should be paid by your employer, but what if the firm has “gone bust”? There is, luckily, a safety net. The Insolvency Service exists for just this purpose and, if the employer is in administration, then you can claim your entitlements from the IS (with CCAB help if needed). To qualify for Statutory Redundancy Pay you must:-

- have worked for your employer for 2 years continuously
- have lost your job because there was a genuine need to make redundancies in your workplace
- be an ‘employee’ - this includes part-time employees

Redundancy pay is based on your earnings before tax (called gross pay). For each full year you've worked for your employer, you get:

- age 18 to 22 - half a week's pay
- age 22 to 40 - 1 week's pay
- age 41 and older - 1.5 weeks' pay

You won't pay any tax on your statutory redundancy pay but there are one or two limits to remember. The maximum weekly amount you can get is £508 - even if you earn more per week - and you can only get redundancy pay for a maximum of 20 years’ work (for example, if you’ve worked at your job for 23 years, you’ll only get redundancy pay for 20 years). You are also entitled to all Holiday Pay due up to the date of termination and – often forgotten – if your

employer is paying you off you are entitled to Notice Pay. If you have worked for your employer for between one month and two years, then you are entitled to a week's notice pay and after that 1 week for each full year, up to a maximum of 12 weeks. For example, if you've worked for your employer for 5 years and 3 months you get 5 weeks' notice.

And the final safety net is of course the social security system. CCAB can help you claim Universal Credit (you can claim this even if you are still working, subject to calculated income limits) and – if you are ill or disabled – we can look at Personal Independence Payment (or Attendance Allowance if you are over 65) and can also help you to talk to your Bank or Mortgage Lender or other creditors if needed. It is always best advice to speak to a lender early on and not to leave it until you fall into arrears and we can help you with the, very recently amended, Support for Mortgage Interest payments scheme. There are always ways and means to help you, and we will.

And on that note Liz has just put me on notice that there are numerous tasks to be performed in the garden and I think my ditching experience may be about to come in handy.