

## ***Early retirement***

### **Advice on involuntary early retirement**

You've got to make a few decisions about what to do with the money you receive in your retirement package, also known as a severance package. In some cases the severance package is paid as a Retirement Allowance.

Usually the size of your package will depend on length of service or if you are a senior executive, what you have negotiated.

One of your first decisions is, if you have a choice, do you take a lump sum or a continuation of salary? In answering this you have to consider your own circumstances in terms of need for funds.

And you have to think of the tax consequences, primarily whether or not you can get a tax deferral.

You also have to consider what you will do with any pension money you may have with your employer. You will likely have several options, depending on the type of pension plan, how long you have had it and how much money is involved.

There may also be a Retiring Allowance involved, in which case direct transfer to an RRSP would be appropriate.

If a lump sum payment is made by the employer as retiring allowance (i.e. reported as income due to loss of office), you may transfer a portion or perhaps all of this payment to your RRSP or DPSP if certain conditions are met.

As you may have gathered from these few paragraphs above, dealing with severance can be a complicated process and generally requires expert advice.

If you'd like to speak to some one who can help, click [here](#) to find the CPA financial planning professional closest to you.