

● GIFTING



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You are able to gift assets or money to someone else to help them financially. This reduces your assets and may also increase your Centrelink/Veterans' Affairs (DVA) entitlement and/or increase aged care fees.

BENEFITS

- You will be able to provide financial assistance to family members.
- Your Centrelink/DVA entitlement may increase because the gift reduces your assessable income and assets as long as it is within the allowable limits.
- The daily fees for aged care services may decrease due to the reduced assessable income and assets.

HOW IT WORKS

You can choose to gift assets if you want to help someone else financially, but you can only gift up to \$10,000 each financial year, to a maximum of \$30,000 over any rolling five-year period, without adversely affecting Centrelink/DVA entitlements. These thresholds apply to a single person or a couple combined.

Gifting assets (or selling them for less than market value) reduces the value of your assets. But if you gift more than the allowable limit, Centrelink/DVA will count the excess as a deprived asset. Your assessable assets will only reduce by the amount within the limits and this will also flow on to reducing your assessable income.

If you transfer ownership of assets between yourself and your spouse gifting rules do not apply as your assessment includes the combined total assets. Similarly, if you transfer assets into a family trust or private company gifting rules will not apply as you are likely to still be assessed to own those assets.

The same thresholds apply to a single person and a couple combined, meaning members of a couple are not entitled to gift \$10,000 each. A gift made from one spouse to another is not counted.

DEPRIVED ASSETS

If you gift more than the stated allowable amounts, the excess is assessed by Centrelink as a 'deprived asset' for five years from the date of the gift.

A deprived asset will count under the assets test and be deemed for income test purposes for this five year period.

When you apply for a Centrelink/DVA payment, any gifts made in the previous five years are also considered and excess amounts will be captured as a deprived asset.

GIFTING COMBINED WITH A LOAN

If you want to gift more than the allowable amount in one year, you can combine gifting with a loan to reduce the impact on your Centrelink entitlements over time.

The way this works is that you gift the full lump sum but you treat \$10,000 as a gift and the balance as a loan and advise Centrelink/DVA accordingly. The next year, you forgive \$10,000 of the outstanding loan and the same the following year. You still need to be mindful of the \$30,000 limit over a five year period.

The loan can be an interest-free loan and it is best to document the loan for Centrelink/DVA records.

EXAMPLE

Anita is a part Age Pensioner who wants to gift \$30,000 to her son, Peter.

Anita transfers \$30,000 from her bank account to Peter. She treats \$10,000 as a gift and \$20,000 as an interest free loan. Centrelink reduce her assessable assets by \$10,000 resulting in a small increase to her Age Pension. The \$20,000 loan is assessed by Centrelink as an asset and is deemed.

In the following financial year, Anita forgives \$10,000 of the outstanding loan, thereby reducing her Centrelink assessed assets again and entitling her to another small increase to her Age Pension. The outstanding loan of \$10,000 continues to be assessed as an asset and deemed.

In the following year, Anita forgives the balance of the loan resulting in another small increase to her Age Pension. Centrelink no longer assess the loan because there is no amount outstanding.

WHAT YOU NEED TO CONSIDER

- Gifting assets reduces your savings. It is important to ensure you continue to have sufficient savings available for ongoing needs.
- If a gift is repaid, any deprived asset that was created will be eliminated.
- You are required to notify Centrelink within 14 days about any change in your circumstances that may affect your entitlement.

REFERENCES



You may wish to refer to the following websites for further information about gifting:

- www.ato.gov.au
- www.dss.gov.au
- www.serviceaustralia.gov.au

The information in this document is of a general nature and does not take into account your own financial objectives, circumstances or needs. You should consider your own personal situation and requirements before making a decision.

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