

## Gifts

Gifts is when you or your partner give away assets or transfer them for less than their market value. You are able to gift assets or money to someone else to help them financially. This reduces your assets and income and may therefore increase your Centrelink/Veterans' Affairs (DVA) entitlement and/or decrease 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 only gift up to a certain limit without adversely affecting your Centrelink/DVA entitlements. The maximum amount of assets you can give away is:

- \$10,000 each financial year; but no more than
- \$30,000 over a rolling five-year period.

These figures also represent the total combined amount that a couple can give away before their entitlements are affected. The rolling five-year period is the current financial year plus the previous four financial years.

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.

### Gifts more than the allowable limit- Deprived Assets

If you gift more than the allowable limit, the excess is assessed by Centrelink/DVA as a 'deprived asset'.

A deprived asset will count under the assets test and be deemed for income test purposes for five years from the date of the gift.

When you first 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.

## Gifts 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/DVA 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.

## Consequences

- Gifting assets reduces your savings. It is important to ensure you continue to have sufficient savings available for ongoing needs.
- If you exceed the allowable limit you will have a deprived asset which will be assessed against you for 5 years from the date of the excess gift.
- If a gift is repaid, any deprived asset that was created will be eliminated.
- You are required to notify Centrelink/Department of Veteran Affairs within 14 days about any change in your circumstances that may affect your entitlement.

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