Fact Sheet

Australian Unity

Social security gifting rules

If you or your partner receives a payment from Centrelink or Veterans' Affairs (DVA), in most cases, the amount you are eligible to receive depends on your level of assessable assets and income. To limit the potential for recipients of Government means-tested payments from avoiding the assets and income tests, Centrelink adopts a general provision of deprivation.

If you have assets that are surplus to your own needs, you might be interested in helping other family members by gifting. However, before making these gifts it is important to understand the impact they might have on your Centrelink/DVA entitlements.

How much can I gift?

If you make a gift, this will reduce the value of your assessable assets.

Eligibility for Centrelink benefits is based on an income test and an assets test. Therefore, making a gift to reduce your assets (and also the assessed income) may help to increase your Centrelink/DVA payment.

You are allowed to gift $10,000 per financial year, with a limit up to $30,000 over a five-year rolling period[i]. This applies for a single person or as a couple combined. However, if you gift more than these amounts it is considered deprivation and a "deprived asset" is created for the excess amount. This deprived asset is included in your assets test assessment and is subject to deeming under the income test for five years from the date of the gift.

When applying for a Centrelink/DVA payment, any amounts gifted in the previous five years will also be taken into consideration to determine if a deprived asset was created.

How can I gift higher amounts?

Gift over several years

If you wish to make a gift that's in excess of $10,000, you can gift $10,000 in each of the next two financial years. This will bring your gifting total to $30,000. You will not be able to make any further gifts in the next two years without creating a deprived asset.

This strategy allows you to gradually gift assets over several years.

Gift and loan strategy

If you want to gift a lump sum of more than $10,000 you may consider doing this as a loan/gift strategy to gradually reduce the impact on your Centrelink/DVA entitlements.

As an example, you could consider splitting the amount into a gift of $10,000 and an interest free loan of $20,000 (making up the $30,000). Centrelink will need to be informed accordingly. The loan continues to count as an asset and is subject to deeming under the income test.

On 1 July of the next financial year you could forgive $10,000 of the loan. You need to update Centrelink/DVA records so that the $10,000 forgiven is a gift and the loan remaining is reduced to only $10,000. The same applies in the following financial year by which stage, the loan has reduced to nil and you have reduced your assessable assets by the full $30,000 with no deprived asset created.

This strategy allows you to provide a larger balance immediately, with a gradual reduction in your assets over the next two years.

What else is important to consider?

Gifting allows you to help family members or friends. However, you will lose access to the funds and will lose the ability to generate income from it. You may gain an increase in Centrelink/DVA entitlements but this will be less than the amount you are giving away. Therefore it is important to ensure you have sufficient financial resources and can afford to make the gift without any expectation of repayment in the future.

You must notify Centrelink/DVA of any changes in your circumstances that would impact the calculation of your entitlement within 14 days.

[i] Department of Human Services website: Gifting

Our services

Health

- Health insurance
- Overseas visitors cover
- Dental services
- Chronic disease management
- Hospital in the home

Wealth

- Investments
- Estate planning
- Trust and estate administration services
- Financial planning
- Investment, education and funeral bonds
- Banking and home loans
- General insurance

Living

- Aged care and accommodation
- Personal and business insurance
- Aboriginal home care
- Disability services
- Retirement communities

1300 700 189 **australianunity.com.au/wealth**

AU0564_190625