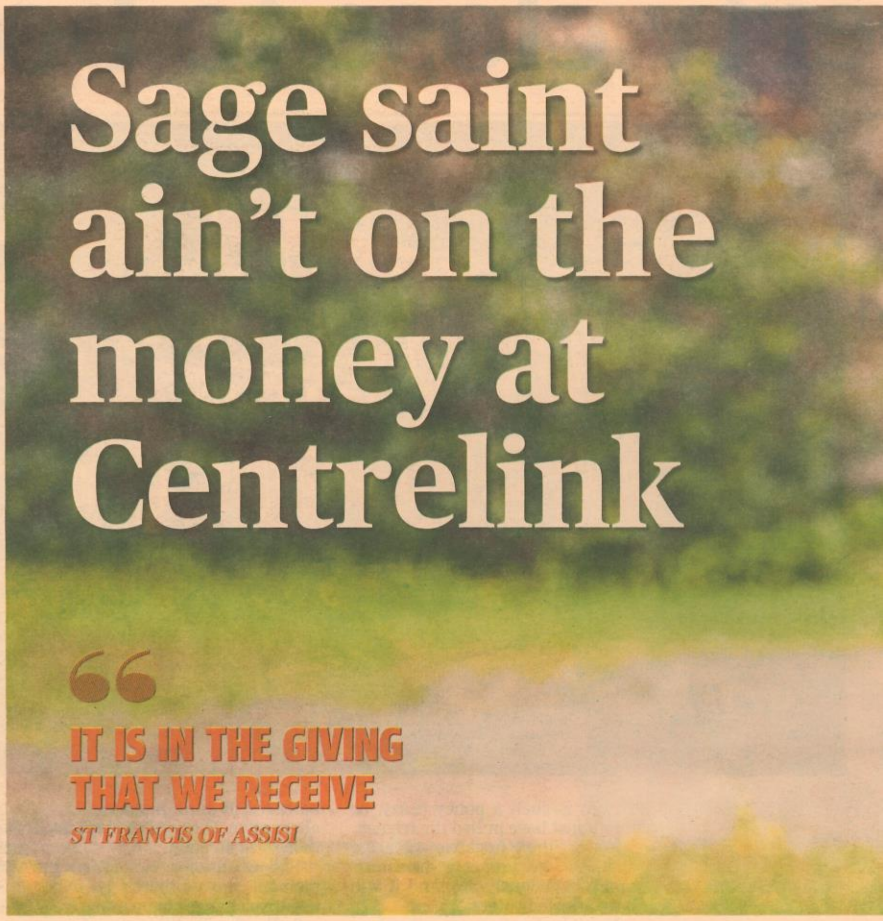

Sage saint ain't on the money at Centrelink

> IT IS IN THE GIVING THAT WE RECEIVE
>
> *ST FRANCIS OF ASSISI*

Focus on your own good key to life's tough journey

Brenda Will

St Francis of Assisi told us "it is in the giving that we receive". A wise truth for most of life, but not always the case when it comes to Centrelink and aged care.

As an aged care adviser dealing with retirees every day, gifting is something I am asked about frequently.

It is often asked by retirees who wish to assist their children and grandchildren. And it is sometimes asked by children on behalf of their elderly parents.

When it comes to Centrelink age pension assessments and the assessment of fees charged in aged care, there are rules around how much you can give away.

These are called deprivation rules, and they impose the same strict limits of total gifts on singles and couples alike.

A single person or a couple may give away up to $10,000 in a single financial year, and up to $30,000 over five consecutive financial years without adversely affecting age pension entitlements and/or aged care fees.

If you give away more than these total amounts, the excess will continue to be assessed as an asset and deemed to earn assessable income for the next five years.

In other words, you're assessed as if you still have those excess amounts — even though the money is long gone.

Being assessed based upon money you no longer have is never a great financial starting point.

And due to gifts being assessable for five years, you need to be mindful of any gifts you made in the five years before you applied for an age pension and in the five years before you applied for aged care.

I have seen numerous parents give away money, cars, property and investments to their children and grandchildren to help them on their way — to their own financial detriment including when it comes to applying for Centrelink benefits and later aged care.

And often people are not fully aware of this at the time.

There are no doubt reasons, and good reasons, as to why gifting rules are in place. It is a "prisoner's dilemma" of sorts and rules are accordingly in place to protect the greater good. But what can we take away from this as individuals, when considering gifting?

Always be mindful of the potential Centrelink or aged care consequences when making a gift.

Even if you are not currently receiving any Centrelink benefits or paying aged care fees, if you might be applying to Centrelink or for aged care in the next five years, it could still affect you.

Remember, gifting is not only giving away money. It also includes giving away or transferring other assets. It also includes transferring assets to someone else in exchange for an amount less than that asset's market value.

If you transfer property, a car, shares, investments or any other assets to someone else for nothing or for less than that asset's market value, this is a gift.

If you have a family trust or a company which you control as trustee for example, if you hand over that duty to someone else this may also be considered a gift, to the full value of that trust.

Accordingly, consider winding down family trusts or handing over control of trusts and companies to your successors more than five years before applying for Centrelink benefits or aged care otherwise this could impact upon your assessment.

Be particularly wary of gifting under an enduring power of attorney. A person nominated as your enduring power of attorney is legally bound to act in your best interests. If this person facilitates a gift on your behalf, in whose best interests is it?

Consider carefully if you may actually need those funds yourself in your own lifetime.

It is wonderful to be able to be generous with family. However, with an ageing population, we are all tending to live much longer than we expect.

A pleasant surprise? But it also means that many of us will need more retirement funding and savings than we had originally anticipated.

We also often assume our spending needs will decline as we get older. We envision our later retirement years sitting quietly in the rocking chair rather than spending the big bucks on world cruises and grey nomad adventures.

However, according to the Australian Institute of Health and Welfare, we can on average expect to spend the last 20-25 per cent of our retirement years receiving some form of care. Have we considered and budgeted for the cost of this?

When it comes to aged care, money can provide us with greater choice. This can often mean more options, and sometimes better options to choose from in our latter years.

Aged care can come with substantial ongoing costs and fees. Before you give your money away, consider carefully if you have set aside enough to cover this future expense.

As the self-care advocates argue: "You can't pour from an empty cup."

Take care of yourself first, please.