



AgeWise Financial Planning  
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# Gifts During the Festive Season

## What You Need to Know

As the festive season approaches, many of us begin to think about sharing our wealth with loved ones. While gifting money or assets is a generous tradition, it's important to understand the potential financial implications—especially if you or your loved ones receive a means-tested pension, like the Age Pension, or may need aged care in the future. Before you make any significant gifts, it's worth considering how it could affect your pension entitlements or aged care costs.

### The Impact of Gifting on Your Pension and Aged Care Costs

If you or your partner receive a means-tested pension or are planning to access aged care services, any large gifts must be reported to Services Australia. There are limits on how much you can gift without affecting your financial assessment. You can gift up to \$10,000 in a single financial year and up to \$30,000 over five years. However, any gifts exceeding these limits are considered "deprived assets." This means the gifted amount will still be counted as part of your assets and deemed to earn income for the next five years. After five years, the gift will no longer be included in your financial assessment.



### Not Just Cash: Gifting Assets

Gifts don't just involve handing over cash. You can also be gifting assets such as property, cars, or other valuables. If you transfer assets for less than their market value, the difference between the market value and the amount paid is considered a gift. This can affect your means-tested pension or aged care assessments, so it's important to keep this in mind when gifting any property or assets.

### Example: Shirley's Gifting Scenario

Let's consider Shirley as an example:

- She owns her home.
- She has \$10,000 in personal assets and \$600,000 in investments, which generate \$30,000 per year in income.

- She currently receives \$6,666 per year in Age Pension.

Shirley decides to gift \$500,000 of her investments to her children and grandchildren. Since she hasn't gifted before, she can gift \$10,000 without issue. However, the remaining \$490,000 will be treated as a "deprived asset." It will still be counted as part of her assets for the next five years and deemed to earn income, just as if the money were still invested.

In this scenario, Shirley's assets are reduced by \$10,000, which reduces her income by \$225. As a result, her Age Pension increases by around \$780 per year. After five years, the \$490,000 will no longer be assessed, and Shirley will be assessed on the remaining \$100,000 in investments, increasing her Age Pension to approximately \$30,000 per year.

### **Common Misconceptions About Gifting**

Many people mistakenly believe that gifting assets will result in the loss of their pension. In reality, gifting usually delays an increase in pension entitlements. However, if you gift an asset that is exempt from means testing—like the family home—it can become an assessable asset, which may reduce your pension entitlement.

### **Gifting Inheritance**

Another common situation involves gifting an inheritance. For example, when one partner passes away and the surviving partner decides to gift the inheritance to children or grandchildren. Even if the inheritance doesn't directly touch their bank accounts, gifting it is still considered a gift, as the surviving partner was entitled to the assets and chose to transfer them elsewhere.

### **Gifting Before Aged Care or Age Pension**

It's also important to remember that the gifting rules apply to gifts made in the five years before claiming the Age Pension or moving into aged care. Any gifts made during this period will be included in your financial assessment, potentially affecting your eligibility for benefits or services.

### **Using a Power of Attorney for Gifting**

If you are acting under a Power of Attorney to gift assets on behalf of someone else, you must be cautious. Most Power of Attorney documents specify that the attorney cannot benefit personally from the gift, and you must always act in the person's best interests. Gifting assets without considering the long-term financial impact could reduce their future access to funds and income.

### **Plan Ahead for Gifting**

As we approach the festive season, it's essential to understand the financial implications of gifting—especially if you are receiving a pension or may need aged care in the future. Before making any significant gifts, consider how it could affect your financial situation and future entitlements. If you're unsure about the potential impact, seeking advice from a financial planner can help you make informed decisions that align with your goals.

At **AgeWise Financial Planning**, we can help you navigate the complexities of gifting, ensuring that your generosity doesn't unintentionally impact your future financial security or your loved ones' inheritances.

Contact us today to discuss your gifting strategy and ensure you make the most of this festive season without any unwanted financial surprises.

**There is no substitute for quality financial advice.**

This advice is of general nature only and is based on current laws and their interpretation. The application of the information in this document will depend on the individual's circumstances. Before making any investment decisions, we recommend you consult a financial adviser to take into account your particular investment objectives, financial situation and individual needs. Published 08/10/2024.

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