

Giftng Guide

Using a Reverse Mortgage for Giftng

Using a reverse mortgage for giftng can be a great way for our customers to support their family.

However, there are some additional risks and, as a responsible lender, additional inquiries must be made to ensure the loan is not unsuitable. This is also part of our duty of care for our customers.

Whenever an application is received for giftng, we will consider:

How much of the funds available is the customer intending on giftng?

If it is a small portion then this is probably fine, subject to other checks.

If it is a large portion, then it will need to be clearly documented how customer will be covering their future needs such as living costs, medical expenses, any planned bequeathment and aged care fees.

Is there potential for the borrower(s) Government entitlements, such as an age pension, to be impacted by the gift

Refer below for guidance on Centrelink.

Ensure they have discussed plans with Centrelink.

If the gift alters Government entitlements, Heartland needs to confirm what the impact is and there needs to be a strong mitigant.

What is the purpose of the gift?

If the purpose is to support an investment or business venture the application is unlikely to be suitable and should be referred to management before proceeding further.

Centrelink impose two giftng limits:

1. A person or a couple can dispose of assets (i.e. gifts) up to \$10,000 each financial year – this \$10,000 limit applies to a single person or to the combined amounts gifted by a couple; and
2. An additional disposal limit of \$30,000 (total) over a five-financial-years rolling period.

Gifts above this limit will be assessed as part of the asset test for aged pension and could reduce or cut-off entitlements.

The asset thresholds (i.e. amount of assets outside of the family home) as at 1 July 2019 are as below:

<i>Full pension threshold (homeowner)</i>	<i>\$263,250 (individual)</i> <i>\$394,500 (couple)</i>
<i>Pension cut-off threshold (homeowner)</i>	<i>\$574,500 (individual)</i> <i>\$863,500 (couple)</i>

Questions to ask when an application is for giftng

- Has the customer(s) sought appropriate advice on the decision to gift the funds and if required, are they able to provide evidence of his/her advice?
- Is there a possibility that the customer(s) are under undue pressure?
- Has the customer(s) discussed the gift with other family members?
- If the application is signed under a Power of Attorney or Guardianship, giftng is not permitted.

Information provided is accurate as at 1 July 2019 and may change from time to time.

Every situation is different - this information has been prepared without taking into account your needs, objectives, or financial situation. If you are considering a reverse mortgage, we encourage you to understand how it may affect your personal circumstances - talk to friends and family, speak to professionals, and use the resources and tools Heartland has available.

Loans are subject to loan approval criteria. Terms, conditions, fees and charges apply. Credit provided by ASF Custodians Pty Ltd (ACN 106 822 780 / Australian Credit Licence No. 386781).