

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, to ensure Heartland is lending responsibly, we make additional enquiry 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, Heartland will consider the following.

How much of the funds available is the customer intending on giftng?	<p>If it is a small portion, based on loan amount available or customer circumstances then this can be suitable, subject to other checks.</p> <p>If it is a large portion, based on loan amount available or customer circumstances, then it will need to be clearly documented how the customer will be planning to meet their future needs such as living costs, medical expenses, any planned bequeathment and aged care fees – particularly if use of home equity is the predominant plan for these future needs.</p>				
Is there potential for the government entitlements of the borrower(s), such as an age pension, to be impacted by the gift?	<p><u>Refer below for information on Centrelink.</u></p> <p>Ensure they have discussed plans with Centrelink.</p> <p>If the gift alters government entitlements, Heartland will require documentation to confirm what the impact is, and in order to still proceed there will need to be a strong mitigant or other assets or income available to cover this reduction.</p>				
What is the purpose of the gift?	<p>If the purpose is to support a gift for an investment or business venture, the application is unlikely to be suitable and will be referred to management before proceeding further.</p>				
Centrelink impose two giftng limits	<p>Customers should always discuss the transaction with Services Australia (Centrelink), as the outcome is dependent on their own personal circumstances.</p> <ol style="list-style-type: none">1. A person or a couple can dispose of assets (i.e. giftng) 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; and2. A total disposal limit of \$30,000 applies over a five-financial-years rolling period. <p>Gifts above this limit are assessed as part of the asset test as well as deemed income test for aged pension.</p> <p>The asset thresholds (i.e., amount of assets outside of the family home) as at 1 January 2023 are as below:</p> <table><tr><td>Full pension threshold (homeowner)</td><td>\$280,000 (individual) \$419,000 (couple)</td></tr><tr><td>Pension cut-off threshold (homeowner)</td><td>\$622,250 (individual) \$935,000 (couple)</td></tr></table>	Full pension threshold (homeowner)	\$280,000 (individual) \$419,000 (couple)	Pension cut-off threshold (homeowner)	\$622,250 (individual) \$935,000 (couple)
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Questions to ask when an application is for giftng	<ul style="list-style-type: none">• Has the borrower(s) sought appropriate advice on the decision to gift the funds and, if required, are they able to provide evidence of their advice?• Is there a possibility that the borrower(s) are under undue pressure or influence?• Has the borrower(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 20 March 2023 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).