

● STRATEGIES TO INCREASE CENTRELINK/ VETERANS' AFFAIRS (DVA) ENTITLEMENTS

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Your entitlement from Centrelink/ DVA is subject to income and asset testing. Reducing your assessable income and assets can therefore increase your entitlement.

BENEFITS

- Your Centrelink entitlement may increase to help top-up your retirement income
- The daily care fees you pay for aged care services may reduce, depending on your assets and income
- Increased cashflow means your assets will last longer because you will have less need to draw on assets to meet expenditure needs.

HOW IT WORKS

Centrelink/DVA applies two tests to determine your entitlement – an asset test and an income test. Both tests are applied to your situation and the test that results in the lower rate of payment is the one that is applied.

Some assets are exempt from these tests and others may receive more favourable assessment. Following are some strategies that can help to reduce your level of income and assets.

HOME IMPROVEMENTS

The value of your home is exempt from Centrelink/DVA income and asset testing, so spending money to improve your home may increase its value and also increase your Centrelink entitlement.

However, it is important to remember that, although you may get an increase in your Centrelink entitlement, spending money on renovations also reduces your savings. You should ensure you will continue to have sufficient money to meet your ongoing needs.

FUNERAL BONDS

A funeral bond is an investment that is used solely to pay for your future funeral expenses. It can provide you with peace of mind knowing your family members won't have the financial burden of paying for your funeral.

Funeral bonds are exempt from Centrelink/DVA income and asset testing but only if:

- you have not already pre-paid your funeral expenses (including purchase of a cemetery plot), and
- you do not invest more than the allowable limit in funeral bonds.

The allowable limit applies per person, but if you are a couple and have one bond that is payable upon the death of the last person no more than the limit can be invested in this bond.

All earnings are retained in the funeral bond and are added tax-free. The balance of the bond cannot be accessed until your death.

SUPERANNUATION (ACCUMULATION PHASE)

Your superannuation account balance is exempt from Centrelink/DVA income and asset testing if it is in accumulation phase and the person who holds the account is under Age Pension age or Service Pension age for veterans. After this age, your superannuation balance is assessed as an asset and subject to deeming.

If you have a spouse who is under Age Pension age (or Service Pension age if that person is a veteran), withdrawing some of your superannuation and making a spouse contribution into their account will reduce your assessable assets and income which may result in an increase in your Centrelink/DVA entitlement.

You should ensure the spouse contribution is within your spouse's contribution caps so tax penalties are not applied, and it is important to remember that you will not be able to access this money until your spouse meets a condition of release under superannuation law.

ASSET VALUATION

Valuing your assets the right way can be a simple way to increase your Centrelink entitlement.

For Centrelink purposes, assets should be valued using market value, rather than insured value. This is particularly the case for assets such as cars and home contents which are often insured for a higher value to ensure they can be replaced if they are destroyed or damaged.

WHAT YOU NEED TO CONSIDER

- You should ensure you have sufficient funds to support yourself before undertaking any strategy that reduces the value of your assets. This is particularly important if the strategy results in you no longer having access to that money, such as home improvements or funeral bonds.
- You are required to notify Centrelink within 14 days about any change to your situation that may affect your entitlement.
- The government may change legislation in the future.



REFERENCES

You may wish to refer to the following websites for further information about strategies to increase Centrelink/DVA entitlements:

- www.ato.gov.au
- www.dss.gov.au
- www.serviceaustralia.gov.au

The information in this document is of a general nature and does not take into account your own financial objectives, circumstances or needs. You should consider your own personal situation and requirements before making a decision.

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