

# Is your home your castle?

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From the *Australian* and the *Financial Review*, to the *Grattan Institute* and even commentator Alan Jones, a common opinion has emerged – the assessment of the value of a person’s home needs to be considered when an application for an age pension is lodged. Like you and so many other people, I have taken an interest in the articles which have appeared in the press over the last couple of weeks.

I should point out before everyone panics that neither the government nor the opposition have indicated that they believe this to be a good idea, nor am I going to bore you with my opinion on this matter in this week’s post as there are enough self-proclaimed experts who are able to do that far better than me.

But let us consider the Social Security legislation and what is considered as your principal place of residence and therefore an exempt asset within the meaning of the act:

*“The principal home is generally the home in which the single income support recipient or couple lives for the greatest amount of time each year. The principal home includes an area of adjacent land (5 acres) on the same title document”.*

## **However it can be so much more!**

If you have retired and decided to sell your home and purchase the \$300,000 yacht to sail around the world or to simply just live on, this is your principal place of residence and therefore an exempt asset. The plus is that depending on the mooring fees you pay, you may also be eligible of rent assistance.

The same principal applies to the \$250,000 Winnebago you purchase after selling your home to become grey nomads as it becomes your principal place of residence, is an exempt asset and you may also be eligible for rent assistance depending on the site fees that you pay.

We have already discussed the situation that surrounds the establishment of a Granny Flat right in a previous blog and the tenure of life tenancy being viewed as your “principal place of residence”.

For those retirees who happen to own two properties and live in both at various times of the year, both homes cannot be classified as your ‘principal place of residence’ but you certainly can look at calling the most expensive property your home and therefore exempting it from the assets test.

If your home happens to sit on two blocks of land, in other words two titles, provided your home straddles both blocks the second block of land is not assessable. The strangest example I have seen, is where a person did buy two older homes side by side in the same street, did some renovations and turned them into one house with an adjoining covered courtyard. Not that I would recommend this as a strategy.

The “Extended Land Use Test” will allow a person who has resided for over 20 years on a larger property, where the adjacent land is greater than 5 acres and they are making effective use of the land to have the value of this land exempt from the assets test.

The exemption of a person’s home under the assets test is an attractive strategy for some people who think; why not upgrade my home to a more expensive abode and be entitled to more pension.

Looks easy, right? However, during my years in Centrelink the number of people who did take this road inevitably found that after a couple of years the costs associated with owning a larger more expensive home; rates, energy and maintenance were not sustainable on an age pension. And really who wants to spend all your time in retirement cleaning? Certainly not me.

So as you can see a person’s home under the “social security act” can be a lot more than just a 3 bedroom brick veneer house on a 600 square metre block of land.

As to what it will mean in the future only time will tell, but do remember as Darryl Kerrigan from The Castle said *“this house is more than just a structure of bricks and mortar, but a home built with love and shared memories”*.