

Granny Flat Arrangement Meeting



Granny flat arrangements are increasingly being used as a practical way for families to support ageing parents while addressing housing affordability and care needs. However, when Centrelink is involved, these arrangements are assessed under specific rules that can significantly impact Age Pension entitlements. It's important to understand the basics before proceeding.

Why people consider a granny flat arrangement

Families often explore these arrangements for a combination of financial and personal reasons:

- Helping younger family members enter or stay in the property market
- Allowing older parents to live closer to family for support and care
- Reducing social isolation through regular interaction across generations
- Providing a more cost-effective alternative to residential aged care (at least initially)
- Implementing estate planning strategies sooner in exchange for a right to reside for life.

What is a granny flat arrangement (Centrelink definition)

In Centrelink terms, a granny flat arrangement is **not about the physical structure**. It refers to a “**granny flat interest**”, which is a right to live in a property for life.

This usually involves an older person transferring assets such as cash or property in exchange for a lifetime right to accommodation.

The five common types of granny flat arrangements

Centrelink generally recognises several ways these arrangements can be structured:

1. Transferring money or paying to build a granny flat on a family member's property
2. Paying to buy a property in someone else's name in exchange for a lifetime right to live there
3. Transferring ownership of an existing home to family while retaining a right to live there
4. Paying for major renovations or modifications to create a living space to someone else's property.
5. Contributing funds towards or paying for a property purchase where you will reside for life

Each structure is assessed differently depending on the value exchanged and the legal rights created.

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Centrelink and DVA assessment rules

Centrelink (and the Department of Veterans' Affairs) assess these arrangements under a **reasonableness tests**:

- The amount paid must be **reasonable compared to the person's age and life expectancy**
- If the amount is considered **excessive**, the difference may be treated as a **deprived asset (gifting)**
- This can affect Age Pension entitlements through both the **assets test and deprivation rules**
- There may also be implications for **means-tested care fees** if aged care is required later

Proper documentation is critical—informal family agreements can create serious issues during assessment.

What are the risks?

While these arrangements can work well, there are material risks:

- Loss of control over funds or property
- Family disputes or breakdown of relationships
- No legal protection if the arrangement is not formalised
- Potential Centrelink penalties if the arrangement is deemed unreasonable
- Difficulty unwinding the arrangement if circumstances change (e.g. health decline or need for aged care)

Granny flat arrangements sit at the intersection of **family law, property law, and social security rules**. Small missteps can have long-term financial consequences.

We can assist you in understanding the Centrelink and social security rules associated with your Granny flat considerations.

Our Professional costs: Granny Flat Meeting with Financial Calculations \$2,200

We provide a Granny Flat meeting and a report covering the various Granny Flat scenarios you may be considering, including implications to Centrelink Age Pensions and cash flow. We outline the benefits and risks involved so you and your family can explore your options when considering a granny flat arrangement.

We do not provide a recommendation; we do not provide investment or tax advice. We provide strategy discussions based on consideration of Centrelink rules and cash flow variables.

Granny flat arrangements should not be entered into without legal advice. We work with your lawyer on the various outcomes and if you do not have a lawyer, we can refer you to a professional that works in this space.