



# Granny flat *right* or *wrong*?

Helping clients navigate changes  
through the ages

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# Important information

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A group of diverse people of various ages are smiling and standing outdoors in front of a house with green foliage. The group includes a man with a beard and a hat, a woman with glasses, a young woman with blonde hair, an older man in a plaid shirt, a woman in a striped skirt, a woman in a denim jacket, a woman in a white top and floral skirt, and a man in a red shirt. The text "Granny flat right or wrong?" is overlaid in white on a semi-transparent dark grey background.

# Granny flat right or wrong?



# 14%

People 80+  
estimated to be  
**living with  
relatives** in 2042

[abs.gov.au](https://abs.gov.au)

## Debt levels and cost of living

% with home loans  
much higher than 20  
years ago

ABS

People aged

# 85+

to triple over  
next 40 years

Intergenerational Report 2023





Downsizing

Dual  
occupancy



Retirement  
and Lifestyle  
Villages



Granny flat  
rights





# Agenda

1

What is a granny flat right?

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2

How to approach advice

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3

Granny flat right or wrong?

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4

Solving the *problem* - alternatives

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# So that you'll be able to...

Have better client  
conversations

Identify alternative  
strategies to solve  
actual problem

Identify financial  
and non-financial  
'net benefit'

Determine most  
appropriate  
option, with broad  
considerations

GRANNY FLAT RIGHT OR WRONG?

# What is a granny flat right?

Right to  
accommodation



Payment



# What do you think?

## What's the value of a granny flat right?

- A) Improve social security position
- B) Reduce future aged care costs
- C) Early inheritance
- D) Support family
- E) Estate planning – including minimising estate challenges

## What's a granny flat right?

This..	For that..
Title of existing home transferred	Right to live in a dwelling for life
Payment for construction of granny flat on another's property	Right to occupy the structure
Transfer of cash or assets	Right to occupy existing room of someone else's house
Buying new dwelling in the name of another person	Right to occupy the new dwelling



GRANNY FLAT RIGHT OR WRONG?

# What are the planning issues?

The agreement

Estate  
planning

Social security  
and aged care  
planning

Determine  
costs vs  
benefits

# Meet the family



John – 71, lives alone



Needs more care and support



3 independent adult kids



Daughter Erin and her husband Scott want to help care



John



# Meet the family

- ✓ John – 71, lives alone
- ✓ Needs more care and support
- ✓ 3 independent adult kids
- ✓ Daughter Erin and her husband Scott want to help care

Options they put to you:

John transfers title of home to  
Erin (\$1.2m)  
  
Erin's family move into John's  
house

John sells home and pays for  
construction of granny flat on  
Erin's block (\$150,000)

John and Erin sell  
homes and John pays for  
new home in Erin's  
name (\$900,000)



John

A photograph of three business professionals in a meeting. In the foreground, a man with a beard and a light-colored checkered shirt is seen from the side, looking towards the left. Behind him, a woman with dark hair tied back is smiling. To the left, another woman with glasses and dark hair is looking towards the center. They are all seated around a small white table. The background is a blurred office interior with large windows.

What are the advice issues?



# What are we trying to solve for?

- John – maintain independence as long as possible
- Receive support and care required
- Facilitate Erin providing John with support

Do these options achieve this?

John transfers title  
of home to Erin.  
Erin's family move  
into John's house

John sells home and pays  
for construction of granny  
flat on Erin's block

John and Erin sell  
homes and John  
pays for new home  
in Erin's name

A diverse group of people, including men and women of various ages, are gathered outdoors in a garden-like setting. They are all smiling and laughing, creating a warm and joyful atmosphere. The background shows green foliage and a building with a window. A semi-transparent dark grey oval is overlaid on the right side of the image, and a horizontal dark grey band is across the middle where the text is located.

So, is it granny flat *right* or *wrong*?





Let's bring it to life  
**The agreement**





GRANNY FLAT RIGHT OR WRONG?

# What do you think?

Does a granny flat right need to be in writing to exist?

A) Yes

B) No

# Importance of advice & written agreement



## Protection

CGT event

Exemption if certain conditions met, including written agreement



## Tax

No one thinks arrangement will fail!

Emotion and desire to provide support can cloud judgement



## Clarity

Responsibilities and change of future circumstances

All parties should get independent advice

# What should the agreement cover?

- ✓ Expectations and obligations of all parties
- ✓ Change of care needs?
- ✓ What if arrangement doesn't work out or change of circumstances?
- ✓ When arrangement will come to an end
- ✓ Agreement if dwelling is sold or no longer appropriate for Mum/Dad
- ✓ Termination of agreement
- ✓ Responsibilities for expenses
- ✓ Entitlement if person vacates interest



# Back to John...

John transfers title of home to Erin.  
(\$1.2m)

Erin's family move into John's house

John sells home and pays for  
construction of granny flat on Erin's  
block (\$150,000)

John and Erin sell homes and John  
pays for new home in Erin's name  
(\$900,000)

Does John expect increasing care from Erin?

Entitlement if John leaves?

What if John needs aged care?

What if home no longer suitable for John?

What if Erin and Scott separate?

Impact on John's estate?

Who pays expenses?

What if other circumstances change?

If arrangement doesn't work out?



Let's bring it to life  
Is there a Centrelink  
benefit?





# Interaction with gifting rules





GRANNY FLAT RIGHT OR WRONG?

# What do you think?

Does Centrelink require the agreement to be in writing?

A) Yes

B) No

EXPAND

GRANNY FLAT RIGHT OR WRONG?

# Social security and deprivation



## Evidence

Agreement need not be in writing

Best practice – should be in writing



## If home sold...

Ongoing right to live  
condition of sale, OR

Transfer right to another  
property, OR

Cash or assets in return  
for giving up right



## If vacated...

Within 5 years and reason  
known at establishment –  
deprivation may be  
applied from time of  
vacation

# Will the amount be exempt?

Amount paid =  
'Entry  
Contribution'



Difference homeowner  
and non-homeowner  
asset limits =  
Extra Allowable  
Amount – currently  
\$258,000



If Entry Contribution is...	Then...	And Rent Assistance...
$\leq$ EAA	Person is a non-homeowner, EA assessable	May be payable
$>$ EAA	Person is a homeowner, EA exempt	Is not payable



# What's the value of the interest?

Value of assets transferred

OR

‘Reasonableness value\*’

\*Annual couples rate of pension, inc supplements (currently \$46,202) x age-based conversion factor’

# How Centrelink value the interest

Value of asset transferred	Reasonableness test
Title of home transferred	...plus other assets or cash
Payment for construction of dwelling	
Buys new home in other person's name	Moves into other person's existing residence and transfers cash or other assets
	Transfer of land not exempt under home and curtilage rules (inc land previously exempt under extended land use test)
	Any time cash is given to another person in return for the interest

# Reasonableness values by age

Age next birthday	Reasonableness amount	Age next birthday	Reasonableness amount
66	\$953,609	84	\$353,445
68	\$876,914	86	\$0
70	\$802,067	88	\$262,427
72	\$728,606	90	\$225,004
74	\$658,379	92	\$193,586
76	\$590,462	94	\$167,713
78	\$525,317	96	\$147,384



## Back to John...

John transfers title  
of home to Erin.

Erin's family move  
into John's house

John sells home and pays for  
construction of granny flat on  
Erin's block

John and Erin sell homes  
and John pays for new  
home in Erin's name

Value of GFR is value of  
home (\$1.2m)

## Back to John...

John transfers title  
of home to Erin.

Erin's family move  
into John's house

Value of GFR is value of  
home (\$1.2m)

John sells home and pays for  
construction of granny flat on  
Erin's block

Cost of construction is the value  
(\$150,000)

John and Erin sell homes  
and John pays for new  
home in Erin's name

## Back to John...

John transfers title  
of home to Erin.

Erin's family move  
into John's house

Value of GFR is value of  
home (\$1.2m)

John sells home and pays for  
construction of granny flat on  
Erin's block

Cost of construction is the value  
(\$150,000)

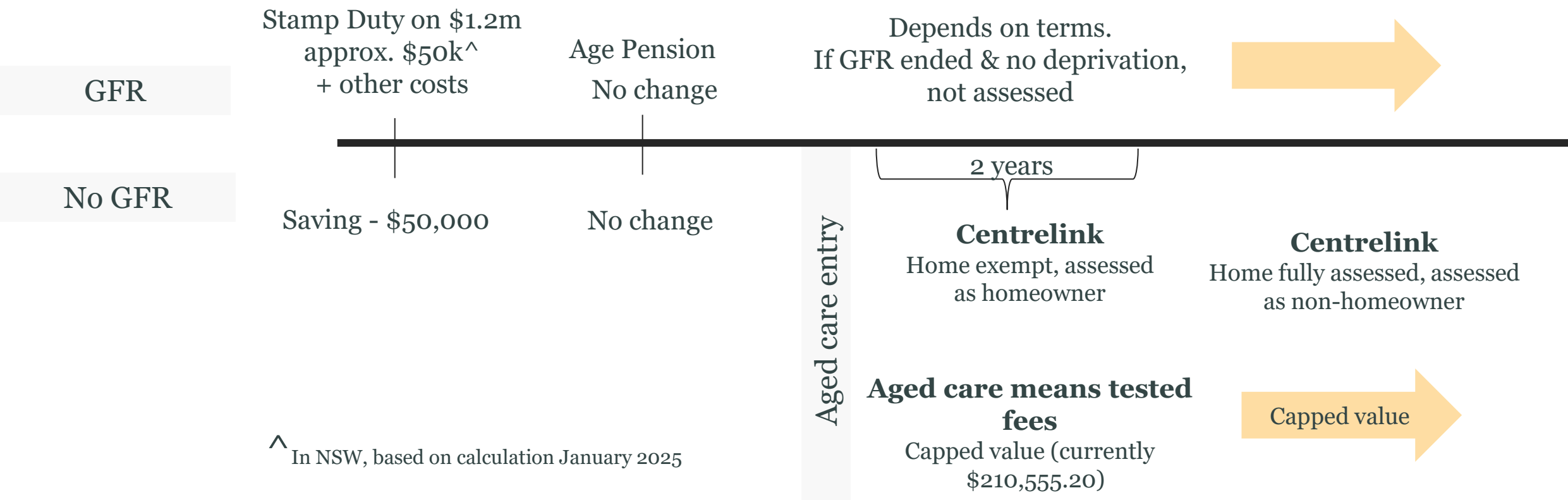
John and Erin sell homes  
and John pays for new  
home in Erin's name

Amount paid for new dwelling  
(\$900,000)



# Strategy impacts

John transfers title of home to Erin. Erin's family move into John's house



# Strategy impacts

John pays for construction of a granny flat on Erin's block (\$150,000)

GFR

Cost of sale

Age Pension –  
Nil entitlement.  
Assets test exceeded

Depends on terms.  
If GFR ended & no deprivation,  
not assessed



No GFR

Cost of sale

Age Pension –  
Nil entitlement.  
Assets test exceeded

Aged care entry

2 years

**Centrelink**

Non-homeowner, gift counts for 5 years

**Aged care means tested fees**

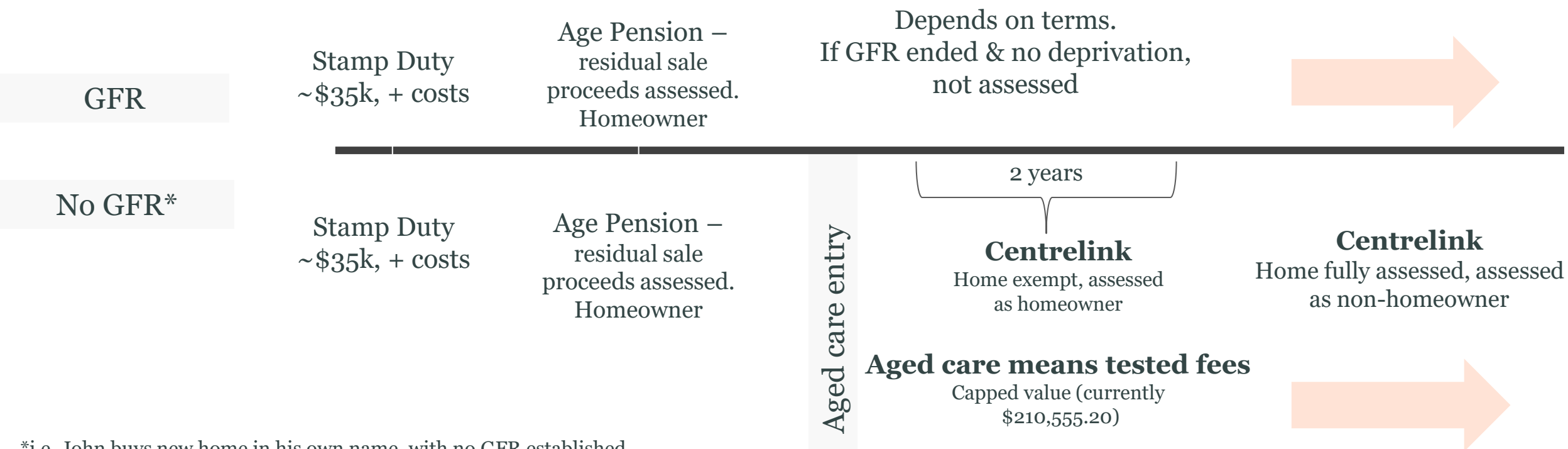
Capped value (currently  
\$210,555.20)



# Strategy impacts

## John and Erin sell their homes – John pays for new home (\$900,000)

Remember, that if GF vacated within 5 years, deprivation may apply for Centrelink AND aged care



\*i.e. John buys new home in his own name, with no GFR established

^In NSW, based on calculation January 2025





# So is it granny flat *right or wrong?*

What are the  
alternatives?





GRANNY FLAT RIGHT OR WRONG?

Let's go back to the beginning...

What are we trying to solve for?

Let's go back to the beginning...

What are we trying to solve for?

John - support

Erin facilitate  
the support

Equalise estate

Ensure John has cash  
flow for expenses  
(now and in future)



# Possible alternatives to meet objectives



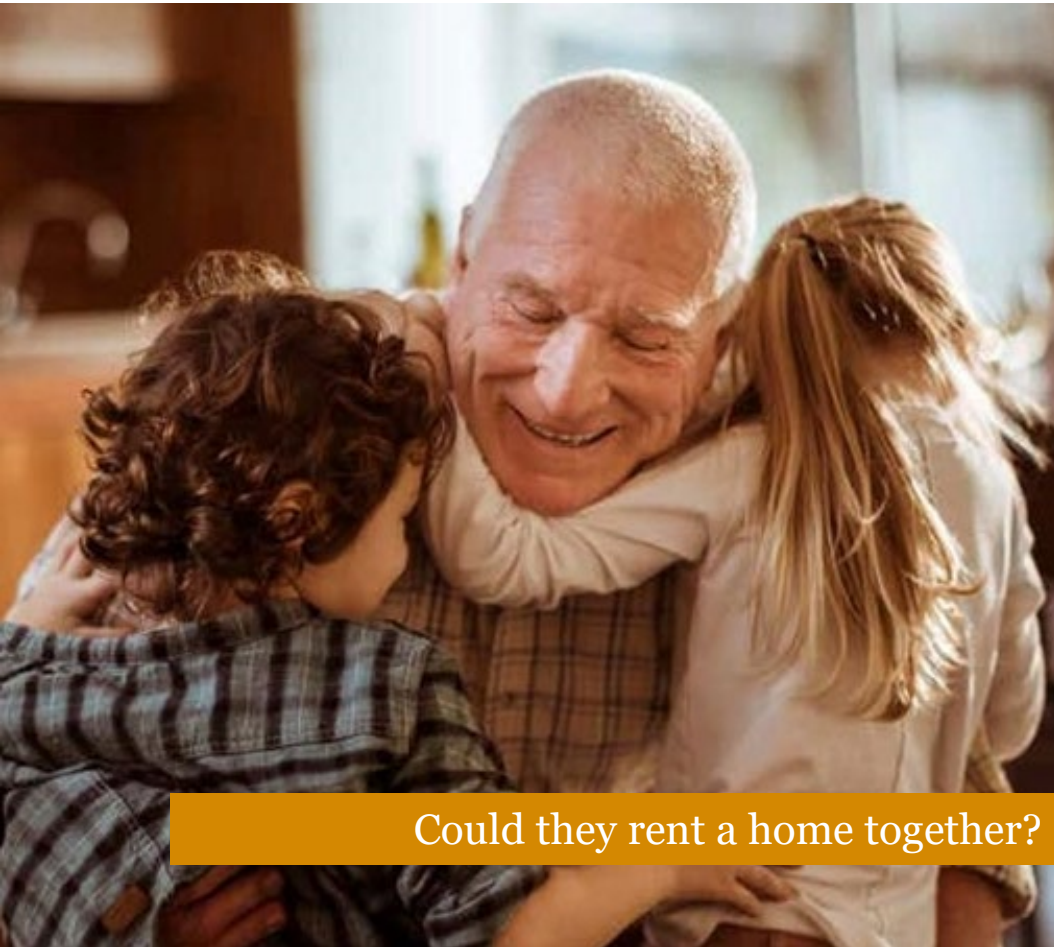
What if John moved in with Erin– no GFR?

Could John rent a home closer to Erin?

- Vacation of home – may exempt home up to:
  - 2 years if ‘care situation’, or
  - 12 months if temporary absence
- Could pay own expenses + gift
- Reduced impact on estate planning

- Provides flexibility to all parties
- Minimises initial impact on Centrelink  
(review if arrangement becomes longer term)

# Possible alternatives to meet objectives



Could they rent a home together?

- Vacation of home – may exempt home up to:
  - 2 years if ‘care situation’, or
  - 12 months if temporary absence
- If John sells home – greater Centrelink impact – but is that an issue?

- Reduces impact on estate planning
- Provides flexibility to all parties
- Consider tax implications

# What do you think?

What's the right strategy for John's scenario?

- A) Transfer title of John's house and Erin + family to move in
- B) John to pay for construction of a granny flat on Erin's block
- C) John to buy new home for all in Erin's name
- D) One of the GFR alternatives
- E) It depends

GRANNY FLAT RIGHT OR WRONG?

# Key takeouts

The agreement  
is key

Consider the  
net benefit

Work closely with  
legal specialist

Huge  
intergenerational  
opportunity





EXPAND

Thank you

