



Granny flat *right* or *wrong*?

Helping clients navigate changes
through the ages

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Granny flat
right or wrong?

14%

People 80+
estimated to be
**living with
relatives** in 2042
abs.gov.au



People aged
85+
to triple over
next 40 years
Intergenerational Report 2023

**Debt levels and
cost of living**

% with home loans
much higher than 20
years ago

ABS



Downsizing

Dual
occupancy



Retirement
and Lifestyle
Villages



Granny flat
rights





Agenda

1

What is a granny flat right?

2

How to approach advice

3

Granny flat right or wrong?

4

Solving the *problem* - alternatives

So that you'll be able to...

Have better client conversations

Identify alternative strategies to solve actual problem

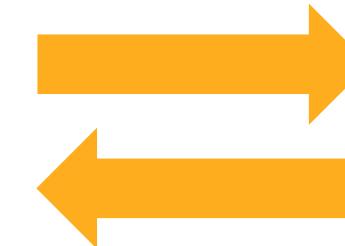
Identify financial and non-financial ‘net benefit’

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

EXPAND

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

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)

A photograph of a group of people in a meeting room. In the foreground, a person with dark hair and glasses is holding a white tablet and a pen, looking towards the right. In the background, two other people are smiling: a woman with dark hair tied up in a bun, and a man with a beard and a bald head. The room has large windows and a modern interior.

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



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



Let's bring it to life
The agreement



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



What do you think?

Does Centrelink require the agreement to be in writing?

A) Yes

B) No

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...
≤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)

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Erin's family move
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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
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Value of GFR is value of
home (\$1.2m)

John sells home and pays for
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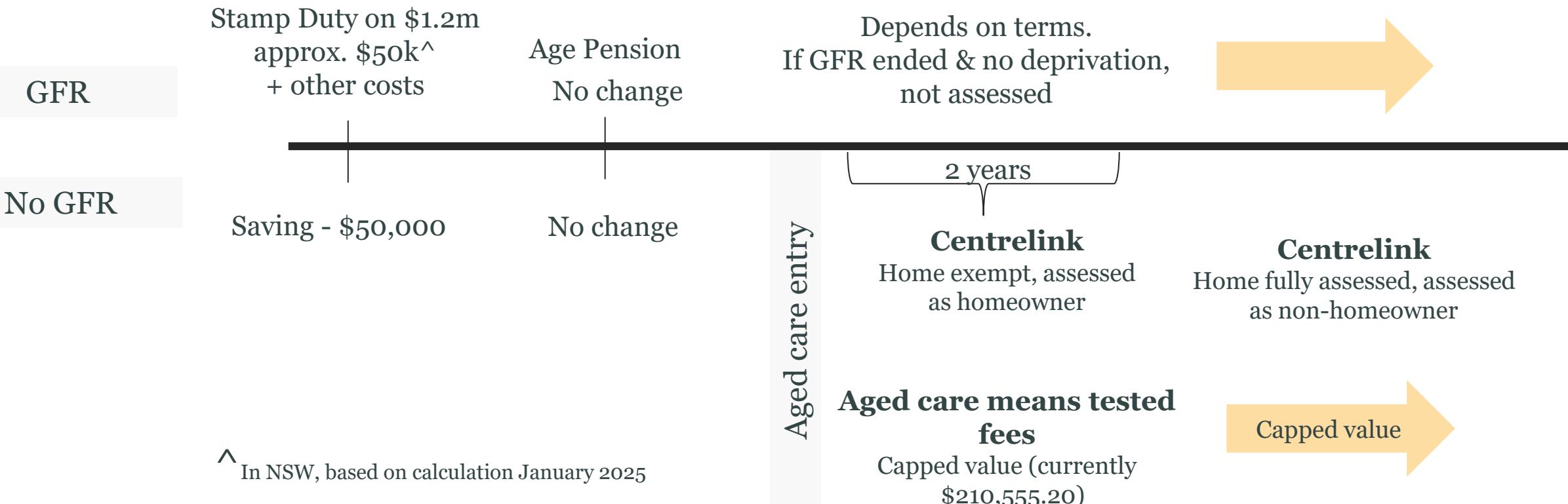
Cost of construction is the value
(\$150,000)

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

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

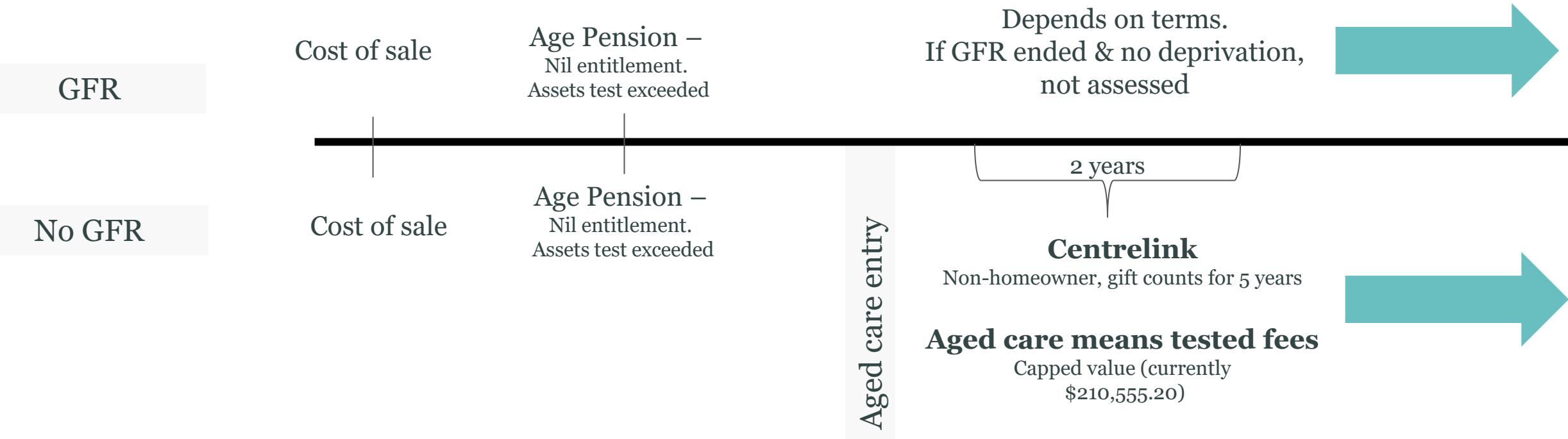
Strategy impacts

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)



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

GFR

Stamp Duty
~\$35k, + costs

Age Pension –
residual sale
proceeds assessed.
Homeowner

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



No GFR*

Stamp Duty
~\$35k, + costs

Age Pension –
residual sale
proceeds assessed.
Homeowner

Aged care entry

2 years

Centrelink
Home exempt, assessed
as homeowner

Centrelink
Home fully assessed, assessed
as non-homeowner

Aged care means tested fees

Capped value (currently
\$210,555.20)



*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?



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



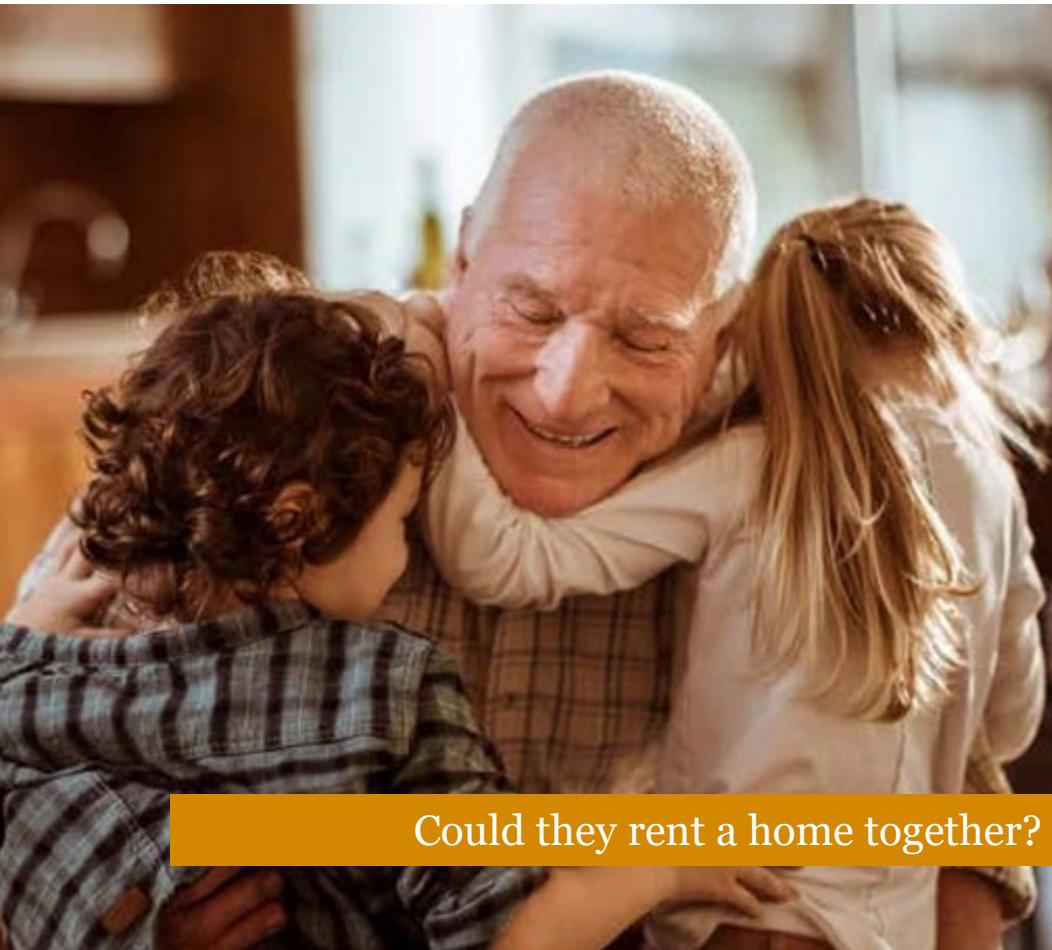
What if John moved in with Erin – no GFR?

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

Key takeouts

The agreement
is key

Consider the
net benefit

Work closely with
legal specialist

Huge
intergenerational
opportunity



EXPAND

Thank you

