



## Residential Circumstances

# Selling Your Home

### Overview

This Factsheet explains how pension may be affected by the sale of a home, and what DVA needs to know.

### How will your pension be affected?

Your principal home is an exempt asset while you are residing in it. If you sell your home, whether your pension is affected or not depends on what you intend to do with the money obtained from the sale. This Factsheet covers the following scenarios:

- if you do not intend to buy a home;
- if you intend to acquire another principal home;
- if you intend to have another home built and will be making progress payments;
- if you are experiencing delays in acquiring your new home and the initial 12 months asset exemption will soon expire; *and*
- if you initially intended to acquire a new home, but your intentions change.

### If you do not intend to buy a home

If you do not intend to buy a new principal home with your sale proceeds, then the money from the sale of your home will be treated like all other financial assets. This means that income will be deemed to have been earned on the money under the income test. It will also be counted as an asset under the assets test.

For more information, refer to *Factsheet IS89 Deeming and Financial Assets*.

### If you intend to acquire another principal home

If you intend to buy another home or have another home built within 12 months of selling your old home, then the portion of your sale proceeds which you intend to use to buy or build your new home will not be counted as an asset for 12 months, or until you buy or build your new home, whichever happens first.

Although this portion of your sale proceeds is not counted as an asset, the income test continues to apply to these funds. This means that the deeming provisions will apply to any part of the sale proceeds that is invested, until such time as the funds are used to acquire a new home.

## Selling Your Home, *continued*

### If you intend to acquire another principal home, *continued*

**Example:** A pensioner couple sells their home for \$200,000 and intends to buy another house for \$150,000. The couple decides to put the \$200,000 in their bank account until they can find a home. Under the income test, the \$200,000 will be added to the couple's other financial assets and deemed to earn income. Under the assets test, only \$50,000 will be counted as an asset as the couple intends to use \$150,000 within 12 months to buy their new home. The \$150,000 will not be counted as an asset for pension purposes for 12 months or until they acquire their home, whichever happens first.

**Note:** If you are experiencing delays beyond your control and the initial asset exemption will soon expire, the exemption may be extended for up to an additional 12 months. This is explained in more detail later in this Factsheet.

### If you intend to make progress payments for a home to be built

If you intend to have another home built within 12 months of selling your old home and will be making progress payments, then the portion of your sale proceeds which you intend to use to build your new home will not be counted as an asset for 12 months, or until you complete your new home, whichever happens first. If the proceeds of the sale are used to purchase assets that will be used to construct a home, for example land and building materials, they are also exempt from the assets test for that period.

Although this portion of your sale proceeds is not counted as an asset, the income test continues to apply. This means that the deeming provisions will apply to any part of the sale proceeds that you have invested or kept as cash in hand.

**Example:** A pensioner sells his home for \$100,000 with the intention of using the total proceeds to build a new home within 12 months. The pensioner decides to put the \$100,000 in his bank account and make progress payments to build his new home. Under the income test, the \$100,000 will be added to his financial assets and deemed to earn income. Under the assets test, the proceeds allocated for the new home will not be counted as an asset for 12 months or until he completes his home, whichever happens first.

The pensioner uses part of the \$100,000 to buy a \$40,000 block of land where he intends to build his new home. Under the income test, the amount in the pensioner's bank account is reduced, from \$100,000 to \$60,000. The remaining \$60,000 continues to be classified as the pensioner's financial asset and deemed to earn income. The \$60,000 will decrease further as the pensioner makes further payments towards building his new home.

## Selling Your Home, *continued*

### If you intend to make progress payments for a home to be built, *continued*

Under the assets test, the \$60,000 remaining funds and the \$40,000 used to purchase the land will not be counted as assets. The exemption will apply for 12 months or until the pensioner completes his home, whichever happens first.

*Note:* If you are experiencing delays beyond your control and the initial asset exemption will soon expire, the exemption may be extended for up to an additional 12 months. This is explained in more detail in the next item.

### If you are experiencing delays in acquiring your new home

If your home sale proceeds assets exemption will soon expire, but your new home is not yet acquired, you may apply for an extension of the asset exemption for up to an additional 12 months.

To be granted an extension you must be able to satisfy these requirements:

- you still intend to buy or build a new principal home;
- reasonable attempts have been made to acquire a home;
- these attempts were made within a reasonable period after the home sale; *and*
- you are experiencing delays beyond your control.

The extended exemption will cease when the new home is acquired or 24 months after the former home was sold, whichever happens first.

**Example** A pensioner sells her home with the intention of using all of the sale proceeds to build a new home within 12 months. She has used part of the proceeds to purchase a block of land and obtained development approval for the new home. However, due to construction demands in the area, she cannot find a builder available to commence work until the tenth month and the building work is expected to take five months to complete.

The pensioner contacts DVA, asks for an extension of the initial 12 months exemption and is able to provide documents verifying that she has commenced efforts to acquire a home, but is experiencing delays beyond her control.

The extended exemption will now apply for up to an additional 12 months (i.e. 24 months from date of home sale), or until the pensioner completes her home, whichever happens first.

## **Selling Your Home, *continued***

### **If you initially intended to acquire a new home, but you later change your plans**

If you initially intended to buy or build a new principal home, but your intentions later change or cease, you need to notify DVA. This is because your changed intentions may impact the asset test exemption of your home sale proceeds and may also affect your pension rate.

Examples of changed intentions include:

- you no longer intend to build a home and have instead moved in with family;
- you may later decide to acquire a smaller property which will require less of the sale proceeds than you had planned; *or*
- your building costs may have increased significantly and you now need to use more of the home sale proceeds than you initially thought.

### **What if you pay rent while you are looking for another home?**

You are still regarded as a homeowner during the 12 month period in which you are looking for another home or are waiting for another home to be built. This means that you will still be subject to the lower asset value limit that applies to homeowners. However, you may be eligible for rent assistance if you pay rent during this period. To apply for rent assistance, contact DVA and send us a current rent receipt or a copy of the lease.

For more information refer to *Factsheet IS74 Renting and Rent Assistance*.

### **What if you live in a second property you own while looking for another home?**

If you live in another property you own while looking for a replacement for your former principal home, then the second property becomes your principal home. Consequently the new principal home is exempt from assessment under the assets test and the proceeds from the sale of your former home are assessed instead.

### **What if you sell your home to move into a retirement village?**

The same assessment rules will apply to the proceeds of the sale of your former principal home when you move into a retirement village.

However, your status as a homeowner and your eligibility for rent assistance may change, depending on the amount of entry contribution you are required to pay for the right to live in the retirement village.

For more information refer to *Factsheet IS73 Granny Flats, Retirement Villages and Sale Leaseback Agreements*.

## Selling Your Home, *continued*

### What if you sell your home after entering care?

If you sell your former home, you need to tell DVA as soon as possible. What you do with the sale proceeds may affect your pension. For example, if you deposit the money into your bank account, the proceeds from the sale of your home will be counted as a financial asset and will be deemed to be earning income for pension purposes.

If your former home is sold during the two year exemption period after entering care, your principal home exemption ceases and you will be considered a non-homeowner. This applies even if another house is purchased with the sale proceeds while you remain in care.

### Obligations

When you are granted an income support pension and periodically after that, you will be notified of your obligations. You will be required to tell us within 14 days (28 days if you live overseas or receive remote area allowance) of changes to your circumstances that might affect the rate of income support pension you receive or your eligibility to receive that pension. These obligations apply equally to trustees.

*If you sell your home* the sorts of things you would need to tell us about within 14 days (28 days if you live overseas or receive remote area allowance) are:

- the date you sold your home;
- the amount that you received when you sold your home;
- where you have placed the money from the sale;
- your new residential address and situation (eg. renting, staying with relatives); *and*
- if you intend to acquire another home.

*If you buy another home or land on which you intend to build a new home*, the sorts of things you would need to tell us about within 14 days (28 days if you live overseas or receive remote area allowance) are:

- the address of the new home or land;
- the date that you purchased the new home or land;
- how much you paid for the new home or land;
- if you have not yet selected a new home, what amount of your sale proceeds you intend to use to buy or build your new home; *and*
- whether your other income and assets have been affected by the purchase.

*If you are making progress payments for a home to be built*, the sorts of things you would need to tell us about within 14 days (28 days if you live overseas or receive remote area allowance) are:

- when the payment was made;
- who payment was made to;
- how much was paid; *and*
- whether your other income and assets are affected by the periodic payment.

# Selling Your Home, *continued*

## Obligations, *continued*

If your home sale proceeds are being exempted from the assets test the sorts of things you would need to tell us within 14 days (28 days if you live overseas or receive remote area allowance) are:

- you no longer intend to use the proceeds to acquire a new home; or
- you have acquired the new home.

Usually an overpayment of pension will not occur when you have met your obligations. However, sometimes even if you have met your obligations, an overpayment can occur because we have not been able to process the change before the next payday. We do our best to avoid this occurring, but it is not always possible. To provide you with your exact entitlement we are obliged to recover overpayments of pension where they do occur.

## Disclaimer

The information contained in this Factsheet is general in nature and does not take into account individual circumstances. You should not make important decisions, such as those that affect your financial or lifestyle position, e.g. retirement, on the basis of information contained in this Factsheet. Where you are required to lodge a written claim for a benefit, you must take full responsibility for your decisions prior to the written claim being determined. You should seek confirmation in writing of any oral advice you receive from DVA relating to complex or important matters.

## Other Factsheets

Other Factsheets related to this topic include:

- *IS71 Home Owners*
- *IS73 Granny Flats, Retirement Villages and Sale Leaseback Agreements*
- *IS74 Renting and Rent Assistance*
- *IS87 Income Test Overview*
- *IS88 Assets Test Overview*
- *IS89 Deeming and Financial Assets.*

## More information

All DVA Factsheets are available from DVA offices, and on the DVA website at [www.dva.gov.au](http://www.dva.gov.au).

You can phone DVA for the cost of a local call on 133 254 or 1800 555 254 for country callers.

## **Selling Your Home, *continued***

### **More information, *continued***

Use a normal landline phone if you can. Mobile phone calls may cost you more.

You can send an email to DVA at: [generalenquiries@dva.gov.au](mailto:generalenquiries@dva.gov.au).

You can get more help from any DVA office.