# BUSINESS

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**Each week, financial adviser and international bestselling author Noel Whittaker answers your questions.**
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## Ask Noel

Noel Whittaker

**I am on a full age pension and wondering if money can be gifted to myself directly into my standard super fund. My concern is having my pension reduced if I am gifted directly into a bank account.**

If you are on the age pension you must be of pensionable age, which means an asset is assessed whether it be held inside super or in your own bank account. However, there are both income test and asset test thresholds – if the gift is relatively small, so that you still remain under the point where the pension starts to taper, the gift would make no difference to your pension. My website noelwhittaker.com.au has an age pension calculator where you can do the sums for yourself.

**I am 65 at the end of the year and will continue to work in my current job for two to three years. Am I able to continue contributing to my super fund when reaching the age of 65 and still working?**

You can contribute until age 75, as long as you pass the work test which involves working at least 40 hours every year over 30 consecutive days. And the good news is that at your age you can now make tax-free withdrawals from your super whenever you wish – this means you have the best of both worlds.

**I have rented out my principal place of residence for $650 a week and owe $165,000 on the mortgage. The property is valued at $700,000. I am presently sharing, pay $350 a week rent and want to buy an investment property. Should I move back into my principal place of residence and buy another investment property, or stay renting it out and buy another property while still paying rent of $350?**

On the figures provided, the property would appear to be positively geared – provided you believe you have the skill to find a well-located bargain, I see no reason why you should not buy another property if residential real estate is your thing. You will have the surplus cash flow from an existing property as a buffer, and by offering a mortgage over both properties you should be able to borrow the entire purchase price of another house. Another option is to take out a home equity loan to buy shares, instead of another property because, by overconcentrating on property, you will be out on a limb if house prices tumble, or if you need to liquidate part of the portfolio in a hurry.


# Is it worth borrowing for aged care?

## The Explainer

**I am 80 and live in a retirement village. I wonder what might happen if I or my wife had to move into a care home. I understand some of these care homes require a bond in the region of $400,000. At the moment we have a superannuation of about $900,000.**

**If one of us had to move into a care home, is the best option to withdraw the bond amount from our superannuation (in which case I assume it would not be able to be reinvested back into superannuation when the bond was eventually refunded) – or would it be better to raise a loan?**

**Is the amount of a bond counted as part of our assets for the purpose of accessing the age pension?**

**I suspect the loan approach would be better, since the interest payable would presumably be covered at least to some extent by the superannuation income otherwise forfeited. But is it in fact normally possible to obtain a loan in these circumstances?**

Borrowing to fund care has several considerations. The first is that any amount paid into the refundable accommodation deposit (RAD) is an assessable asset regardless of where the funds come from – i.e. any debt doesn't offset the value. Where that borrowing is against an asset that is exempt, or capped in value, such as the former home then the most likely outcome is an increase in the cost of care. Where the debt is against an assessable asset, such as a holiday home, the value of that asset can be reduced by the debt, giving the same net position.

While many headline borrowing rates for aged care loans are about the same as the interest rate the government set, now 5.78 per cent, when you add in the cost to establish the facility and the ongoing fees and charges, they are often considerably more expensive. Using assessable assets such as shares, cash etc to fund the RAD can reduce the means-tested care fee and in some cases mean that the resident is eligible for a pension or receives more pension.

Last, but certainly not least, if the decision is made to borrow, careful consideration should be given to whether that borrowing should be as a regular payment or a lump sum – the interest cost difference can be substantial. It is a complex area, you should seek financial advice from someone who specialises in it.