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What are the social security implications for retirees if they have adult children living with them?

When an adult child lives in their parent's property, there are a number of social security issues to contend with for both parties. The social security outcomes may depend on how the arrangement is structured. This FAQ takes you through some of the common social security related questions in our conversations with advisers.

- **The child lives rent-free or pays rent which is less than market value. Has the parent deprived themselves of income?**

There is no deprivation of income if the parent allows the child to live in the home rent-free or chooses to charge less than market-value rent.

- **The child pays board and lodging to their parent. What does this mean for the parent**

- Child lives in the same dwelling as the parent:

Boarding and lodging describes accommodation in a private home which includes meals. 'Lodging only' describes accommodation in a private home without the provision of any meals. The terms 'boarding' and 'lodging' are specific terms which can have an impact for Rent Assistance purposes.

Where a person receives income from boarding and / or lodging from their parent, child or sibling, the amount is not assessed as income – therefore, in this case, whatever amount is paid by the child is not assessed as income for the parent.

- Child lives in a separate self-contained dwelling owned by the parent in the same title:

The parent may have two dwellings on one title, whereby they live in one dwelling and the child lives in the other self-contained dwelling. This is typically evident where the parent may have a detached granny flat. In this situation, the child is not considered to be boarding and lodging with the parent.

Any rental income is assessed under the 'income from real estate' rules. Although there are some differences in the way income is treated for social security purposes when compared to tax rules – broadly, net income if a tax return is available or 2/3 of the gross income less borrowing expenses.

Whether the child lives with the parent in the parent's dwelling or lives in a self-contained dwelling, the parent's home continues to be exempt under the assets test.

Please note, different rules apply if the child paid for the construction costs of the self-contained dwelling or a granny flat / life interest right was established.

How are periodical gifts from the child to their parents assessed?

Instead of boarding and lodging, sometimes the arrangement between the child and parent is an informal one where the child might pay periodical gifts to their parent. Periodical gifts are not assessed as income if received from a parent, child or sibling – therefore, in this case, periodical gifts from the child to the parent are not assessed as income. The end outcome will depend on what the parent does with the money – for example, if spent, no change or if saved in the bank account, then the increase in the account balance is assessed as an asset and deemed.

If the child was a social security recipient themselves, then any periodical gifts may be assessed under the gifting rules.

Could the child be eligible for Rent Assistance?

To be eligible for Rent Assistance (RA), generally, the child must:

- be qualified for an eligible social security payment or Family Tax Benefit A rate greater than the base rate
- be paying rent over certain thresholds
- not be an ineligible homeowner

Where the child advises Centrelink that they are only paying lodging, then that amount is taken to be rent for RA purposes. Where the child pays board and lodging, generally, Centrelink would ask them to identify an amount for lodging only. If the amount for lodging cannot be separated, then 2/3 of the board and lodging amount is taken to be rent for RA purposes.

Where the child is living in a self-contained dwelling such as granny flat, then generally, any rental income paid by the child is assessed as rent for RA purposes.

In some cases, if the child lives in the parent's property in return for the payment of rates, repairs and other bills such as electricity and water, then it is possible that it could be considered that the child is paying rent if:

- the child is required to pay regular amounts, usually at least quarterly AND
- in Centrelink's opinion, they should be regarded as paying rent.

Unsurprisingly, periodical gifts are not assessed as rent for RA purposes. For more details on RA, please refer to this [Services Australia webpage](#).

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