



# **AAA Housing for older Australians**

**COTA National Policy Forum 2017**

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**CEO, Grattan Institute**

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# Affordable, accessible and appropriate housing for retirees

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- Renting pensioners have more stress than other retirees – but less than workers
- To increase resources for retirees who are struggling, governments should reform the age pension assets test and reduce taxpayer inheritance subsidies
- Further net transfers to older households may provoke generational politics

## **Accessible: Storm clouds are ahead for retiree home ownership and renting**

- Home ownership rates are starting to fall (doesn't really hit until about 2030)
- Fewer renting retirees are in social / affordable housing
- This may drive demand for better rent assistance (and help non-retirees too)

## **Appropriate: Downsizing is wanted, but harder than it should be**

- Downsizing is needed more given higher life-expectancy and more care in home
- Downsizing decisions are driven by life choices, not economics
- The key desire is to age in suburb – but NIMBYs have limited medium density
- Demand for downsizing may drive planning reform (and help non-retirees too)

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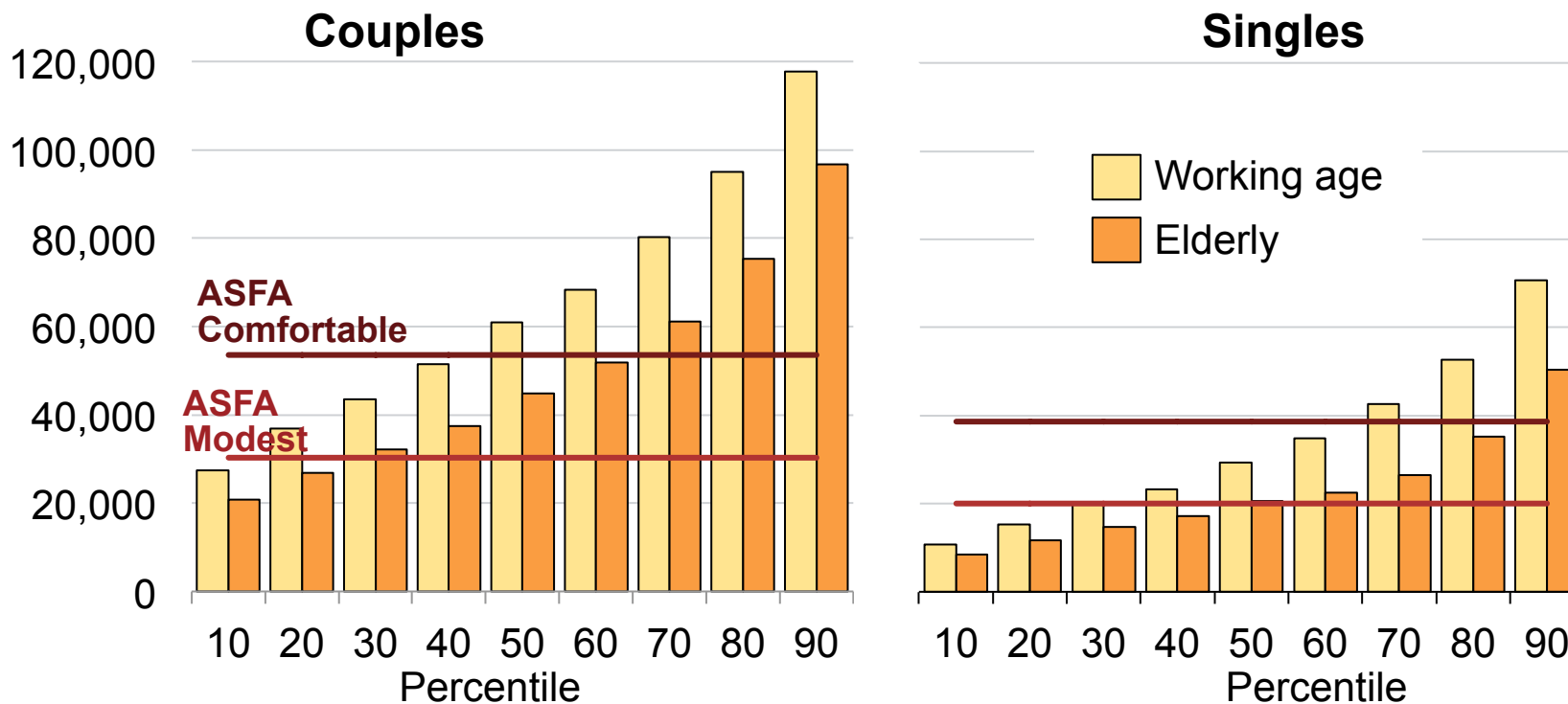
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# Households tend to live on less in retirement

Household expenditure (ex housing), \$2015/yr



Notes: Based on equivalised elderly households aged (60-79); equivalised single working age households aged (25-59). Expenditure inflated forward to 2015 levels using change in final household consumption expenditure between June 2009 and March 2015..

Source: Household Expenditure Survey 2009-10; ASFA (2015); Grattan analysis.

# Most Australians are conservative in spending their retirement savings

## Studies of retiree drawdown behaviour

**Few people spend their savings before retiring**

**Bray (2013)** – only 15% of those 55-64 with super savings exhausted them before pension age, and many of those had small balances

**Cho and Sane (2009)** – no statistically significant evidence of people 61-64 drawing down to qualify for the Age Pension

**Most retirees don't spend down even after they reach pension age**

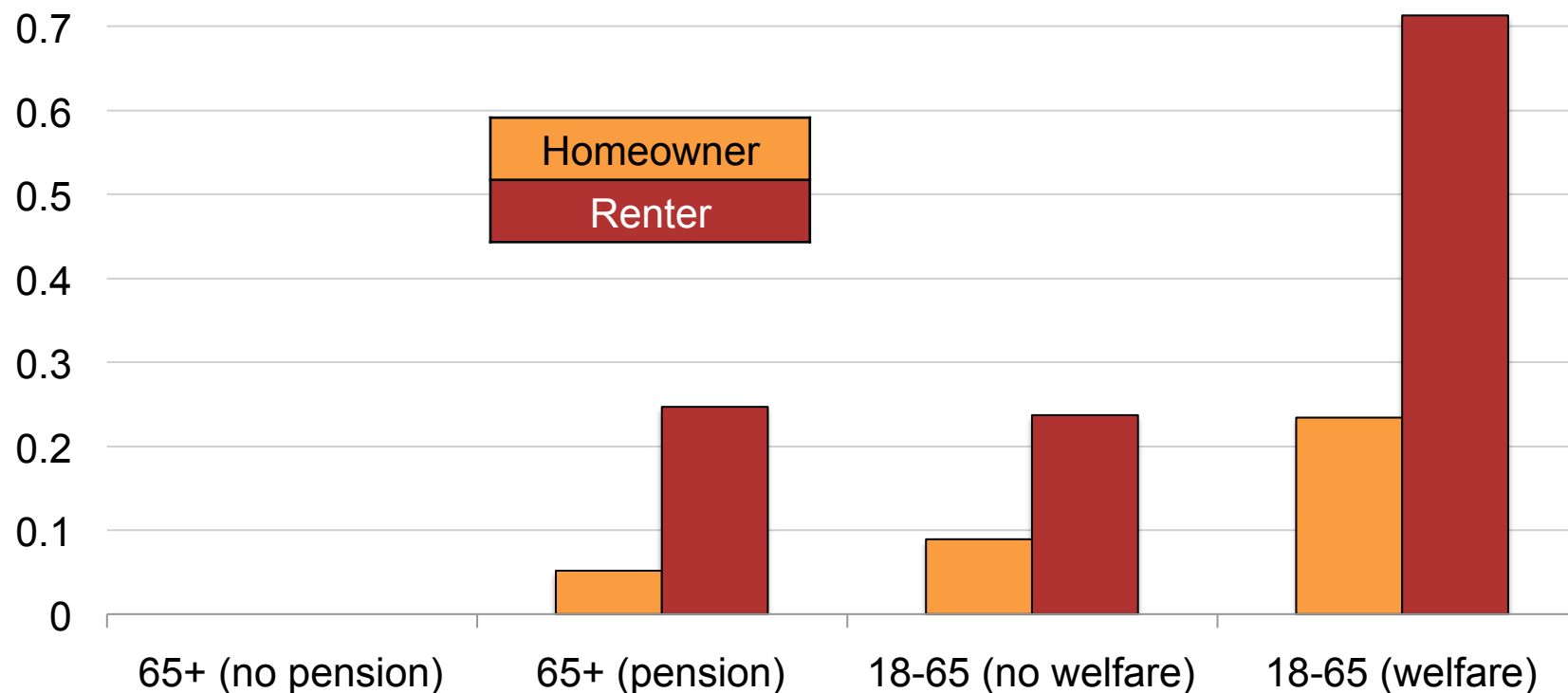
**CSIRO (2016)** – most super fund balances grow until mid 70s and then decline slowly

**CEPAR (2015)** – median pensioner who died left residual wealth equal to 90% of the assets recorded 8 years before

**Hulley et al. (2013)** – less wealthy pensioners spend down 5% of non-housing wealth / year, more wealthy **accumulate** 3% / year

# Renting pensioners are under more stress than home-owning retirees – but less than others

## Average number of financial stresses per household

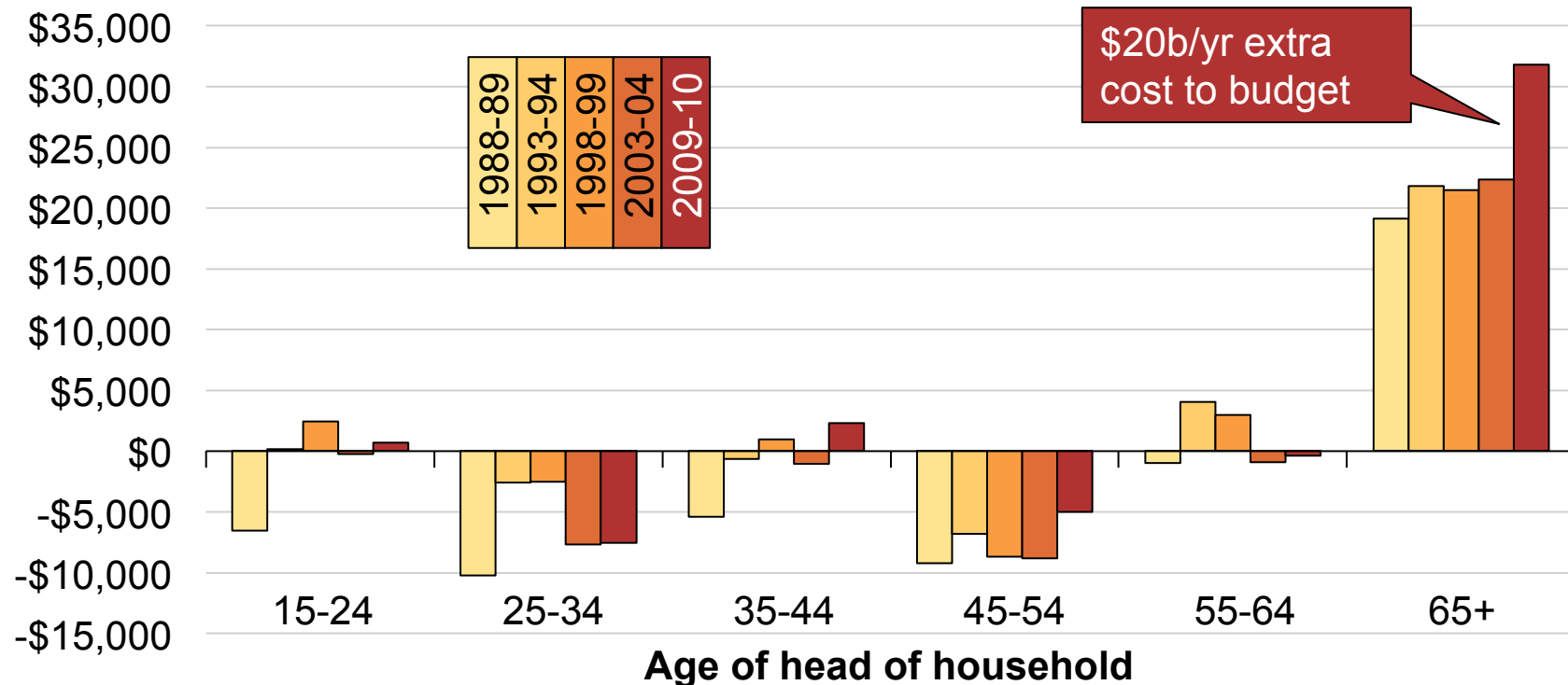


Source: HES (2009-10).

Notes: Financial stress defined as money shortage leading to 1) skipped meals; 2) did not heat their home; 3) failed to pay gas, electricity or telephone bills on time; or 4) failed to pay registration insurance on time.

# Further *net* transfers to older households may be difficult given where we are already

Average net benefits per household (government payments, less tax)  
2010\$



# Including owner occupied housing in the assets test is wildly popular – amongst policy thinkers

**ACOSS**

Effectively include first \$340,500 value of home

**The Australia Institute**

Include family home above a threshold (unspecified)  
Expand Pension Loans Scheme to become equivalent rent assistance

**Grattan Institute**

Fully include the family home, and expand Pension Loans Scheme

**Centre for Independent Studies**

Fully include the family home, and develop reverse mortgage market with government-guarantee

**Business Council of Australia**

Include value of family home (noncommittal about threshold)

**Henry Review**

Include family home above a relatively high (unspecified) threshold

**Productivity Commission**

Include family home above a threshold similar to NCoA suggestion

**National Commission of Audit**

Include family home above a threshold of \$500,000 for singles and \$750,000 for couples

**Rice Warner**

Include value of family home over \$1.5m, and immediately withdraw all pension above this threshold

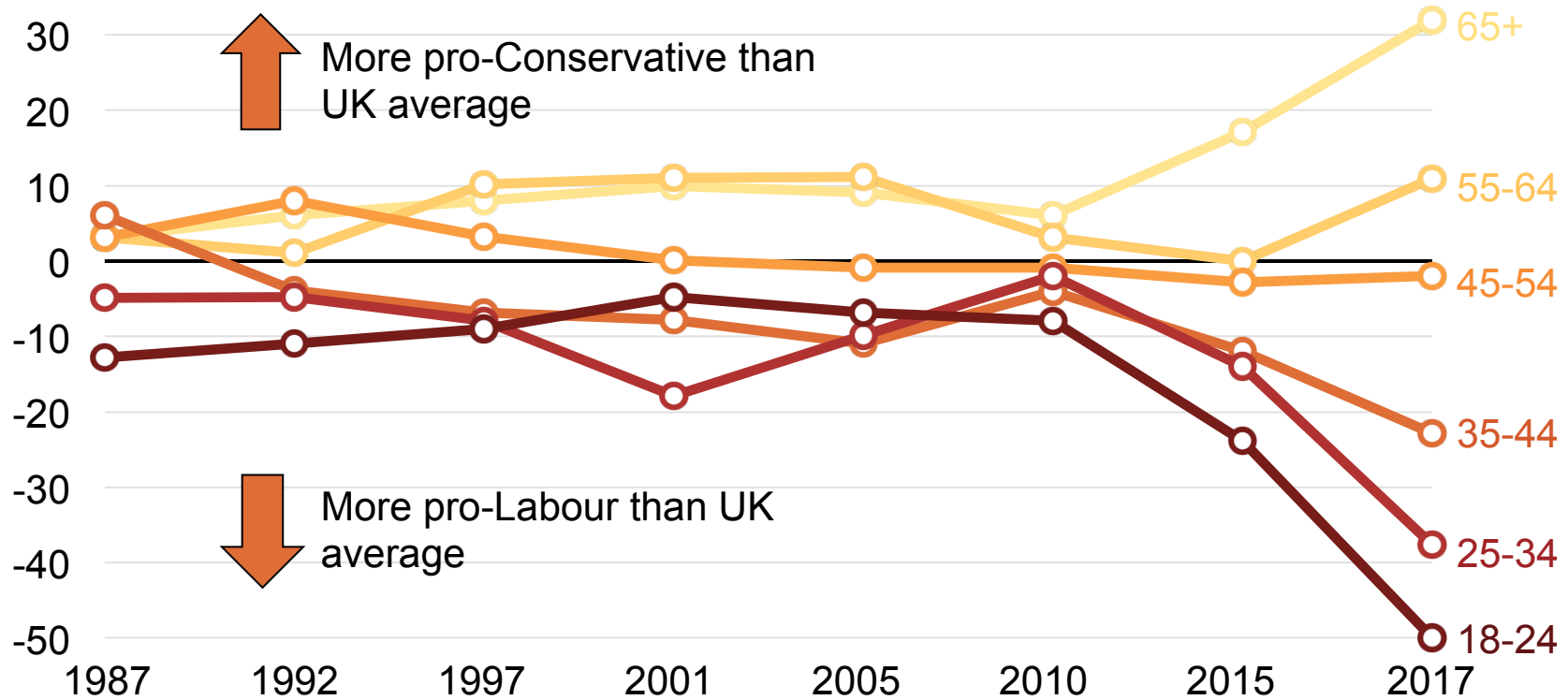
**Ingles and Stewart**

Include some of the value of the family home, but be cautious given gender equity issues



# Age based politics has emerged in Britain

## Aged-based vote relative to party's average vote



Source: Ipsos MORI, Lord Ashcroft polls, Financial Times

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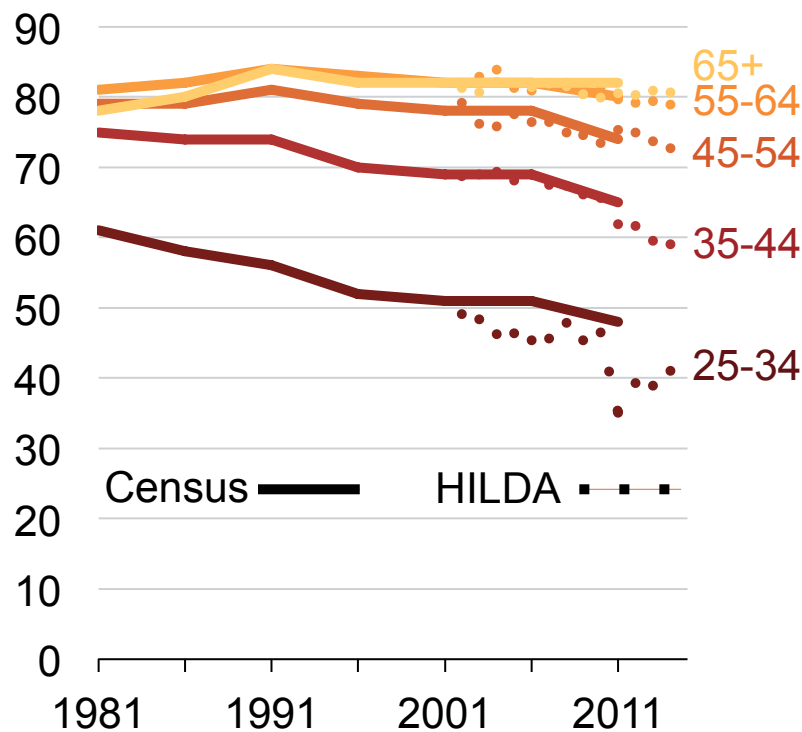
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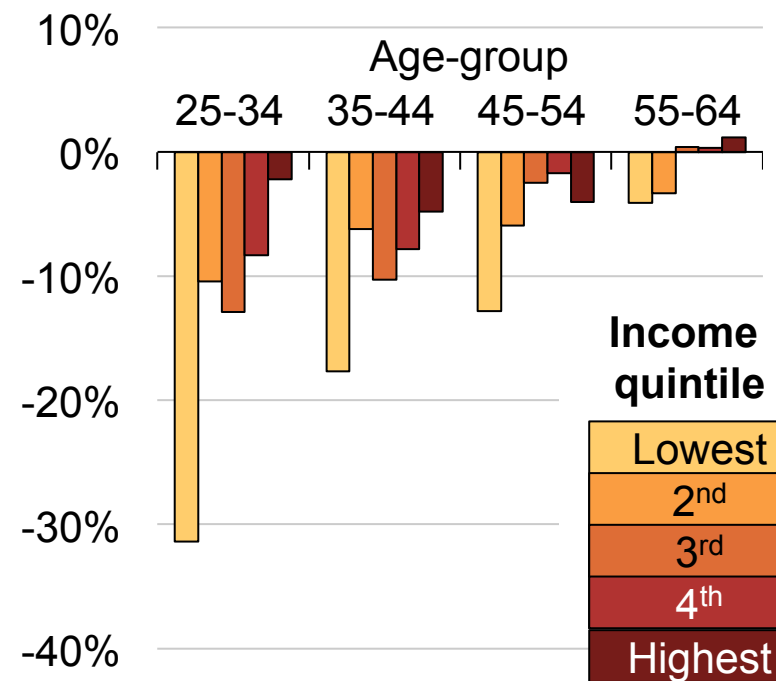
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# Home ownership rates are falling, but not much effect on retirees until about 2030

**Home ownership rate by age**  
Per cent



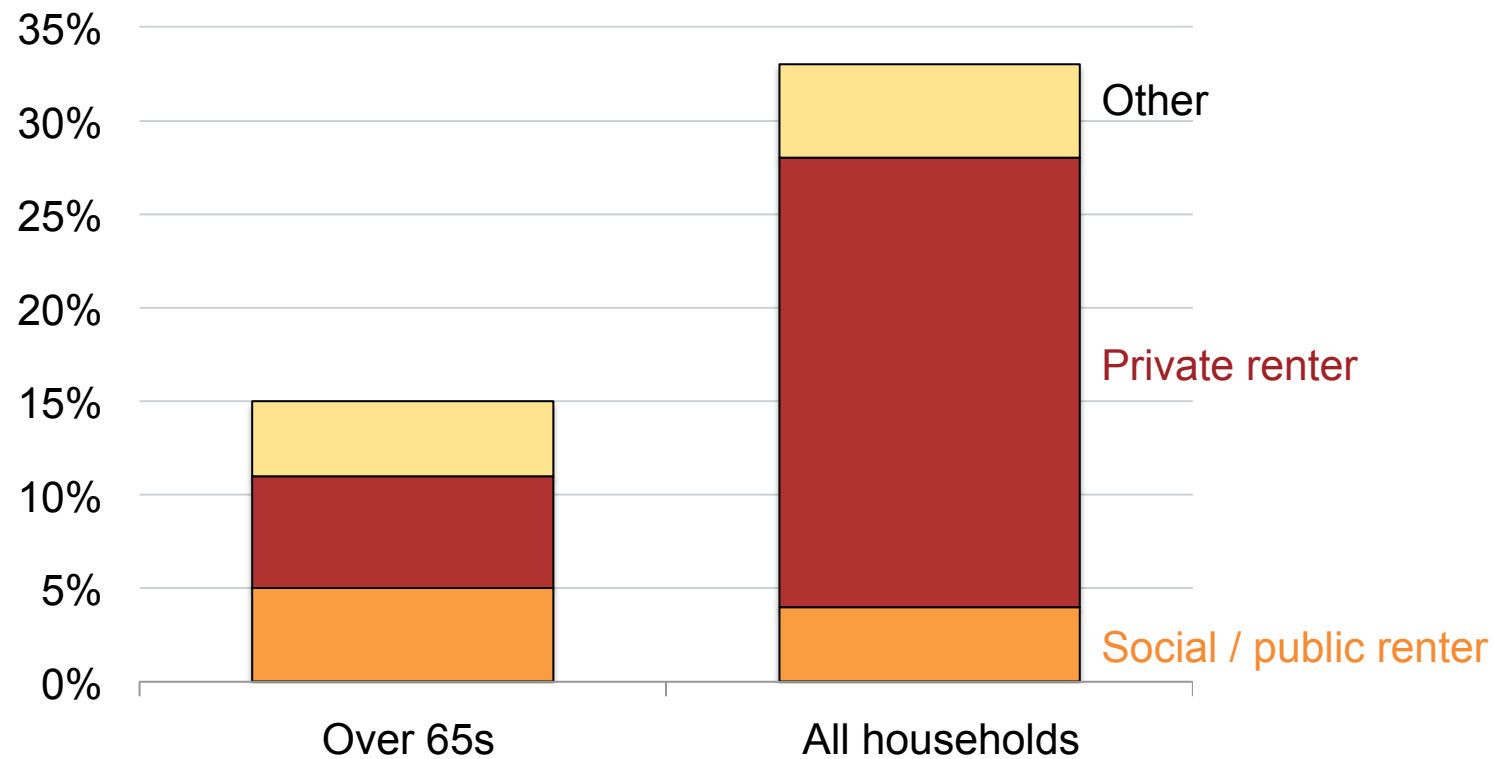
**Percentage point change in home ownership rates, 1981 to 2011**



Source: Grattan Institute, Wealth of Generations; HILDA release 15

# Future retirees are more likely to be living in private rental housing

## Renters as proportion of population



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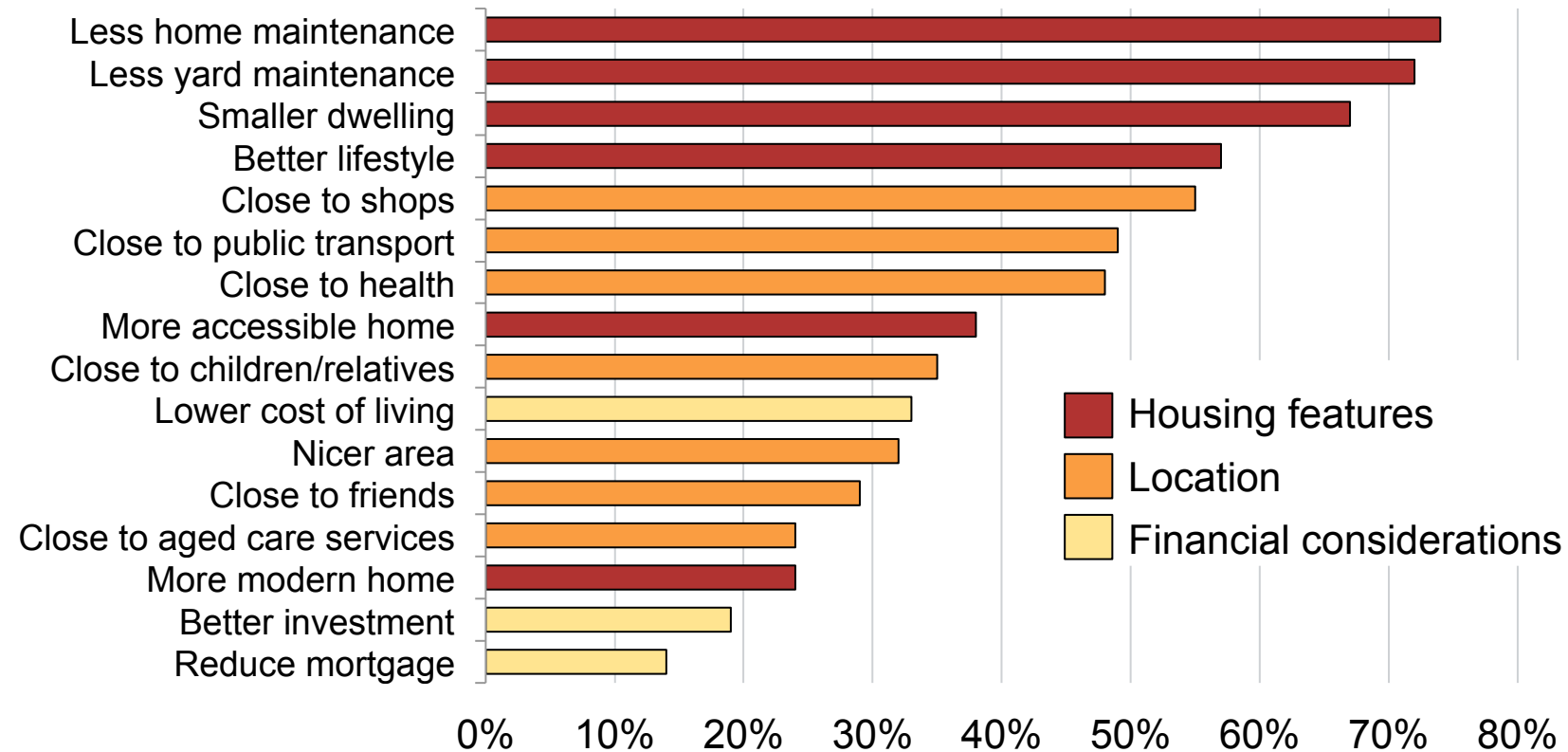
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# A downsized home is chosen primarily for features and location, not financial outcomes

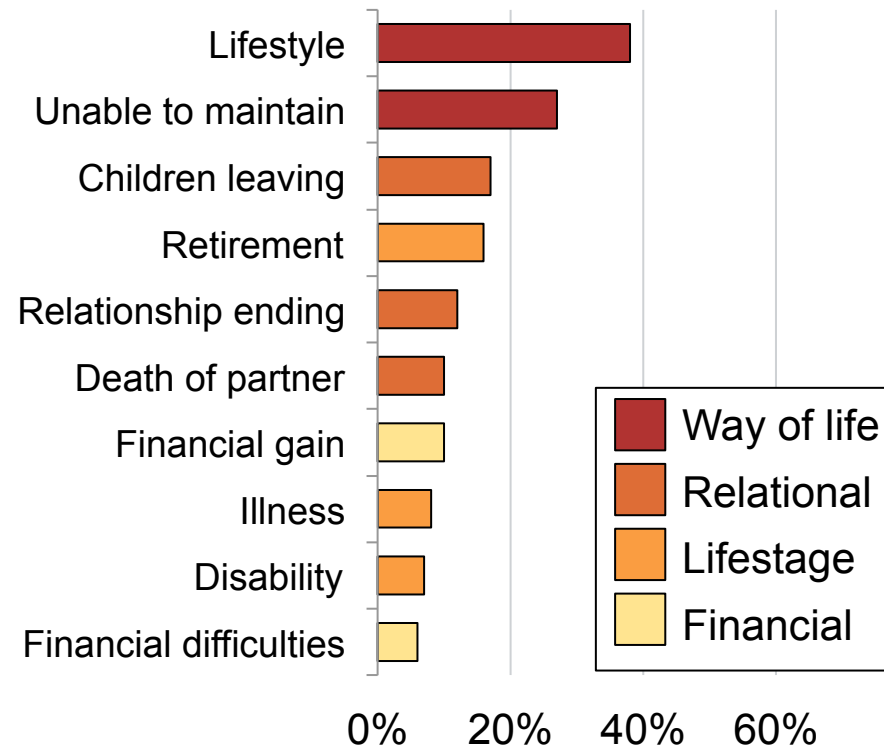
## Important consideration when moving, percentage of downsizers



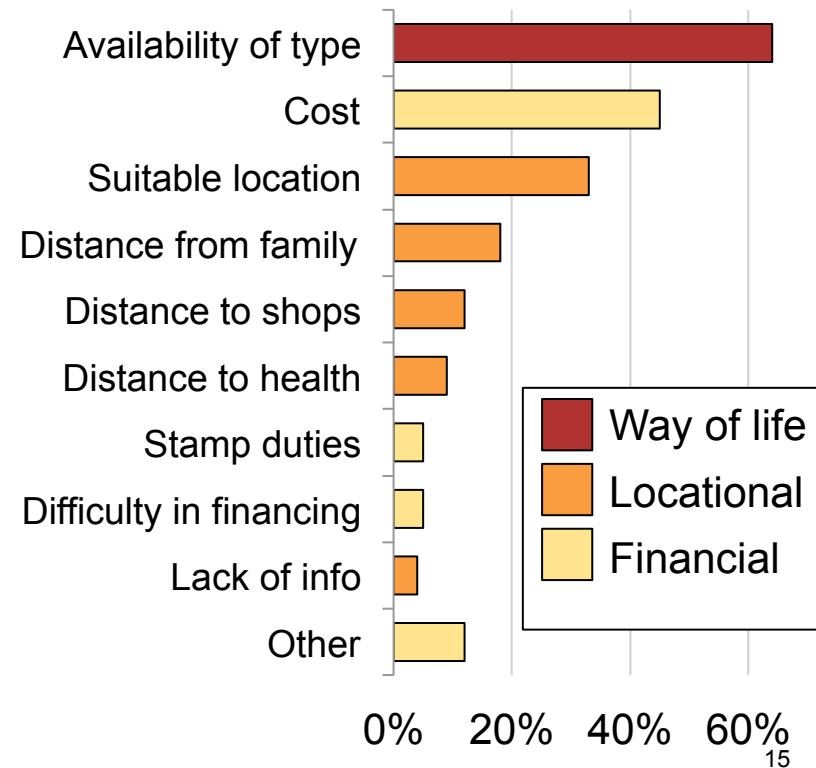
Source: Judd et al 2014

# The choice to downsize results mainly from lifestyle and relational, not financial, issues

Reasons for downsizing, percentage of downsizers



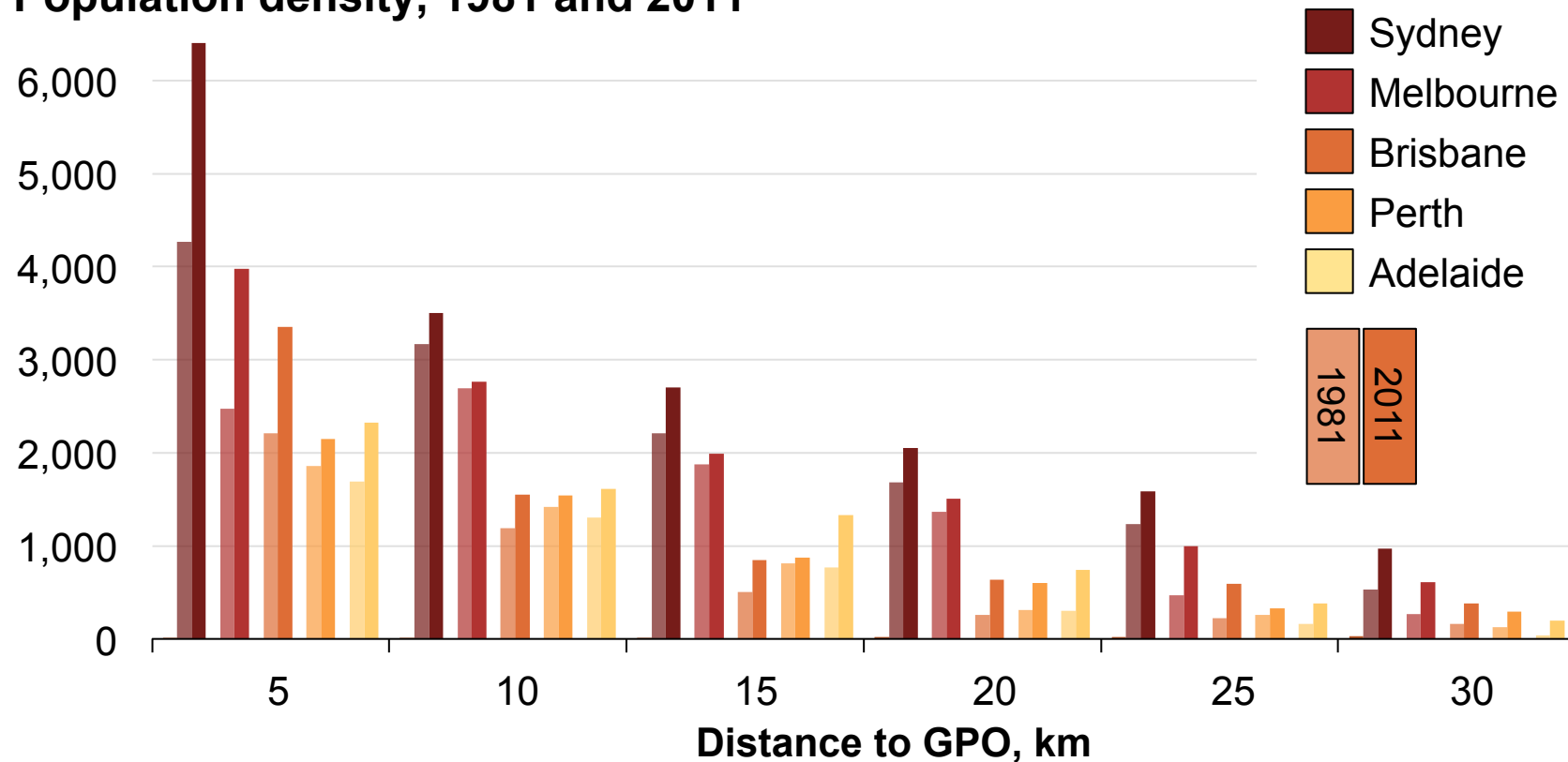
Problem when downsizing, percentage of downsizers



Source: Judd et al 2014

# Population density has increased, but not much in the middle ring

## Population density, 1981 and 2011



Source: Coffee et al, "Visualising 30 Years of Population Density Change"



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