



AAA Housing for older Australians

COTA National Policy Forum 2017

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Affordable, accessible and appropriate housing for retirees

Affordable: Most retirees have adequate housing; higher net transfers not viable

- Most retirees have adequate resources, but tend to over-save and do without
- 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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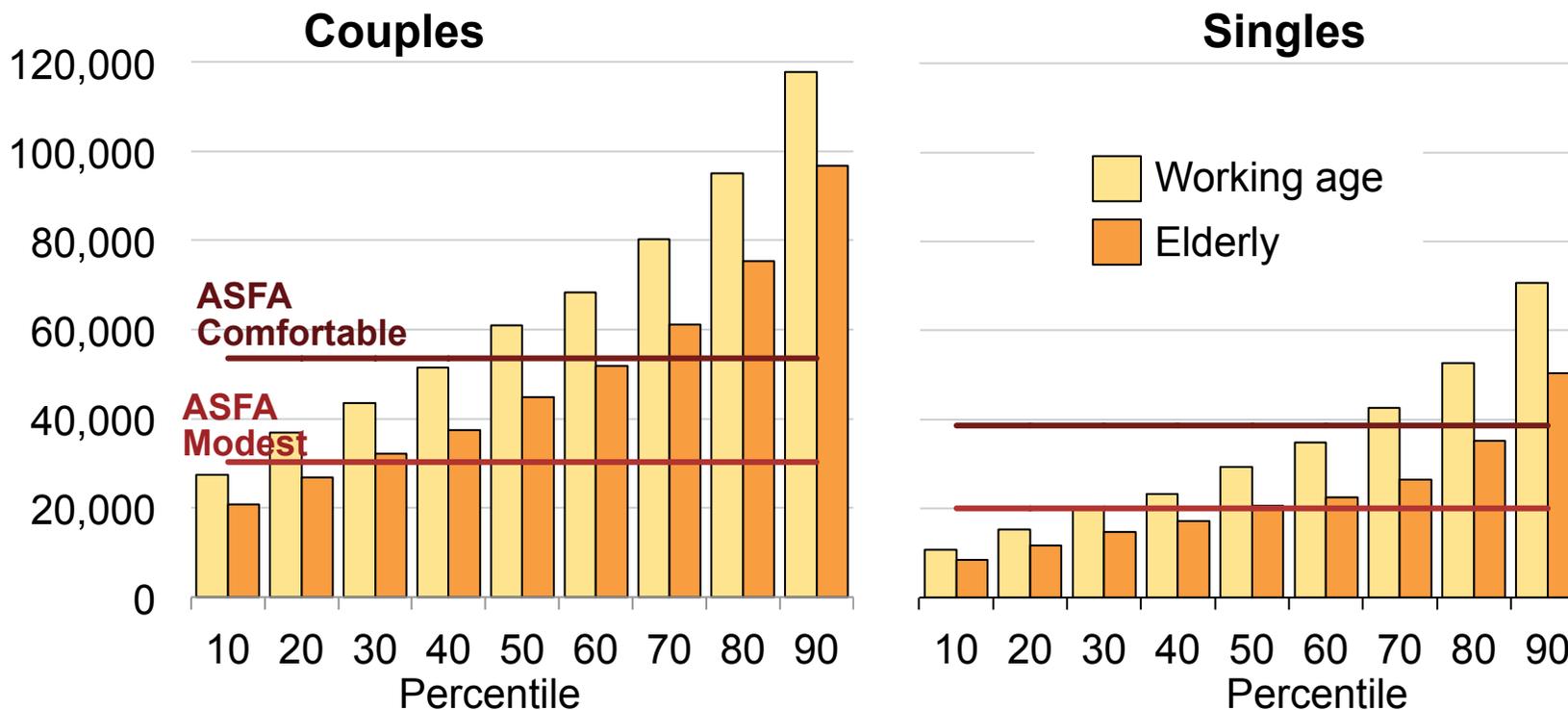
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Households tend to live on less in retirement

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

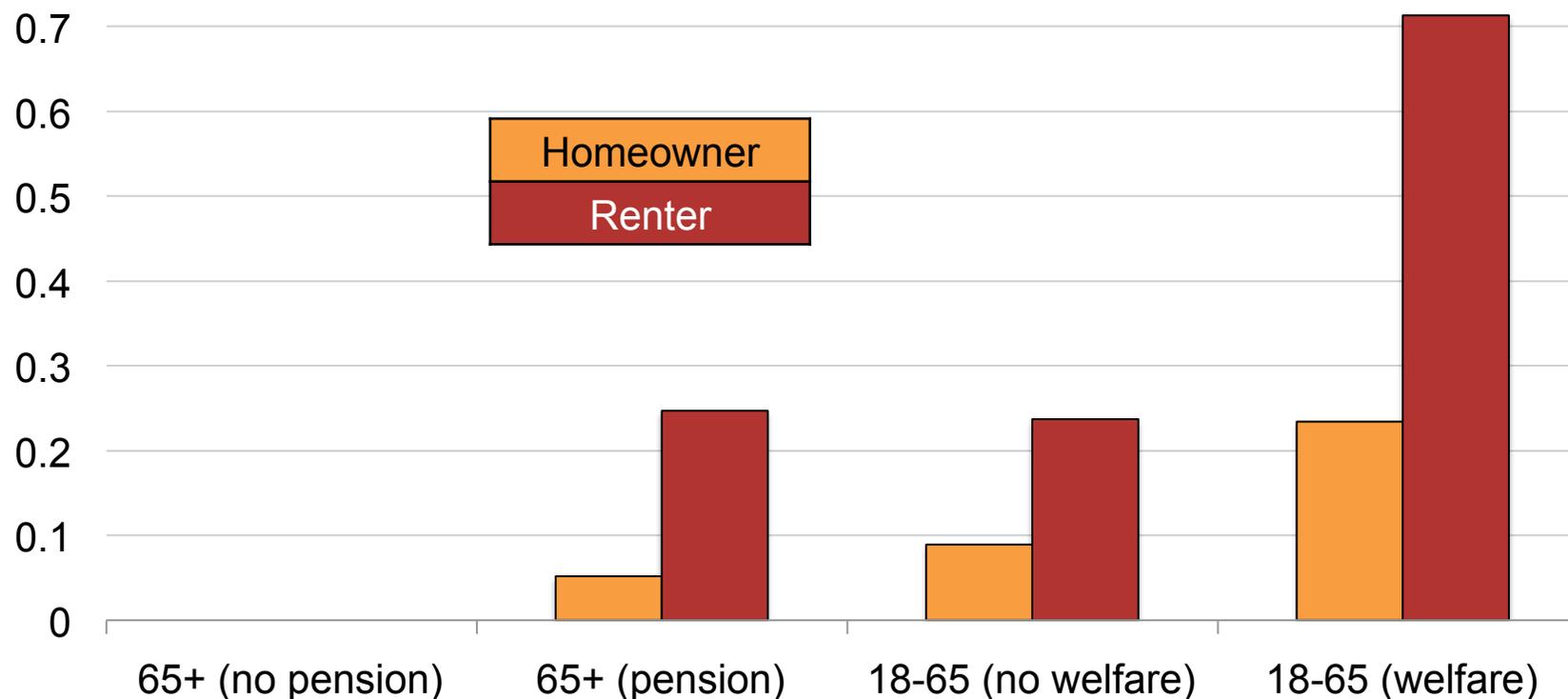
CSIRO (2016) – most super fund balances grow until mid 70s and then decline slowly

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

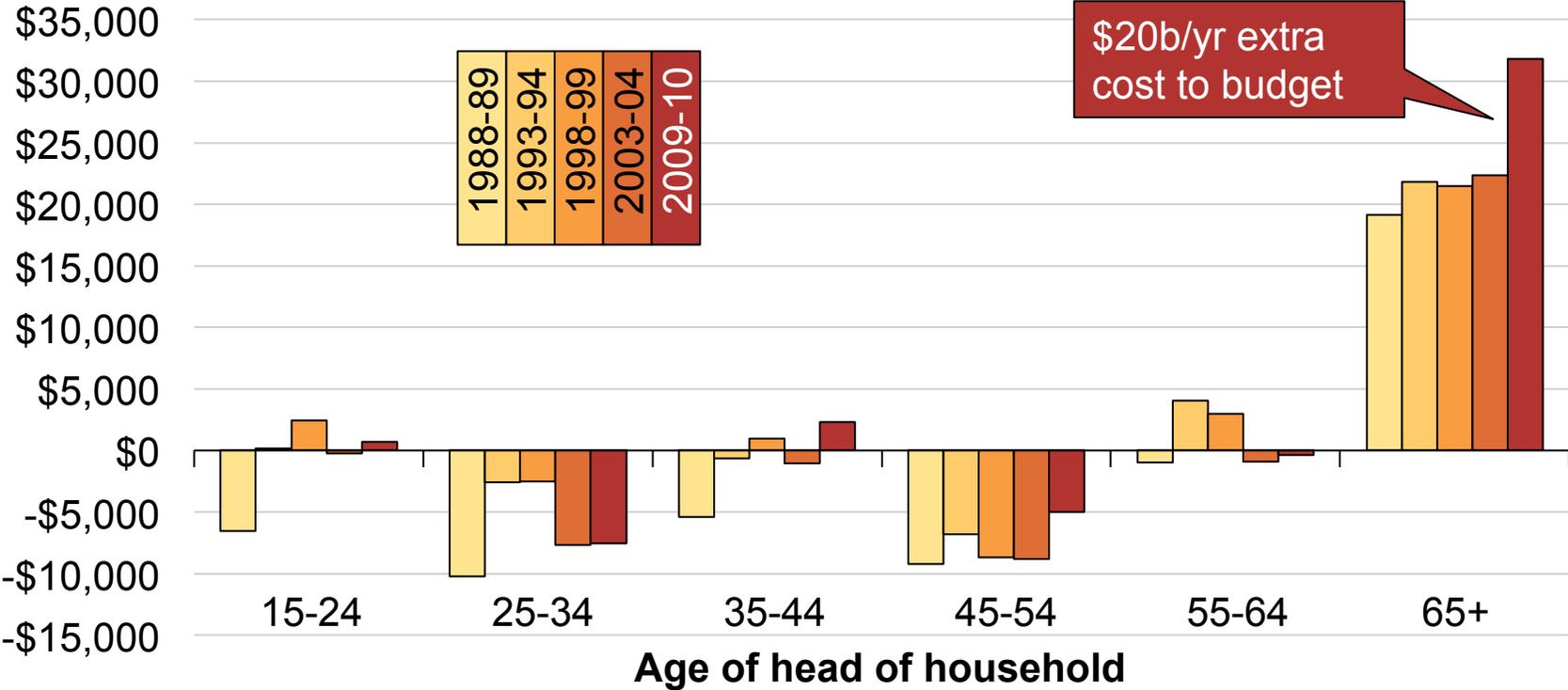


Source: HES (2009-10).

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\$



Source: Grattan Institute, *Wealth of Generations*

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

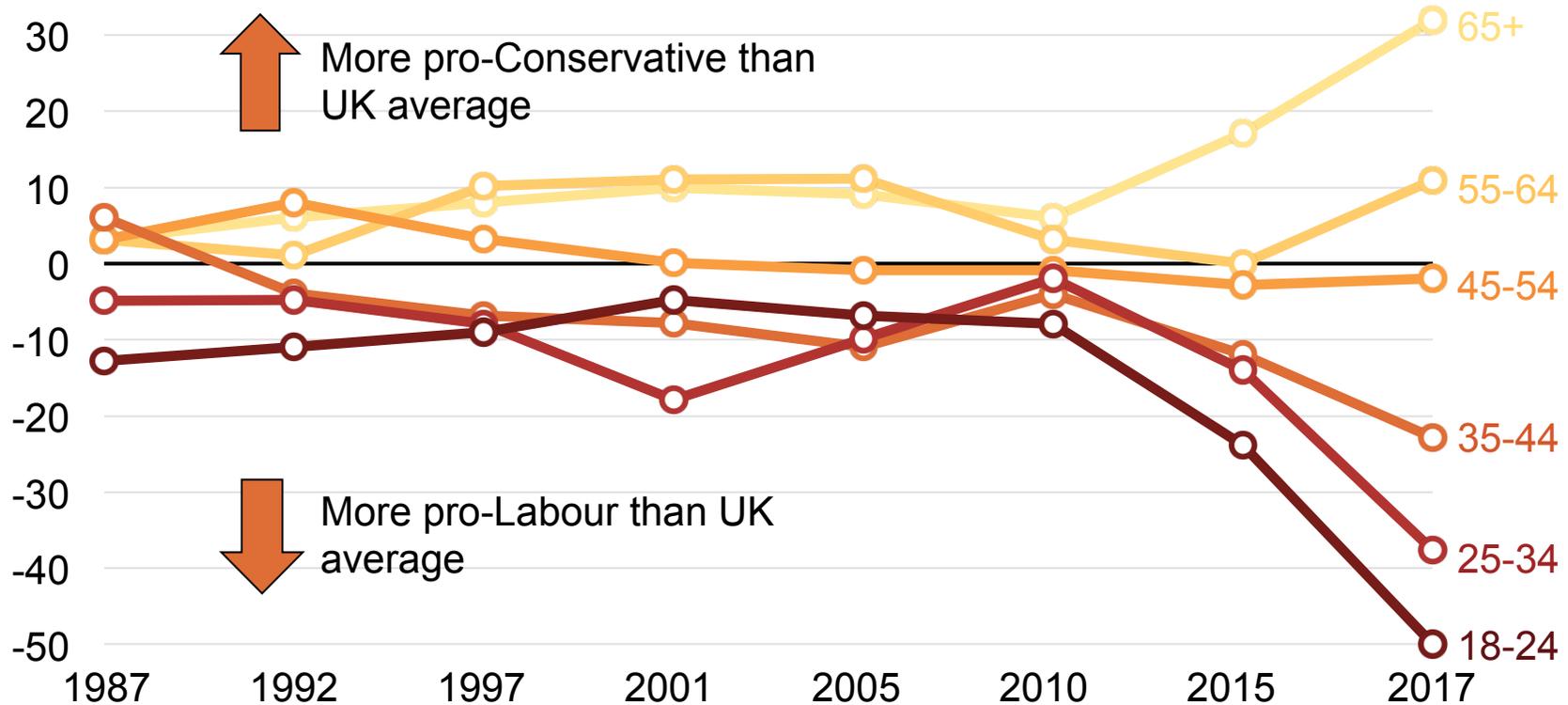
Include value of family home over \$1.5m, and immediately withdraw all pension above this threshold

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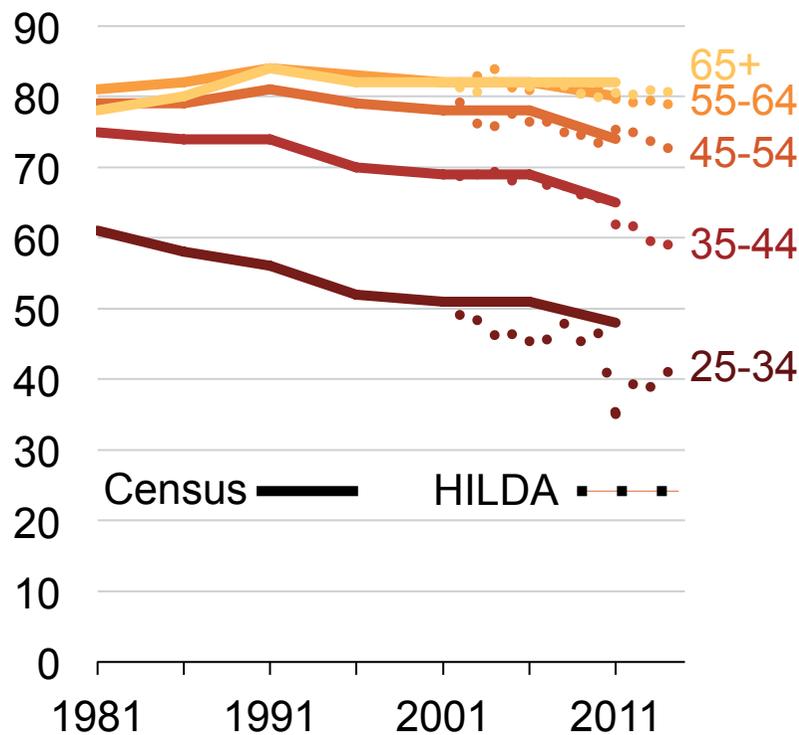
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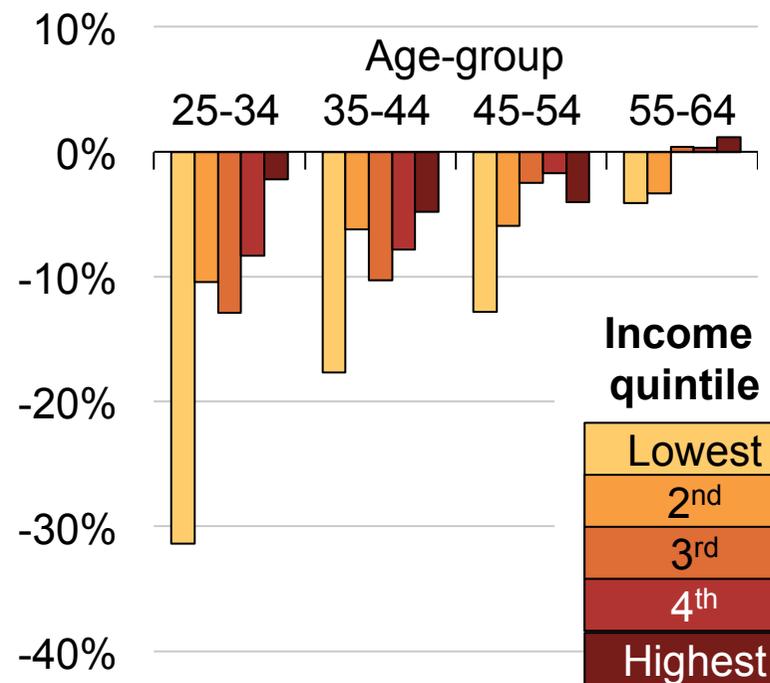
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Home ownership rates are falling, but not much effect on retirees until about 2030

Home ownership rate by age
Per cent



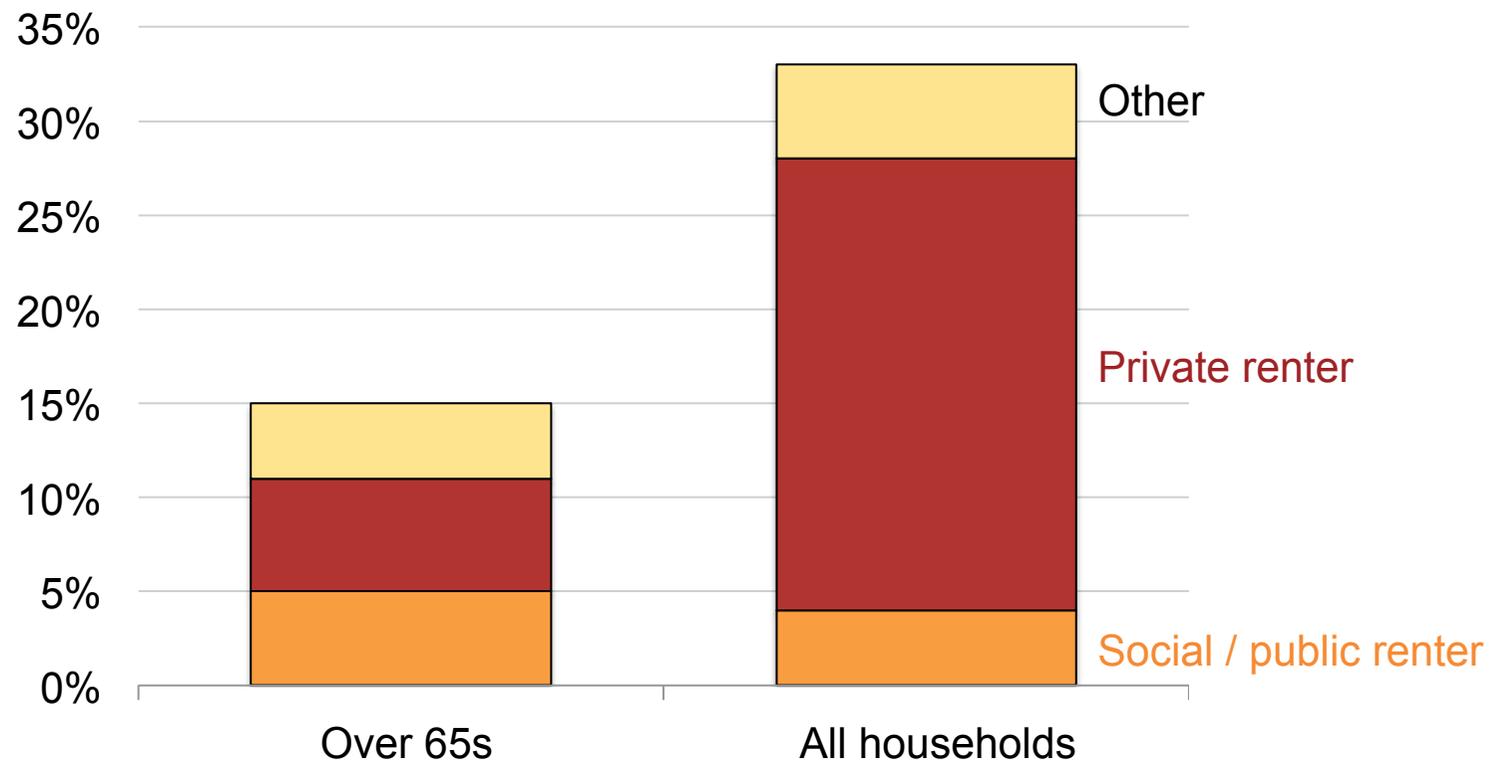
Percentage point change in home ownership rates, 1981 to 2011



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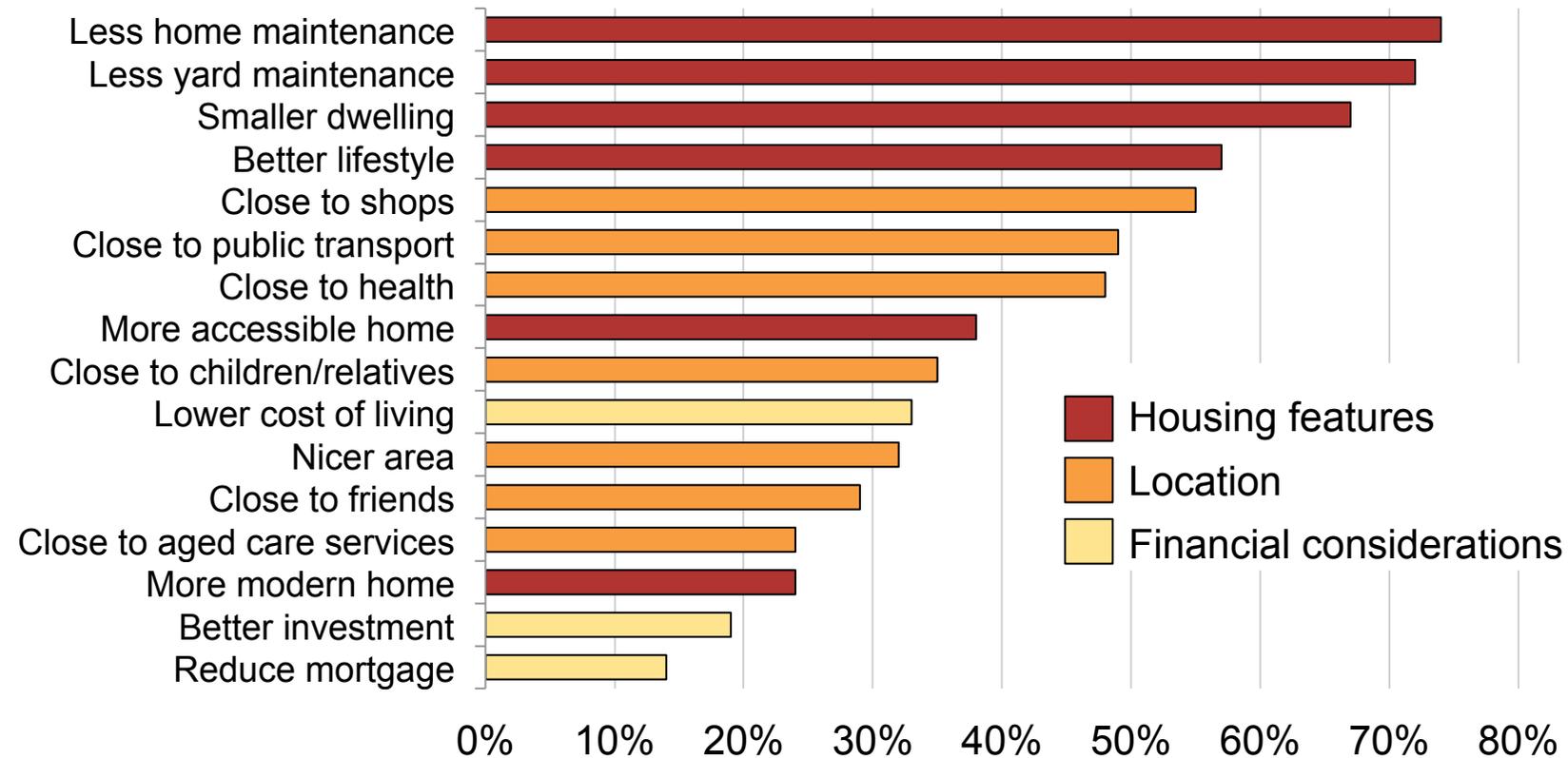
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A downsized home is chosen primarily for features and location, not financial outcomes

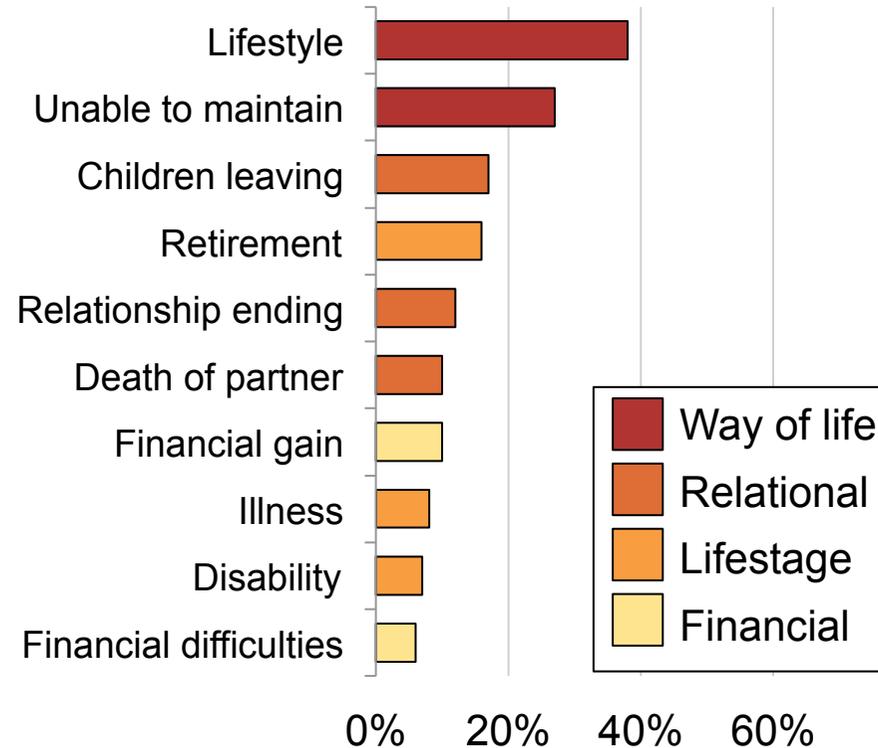
Important consideration when moving, percentage of downsizers



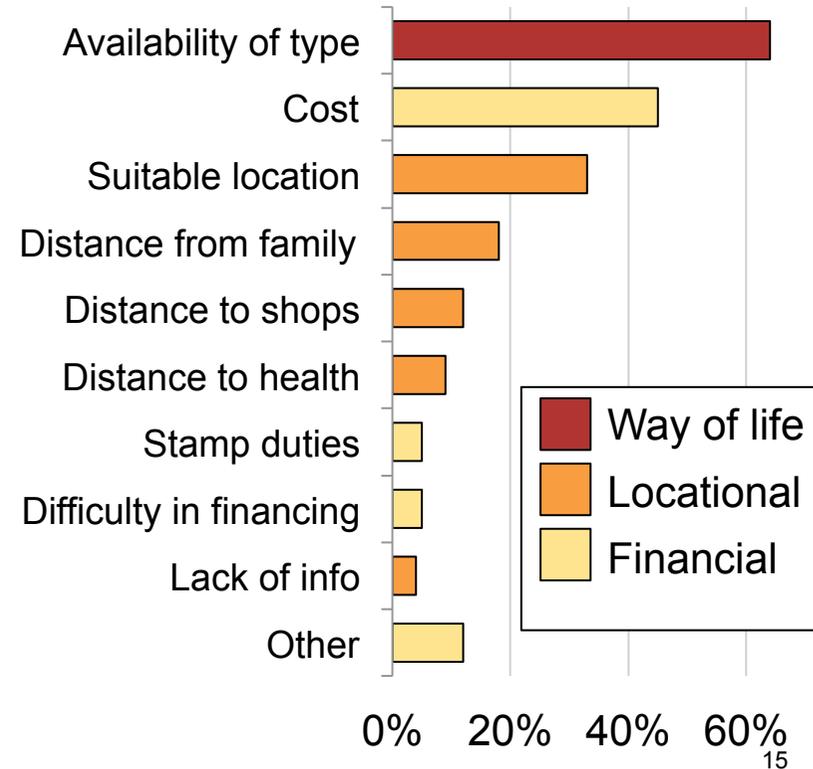
Source: Judd et al 2014

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

Reasons for downsizing,
percentage of downsizers



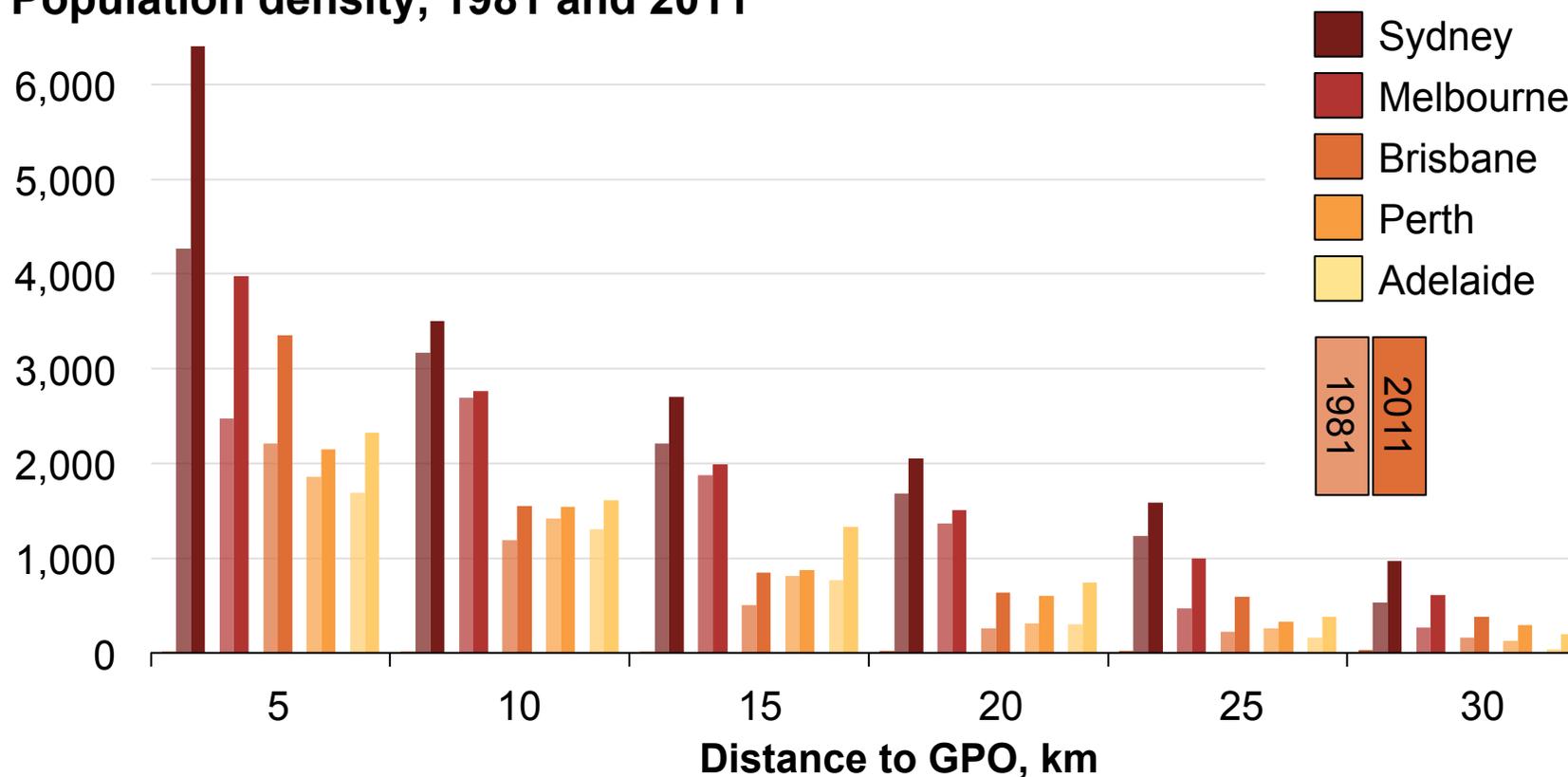
Problem when downsizing,
percentage of downsizers



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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