Australian Housing and Urban Research Institute
Level 12, 460 Bourke Street
Melbourne Victoria 3000
Australia
Phone (03) 9660 2300
Email information@ahuri.edu.au
Web www.ahuri.edu.au

3 February 2020

Retirement Income Review Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

AHURI submission to Retirement Income Review

On behalf of the Australian Housing and Urban Research Institute (AHURI) I am pleased to make a submission to the Retirement Income Review.

This submission provides a commentary on the Review Consultation paper, focusing in particular on Australian Housing and Urban Research Institute (AHURI) research relating to:

- the role of housing as a 'pillar' in the retirement income system,
- the role of housing in impacting on the adequacy, equity, sustainability and cohesion of the retirement income system, and
- ideas for reform of current policy settings.

AHURI research is available free from www.ahuri.edu.au.

If there is any way we can be of further assistance, please contact me directly on 03 9660 2300.

Yours sincerely,

Dr Michael Fotheringham

Executive Director

Submission to Retirement Income Review

Australian Housing and Urban Research Institute

February 2020

About AHURI

As the only organisation in Australia dedicated exclusively to housing, homelessness, cities and related urban research, AHURI is a unique venture. Through our national network of university research partners, we undertake research leading to the advancement of knowledge on key policy and practice issues.

AHURI research informs the decision-making of all levels of government, non-government sectors (both private and not-for-profit), peak organisations and the community, and stimulates debate in the media and the broader Australian community.

Our mission is to inform and impact better housing, homelessness, cities and related urban outcomes through the delivery and dissemination of relevant and authoritative research. To achieve this mission we deliver four key programs.

National Housing Research Program

AHURI's National Housing Research Program (NHRP) invests around $4 million each year in high quality policy-oriented housing research and associated activities. We broker engagement between policy makers, key stakeholders and researchers. This allows us to undertake research that is immediately relevant and actively contributes to national housing policy development.

Our network of university research partners conducts research on key policy issues utilising a variety of research activities. This ensures the flexibility to undertake longer-term projects when fundamental research is needed, while also responding quickly to new strategic policy issues as they arise.

Australian Cities Research Program

AHURI is actively broadening its scope to consider the role, functioning and policy questions facing Australian cities. We are enhancing our significant evidence base on housing and homelessness policy and solutions, and consolidating our role in delivering integrated and robust evidence to guide policy development. We are investing in and developing partnerships for an Australian Cities Research Program. AHURI is working with governments and relevant stakeholders to expand our role in delivering research that imforms urban policy and the shaping of cities in Australia.

Professional Services

AHURI Professional Services draws on our in-depth understanding of housing, homelessness, cities and urban policy and the expertise of AHURI's national network of Research Centres. We deliver evidence reviews and synthesis, policy engagement and transfer, and are experts in research management and brokerage.

Conferences, events and engagement

Our conferences, events and communications stimulate professional and public dialogue. We disseminate research in innovative ways and engage with government, private, not-for-profit sectors and the community.

National Network of AHURI Research Centres

There are currently eight AHURI Research Centres across Australia:

- AHURI Research Centre—Curtin University
- AHURI Research Centre—RMIT University
- AHURI Research Centre—Swinburne University of Technology
- AHURI Research Centre—The University of Adelaide
- AHURI Research Centre—The University of South Australia
- AHURI Research Centre—The University of New South Wales
- AHURI Research Centre—The University of Sydney
- AHURI Research Centre—University of Tasmania.

Contents

About AHURI ii

Executive Summary 1

1. Housing in the retirement income system 4

1.1 Housing is a 'fourth pillar' to retirement incomes policies in Australia 4

1.2 Australia has adopted an 'asset based' welfare system 5

1.3 Benefits of housing policies depend on tenure 6

Housing policy settings are still aimed at supporting home ownership as the dominant tenure 6

Older people occupy social housing but entry is constrained 6

Private rental is becoming an emerging tenure for older people but is an insecure and unaffordable tenure even with CRA 7

Support and care policies are focused on ageing in place for owners 7

1.4 Home ownership has advantages in retirement 7

Ageing in place and social and health benefits 7

Economic benefits greater for owners compared to rental 8

Widespread outright home ownership means aged pensions can be lower 9

1.5 The housing system faces a number of challenges 9

The conditions that led to high home ownership may have been unique 9

Rise of increased numbers of older people in rental 10

1.6 A future retirement income system will need to address new pressures and opportunities 10

Australians are living longer 10

Work participation in old age is increasing, but it is mainly part time 10

Older people are more likely to live alone and face issues of loneliness and isolation 11

Older people will also need to cope with disability and chronic conditions 11

1.5 What principles should govern new policy settings? 11

2. Adequacy of retirement incomes 13

2.1 Reliance on pension undermines incomes in retirement, especially renters 13

Household income drops after retirement 13

Incomes are lower for older renters relative to older non-renters 13

2.2 Housing stress in retirement is rare but is high for renters and increasing for owners 14

Relatively few older people experience housing affordability stress because most own their home outright but its incidence is increasing 14

	Affordability is poor for older private renters on low income	14
	Affordability is also poor for owners as they carry debt into retirement	14
2.3	Avoiding poverty in retirement depends on outright homeownership	15
	Poverty rates are moderated because of high home ownership	15
	Housing costs worsen poverty for renters and purchasers	16
	After housing poverty is likely to increase in future because of demographic change and lower home ownership	17
Reliance on income support is declining just as demand for housing support is increasing		17
2.4	Increasing labour market participation could improve living standards for older persons but participation is affected by housing	18
	Retirees can smooth their incomes into retirement by working more	18
	Housing tenure and debt affect labour market participation and consumption	18
2.5	Could more housing equity withdrawal improve living standards for income poor old people?	19
	Housing equity withdrawal might help those that are asset rich, income poor	19
	Risks are elevated for those engaging in mortgage equity withdrawal	19
	Attitudes to mortgage equity products are mixed	19
	Relatively few old people move or downsize their housing and non-movers are influenced by financial concerns	20
	Downsizing increases financial satisfaction but has downsides for housing satisfaction	20
3.	**Equity**	**22**
3.1	Income and consumption inequality	22
	Housing reduces income and consumption inequality	22
3.2	Wealth inequality	23
	Housing wealth is unevenly distributed, but less so when income and wealth are jointly considered	23
	Housing has in the past moderated wealth inequality	24
	Capital gains have been experienced by all owners but mostly at the top	24
3.3	Intergenerational inequity	25
	Fewer low income households are getting access to home ownership	25
	This means wealth building for non-owning households is constrained	25
	Intergenerational transfers do help people access ownership but only for some	26
	Intergenerational transfers may not be a one way street	27
3.4	Summary	27
4.	**Sustainability**	**29**
4.1	Fewer entering retirement in home ownership	29

Future cohorts are not entering home ownership 29
Home ownership rate is expected to fall amongst older persons 29
4.2 Increased risks of exiting ownership before retirement 31
Financial risks around ownership are greater for low income groups 31
Economic risks for some owners are greater 32
Risks of exit from ownership 32
4.3 Financial risks are emerging for those entering retirement 34
Increasing numbers of households are still paying mortgages beyond retirement age 34
5. Cohesion 35
5.1 Does the retirement income system work together to support the outcomes the system intends? 35
Superannuation is reducing reliance on pensions for retirement but pensions remain a critical source of income 35
Wealth holdings have increased but this is closely linked to house price inflation 35
The present tax and transfer system does incentivise lifetime saving through home ownership and superannuation but may lead to overinvestment in housing 35
The tax and transfer system also generates other problems for housing 36
5.2 Does the housing pillar work well with other pillars? 36
Problems with the housing pillar may have detrimental impacts on the retirement income system 36
Access to superannuation is higher for those who also get access to housing 37
5.3 Does the housing system facilitate sufficient mobility to enable people to fulfil their needs? 37
Demand for age-segregated and service integrated housing is modest even though there is some unmet demand 37
Facilitating mobility might be beneficial for some but financially unrewarding 37
Home based care is facing demand pressures 38
6. Current and alternative policy settings 39
6.1 Future outcomes assuming no change in policy settings 39
Home ownership subsidies will rise only modestly 39
Rental assistance will rise 39
Helping people access superannuation for first home ownership may be counterproductive 39
6.2 Possible policy changes to strengthen current approaches 40
Incentivising Mortgage equity withdrawal 40
Increasing affordability of housing to older renters and purchasers 40

Increasing supply of home based care or service integrated housing 40
6.3 Possible system wide policy changes 41
Move to more tenure neutral settings 41
Target housing assistance away from ownership towards affordable housing 41
Reform policies to encourage residential mobility 42
References **43**

List of tables

Table 1:Projected growth of the population aged 55 and above, 2011 to 2031 by tenure type, Australia 10

Table 2: Old relative to prime age income levels, (%) 2003-04 13

Table 3: Median trends in income unit mortgage stress indicators, home value and income for mortgagors aged 55+, 1987-2015 15

Table 4: Before and after housing poverty rates for older households 16

Table 5: Mean before- and after-housing cost poverty rates among persons aged 55+, in 2016, 2031A (demographic change only), 2031B (demographic and tenure change) 17

Table 6: Estimated number of CRA recipients and budget cost, by age, 2011, 2021 and 2031 18

Table 7: Average asset allocations by current age and mobility – owners 21

Table 8: Older Population (aged 65 and over) - bottom vs the middle 22

Table 9: Home ownership rates of older Australians by birth cohort and age (2016) 30

Table 10: Current and projected age-specific home ownership rates 30

Table 11: Percentage of households paying more than 30 per cent of income on mortgage and additional housing expenditures by home ownership status and income, 2003-04 31

List of figures

Figure 1: Household net worth by net worth quintile, 2003/04 23

Figure 2: Distribution of home values among home owner households 25

Figure 3: Distribution of housing wealth, by age of reference person, 2003-04 26

Figure 4: Deposit gap to income ratio 29

Figure 5: Ongoing renters, leavers and churners, Australia and UK, 2001-10 33

Figure 6: Percentage of home owners that are outright owners, by birth cohort and age 34

Executive Summary

AHURI research supports the view outlined in the Retirement Income Review consultation paper that the retirement income system plays an important role in equipping people for retirement:

Home ownership has been an important ‘fourth’ pillar of the retirement incomes system, along with the Age Pension, superannuation and voluntary savings.

Housing policy has played an important role in developing the ‘housing pillar’ by supporting home ownership as a dominant tenure in Australia. Other tenures with similar qualities of security of tenure and stability like social housing have been constrained, while private rental has been considered inappropriate even though it is now becoming a more important tenure for older people.

Home ownership has a number of benefits as a tenure for people in old age including social benefits of ageing in place and reduced costs of housing in retirement. Home owners have been helped to stay in their homes through policies to provide aged care and support in the home. Nevertheless there are some emerging issues with the present system including:

- lack of access by younger generations, and higher risks associated with debt and exit from ownership
- poor affordability and financial outcomes for private renters
- lack of mobility and appropriate housing for some people.

The system will also need to cope with emerging issues

- Australians are living longer and therefore need to fund a longer retirement.
- the opportunity and potential need for older people to work in retirement years
- Increasing incidence of single headed households, loneliness and need to address emerging care needs in retirement

The retirement incomes review outlined four key principles to evaluate retirement incomes policy: adequacy of retirement income, equity, sustainability and cohesion. AHURI research shows that the Australian system of reliance on home ownership has historically played an integral role in improving outcomes for retirees, but these are increasingly at risk as ownership rates wane and risks around ownership increase.

In relation to **adequacy of retirement income**:

- reliance on pensions undermines incomes in retirement, especially renters
- housing stress in retirement years is rare because most own their house outright, but it is increasing including for those who remain in debt in retirement
- poverty rates are moderated because of home ownership but poverty is a significant issue for those reliant on private rental housing

In relation to **equity**

- housing – and in particular widespread home ownership with relatively equal values of owner occupied housing - has in the past moderated income, consumption and wealth inequality
- capital gains in housing have occurred for those with high and low wealth

- low income households are increasingly missing out on the wealth building ownership provides
- intergenerational transfers improve access to ownership for beneficiaries, but overall are likely to exacerbate wealth inequalities between people at different income levels

In relation to **sustainability**

- the system of asset based welfare adopted in Australia has some benefits in smoothing incomes over the life course
- but future cohorts are less likely to financially benefit from home ownership or have fewer years in the market to benefit from it
- there are increased risks of exiting ownership before retirement (compared to the UK) and financial risks are more acute for low income households
- increased numbers are paying mortgages beyond retirement age

In relation to **cohesion**

- the present system is based increasing the incentive to save for retirement through home ownership and other assets. Generous tax exemptions for owner occupiers, including on capital gains, land tax and imputed income as well as exemptions on the asset test for access to pension have all worked towards this objective.
- However this set of policies has led to a number of issues: including potential over-capitalisation of the family home and discouragement of 'resizing' and accessing service integrated or age specific housing. The system has also undermined ownership rates, increased indebtedness, increased risks of exit from ownership and increased unaffordability of housing.
- These housing issues are potentially undermining outcomes in other pillars of the retirement incomes system – for example superannuation being used to pay off residual housing debt. There are also issues about whether the present policy settings around home and community care and social housing can cope with emerging needs.

The submission argues that housing policy presently is the fourth pillar of the retirement system and housing tenure presently has a decisive effect on outcomes in retirement. However there is evidence that the conditions that sustained this system to provide adequate incomes and relatively equitable outcomes in the past may not persist. This system has always had inequities, in particular for those not able to make it into home ownership.

If there is no change to present policy settings, we can expect a decline in home ownership rates and increased numbers of people reliant on the private rental system in retirement. This is likely to entail increased expenditure on housing assistance and potentially undermine income adequacy, equity and sustainability for a substantial segment of the population.

Continuing current reform trends would continue to exploit the logic of asset based welfare and the goal of widespread home ownership. Reforms to housing policy might be aimed at shoring up the present system through measures such as:

- improving retirement living standards of those on low incomes by incentivising housing equity withdrawal and increasing work participation

- improving the supply of home based care by increased charging for government subsidised care services for those on higher incomes or introducing reforms to encourage greater use of service integrated housing
- increasing affordable housing to move vulnerable older households in private rental to more secure and affordable tenures
- policies to address intergenerational inequities in accessing home ownership through increased subsidies for deposit and entry.

However a number of concerns have been raised about present housing policy in undermining goals of the asset based welfare system and in particular the degree to which it favours those on higher incomes and does not presently address the increased risks involved, especially for low income earners. An alternative approach is to move to more tenure-neutral based policies such as:

- reducing tax advantages of home ownership or providing subsidies or tax expenditures on a tenure neutral basis and
- introducing policies to increase residential mobility such as reforms to stamp duty, land tax and assets test exemptions.

1. Housing in the retirement income system

1.1 Housing is a ‘fourth pillar’ to retirement incomes policies in Australia

Australian governments have over the last century progressively intervened to assist Australians in either directly providing for people in retirement or helping them build wealth for retirement. They have also recognised the need for increased savings as the population ages.

Australia has in place a number of means of providing for income in old age, sometimes referred to as ‘pillars’. These have not come about from any systematic or planned basis, but have emerged over time according to need.

The first pillar refers to a **publicly provided means-tested age pension** funded from general revenue. This commenced in 1909 and is a non-contributory Commonwealth funded flat rate pension. The qualifying age at which it is payable has been increased:

- is 66 years old (for those born 1954 to June 1955), 66 years and 6 months (for those born July 1955 to 1956) and 67 years old for those born after 1957).
- at one stage the retirement age was 65 years old for men born prior to 1954 and only 60 years old for women (for those born before 1935) but the retirement age for women has been increased such that the age is the same for women and men for those born after 1949.

Because it was intended as a poverty alleviation mechanism, the pension is assets and means tested, and is generally set at a rate of 25% of male average weekly earnings. Age Pensioners in private rental can also access Commonwealth Rent Assistance.

The second pillar is a mandatory system of **private superannuation savings**, introduced in 1992. Employees must contribute a minimum of 9% of their ordinary time earnings into a complying super fund. Governments provide co-contributions for lower income earners and considerable tax concessions. The building of the superannuation system represented a move away from a social entitlement approach towards one of the state enabling and encouraging private responsibility for retirement savings.

The third pillar is **voluntary savings**. These are advantaged by government concessions via tax advantaged retirement savings accounts, through to capital gains tax relief and exemptions on some assets.

These measures were seen as ways of increasing the savings rate and ensuring that Australia could support an increasing proportion of the population in old age.

Housing (and in particular home ownership) is sometimes described as the ‘fourth pillar’ by researchers (Whelan et al. 2018, Yates and Bradbury, 2010) and by policy makers (e.g. see World Bank report, by Holzman and Hinz, 2005). Owner occupied housing is a form of wealth, but it also reduces housing costs in retirement, thereby boosting effective disposable incomes. By world standards, home ownership in Australia has been widespread among older persons, even if not universal. Government policies to support home ownership have been especially apparent in the post-war period in Australia.

In summary, although pensions have remained a part of the framework in Australia since the start of the 20th century, and high home ownership among the old has been present since the 1970s, more recent retirement incomes policies in Australia have emphasised the move towards asset based approach to welfare and self-provision through superannuation.

1.2 Australia has adopted an 'asset based' welfare system

Internationally, housing researchers have observed that Australia (along with many other western, liberal home-ownership based societies) has refocussed its welfare system from an entitlement welfare regime towards an 'asset-based' welfare regime (see for example, Elsinga, Toussaint et al. 2007). In these regimes, governments seek to support individuals to acquire 'property and financial assets which increase in value over time and thus provide a base from which to procure welfare services from the market' (Ronald, 2008:100).

In this context, housing is one of a number of investments made by households in providing for retirement. Both owner occupied housing, superannuation and other property investments (e.g. through negative gearing) are supported through generous provision of government taxation expenditures.

The reconceptualization of welfare in retirement towards assets has led to a number of new developments:

- → housing is seen as a more liquid asset, and consumers are more willing to treat it as an asset to trade before and after retirement, with equity borrowing, or equity release now a common practice (Wood et al. 2013)
- → consumers are treating mortgage debt more flexibly and are willing to take mortgage debt into retirement (Ong et al. 2019)

Properly applied, these innovations may lead to increased wealth and improved welfare for owners. It may enable households to smooth consumption decisions or enable new investments. However unlike superannuation, housing is also a consumption good (as well as financial asset) required by all people in society, and needs to be affordable for people to enjoy a good standard of living. This system might also lead to greater risks and more problematic outcomes:

- → Exposure to wealth building through housing as an asset class is dependent upon access to mortgage debt which is in turn subject to income and deposit constraints, but those on lower incomes are finding this increasingly difficult (Hulse et al. 2010)
- → Lower interest rates have increased capacity to borrow but increased house price inflation relative to incomes, making entry costs much higher for new entrants (Burke et al. 2014)
- → Increased use of debt, unstable incomes and uncertain outcomes from property investments may leave some households exposed to housing and financial stress and forced exit from ownership (Hulse et al. 2010, Wood et al. 2013)
- → Increased prices drive up rents, leaving renters to face unaffordable housing

These issues raise questions about the sustainability of the current system and how it produces welfare outcomes for all households. These issues are discussed in more detail in Chapter 4.

1.3 Benefits of housing policies depend on tenure

Housing policy settings are still aimed at supporting home ownership as the dominant tenure

Present Australian policies still privilege home ownership as a tenure, with the goal of increasing home ownership. A range of policy settings have encouraged owner occupation, including:

- First Home Owner Grants and exemptions or concessions from stamp duty in some states;
- exemptions from Goods and Services Tax (GST), capital gains tax and land tax for owner occupiers;
- non-taxation of imputed rent (whereas other housing investors have to pay tax on income from rental property);
- exemption from assets test for accessing the Age Pension.

In 2011, housing tax concessions were estimated to cost $15.3 billion. The assets test exemption for pension benefits were estimated to affect 730,000 home owners. Were these exemptions not applied, this would add $5.8 billion to government revenue (Wood, Cigdem et al. 2017).

Households in other tenures also receive housing assistance, (e.g. some renters receive Commonwealth Rent Assistance, or rental rebates for public housing), but many receive very little in the way of subsidy at all, and some (e.g. purchasers) are in net terms taxed in their tenure. Housing subsidies particularly benefit older Australians (most of whom are in outright ownership) relative to younger Australians (who are not in ownership or are purchasing). Wood, Stewart et al.(2010) estimated the average annual housing subsidy received by older Australians aged over 65 in 2006 at $3,439 (10.5% of gross income); but the highly indebted under-35s had an average 'subsidy' that was actually negative at -$2,328 (-2.8% of income).

AHURI research has shown that most older Australians (between 78% and 81%) see ownership (whether full, joint or shared) as the ideal (James et al. 2019).

Older people occupy social housing but entry is constrained

In 2017-18, over 800,000 people lived in over 400,000 social housing dwellings (AIHW, 2019). Social housing represents around 4.7 percent of all housing (ABS, 2011). State and territory governments presently spend around $3.9 billion each year on social housing. Government subsidies by way of rental rebates to public housing tenants through the National Housing and Homelessness Agreement were worth around $1.1 billion in 2011 (Wood, Cigdem et al. 2017). The tenure is a relatively secure and affordable tenure, but is tightly targeted on the basis of income and need.

Older people (over 55) make up around 35% of all people in public housing and 30% of those in community housing (AIHW, 2019). Most public renters were in housing that met their short or longer term aspirations – even though they were least likely to be in housing that met their needs relative to owners (James et al. 2019). Demand among older people for housing assistance in this tenure is likely to grow significantly over time but without significant policy change, the supply of social housing dwellings is likely to remain constrained (Wood et al. 2017).

Private rental is becoming an emerging tenure for older people but is an insecure and unaffordable tenure even with CRA

The federal government provides around $2.8 billion per year in housing assistance for private rental through Commonwealth Rent Assistance (CRA), which can be accessed by pensioners (Wood, Cigdem et al. 2017). State and territory governments also provide private rental support programs such as bond assistance. While private rental is often conceived as a key tenure of transition (especially for young adults) it is also a tenure for older people and those staying in the tenure longer term.

Support and care policies are focused on ageing in place for owners

High rates of home ownership and desires by older people to age in place in retirement has also had a significant impact on the way policy makers have organised care for older people in retirement (Judd et al. 2014). The widespread preference among older people to stay in their own home has been supported through provision of two major government services in their homes:

- Commonwealth Home Support Programme (CHSP)[1] which is aimed at helping older people stay independent and in their homes and communities for longer (Department of Health 2020a), and
- Home Care Packages Program which helps older Australians with complex care needs to live independently in their own homes (Department of Health, 2020b).

This arrangement has advantages for owners. Older home owners find it easier to make modifications to their home (whereas those in more insecure tenures such as renters have more impediments and find making changes difficult). Most people living in their own home never access residential aged care. It is mainly the most vulnerable people – those in social housing flats – that are the most likely to enter government funded residential care (Bridge et al 2008). AHURI research demonstrates the importance of informal care and lack of accommodation costs within a home-based setting, and how this results in large savings to both government and older people (Bridge et al. 2008).

1.4 Home ownership has advantages in retirement

Ageing in place and social and health benefits

Housing plays an important role for older people as they age. Understanding its impact on health and well-being is complex as housing is a 'bundle' of goods (tenure, dwelling type, physical characteristics, location, amenities and financial components).

AHURI research has linked owner occupation to better health outcomes:

- longer life expectancy and better health status, less serious health conditions (Waters, 2001),
- less visits to a general practitioner (Waters, 2001)
- less negative health habits such as smoking in comparison to those persons living in rented accommodation (Waters 2001).

[1] this consolidated the previous Home and Community Care (HACC) program, planned respite from the National Respite for Carers Program, Day therapy Centres program and the Assistance with Care and Housing for the Aged (ACHA) program.

- positive mental health outcomes with improvements in wellbeing (Kearns and Hiscock 2000)

Most international literature around the relationship between homeownership and health also suggests a positive association between the ownership and health - as long as the household is current on its mortgage payments. However many of these studies have inadequate controls on factors like socio-economic status, and it is hard to know which mechanisms affect health, making it difficult to assert any causal relationship (Bridge et al. 2003).

Nevertheless, it is possible to make connexions with features of home ownership that may have beneficial impacts on health and wellbeing:

- Home ownership reduces mobility and encourages civic involvement and community connexion. People are better able to *age in place* in a stable neighbourhood and community (Bridge et al. 2003). This is a desired feature of housing for older people - most Australians desire to own their own home and to remain in that housing into retirement (James et al. 2019).
- A key benefit of outright home ownership is *control* - it enables people to remain in a secure tenure into retirement (Bridge et al. 2003).
- Older householders have also noted the importance of housing and house-making for a sense of *identity*, repository of memories, and meaning in their lives (Davison, Kendig et al. 1992).

A key exception to better health and wellbeing relates to the existence of debt. Being a purchaser with mortgage debt is associated with higher stress and mental ill-health (Ong et al, 2019; Bridge et al 2003).

Poorer mental health outcomes have been linked with many of the more insecure features of private rental. Poor mental health outcomes have been linked with anxiety and stress relating to insecurity of tenure, inability to get repairs and or maintenance in a timely manner and the difficulty or impossibility of adapting the dwelling to better meet the needs of the occupants. Poorer physical health is linked with poorer affordability, availability, insecurity and maintenance/upkeep and poor dwelling design (Waters, 2001). Older rental tenants often find it harder to modify housing to meet needs in old age compared to owners (Davison, Kendig et al. 1992).

Social housing has a high proportion of people who are older or have a physical or medical disability and a higher proportion of people with greater vulnerabilities. Some face social isolation which has direct adverse mental health consequences. However the tenure has beneficial dimensions due to its affordability and security of tenure (Phibbs and Young, 2002).

Economic benefits greater for owners compared to rental

International evidence suggests that for the same housing costs per square metre of housing, home owners can live in better quality housing compared to renters. Furthermore the costs of housing for owners are likely to diminish over time as the mortgage burden diminishes whereas renters experience increased costs (Bridge et al. 2003).

Home ownership has also provided benefits for those who are in the system by increasing wealth through increasing asset inflation. Evidence from US studies suggests that on average, homeowners do not tend to save more - in excess of the wealth associated with housing equity - than renters. However home purchasers do benefit from house price inflation and homeowners show higher than-average accumulation of savings (Bridge et al, 2003).

Widespread outright home ownership means Age Pension can be lower

Researchers have observed that high rates of home ownership in countries like Australia have often been linked with low rates of social welfare provision and greater reliance on private provision (Kemeny, 1981). This was sometimes called the 'really big trade-off' (Castles, 1998) – on the one hand, although home ownership might reflect an improvement in material standards of living at least for some, it was also accompanied with a less generous welfare provision, including retirement pensions:

> 'In large part, the associated reduction in housing stress in older age, associated with widespread home ownership, explains why it is possible for the base rate for the age pension to be set as low as 24% of AWE' (Yates and Bradbury, 2010: 198)

As long as most people achieved home ownership (or had significant other assets) by the time of retirement, however, the concerns around lower pension entitlements were muted. This was because most people in retirement achieved outright ownership, and those who had outright home ownership had only modest ongoing housing related costs (mainly associated with maintenance, rates etc). This meant household incomes are better placed to meet non-housing costs.

1.5 The housing system faces a number of challenges

The conditions that led to high home ownership may have been unique

Using national life history survey data, Neutze (1991) estimated that 90% of each of the five cohorts (born from 1925 to 1961) had achieved home ownership by 1986-87. These high home ownership rates in Australia among older households (aged 65+) have been amongst the highest in the OECD (Yates and Bradbury, 2010).

Some commentators have attributed this high rate of home ownership to favourable conditions including:

- Stable and high rates of employment, protected industries and protected wage system
- Financial system that prioritised owner occupation
- Widespread and cheap land available for development

Most of these conditions have now receded, undermining housing affordability:

- Deregulated labour markets have increased the number in underemployment, contract and casual employment and those experiencing low wage growth, even though unemployment rates and rates of mortgage default are low.
- Deregulated finance markets have led to lower interest rates but also opened up increased access to finance for investors, leading to competition for property, bidding up prices.
- Reduced availability of land has increasing pressures on existing suburban land leading to higher prices.

Households have managed to continue to enter home ownership through a range of strategies including borrowing more, relying on two incomes, deferring home purchase, deferring or not having children, and choosing different more affordable products or moving to more affordable locations (Burke et al. 2014). An increasing number of younger households are delaying or not making it into home ownership. Early research on this issue by AHURI noted that declining rates of ownership were linked to delayed household formation decisions rather than affordability issues (Baxter and McDonald, 2004). This study found that trends in home ownership are closely linked to relationship status (especially formal marriage) and living arrangements and when these factors are controlled for, more recent cohorts were more likely to become owners, especially males. Nevertheless, more recent studies have suggested that declining home ownership rates among younger cohorts is not reflective of delayed family formation decisions or changing investment choices – for example there is evidence of increasing rates of rental amongst young families (Stebbing and Spies-Butcher, 2016). An increasing proportion of early adults (aged 25-34) are also living at home with their parents (AHURI 2019).

Rise of increased numbers of older people in rental

For much of the latter part of the 20th Century, the private rental market served mainly as a temporary tenure for the young (Yates 2008). Table 1 below shows that the number of older people (aged over 55) in home ownership is likely to increase by 54%. However in future, renting is predicted to more than double with over 1.1 million older renters by 2031 (Wood et al. 2017) .

Table 1:Projected growth of the population aged 55 and above, 2011 to 2031 by tenure type, Australia

Tenure	Year		Percentage change
	2011	2031	
Owners	4,001,508	6,163,060	54%
Private renters	531,478	1,131,235	112%
Total	**5,237,516**	**7,636,923**	**46%**

Source: Wood et al. (2017) Table 2, p.16 using HILDA data and assumptions around tenure projections

1.6 A future retirement income system will need to address new pressures and opportunities

Australians are living longer

The life expectancy of Australians has risen over time, which means that the period of retirement is getting longer. A 65-year old Australian male in 2015-17 could expect to live about 19.7 additional years (compared to only 12.5 years in 1960). Similar increases have occurred for women - 15.7 years in 1960 and 22.3 years in 2015-17 (AIHW, 2019). This means that people need more resources to fund retirement than in the past, including sufficient income to fund their on-going needs and lifestyle, appropriate housing and care needs as they age.

Work participation in old age is increasing, but it is mainly part time

Improved health in old age means some Australians can work longer and so increase the amount of paid income they can receive into retirement years. Presently, 13 per cent of all older Australians (aged 65 or over) are participating in work (AIHW, 2019).

Participation in work is increasing – especially for women, though this increase is not as great as in parts of Europe (Brown and Guttman, 2017). Many of those working over the age of 65 do so in a part time capacity (Brown and Guttman, 2017). Increased health capacity has guided policies to increase the qualifying age for the Age Pension (Department of Human Services, 2019).

Older people are more likely to live alone and face issues of loneliness and isolation

Older people are more likely to live alone, and do so for longer periods of time (de Vaus and Qu, 2015), so as the population ages, the number of people living alone is likely to increase. AHURI research found that loneliness was more prevalent among single households, among public and private housing tenants than among owners, and especially high among those with poor health (Franklin and Tranter, 2011).

Loss of a partner through separation and divorce can have dramatic consequences on loss of home ownership, and financial and housing stress, increasing demand for social housing. The ageing of the population is likely to have a significant impact on the demand for public housing, with most of the demand coming from single households and the greatest increase in demand occurring in Queensland (Wood et al. 2008).

Older people will also need to cope with disability and chronic conditions

Around one in five persons over 65 presently experience severe or profound core activity limitation (AIHW, 2019). As the population ages, more people are likely to face disability and chronic conditions. This means that older people will need to undertake more caring responsibilities for partners. These disabilities diminish capacity to work and require higher costs of health care over longer periods of time (McPake and Mahal, 2017). For example, dementia is presently the second leading cause of death in Australia and is projected to be the leading cause of disability. The number of older Australians with dementia is projected to increase significantly, with over half million affected by 2030 (AIHW, 2019). AHURI research has highlighted the importance of security of tenure and housing wealth as helpful aspects of enabling people with dementia to remain in their own homes, purchase additional support and enjoy quality of life. On the other hand, these advantages were less available to those in precarious or marginal rental tenures or those without family or formal support (Gabriel, Faulkner et al. 2015).

1.5 What principles should govern new policy settings?

The Retirement Income Review outlines four principles to govern policy settings: adequacy, equity, sustainability and cohesion. AHURI has done research exploring how the housing system in Australian influences these aspects of retirement incomes. Relevant research in these areas is summarised in Chapters 2, 3, 4 and 5.

One dimension not well developed in the Retirement Income Review paper is the issue of risk. An emerging and important area of research in Australia and internationally has been asset based welfare and the issues around the risks faced by home owners (e.g Wood et al. 2013, Hulse et al. 2010). This has especially been a theme after the Global Financial Crisis, where in some countries, many people fell out of home ownership and lost their homes and household retirement savings were significantly reduced in size.

AHURI research has noted that security and stability are important features in housing for older aged persons contemplating or in retirement (James et al. 2019). Stability and security of income is of equal importance in the context of retirement. While many households have increased assets and potentially have sufficient health to continue work into retirement years, the issue of risk is a real one that deserves consideration by the review. Since it goes to issues around sustainability of the retirement system, we have summarised relevant AHURI research in that chapter (Chapter 4).

2. Adequacy of retirement incomes

2.1 Reliance on pension undermines incomes in retirement, especially renters

Household income drops after retirement

In most countries, the move to retirement results in a reduction in disposable incomes – as people exit the workforce and become reliant on savings or pension incomes. Table 2 shows the difference between incomes in old age as a ratio of incomes in prime age. The data indicate that, compared to other countries, the 'drop off' in incomes has been more precipitate in Australia where disposable incomes are typically around 62% for old age relative to prime age (this compares to between 67 and 81 per cent in other developed countries).

This is mainly because households in Australia have been reliant on the Age Pension which is set at a low rate relative to working age incomes. Other countries have contributory employer or state based pension schemes, some of which have had retirement income guarantees (Bradbury, 2013). This high rate of decline occurs even after housing expenditures are taken into account although housing does moderate the drop somewhat.

Table 2: Old relative to prime age income levels, (%) 2003-04

Country	Old relative to prime age incomes (%)		
	Disposable income	Income after current housing expenditures	Income after current housing expenditures (inc mortgage repayments)
Australia	62	68	65
Canada	73		72
United Kingdom	67	70	
United States	81	108	
Italy	77	77	
Finland	71		71
Sweden	68		62

Source: Bradbury (2013)

Bradbury also observes that in Australia, older households have high rates of consumption of housing relative to prime aged households. This has meant that Australia has had a greater incidence of high home values and ownership rates among low income households, but it has also raised the question as to whether older Australians 'over-consume' housing (Bradbury, 2013: 351).

It should be noted that there is a need to update this analysis for more recent data. This is because since this data was collected (2003-04), in Australia there may have been improvements in access to other income sources such as superannuation which have reduced reliance on pension sources.

Incomes are lower for older renters relative to older non-renters

There are significant differences in the levels of income received for households in different housing tenures. For example:

- in 2016, the average household equivalised income of old age (over 65) private renters was $34,000 a year, compared to $42,000 for non-renters.
- since 2001, incomes have increased in real terms by 39 per cent for those in private rental but even more (55 per cent) for non-renters.
- Real incomes for private renters have not increased substantially since 2013, and have declined for social renters.
- Social renters have incomes of around $24,000 a year (not much increased in real terms since 2001 when they were $22,000) (Wilkins and Lass. 2018:131).

2.2 Housing stress in retirement is rare but is high for renters and increasing for owners

Relatively few older people experience housing affordability stress because most own their home outright but its incidence is increasing

Adequacy of retirement incomes depends not just on income but also costs of living. The most significant cost is housing, and a commonly used measure of affordability is housing affordability stress, which measures the proportion of households in the lowest 40 per cent of the income distribution paying housing costs over 30 per cent of their income (the 30:40 rule).

Typically, the incidence of households experiencing housing stress amongst older people over 55 is low compared to younger ages – this is because this group tends to have high rates of outright ownership, whereas those in younger ages are more likely to be be paying high costs associated with private rental and mortgages. Even so the proportion in stress has increased over time – AHURI research found that housing stress for those over 55 increased from 3% in 2001 to 5% in 2010 (Rowley et al. 2012).

Affordability is poor for older private renters on low income

AHURI research shows that housing affordability for renters more generally, and older renters in particular is low. This is in large part due to their low incomes, but also because the rental market is increasingly unaffordable"

- 22 per cent of older renters in the lowest quintile (20 per cent) of incomes are on unaffordable or severely unaffordable rents (Hulse et al. 2019).

Affordability is also poor for owners as they carry debt into retirement

AHURI research has found that the levels of debt older people are carrying into retirement has increased markedly since the 1980s. Table 3 shows that:

- Mean mortgage debt as a proportion of mean disposable income for mortgagors aged over 55 was only 38.6% in 1987 but had grown to 161.3% by 2015 (Ong et al. 2019)
- Mean mortgage repayments as a proportion of mean disposable incomes had also grown from 5.2% in 1987 to 19.1% in 2015.

The levels of investment risk associated with this debt have also increased over the same period –

- the loan to value ratio increased from 7.3% to 21.7% and the leverage multiplier increasing from 1.078 to 1.277 (Ong et al. 2019).

Table 3: Median trends in income unit mortgage stress indicators, home value and income for mortgagors aged 55+, 1987-2015

	Mortgage debt, income and home value, real terms (2015 values)				Investment risk		Repayment risk	
Year	**Annual mortgage debt**	**Annual Mortgage repayment**	**Disposable income**	**Home value**	**LVR***	**Leverage multiplier ** **	**MDIR (%)^**	**MPIR (%)#**
1987	11,596.7	1,567.9	30,006.6	173,949.9	7.3	1.078	38.6	5.2
2015	120,155	14,248	74,474.4	550,000.0	21.7	1.277	161.3	19.1

Notes: *Average Loan to value ratio – averages estimated using sample mean of individual mortgage debt/individual home value; ** Leverage multiplier estimated using 1/(1- Overall mean LVR) ^ Average Mortgage debt as a proportion of disposable income # Average Mortgage repayment /Mean disposable income. Source: Ong et al. (2019)

2.3 Avoiding poverty in retirement depends on outright homeownership

Poverty rates are moderated because of high home ownership

An important measure of adequacy of retirement incomes is the relative poverty rate, commonly measured as the proportion of households with incomes below 50 per cent of median incomes (with incomes equivalised to take account of different household sizes). This is especially important in the context of understanding the efficacy of the Age Pension since this was intended to address old age poverty.

Income poverty rates for older people in Australia have been relatively high compared with other age groups in the population – especially for single people. There is evidence income poverty has declined for the elderly especially since around 2009, however income poverty is more persistent among the elderly (Wilkins et al. 2019).

However a perhaps improved measure of poverty also takes into account housing costs – this includes current costs (rents, interest payments etc), as well as principal payments (repayments of mortgages). Rates of income poverty have declined over time for this group, with rates almost double that in the OECD average (OECD, 2008). Table 4 shows that almost one fifth of all older people are in poverty based only on equivalent disposable incomes. This was higher than that in both the United Kingdom and United States.

Because most older Australians have in recent times achieved outright home ownership, current costs are much reduced. Because of this, the after housing costs and principle payments poverty rate is much lower (around 13.5 per cent) and among home owners is only 8.3 per cent, (these rate are lower than the United Kingdom and United States). This has meant Australia's after housing poverty rate is internationally among the best.

Table 4: Before and after housing poverty rates for older households

Country		Percent in poverty based on: Equivalent disposable income before housing cost	Equivalent disposable income after current housing costs	Equivalent disposable income after current housing costs and principal payments
Australia	Home owner households	17.4	11.7	8.3
	Non-home owners	35.7	51.4	46.4
	All older households	**19.9**	**17.2**	**13.5**
United Kingdom	Home owner households	14.0	-	10.6
	Non-home owners	17.8	-	32.8
	All older households	**15.1**	**-**	**17.0**
United States	Home owner	13.1	-	14.1
	Non-home owners	47.3		56.5
	All older households	**18.7**		**21.0**
Finland	Home owner	7.0	4.9	
	Non-home owners	23.3	52.1	
	All older households	**10.6**	**15.1**	

Source: Yates and Bradbury, (2010). Australian data based on Household Expenditure Survey, 2003-04.

Housing costs worsen poverty for renters and purchasers

Table 4 also highlights the issue of high rates of poverty among non-home owners in all countries, including Australia. In Australia, around 36 per cent of all non-home owners (i.e. principally those in private rental) are in poverty before housing is taken into consideration, with this increasing after housing is taken into account to 46 per cent. The after housing poverty rates for non-home owners in the United Kingdom are more moderate, perhaps reflecting the much higher proportion of public rental in that country (Yates and Bradbury, 2010). In Australia, while some of those in private rental also qualify for Commonwealth Rent Assistance, this is often insufficient to protect older households from poverty (Yates and Bradbury, 2010).

But while outright ownership reduces incidence of after housing poverty, purchasing (and private renting) can impose higher incidence of after housing poverty rates. This has been found in both regional areas and cities (McNamara et al. 2007).

Since this analysis was done (based on 2003-04 data), there is evidence from other data sources (HILDA) that relative income poverty rates in Australia have moderated with the proportion of the general population experiencing relative income poverty falling from 12.6 per cent in 2001 to 10.4 per cent in 2017 (Wilkins et al. 2019). Even so, increasing reliance on rental tenures and lower rates of outright ownership might mean the moderating effect of home ownership on poverty rates is diminishing.

Other research has shown how private renters reliant on the Age Pension (in contrast to owners and social renters on the pension) struggle to purchase everyday necessities, and many run out of money to pay for food before the next pension. Although some have been able to secure decent accommodation many were living in ‘dire circumstances’. Private renters on the pension also struggled to maintain social connections and did not have money to engage in leisure activities (Morris, 2016:2).

After housing poverty is likely to increase in future because of demographic change and lower home ownership

Table 5 below shows that Australia's housing system continues to prevent mature age Australians from slipping into after-housing cost poverty. In 2016 the count (incidence) measure for after-housing cost poverty among 55 years and over Australians was 802,000 (13.5%), 450,000 (7.5 percentage points) less than the 1.25 million (21%) falling into poverty on a before-housing cost basis (Ong et al. 2019).

However by 2031, the number (and rate) in poverty is expected to rise:

- Before housing poverty is expected to rise from 1.25 million (21.1%) in 2016 to 1.87 million (23.3%) in 2031.
- After-housing cost poverty is expected to increase from 802,300 (13.5%) in 2016 to 1.1 million (13.7%) in 2031 (assuming demographic change only) and to 1.2 million (14.4%), assuming change in the tenure towards lower ownership.

This suggests that the housing system will continue to have an important role in moderating poverty – in fact the gap between before- and after-housing costs from 2016 to 2031 is expected to *widen* from 8 percentage points in 2016 to between 9 and 10 percentage points.

Table 5: Mean before- and after-housing cost poverty rates among persons aged 55+, in 2016, 2031A (demographic change only), 2031B (demographic and tenure change)

	Below before housing poverty threshold		After housing poverty threshold	
	Number	**rate**	**Number**	**rate**
2016	1254.7	21.1	802.3	13.5
2031(A)	1875.2	23.3	1102.7	13.7
2031(B)	1875.2	23.3	1154.9	14.4

Source: Data and calculations using the 2016 HILDA Survey and ABS population projections (2015), Ong et al. (2019)

Reliance on income support is declining just as demand for housing support is increasing

Just over half of all older Australians (over 65) still say they rely on welfare for more than 50% of their income and around 30 per cent say they rely on welfare for more than 90% of their income (Wilkins et al. 2019: 53). Reliance among old-old persons has appeared to increase. However, progressively fewer people are now saying they rely on income support for most of their income, especially among younger cohorts (Wilkins et al. 2019). The trend towards reduced reliance on income support has occurred over the last 10 years (Wilkins et al. 2019).

However there is a likelihood of increased reliance on housing support, including for people in old age. AHURI researchers did modelling to look at indicative trends for future housing needs – this considered both the needs of housing those homeless and the need for relief for those experiencing housing stress in private rental housing. The researchers found that 1.3 million households (around 14 per cent of the total number of households) are estimated to be in housing need in 2011, but this will rise to 1.7 million (16 per cent of total households) in 2025 (Rowley et al. 2017). Other modelling by AHURI found that the need for Commonwealth Rent Assistance (CRA) in particular is likely to rise in future, including among older households. Table 6 below shows this growth will be especially concentrated amongst those 65 and above, with the numbers of CRA recipients growing by 83 per cent from 2011 to 2031 (by contrast the growth across all cohorts will be around 30%). This will have commensurate impacts on government budget costs for CRA (Wood et al. 2017).

Table 6: Estimated number of CRA recipients and budget cost, by age, 2011, 2021 and 2031

		2011	2021	2031	Growth (2011 to 2031)
Number of recipients ('000s)	55-64	86.4	98.5	105.1	22%
	65+	163.6	222.5	299.1	83%
	All	952.4	1,082.7	1,234.3	30%
Budget cost ($million)	55-64	206.4	237.7	253.8	23%
	65+	394.6	541.3	723.5	83%
	All	2,760.6	3,143.5	3,553.5	29%

Source: Modelling based on HILDA data, Wood et al. (2017), Table 6.

2.4 Increasing labour market participation could improve living standards for older persons but participation is affected by housing

Retirees can smooth their incomes into retirement by working more

A common model for understanding incomes in retirement considers wider decisions about labour market participation and savings. Households will seek to 'smooth out' consumption decisions over a life time, even when their income is mostly in the prime working age years. However the evidence above in section 2.1 is that Australian incomes are often significantly lower in retirement than in the prime age years.

One way in which older people can improve living standards is to extend their working lives into retirement. This may also have broader productivity benefits for the economy. Households nearing retirement can use work to improve living standards and savings but their strategies around work participation are likely to be conditioned by their understanding of their current wealth balance – including house value - and their perceived needs into retirement. By the same token, increase indebtedness will have an effect on motivations to work.

Housing tenure and debt affect labour market participation and consumption

AHURI research has shown that housing tenure – especially owner purchasing and housing debt - exert a positive influence over labour market participation decisions. Mortgagors with higher loan to value ratios are most likely to transition into adequate employment following a period of underemployment between consecutive time periods (Whelan and Parkinson 2017). They are also less likely to exit the labour force (Cigdem et al. 2017).

By contrast, unemployed home owners with low loan to value ratios (i.e. more likely to be those nearing retirement) appear to have lower labour market participation (lower rates of job search and higher reservation wages), even compared to outright owners (Whelan and Parkinson 2017).

Although mobility is often for lifestyle more than work related reasons, unemployed and underemployed persons are more likely to move locations for work. Nevertheless, owner occupiers (especially those with low loan to value ratios) have low rates of geographic mobility. By contrast, private renters have higher rates of geographic mobility.

Those in or nearing retirement may also look at consumption and employment decisions in light of their wealth. There is evidence that movements in house prices exert a positive effect on consumption patterns – but this is mainly for middle aged home owners and less so for older home owners. These effects have been moderated after the global financial crisis for owner occupiers but not for rental investors (Atalay et al. 2017). Similarly, higher levels of housing wealth seem to help older 'inactive' owners (i.e. not in the labour force) regain employment (Cigdem et al. 2017).

While government policies around housing assistance (for home ownership and social housing) encourage geographic immobility and thus undermine moves to enable labour market participation, Commonwealth Rent Assistance for private renters tends have little impact on employment (Cigdem et al. 2017).

2.5 Could more housing equity withdrawal improve living standards for income poor old people?

Housing equity withdrawal might help those that are asset rich, income poor

The most recent estimate suggests around 8.3% of older home owners are income poor (Yates and Bradbury, 2010).

Older people with low incomes but housing equity might improve the adequacy of their incomes through housing equity withdrawal (HEW). Households might be able to access their housing equity either through:

- mortgage equity withdrawal (MEW) (or 'in situ' equity borrowing) through reverse equity schemes;
- downsizing their property or
- 'selling up' (and moving into rental or retirement village schemes).

Downsizing can occur either 'physically' or 'financially':

- *Physical downsizing* means moving to smaller housing (usually in terms of number of bedrooms)
- *Financial downsizing* means moving houses in order to release equity for other purposes (i.e. it means selling a house so they can purchase a cheaper one). (Whelan et al. 2019).

Risks are elevated for those engaging in mortgage equity withdrawal

AHURI research found that mortgage equity withdrawal does not affect life repayment risk among older home owners, but it is correlated with adverse life events (such as marital breakdown and unemployment) which are linked with repayment risk. Furthermore, those using MEW products already start from 'above average positions of indebtedness', so 'financial stress could ensue if adverse life events were to befall them' (Ong et al. 2013:2).

Attitudes to mortgage equity products are mixed

AHURI research suggested positive attitudes towards spending housing equity amongst baby boomer cohort (Olsberg and Winters, 2005). AHURI research suggests that the incidence of HEW has increased since 2000, and older home owners' appetite for it has not abated despite a GFC. Those using MEW tend to have stronger financial and employment backgrounds (Ong et al. 2013).

However MEW products are also perceived as inherently risky by older home owners, detracting from the take up of these products (Ong et al. 2013). Issues also remain about the effect of using housing equity by elderly parents on relationships with children since this will likely result in reduced bequests. The issue of navigating these relationships among family members raises challenges for appropriate protection of elderly home owners' housing wealth and its use for their welfare. Understanding these relationships is important in knowing about its effects on use of equity withdrawal and retirement income strategies (Ong et al. 2013).

Relatively few old people move or downsize their housing and non-movers are influenced by financial concerns

At present, relatively few people aged over 55 move each year, and many do not downsize:

- many people still prefer to stay in their present housing and seek to utilise additional rooms for recreational purposes. Of those moving, around 43% had physically downsized their housing. (Judd et al. 2010)
- decision-making surrounding the use of housing equity among those above pension age is increasingly dominated by concerns about health, suggesting that downsizing is more about using private means to adapt to changing housing needs in the context of declining health rather than relying on publicly provided health care (Ong et al. 2013)
- downsizers and those selling up tended to face ill health, separation, divorce and bereavement prior to the sale of their house and this was seen as a 'last resort' (Ong et al 2013)
- mobility decisions are correlated with financial and economic considerations, and higher house prices are negatively correlated with mobility decisions (this appears to be linked to a wealth effect whereby increases in house prices make house owners feel more wealthy and less likely to move) (Whelan et al. 2019).

Downsizing increases financial satisfaction but has downsides for housing satisfaction

Moving house can have significant effects on freeing up financial resources. Table 7 below shows that those that have moved have lower levels of housing equity, but higher levels of net financial, lifestyle, business and pension assets. The levels of total assets are slightly lower for those that have moved (Whelan et al. 2019).

Physical downsizing is associated with an improvement in financial satisfaction of a similar size to that found for 'any geographic mobility'.

However downsizing physically is associated with a decline in housing satisfaction but also a decrease in satisfaction with local community.[2] This is especially the case for those aged 75 years and older, where financial downsizing is associated with a decrease in satisfaction in life, housing, and the locality and neighbourhood (Whelan et al 2019).

[2] The research also examined the impact of downsizing on health. There appear to be no statistically significant effects of downsizing on the physical health of older Australians and no consistent effect on mental health.

While there may be financial benefits of releasing equity, there are clearly other downsides to downsizing, and the researchers argued in favour of ‘providing funding for programs to assist older individuals to adapt more quickly or easily to their new neighbourhood and community’ (p.82)

Table 7: Average asset allocations by current age and mobility – owners

	55 year and over	55-64 years	65-74 years	75 years and over
	Individuals that did not move			
Total assets ($)	1,345,142	1,576,100	1,449,616	971,041
Net financial assets ($)	229,913	210,937	261,402	206,883
Business assets ($)	53,046	80,995	54,341	23,001
Lifestyle assets ($)	185,158	248,040	200,421	100,991
Pension assets ($)	276,772	408,971	319,661	85,328
Home equity ($)	600,253	627,157	613,791	554,838
No. of observations	6,528	1,971	2,611	1,946
	Individuals that moved			
Total assets ($)	1,334,580	1,547,341	1,401,670	906,093
Net financial assets ($)	264,273	212,038	291,692	296,978
Business assets ($)	68,071	88,753	74,193	27,077
Lifestyle assets ($)	250,713	317,265	246,252	158,714
Pension assets ($)	317,320	478,075	304,863	97,873
Home equity ($)	434,203	451,211	484,671	325,451
No. of observations	1,202	433	479	290

Source: Whelan et al. (2019) HILDA waves 2, 6, 10 and 14. Age corresponds to the age of individual when the wave was conducted.

3. Equity

3.1 Income and consumption inequality

Housing reduces income and consumption inequality

Evidence on income inequality (based on tax or wage data) suggests that Australia is one of the most unequal compared to other countries. Income inequality declined in the 1950s to 1970s but increased from the 1980s. The Gini coefficient – a broad summary measure of income inequality - has increased from 0.27 in 1981-82 to around 0.30 in 1997-98, then 0.34 in 2008 and 0.32 in 2011-12 (Whiteford, 2014).

However it is also important to consider the impact of housing on inequality. Analysis of outcomes for older people across different countries (as at 2003-04) using the Luxembourg Wealth Study (LWS) can be used to demonstrate the impact of housing on income inequality for this group. It shows that disposable incomes for households in the lowest income quintile relative to middle incomes in Australia are higher than in the United States and United Kingdom but lower than Canada and Nordic countries like Sweden (Bradbury, 2013).

Low housing costs associated with outright home ownership help to reduce costs of housing consumption in retirement. In Australia, consumption costs of lower income quintiles are similar to middle quintiles. High rates of home ownership in Australia has worked to reduce consumption inequality – low income elderly households (in the bottom quintile) have a consumption level of around two thirds that of the middle-income quintile, which is higher than any other country. Bradbury argues this is because of a high rate of own-home consumption at the bottom of the income distribution amongst old people. The income after housing expenditures in Australia is also better than many other countries, but the difference is not as marked (Bradbury, 2013).

Table 8: Older Population (aged 65 and over) - bottom vs the middle

	Bottom relative to the middle (%)				
	Australia	**Canada**	**United Kingdom**	**United States**	**Sweden**
Disposable income	57	60	49	36	63
Own-home consumption	101	55	97	50	63
Housing consumption	106	94	89	63	102
Income after housing expenditures	53	49	48	33	50
Consumption or full income	67	60	59	38	62

Source: Bradbury (2013) p.354.

Widespread home ownership is not, however, necessarily a guarantor of equitable consumption outcomes. For example, many low income older people in the United States own their own house, but relative to middle income earners have lower amounts of housing wealth which means their consumption levels are lower. By contrast, in

Australia, housing wealth of those in the bottom quntile is similar to middle income earners which means their housing consumption is similar.

More up to date data from the LWS are available but need to be analysed to understand if there has been a shift in these outcomes since this analysis was done. For example, there are questions about whether high rates of ownership among the elderly will continue given the increasing number of Australians not entering ownership, exiting ownership or entering retirement with outstanding mortgages (Whelan et al. 2019; Barrett et al. 2015).

3.2 Wealth inequality

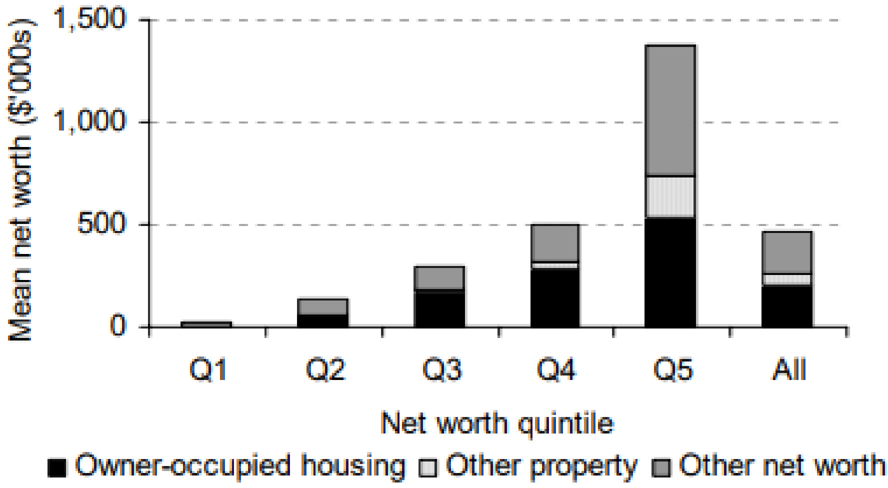
Housing wealth is unevenly distributed, but less so when income and wealth are jointly considered

Australia's wealth is 12th least unequal of 174 countries (and second least unequal of 27 major countries (Whiteford, 2014).

Wealth in Australia is getting slightly more unequally distributed. The Gini coefficient which measures inequality in wealth (whereby 0 is equally distributed, 1 completely unequal) in 2014 was 0.626, slightly higher than at 2002 (0.624) (Westerman and Mountain, 2016).

The differing wealth accumulation outcomes for home and non home owners have been raised by housing researchers. The unequal distribution of household net worth (shown in Figure 2 below) illustrates the importance of owner occupied housing in creating inequity in net worth between households (Yates 2007).

Figure 1: Household net worth by net worth quintile, 2003/04



Source: Yates (2008)

However this can be somewhat misleading, since younger households typically have low amounts of wealth since they take some time to accumulate it. It may be more meaningful to consider how well low and high income earners fare in terms of accumulating wealth. When this is done, the inequality is not as marked:

> 'When the ABS ranks households by their incomes, the 20% with the lowest incomes have an average net worth of around $437,000, while the 20% with the highest incomes have about $1.3 million in net worth. This means that the poorest one-fifth of households,

> measured by income, hold 12% of net wealth, while the richest one-fifth hold 36%, a ratio of about 3 to 1. These figures suggest that wealth is actually more equally distributed than income when the joint distribution of income and wealth is used - which is a more comprehensive measure of total household resources' (Whiteford, 2014).

Housing has in the past moderated wealth inequality

However, a key assumption in this approach of considering wealth and income distributions jointly is that people are able to purchase housing and accumulate wealth over the course of their life. In Australia, home ownership has historically served to equalise wealth distributions:

> 'Young people starting off in their first job generally don't have much in the way of wealth, but as they grow older they will purchase homes – which have been the great wealth "equaliser" in Australia – and accumulate superannuation and other savings.' (Whiteford, 2014).

There is concern however that ownership has become more concentrated to those with higher incomes and tenure patterns may be more polarised in future (Yates 1988). Whereas housing tended to improve wealth inequality up to the middle of the 20th century, this declined from the 1990s (Kelly, 2002). Whiteford argues that to maintain the egalitarian arrangement of last century:

> 'we need to ensure that unemployment remains low and that low-income earners are able to buy into affordable housing' (Whiteford, 2014).

As discussed in Chapter 4, an increasing proportion of people (especially younger cohorts but also middle-aged cohorts) are not making it into ownership to share in these financial benefits. If this is not sustained, it is possible that there could be a future worsening in wealth inequality.

Capital gains have been experienced by all owners but mostly at the top

Those who have made it in to home ownership - including those with low value homes - have tended to do well. Figure 2 below shows that the value of housing assets for home owners increased on average across all households in the period 2001 to 2014, including for those at the bottom of the distribution of home owners:

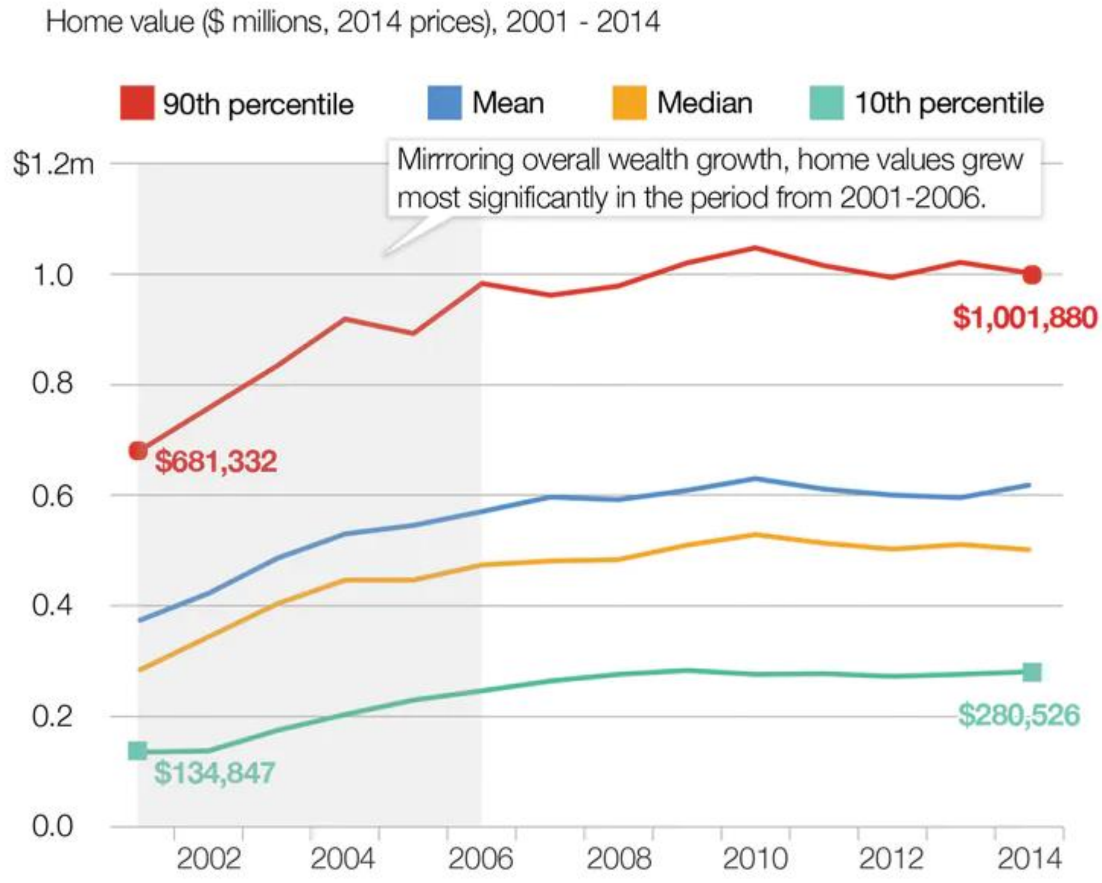
- Home purchasers at the bottom 10 per cent of home owners experienced an increase in the value of their housing assets of 108 per cent, compared to only 47 per cent increase for the top 10 decile.
- Nevertheless, home owners at the top on average gained wealth of $320,548 compared to only $145,679 at the bottom decile (Westerman and Mountain, 2017).

Similar outcomes were apparent in an AHURI case study of metropolitan Melbourne – this found that from 1981 to 2006, low-moderate income earners experienced real increases in their wealth, though the extent of increase has depended on when and where they moved during this period, as there has been an increasing price differential between inner, middle and outer suburbs:

- The rates of increase in some gentrifying suburbs have exceeded those recorded in more expensive suburbs, though many outer suburbs have had lower rates of uplift.
- Relatively low rates of house price increases in outer areas means that the households' future capacity to move is constrained, thus leading to spatial disadvantages for this group and increasing socio-spatial polarisation.
- Despite this, it appears that even in outer urban areas, low-moderate income home purchasers have financial advantages compared to continuing to rent, and

in some cases these financial benefits can be realised within four years of purchase (Hulse et al. 2012).

Figure 2: Distribution of home values among home owner households



Source: Westerman and Mountain (2017) based on HILDA data

3.3 Intergenerational inequity

Fewer low income households are getting access to home ownership

An emerging issue has been the declining access to the wealth generating benefits of home ownership among younger cohorts. Since the 1980s, the share of low-moderate income purchasers and owners as a proportion of all purchasers and owners has remained stable at roughly 25 per cent. Nevertheless:

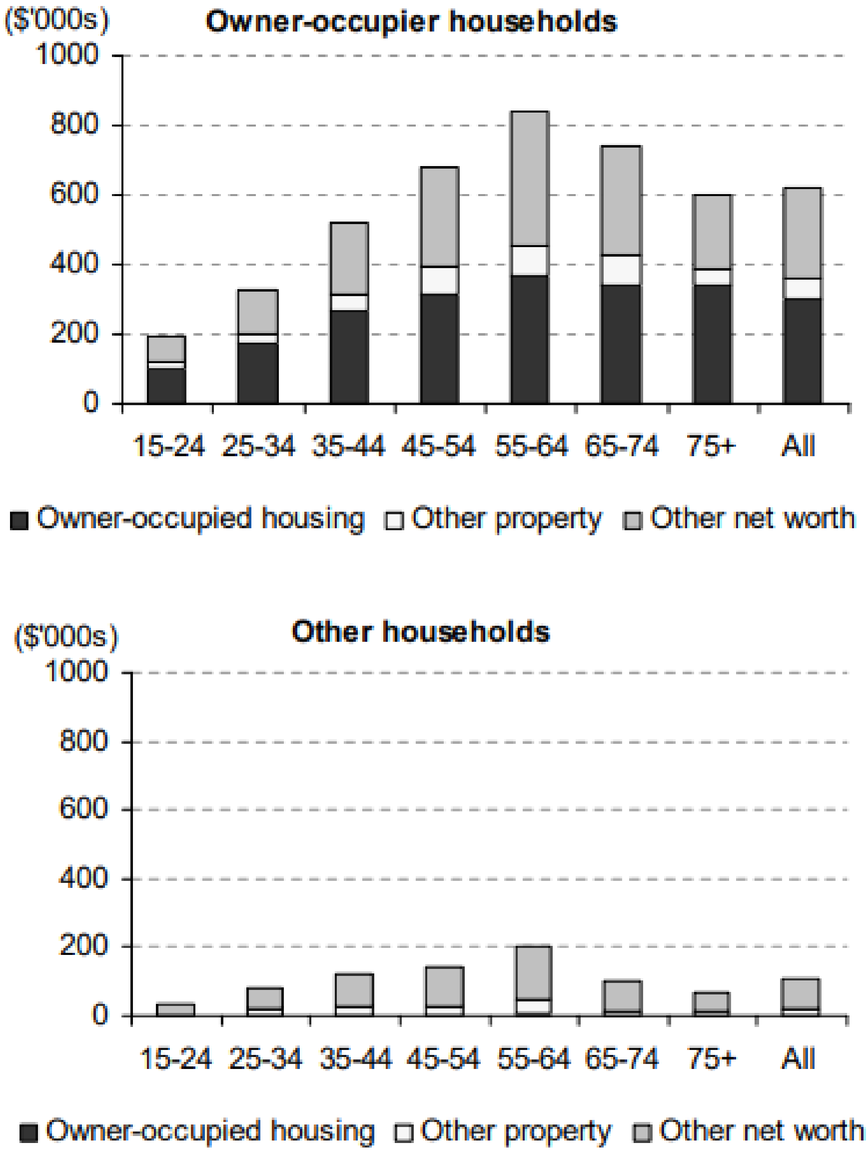
- low-moderate income first time buyers as a share of all purchasers and owners has declined (from 1.0% in 1981–82 to 0.2% in 2007–08)
- first time purchasers are now much older than previous generations,
- low-moderate income purchaser households in 2007-8 were more likely to be single households and those without children rather than families, suggesting many family households are income constrained (Hulse et al. 2012).

This means wealth building for non-owning households is constrained

AHURI research has for some time identified the emerging problem of intergenerational and inter-tenural dimensions of this inequity in housing wealth:

- There is already inequitable distributions across ages (this is not unexpected since younger persons have had less time to accumulate equity in housing),
- wealth inequity is particularly apparent between owner occupiers and those that rent – those that own are more likely to also have non-housing wealth and other property (See Figure 3).

Figure 3: Distribution of housing wealth, by age of reference person, 2003-04



Source: Yates (2008)

Intergenerational transfers do help people access ownership but only for some

The issues of intergenerational transfers (intervivos and bequests) is an issue that is relevant in understanding retirement income policies.

AHURI research shows that intergenerational transfers are effective in increasing access to home ownership for younger generations – it allows for entry into the housing market earlier than would be possible in the absence of the transfer (Barrett et al. 2017). International evidence has been that such transfers tend to reduce inequality because in a proportional sense, relatively wealthy recipients tend to receive less than their poorer counterparts. However the evidence from the Australian research comparing intervivos transfers and bequests that occurred with what would have happened in the absence of those transfers suggests that:

- renters are less likely to receive transfers compared to those in home ownership; and
- transfers that occured over the period 2001–10 tended to increase overall inequality (Barrett, Cigdem and Whelan, 2017).

This confirms the views provided in previous AHURI research:

> 'A form of wealth transfer that relies on redistribution within the family is inequitable for several important reasons. In the first instance, only those brought up with the security that home ownership generally provides are likely to be able to benefit… parents or grandparents who did not achieve home ownership are unlikely to be able to provide Generation X with adequate assistance even if they wished to do so' (Yates et al, 2008:14-15).

Intergenerational transfers may not be a one way street

While some have viewed the baby boomer generation as being self-interested, including in relation to 'spending the kids inheritance' (Olsberg and Winters, 2005), this is questioned in more recent studies. While inter-family transfers have been traditionally associated with southern Europe, this may be expanding beyond to other family contexts including in Australia.

Older Australian households might have a broader set of concerns than their own individual interests and may use financial strategies to also benefit their children, anticipating the risks they face and their needs such as negotiating a more insecure labour market and unaffordable housing market. In this context, intra-family assistance and care, including financial transactions can in some ways take on a larger importance than that of the welfare state. In some cases, older households augment their financial strategies to mitigate risks for themselves and their family. This could occur by them using residential investments to assist their children into home ownership, or accommodating children for extended periods rent free while their children rent out their home. At the same time, family ties can also restrict investor approaches – for example when households release equity in their own home to help with childrens' housing deposits or debts or they accommodate children rent free in their house (Nethercote, 2019).

Inter-generational transfers from parent to child may be altruistic in motive, and concerned about the welfare of the child, but may be also be complicated or conditioned by the expectation of future services such as care. There is also international evidence that families that receive assistance (such as financial assistance) are more likely to mimic this behaviour to their own children. However, international evidence suggests that provision of direct care (such as through co-residency) is contingent on whether there are publicly provided alternatives (such as Australia's Home Care Packages or CHSP) (Albertini et al. 2018).

3.4 Summary

Policy makers need to consider equity and intergenerational sustainability when looking at policies to address the welfare of Australian households in retirement.

The rapid appreciation of house values is an opportunity – via reverse mortgages - that some households can utilise to improve their standard of living. However there is good reason to expect that households are considering not just their own needs but that of the next generation.

Intergenerational relationships and strategies are important for policy makers to take into account when considering housing as an asset for retirement. Households are using their housing not just as a place or residence for themselves – it may also be used to house their children for long periods of time. Their housing equity may also be being utilised to assist children into housing of their own. For this reason policies that further restrict access to pensions to home owners or expect home owning households to use their equity to fund living may also need to consider competing uses such as family transfers that may also be in the public interest.

However it is also clear that intergenerational transfers will not correct the decline in home ownership among younger generations, and may actually serve to further polarise wealth distributions.

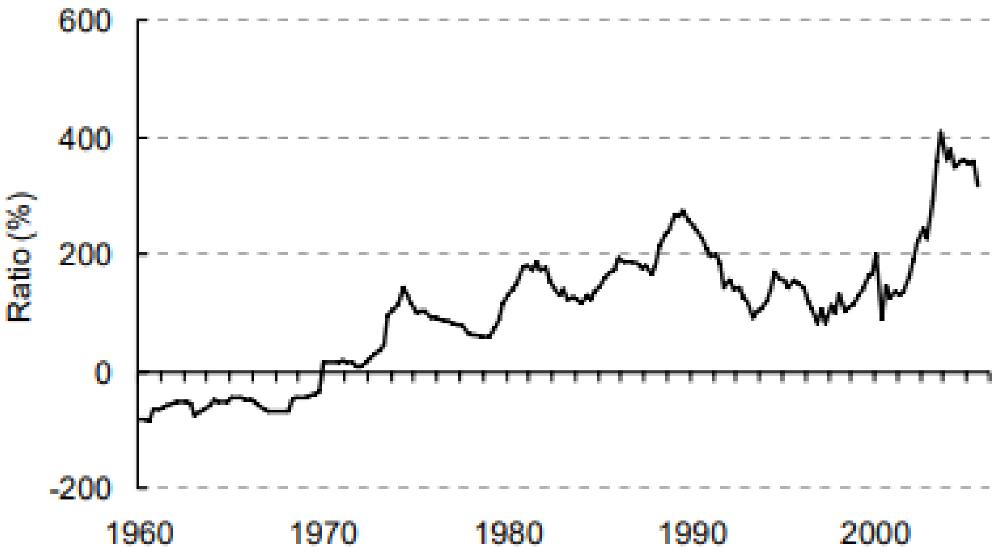
4. Sustainability

4.1 Fewer entering retirement in home ownership

Future cohorts are not entering home ownership

Younger households are missing out on home ownership – this has raised questions about equity between generations. Concerns have been particularly focused on issues relating to the rising issue of access to ownership and the deposit gap (Yates, 2008), but also about the risks associated with ownership. According to Yates, based on the deposit gap measure, the decline in affordability for those on the equivalent of average weekly earnings began as far back as 1970s (See figure 4 below).

Figure 4: Deposit gap to income ratio



Source: Yates (2008)

The decline in home ownership rates among younger cohorts has led some people to question whether the superannuation system might divert potential household resources away from the capacity of households to access home ownership. The federal government has recognised this and has recently allowed people to access voluntary contributions to superannuation as a means of saving a deposit for home ownership through the First Home Saver Scheme (Australian Tax Office, 2019).

Home ownership rate is expected to fall amongst older persons

More recent estimates show that high rates of home ownership among old age cohorts have been sustained until recently, with most older cohorts (for those born before 1949) achieving between 85 and 88 per cent ownership. Nevertheless, there is already evidence that ownership rates among the most recent cohorts are starting to decline to 82 to 84 per cent for those born after 1950 (Whelan et al. 2019) (See table 8 below).

Table 9: Home ownership rates of older Australians by birth cohort and age (2016)

Age (years)	1925-29	1930-34	1935-39	1940-44	1945-49	1950-54	1955-59
	Birth Cohort						
55-64 (%)	-	85	87	85	85	84	82
65-75 (%)	87	86	86	87	85	-	-
75+ (%)	88	86	87	-	-	-	-

Source: Calculated using Survey of Income and Housing, 1994-2016, from Whelan et al. (2019)

A number of trends appear to be behind this trend, including lower numbers of people entering ownership in younger cohorts, including those in prime working age (Flood and Baker, 2010) and significant numbers are exiting home ownership before retirement (Wood et al. 2013). A number of potential changes are influencing changes in the home ownership rate:

- later and changed household formation patterns which have increased the numbers of single headed households (Winter and Stone, 1999, Flatau et al. 2004)
- increased house prices driven by low interest rates have made it harder for first home owners and lower income earners to enter the market (Barrett et al. 2017)
- changed labour market conditions with increased uncertainty around incomes at the bottom end of the labour market with increased casualization and underemployment (Campbell et al. 2014).

AHURI research (Yates et al. 2008) has modelled home ownership rates into the future and found they are likely to decline from 82 per cent in 2006 to 72 per cent in 2046 (See table 10 below). If this occurs, the proportion of older non-home owners will increase from 20% to 30% in two generations. This is concerning since it might mean there will be an increasing proportion of older households with relatively higher housing costs because more will be renting.

Table 10: Current and projected age-specific home ownership rates

Age group (years)	**Census data**		**Assumed**	**Projected**	
	1981	**2001**	**2006**	**2026**	**2046**
15-24	25	24	24	24	24
25-34	61	51	51	51	51
35-44	75	69	69	67	67
45-54	79	78	78	68	68
55-64	81	82	82	76	75
65 and over	78	82	82	82	72
Total	70	70	70	69	66

Source: Yates et al, (2008), p.32

This modelling employed reasonably conservative assumptions about future home ownership rates since the home ownership rate appeared to stabilise after 2000.

Since this time, some researchers have shown that home ownership rates for 2011-12 among many younger cohorts are already well below that predicted by Yates for 2026 (however this is not the case for older cohorts where rates are still much higher) (Stebbing and Spies-Butcher, 2016).

4.2 Increased risks of exiting ownership before retirement

Financial risks around ownership are greater for low income groups

International literature has cast some doubt on the value of home ownership for all households especially for those with low income. For example studies in the United States found that:

- lower-income and minority households hold more housing than is optimal in wealth portfolios, exposing them to higher risk
- Lower-income households borrow more against their equity and more expensively than higher-income households, eroding the wealth accumulated through house price appreciation.
- Houses in low- and moderate-income tracts have more volatile and generally lower price appreciation than in middle and upper-income tracts. (Bridge et al. 2003).

Table 10 below shows the higher risks for low income groups purchasing housing in Australia due to high housing stress:

- Almost two thirds of all low-moderate income purchasers were paying more than 30 per cent of their gross household income in mortgages and other associated housing expenditures (including repairs and maintenance).
- This is compared to 41 per cent of middle-higher income purchasers, and only 5 per cent of all outright owners.

Table 11: Percentage of households paying more than 30 per cent of income on mortgage and additional housing expenditures by home ownership status and income, 2003-04

Households by home ownership status and income	Percentage of households exceeding 30% of household income – mortgage repayments only	Percentage of households exceeding 30% of household income- mortgage plus rates, body corporate fees and insurance	Percentage of households exceeding 30% of income- mortgage plus rates, body corporate fees, insurance and repairs/ maintenance
Purchasers			
Low-moderate income	46.1%	60.2%	65.7%
Middle-higher income	27.0%	35.3%	40.6%
All purchasers	34.7%	45.3%	50.7%
Outright owners			
Low-moderate income	0.0%	1.4%	9.0%
Middle-higher income	0.0%	0.0%	3.0%
All owners	0.0%	0.6%	5.4%

Source: Hulse et al (2010), calculated from ABS HES 2003-04, 40th percentile calculated separately forpurchaser household income and outright owner household income.

AHURI research also suggests that:

- Low to moderate income purchasers were more likely to experience one or more forms of financial crisis (29 per cent) compared to middle-higher income purchasers (14 per cent) or low to moderate income outright owners (11 per cent). (Hulse et al. 2010).
- Low-moderate income purchasers have been increasingly constrained to purchase in outer urban areas. Although they have built wealth, house prices in these areas

have not increased as quickly as houses in middle and inner urban areas (Hulse et al. 2010)

- Analysis of repeat sales data for metropolitan Melbourne shows that one in eight of all sellers lost money in real terms and that there is greater risk of making a loss for dwellings in outer urban areas and if the dwelling is sold in the first three years. Low-moderate income households are most at risk in this respect (Hulse et al. 2010)

Economic risks for some owners are greater

In general, housing offers a return that is lower than riskier stock market investments and higher than lower-risk bonds and bills. There is a perception that housing is a relatively safe investment but it does have risks:

- regional economic decline can lead to low or negative changes in house values
- returns to investment take time and may be negative if householders exit in a short period of time.

AHURI research shows that some householders did experience negative returns (Hulse et al. 2010).

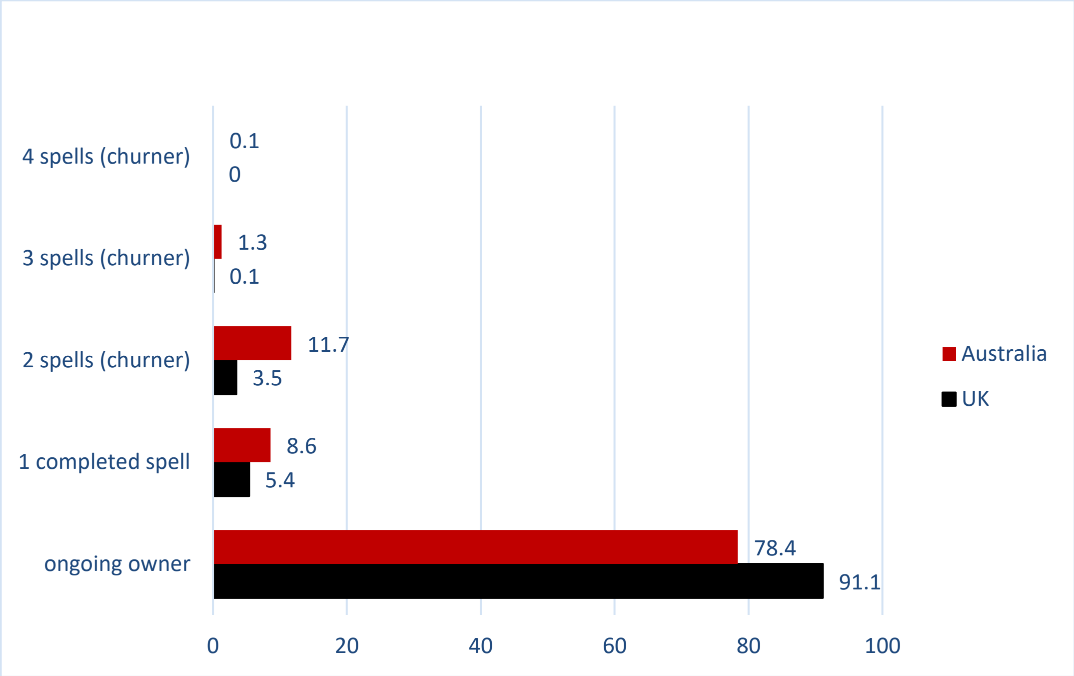
The risk profile of households also increases with increased access to housing equity through second mortgages and home equity loans. (Bridge et al. 2003).

Risks of exit from ownership

AHURI research has shown that over a ten year period (2001 to 2010), owner-purchaser households are more mobile than previously thought, especially in Australia. Figure 5 show that:

- A large proportion of Australian householders (13.1 per cent) are ‘churning’ – (leaving one property and entering another), sometimes multiple times. This is much larger than in the United Kingdom (where only 3.6 per cent of householders engage in similar behaviour).
- A significant proportion of Australian householders (8.6 per cent) exit from home ownership, without apparently returning to ownership afterwards (compared to 5.4 per cent in the United Kingdom) (Wood et al, 2013).

Figure 5: Ongoing renters, leavers and churners, Australia and UK, 2001-10



Source: HILDA survey, 2001-2010, UK BHPS and UKHLS, Wood et al. (2013)

The characteristics of leavers and churners differ significantly from those that remain in home ownership continually with them appearing to be more disadvantaged. Compared to those who remain in ownership, leavers:

- are more likely to have lower property values ($232,000 versus $478,000)
- experienced a lower increase in value of their property ($116,000 versus $196,600)
- were more likely to report low prosperity, that they didn't save, had short term planning horizons, had experienced multiple forms of material deprivation and low levels of health
- were more likely to be not in the labour force or casually employed (Wood et al. 2013).

Exits were precipitated by unemployment, relationship breakdown and (in the UK) poor health, and the prospects for sustainable rental for some of those exiting appear unpromising. On the other hand, there is evidence that leavers have a greater chance of return to home ownership in Australia compared to the United Kingdom. In the United Kingdom, 40 per cent of ex-home owners can expect to rent for 7 years before returning to home ownership whereas the equivalent percentage in Australia is only 24 per cent. This suggests a more fluid housing market in Australia, but one in which the expensive private rental market motivates a quicker return, or the social housing sector in the United Kingdom provides a 'soft landing' for those exiting ownership (Wood et al. 2016).

There is some evidence that churners have a more disadvantaged profile than those remaining in ownership and a higher risk profile, but they are better able to re-enter the housing market, having:

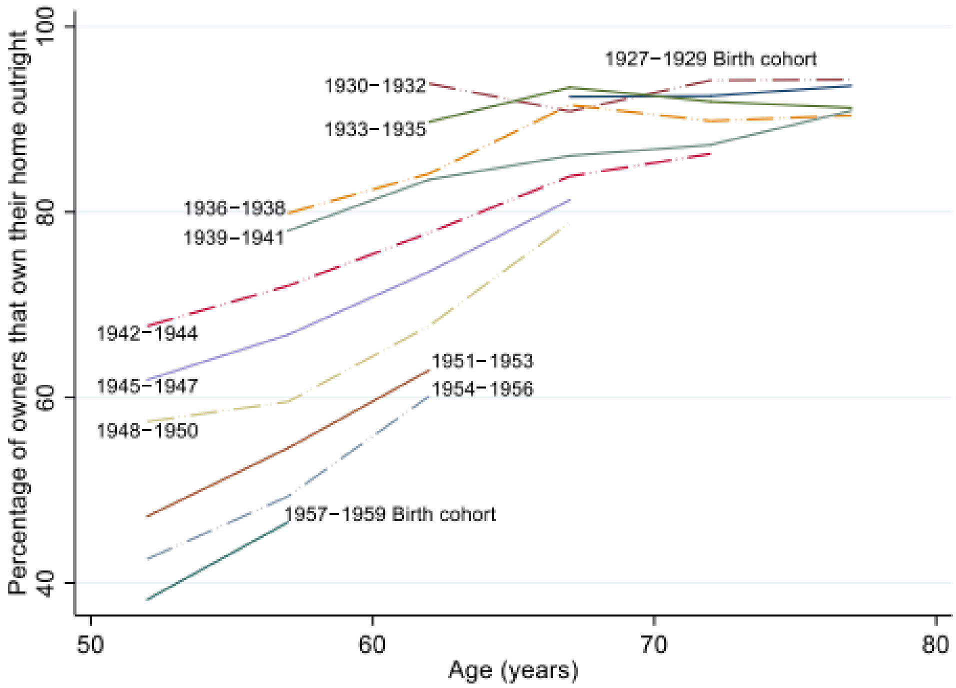
- Higher values of debt and house values
- Higher changes in the value of their home and increases in debt.

4.3 Financial risks are emerging for those entering retirement

Increasing numbers of households are still paying mortgages beyond retirement age

Outright ownership rates are declining even more rapidly than rates of home ownership (See Figure 6 below). AHURI research shows that birth cohorts are progressively less likely to own their house outright - this has been especially apparent for those born after the 1940s (Whelan et al. 2019).

Figure 6: Percentage of home owners that are outright owners, by birth cohort and age



Source: Whelan et al (2019) estimates based on Survey of Income and Housing.

Declines in outright ownership appears to reflect an increased flexibility in the way some households treat housing as a financial asset – it could reflect households delaying paying off mortgages, or withdrawing equity from a mortgage (Ong et al. 2019). It could also be because a significantly large group of households are now taking on more mortgage debt ahead of retirement:

- Between 1987 and 2015, the real mortgage debt of older mortgagors aged 55+ increased by 600 per cent. At the same time, real house price and income growth lagged behind, tripling and doubling respectively over the period.
- Older mortgagors' average mortgage debt to income ratio tripled from 71 per cent to 211 per cent between 1987 and 2015, reflecting a severe increase in repayment risk (Ong et al. 2019).

Householders could draw on other assets to cover this debt. Nevertheless, household indebtedness in retirement may pose a risk if that debt is not covered by other forms of savings (forcing selling up or downsizing) and could pose issues for retirement standards of living if this means superannuation or other savings are reduced.

5. Cohesion

5.1 Does the retirement income system work together to support the outcomes the system intends?

Superannuation is reducing reliance on pensions for retirement but pensions remain a critical source of income

Treasury modelling estimated that the uptake in superannuation would reduce reliance on pensions (from 50% to less than 40%), but increase part pension payments (Rothman, 2007). As at 2017, around 50 per cent of all older Australians still rely on the Age Pension for more than half of their income – this has declined since 2001 when it was 58 per cent (Wilkins et al. 2019). Even so, welfare reliance remains much higher among older people than those in prime age (where the equivalent figure is 10 per cent reliant on welfare for more than half of their income) (Wilkins et al. 2019). Policies to exempt owner occupied housing from the assets test for the Age Pension may be helping to sustain high reliance on age pensions. A number of commentators have noted that the relatively recent introduction of superannuation means that many Australians who are currently retiring will continue to rely on the other pillars to sustain living standards during retirement years, until the superannuation system matures in the 2030s (Burnett, Fin et al. 2013; Productivity Commission 2015).

Wealth holdings have increased but this is closely linked to house price inflation

Median and average wealth holdings have increased in Australia from 2002 to 2014 by 37% and 36% respectively, with most of this wealth occurring before the GFC (mean wealth actually shrank from 2006 to 2014) (Westerman and Mountain, 2017). Wealth acquisition for households has been closely linked to the housing market with around 50% of gross household wealth being in housing (Yates, 2002). This may not be optimal for wealth building as it is dependent upon the vicissitudes of the housing market (Bridge et al. 2003:125).

The present tax and transfer system does incentivise lifetime saving through home ownership and superannuation but may lead to overinvestment in housing

The present tax and transfer system is based on increasing the incentive to save for retirement through home ownership and other assets. Generous tax exemptions for owner occupiers, including on capital gains, land tax and imputed income, as well as exemptions on the asset test for access to pension have all been intended to work towards this objective.

The high proportion of household wealth invested in housing (housing is the largest single asset) suggests that these policies are working to increase saving via home ownership. However, there is no evidence that households structure their wealth to maximise access to the Age Pension (Whelan et al 2018).

There is some evidence that reforms to the Age Pension and superannuation have worked to increase savings:

- The 2007 reduction in the Age Pension taper rate (from $3 to $1.50 for those households holding non-exempt assets exceeding the lower threshold) led to increases in saving (Whelan et al. 2018).

- There is evidence that high income individuals responded to the removal of the superannuation surcharge (SS) in 2005 by increasing contributions to superannuation (Whelan et al. 2018).

The tax and transfer system also generates other problems for housing

AHURI research has shown that there are a number of ways in which the present taxation system is not working to produce housing that is best suited to people including those reaching retirement. Key issues include:

- poor housing affordability
- declining access to home ownership for young people
- increased competition from speculative rental investors for housing
- poor residential mobility between tenures to enable better matching of needs with supply.

Further issues might arise for people in retirement:

- the tax system discourages movement to enable people to 'resize' into housing more suited to their needs
- retirees unable to own their own homes and living in more expensive private rental do not have sufficient income (via the pension) to supply them with an adequate standard of living especially if they have low superannuation balances.

AHURI research has outlined a number of ways the tax system might be redesigned to address inequities, inefficiencies and sustainability with respect to housing, including addressing political barriers to reform. Reforms are suggested as an integrated package (Eccleston et al. 2018).

However the key reforms suggested by this research are to:

- modify the age pension asset test to more fully account for the value of the family home. This would make the test more 'tenure neutral', improving the relative position of pensioners who do not own a home and are exposed to significant financial stress in the private rental market. Any savings arising could be reinvested in providing targeted housing assistance to low-income retirees
- facilitate increased residential mobility through reforms to land tax and stamp duty (Eccleston et al. 2018).

5.2 Does the housing pillar work well with other pillars?

Problems with the housing pillar may have detrimental impacts on the retirement income system

AHURI research shows that although the housing and superannuation systems are in many ways independent systems, housing systems do interact with superannuation. For example:

- some mortgagors draw down their superannuation to bolster wealth stored in housing equity – the propensity to draw down on superannuation is significantly higher for those with relatively higher mortgages relative to income. This is of concern as it may reduce availability of superannuation for retirement income (Ong et al. 2019).

- There is some evidence of asset substitution between superannuation and housing wealth, with housing influencing consumption of super: on average every $10,000 decline in housing wealth increases the likelihood of superannuation drawdown by 4 per cent - this may reflect a strategy to avoid borrowing against housing equity. On the other hand every increase in $10,000 in house debt reduces likelihood of accessing superannuation by 18 per cent - this may reflect a preference to use housing related debt rather than dip into non-housing wealth (Ong et al. 2019).

The evidence that households act to rebalance their wealth portfolios by substituting property wealth for superannuation raises important questions of how housing risks are managed into retirement. The absence of an insurance market for housing property risk (and the potential for housing property value decline) has been highlighted by some researchers (see Wood and Ong, 2012).

Access to superannuation is higher for those who also get access to housing

The superannuation system is aimed at increasing savings for retirement among all workers. The introduction of the mandatory scheme in 1992 increased coverage from around 51 per cent of employees to 98 per cent of non-casual employees (Yates and Bradbury, 2010). As at 2015, 69 per cent of men and 71 percent of women who had recently retired had access to superannuation. However:

- Most of the government tax concession support from superannuation is focused on those in the higher income tax brackets and so is unequally distributed (Denniss, 2019).
- many of those not benefiting financially from home ownership are also not benefiting as much from superannuation or private savings (Yates et al, 2008).

5.3 Does the housing system facilitate sufficient mobility to enable people to fulfil their needs?

Demand for age-segregated and service integrated housing is modest even though there is some unmet demand

Recent evidence suggests around 80 per cent of older Australians (aged 55 and over) aspired to own their own house and only a small number were interested in age-segregated housing. Although service integrated housing options are increasing (Jones et al, 2010), AHURI research shows that relatively few older Australians (between 5 and 8 per cent) aspire to lifestyle or retirement villages (James et al. 2019) and relatively few actually enter it (Judd et al. 2014). In part this is linked to issues around inheritance - home owners motivated by ownership were concerned that the leasehold nature of many retirement villages combined with high entrance and exit fees would affect their children’s inheritance (James et al. 2019).

Even so, around 5 per cent of those aged 55 to 74 had an unmet need for age-specific housing (James et al. 2019).

Facilitating mobility might be beneficial for some but financially unrewarding

At present there is an interlocking system of policies that reinforce staying put in the family home, even when some might want to move. Policies that encourage staying in the same property include:

- Stamp duty on sale of property
- Age Pension assets test exemption on owner occupied property (Ong et al 2013).

Although many wish to remain in their present housing, there is evidence that some wish to move and that housing might need to change to adapt to changing needs in retirement:

- younger old persons might want greater autonomy and independent living but require more services and supports in older age
- older persons might require smaller dwellings once children have left home
- housing equity might be withdrawn to derive financial benefits, or the asset could be sold to meet needs in old age.
- housing has aspects of 'home' as it is also linked to neighbourhood and community structures and supports.
- post-retirement moves might be focused more on fulfilling lifestyle aspirations rather than being tied to family needs (Gurran, 2008).

Generational changes might play a part. AHURI research has suggested that lifestyle needs appeared to be increasingly important to many in the more individualistic boomer cohort with this leading to increased mobility. This was in contrast to previous generations that were more likely to remain in the family house that was owned outright and were less inclined to move (Olsberg and Winter, 2005; Gurran, 2008). Recent research suggested there is unmet demand for dwellings in small regional towns, ownership, separate houses and two and three-bedroom dwellings in particular (James et al. 2019).

Home based care is facing demand pressures

There are also pressures on the present system of community based care which may pose issues around a system that does not facilitate mobility to dwellings with appropriate supports:

- some types of ***dwellings and their conditions can be difficult to modify***, making their in home care more difficult, if not impossible (Bridge et al 2008).
- the ability to remain in the community in one's own home also depends on the ***availability of informal care*** (often the partners of those in care). However carers are themselves vulnerable (they are twice as likely as those who were not carers to have a disability) (Bridge et al. 2003).
- Growing demands for ***formal in-home care are facing supply bottlenecks*** with increasing numbers facing long waiting lists or receiving lower (and potentially inadequate) levels of care (Cooper, 2019). The government has planned to increase the number of home care packages from 111,500 packages in 2018-19 to 151,500 in 2021-22 (Department of Health, 2019).

All of these pressures come as the demands on the age care sector have increased, and problems of adequate care have been exposed, prompting recent federal government responses (Doran, 2019).

6. Current and alternative policy settings

6.1 Future outcomes assuming no change in policy settings

Home ownership subsidies will rise only modestly

AHURI research shows that housing tax subsidies have a much larger budget cost than either housing assistance or the asset test concession. However, the predicted steep falls in rates of home ownership over the time horizon mean that projected increases in the aggregate real value of tax subsidies are relatively modest. Table 12 below shows that there would be a 23 per cent increase, from $15.3 billion in 2011 to $18.8 billion in 2031 (Wood et al. 2017). In relation to home owner asset test concessions, the budget cost of meeting these higher payments is predicted to rise 38 per cent above 2011 levels to $8 billion in 2031.

Rental assistance will rise

Over the same time period, AHURI researchers forecast a 61 per cent increase, over 20 years, in the number of households eligible to receive Commonwealth Rent Assistance (CRA): from 952,000 in 2011 to 1,500,000 in 2031. At constant 2011 prices, CRA payments are forecast to rise from $2.8 billion in 2011 to $4.5 billion in 2031—a 62 per cent addition to real budget expenditures that represents an average 3.1 per cent per annum increase. The subsidies for public housing are predicted to also rise from $1.1 billion in 2011 to $1.5 billion in 2031 (Wood et al. 2017).

Table 12: Subsidies for Housing 2011 to 2031

	2011 ($billions)	2031 ($billions)	% increase
Tax subsidies	15.3	18.8	23%
Assets test exemption	5.8	8	38%
CRA	2.8	4.5	62%
Public Housing	1.1	1.5	50%

.Source: Wood et al. (2017)

Helping people access superannuation for first home ownership may be counterproductive

Declining entry to home ownership among younger households and lower income earners has prompted moves in government to help low income earners to access their superannuation savings to put towards their home deposit. Governments justified this as a means by which low income earners could be given increased choice between two different forms of asset based welfare provision, and increase access to home ownership. However there are couple of issues with this:

- Many of those without ownership also have low super balances (Yates and Bradbury (2010) show that under current settings, those who have low super coverage also have low home ownership.)
- It exposes some to increased risks of insufficient savings in retirement.

An alternative approach might be to encourage super funds to invest in affordable housing (See AHURI, 2017).

6.2 Possible policy changes to strengthen current approaches

Continuing current reform trends would continue to exploit the logic of asset based welfare and the goal of widespread home ownership. Reforms to housing policy might be aimed at shoring up the present system through measures to enable access to ownership and leverage ownership for the benefit of retirees. These are outlined below.

Incentivising Mortgage equity withdrawal

A number of changes might be sought to reduce the stigma of housing equity withdrawal and facilitate its take up:

- Planning and regulatory system changes to encourage increased supply of smaller properties (including secure forms of rental) in local areas to those selling up (Ong et al. 2013).
- Improved consumer understanding of MEW products (Ong et al. 2013)
- Initiatives that offer protection against the risks of MEW would go some way towards removing the stigma attached to reverse mortgages (Ong et al. 2013)
- Policies to mitigate the risks attached to HEW might include: caps on maximum loan advances, 'red-lining' of particular geographic locations, and no negative equity guarantees (Ong et al. 2013)
- Reform of assets tests and transaction costs like stamp duty might add to budget costs, but also might assist in increasing the incentives for equity withdrawal – these two elements erode housing equity realised on downsizing or selling up (Whelan et al. 2019, Ong et al. 2013).

Increasing affordability of housing to older renters and purchasers

A cost effective intervention to assist older people in retirement may be to address housing affordability for renters and younger purchasers. This might involve:

- increasing affordable housing to move vulnerable older households in private rental to more secure and affordable tenures (See Jones et al. 2007)
- policies to address intergenerational inequities in accessing home ownership through increased subsidies for deposit and entry.
- Use of institutional investment from superannuation for affordable housing

Increasing supply of home based care or service integrated housing

Much of the emphasis of age care policies has been towards increased use of professionalised age care services –either in place in the family home or in service integrated housing. This has been part of a wider agenda to enable women to be freed from care responsibilities and have greater autonomy and increasing standards of care.

Governments will need to continue to increase the supply of home based care. This might occur by increased charging for government subsidised care services for those on higher incomes or introducing reforms to encourage greater use of service integrated housing.

There is ample evidence younger generations are facing difficulties gaining independence from parents as they face difficulties in entering the property market. Parents and their adult children are already using housing and financial strategies to manage housing and care needs, prompting increased interdependency between parents and children, sometimes entailing arrangements of cohabitation and provision of care by children. Policies might facilitate these arrangements or reformed to put them on a more equitable footing.

6.3 Possible system wide policy changes

Move to more tenure neutral settings

Home ownership has offered a number of benefits: stable and secure tenure, reduced costs of living in retirement, and financial benefits for those that have made it in. However there is evidence this is involving increased risks those in working age – increased and prohibitive costs to entry, more tradeoffs, increased mortgage stress for those on low incomes, and increased exits from ownership pre-retirement. More are likely to enter retirement as non-owners. For example, Wood argues that the high rate of churning around ownership:

> 'questions the targeting of direct subsidies on first home buyers, and draws attention to the limitations of tax arrangements that concentrate housing tax subsidies on the higher income over-65 outright homeowner' (Wood et al. 2013:2).

Other commentators also question the reliance on land speculation for increases in wealth which inequitably limits access to wealth acquisition to those that can access ownership:

> 'a more equitable way is needed of distributing and redistributing the unearned increases in wealth that, in considerable part, are generated from land ownership. Even partial removal of just some of the exemptions that favour home ownership at either federal or state level would be a good start…To redress the balance in relation to housing, what is needed is a return to those aspects of the great Australian dream that were important when the concept first evolved: security and stability for those who seek it. This can only be achieved by giving up the speculative wealth accumulation and tax-advantaged unearned gains that became important by default as a result of economic circumstances in the 1970s and that transformed the Great Australian Dream into the Great Australian Nightmare in the 1990s. It need not mean giving up the dream of home ownership. It may mean changing what it entails (Yates, 2008:18-19).

Target housing assistance away from ownership towards affordable housing

One approach would be to move to more tenure-neutral based policies such as reducing tax advantages of home ownership or providing subsidies or tax expenditures on a tenure neutral basis towards those more in need.

For example some researchers have argued that a fairer system of housing assistance would:

> … provide no assistance for outright owners, except possibly for older asset-rich and income-poor households who need a fair means of extracting their housing wealth to maintain an adequate standard of living. It would not assist would-be purchasers to accumulate housing wealth. For renters it would ensure that income was sufficient to meet the costs of a minimum acceptable standard of housing and that there was an adequate supply of affordable housing. It would provide, or subsidise the provision of, affordable housing through whatever cost-effective means was available.' (Yates 2008:17)

Alternatively, to address intergenerational inequities, policy makers might need to seek ways of taxing housing wealth to redistribute more equitably to younger generations such as inheritance taxes (see Barrett et al. 2015).

Reform policies to encourage residential mobility

A key problem identified is the lack of mobility including in retirement, which means that some retirees are in housing unsuitable for their needs. Governments might introduce policies to increase residential mobility such as reforms to stamp duty, land tax and assets test exemptions.

References

Albertini M., Tosi, M. and Kohli, M. (2018) 'Parent's housing careers and support for adult children across Europe', *Housing Studies*, 33(2), 160-177

Atalay, K., Whelan, S. and Yates, J. (2017) *Housing prices, household debt and household consumption*, AHURI Final Report No. 282, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/282 , doi:10.18408/ahuri-7307401.

Australian Bureau of Statistics [ABS] 2011 Census of Population and Housing – housing tenure data from table builder (accessed July 2018).

Australian Housing and Urban Research Institute [AHURI] 2019 'A sensible way to use super to fund affordable housing' AHURI Brief https://www.ahuri.edu.au/policy/ahuri-briefs/more-young-adults-staying-home-for-longer (accessed 20 January 2020).

Australian Housing and Urban Research Institute [AHURI] 2017 'More young adults staying home, for longer' AHURI Brief https://www.ahuri.edu.au/news-and-media/news/2016-news/a-sensible-way-to-use-super-to-fund-affordable-housing

Australian Institute for Health and Welfare [AIHW] (2019) *Deaths in Australia* web report 17 July, (section on Life expectancy) https://www.aihw.gov.au/reports/life-expectancy-death/deaths-in-australia/contents/life-expectancy

Australian Institute for Health and Welfare [AIHW] (2019) *Dementia* web report (accessed 3 January 2020), https://www.aihw.gov.au/reports-data/health-conditions-disability-deaths/dementia/overview

Australian Tax Office (2019) 'First Home Super Saver Scheme' website https://www.ato.gov.au/Individuals/Super/Withdrawing-and-using-your-super/First-Home-Super-Saver-Scheme/ Accessed 18 December 2019

Badcock, B. (2000) 'Home ownership and the Illusion of Egalitarianism' in Troy, P.N. (ed) *A history of European Housing in Australia*, Cambridge University Press

Barrett, G., Cigdem, M., Whelan, S., Wood, G. (2015) *The relationship between intergenerational transfers, housing and economic outcomes*, AHURI Final Report No. 250, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/250.

Bradbury, B. (2013) 'The Fourth Retirement Pillar in Rich Countries' (Chapter 12) in Janet C. Gormick and Markus Jantti, (eds) *Income Inequality: Economic Disparities and the Middle Class in Affluent Countries*, Stanford University Press

Bridge, C., Phibbs, P., Kendig, H., Mathews, M., Cooper, B. (2008) *The costs and benefits of using private housing as the 'home base' for care for older people: secondary data analysis*, AHURI Final Report No. 115, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/115

Bridge, C., Cockburn-Campbell, J., Flatau, P., Whelan, S., Wood, G., Yates, J. (2003) *Housing assistance and non-shelter outcomes*, AHURI Final Report No. 40, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/40.

Brown, A. and Guttman, R. (2017) 'Ageing and Labour Supply in Advanced Economies' *Reserve Bank of Australia Bulletin*, December Quarter. https://www.rba.gov.au/publications/bulletin/2017/dec/5.html (Accessed 22 December 2019)

Burke, T., Stone, W. and Ralston, L. (2014) *Generational change in home purchase opportunity in Australia*, AHURI Final Report No. 232, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/232 .

Burnett, J., Fin, K.D.S., Murawski, C., Wilkins, R. and Wilkinson, N. (2013) 'Measuring retirement savings adequacy in Australia', JASSA, vol. 4: 28–35.

Cai, L. and Kalb, G. (2005) 'Health status and labour force participation: evidence from Australia', *Health Economics*, Vol. 15, issue 3, 17 October https://doi.org/10.1002/hec.1053

Campbell, I., Parkinson, S. and Wood, G. (2014) *Underemployment and housing insecurity: an empirical analysis of HILDA data*, AHURI Final Report No. 230, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/230.

Castles, F. G. (1998) The Really Big Trade-Off: Home Ownership and the Welfare State in the New World and the Old, *Acta Politica*, 33(1), pp. 5-19.

Cigdem-Bayram, M., Ong, R. and Wood, G. (2017) *A new look at the channels from housing to employment decisions*, AHURI Final Report No. 275, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/275, doi:10.18408/ahuri-5307201.

Clarke , P. and Leigh, A. (2011) 'Death, dollars and degrees; socioeconomic status and longevity in Australia' *Economic Papers* Vol. 30, Issue 3 September 348-355

Cooper, E. (2019) Older Australians 'dying' waiting for home-care packages, advocates say' ABC News 31 August, https://www.abc.net.au/news/2019-08-31/older-australians-dying-waiting-for-home-care-packages-advocates/11449036

Davison, B. Kendig, V. Stephens, F. and Merrill, V. (1992) *It's My Place: older People talk about their homes*, A report on the study Options and Preferences; older People and their Homes, Australian Government Publishing Service, Canberra.

Denniss, R. (2019) 'How Australia's superannuation system steals from the poor to give to the rich' *The Guardian*, 27 November 2019. https://www.theguardian.com/commentisfree/2019/nov/27/how-australias-superannuation-system-steals-from-the-poor-to-give-to-the-rich

Department of Health (2019) Ageing and aged care, Corporate Plan 2018-19 https://www.health.gov.au/resources/corporate-plan-2018-2019/our-performance/ageing-and-aged-care (Accessed 17 December 2019).

Department of Health (2020a) Ageing and aged care: Commonwealth home support programme https://agedcare.health.gov.au/programs/commonwealth-home-support-programme (Accessed 20 January 2020)

Department of Health (2020b) Ageing and aged care: About the Home Care Packages Program https://agedcare.health.gov.au/programs/home-care/about-the-home-care-packages-program (Accessed 20 January 2020)

Department of Human Services (2019) 'Increase to Age Pension age from 1 July 2019' website 12 June 2019, https://www.humanservices.gov.au/individuals/news/increase-age-pension-age-from-1-july-2019 (Accessed 20 December 2019).

De Vaus, D. and Qu, L. (2015) *Demographics of Living Alone* (Australian Family Trends No. 6). Melbourne Australian Institute of Family Studies, https://aifs.gov.au/sites/default/files/publication-documents/aft6.pdf

Doran, Matthew (2019) 'Aged care royal commission interim findings prompt $500 million in additional funds' ABC News, 26 November, https://www.abc.net.au/news/2019-11-25/federal-government-aged-care-royal-commission/11734754

Eccleston, R., Verdouw, J., Flanagan, K., Warren, N., Duncan, A., Ong, R., Whelan, S. and Atalay, K. (2018) *Pathways to housing tax reform*, AHURI Final Report No. 301, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/301 , doi:10.18408/ahuri-4111001.

Elsinga, M., Toussaint, J., and Doling, J. (2007) 'Reflections on asset based welfare and future research' in Elsinga, De Decker, Teller, N. and Toussaint, J. (eds) *Home ownership beyond asset and security*, Housing and Urban Policy Studies, Delft University Press, Amsterdam.

Evans, M.D.R., Kelley, J. (2004) Effect of family structure on life satisfaction: australian evidence. *Social Indicators Research*   69, 303–349 doi:10.1007/s11205-004-5578-9

Flatau, P., Hendershott, P., Watson, R., Wood, G. (2004) *What drives Australian housing careers? An examination of the role of labour market, social and economic determinants*, AHURI Final Report No. 68, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/68.

Flood, J., Baker, E. (2010) *Housing implications of economic, social, and spatial change*, AHURI Final Report No. 150, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/150

Franklin, A. and Tranter B. (2011) *Housing, loneliness and health*, AHURI Final Report No. 164, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/164.

Gabriel, M., Faulkner , D. and Stirling, C. (2015) *Housing priorities of people with dementia: security, continuity and support*, AHURI Final Report No. 242, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/242

Gilfillan, G. (2018) 'Findings of the 2018 HILDA Statistical Report' Parliamentary Library Statistical Snapshot 31 July https://parlinfo.aph.gov.au/parlInfo/download/library/prspub/6119339/upload_binary/6119339.pdf (Accessed 18 December 2019)

Headey, B. (1981) The quality of life in Australia. *Social Indicators Research* 9, 155–181 doi:10.1007/BF00286195

Headey, B., Muffels, R. & Wooden, M. (2008) 'Money Does not Buy Happiness: Or Does It? A Reassessment Based on the Combined Effects of Wealth, Income and Consumption' *Social Indicators Research* 87, 65–82 (2008) doi:10.1007/s11205-007-9146-y

Holzman R., and Hinz., R. (2005) *Old age income support in the 21st Century an international perspective on pension systems and reform* World Bank: Washington D.C.

Hulse, K., Reynolds, M., Nygaard, C., Parkinson, S. and Yates, J. (2019) *The supply of affordable private rental housing in Australian cities: short-term and longer-term changes*, AHURI Final Report No. 323, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/323 , doi:10.18408/ahuri-5120101.

Hulse, K., Burke, T., Ralston, L. and Stone, W. (2010) *The benefits and risks of home ownership for low-moderate income households*, AHURI Final Report No. 154, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/154.

James, A., Rowley, S., Stone, W., Parkinson, S. Spinney, A. and Reynolds, M. (2019) *Older Australians and the housing aspirations gap*, AHURI Final Report No. 317, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/317 , doi:10.18408/ahuri-8117301.

Jones, A., Bell, M., Tilse, C., Earl, G. (2007) *Rental housing provision for lower-income older Australians*, AHURI Final Report No. 98, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/98.

Jones, A., Howe, A., Tilse, C., Bartlett, H., Stimson, R. (2010) *Service integrated housing for Australians in later life*, AHURI Final Report No. 141, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/141.

Judd, B., Liu, E., Easthope, H., Davy, L. and Bridge, C. (2014) *Downsizing amongst older Australians*, AHURI Final Report No. 214, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/214

Kemeny, J. (1981) *The Myth of home ownership: private versus public choices in housing tenure* (London: Routledge).

Kemeny, J. (2005) '"The Really Big trade-Off" between Home Ownership and Welfare: Castles' Evaluation of the 1980 Thesis, and a Reformulation 25 Years on' *Housing Theory and Society*, Vol. 22, No.2, 59-75.

Mather, T., Banks, E. Joshy, G. Bauman, A. Phongsavan, P. and Korda, R. (2014) 'Variation in health inequalities according to measures of socioeconomic status and age', *Australian and New Zealand Journal of Public Health* Vol. 38, No 5. 436-440 https://onlinelibrary.wiley.com/doi/abs/10.1111/1753-6405.12239

Morris, A. (2016) *The Australian dream: Housing experiences of older Australians* CSIRO Publishing, Clayton South.

Nethercote, M. (2019) 'Homeowner investor subjects as providers of family care and assistance' *Housing Studies* Vol. 34, No.6, 1037-1063 https:/doi.org/10.1080/02673037.2018.1515895

Neutze, M. and Kendig, H. (1991) 'Achievement of Home Ownership among Post-war Australian Cohorts', *Housing Studies*, vol. 6, No. 1, January.

Organisation for Economic Cooperation and Development [OECD] (2008) *Growing Unequal? Income distribution and poverty in OECD countries* Directorate for Employment, Labour and Social Affairs, Paris: OECD http//www.oecd.org

Olsberg, D., Winters, M. (2005) *Ageing in place: intergenerational and intrafamilial housing transfers and shifts in later life*, AHURI Final Report No. 88, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/88.

Ong, R., Jefferson, T., Wood, G., Haffner, M. and Austen, S. (2013) *Housing equity withdrawal: uses, risks, and barriers to alternative mechanisms in later life*, AHURI Final Report No. 217, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/217 .

Ong, R., Wood, G., Cigdem-Bayram, M. and Salazar, S. (2019) *Mortgage stress and precarious home ownership: implications for older Australians*, AHURI Final Report No. 319, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/319 , doi:10.18408/ahuri-8118901.

Parkinson, S., Rowley, S., Stone, W., James, A., Spinney, A., Reynolds, M. (2019) *Young Australians and the housing aspirations gap*, AHURI Final Report No. 318, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/318 , doi:10.18408/ahuri-5117101.

Productivity Commission (2018), *Superannuation: Assessing Efficiency and Competitiveness*, Report no. 91, Canberra.

Productivity Commission (2015) Superannuation policy for post-retirement, Commission Research Paper, Australian Government, https://www.pc.gov.au/research/completed/superannuation-post-retirement.

Rothman, G. (2007) The adequacy of Australian retirement incomes – new estimates incorporating the better super reforms. In *Paper presented to the fifteenth Colloquium of Superannuation Researcher*s, University of New South Wales, 19 and 20 July 2007, Conference Paper 07/1 (as cited in Yates and Bradbury, 2010)

Rowley, S., Leishman, C., Baker, E., Bentley, R. and Lester, L. (2017) *Modelling housing need in Australia to 2025*, AHURI Final Report No. 287, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/287, doi:10.18408/ahuri-8106901.

Rowley, S. and Ong, R. (2012) *Housing affordability, housing stress and household wellbeing in Australia*, AHURI Final Report No. 192, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/192.

Stebbing, A. and Spies-Butcher (2016) 'The decline of a homeowning society? Asset-based welfare, retirement and intergenerational equity in Australia' *Housing Studies* Vol. 31, No.2, 190-207 http://dx.doi.org/10.1080/02673037.2015.1070797

Stone, W., Parkinson, S., Sharam, A. and Ralston, L. (2016) *Housing assistance need and provision in Australia: a household-based policy analysis*, AHURI Final Report No. 262, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/262 , doi:10.18408/ahuri-5105201.

Westerman H. and Mountain, W. (2016) 'What HILDA has to tell us about wealth and poverty' *The Conversation* July 20. https://theconversation.com/what-hilda-has-to-tell-us-about-wealth-and-poverty-62717

Whelan, S., Atalay, K., Barrett, G. and Edwards, R. (2019) *Moving, downsizing and housing equity consumption choices of older Australians*, AHURI Final Report No. 321, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/321, doi:10.18408/ahuri-7318601.

Whelan, S., Atalay, K., Dynan, L. (2018) *Asset portfolio retirement decisions: the role of the tax and transfer system*, AHURI Final Report No. 298, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/298 , doi:10.18408/ahuri-7311201.

Whelan, S. and Parkinson, S. (2017) *Housing tenure, mobility and labour market behaviour*, AHURI Final Report No. 280, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/280 , doi:10.18408/ahuri-7307101.

Winter, I. and Stone, W. (1999) "Home Ownership: Off Course?" in J. Yates, and M. Wulff (eds) Australia's Housing Choices, Brisbane: University of Queensland Press, pp. 43–52

Whiteford, Peter (2015) Inequality and Its Socioeconomic Impacts' *The Australian Economic Review* Vol 48, Issue No 1, March. 83-92

Whiteford, Peter (2014) Income and wealth inequality: how is Australia faring? *The Conversation* March 5 https://theconversation.com/income-and-wealth-inequality-how-is-australia-faring-23483?

Wilkins, R. Laß, I., Butterworth, P. and Vera-Toscano, E. (2019) The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 17. Melbourne Institute: Applied Economic & Social Research, University of Melbourne

Wilkins, R. and Lass, I. (2018) The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 16. Melbourne Institute: Applied Economic & Social Research, University of Melbourne.

Wilkins, R. (2017) The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 15. Melbourne Institute: Applied Economic & Social Research, University of Melbourne

Wood, G., Chamberlain, C., Babacan, A., Dockery, M., Cullen, G., Costello, G., Nygaard, C., Stoakes, A., Adam, M., Moloney, K. (2008) *The implications of loss of a partner for older private renters*, AHURI Final Report No. 116, Australian

Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/116.

Wood, G., Cigdem, M. and Ong, R. (2017) *Australian demographic trends and implications for housing assistance programs*, AHURI Final Report No. 286, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/286, doi:10.18408/ahuri-5303901.

Wood, G., Smith, S., Ong, R. and Cigdem, M. (2013) *The edges of home ownership*, AHURI Final Report No. 216, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/216 .

Wood, G. and Ong, R. (2012) *Sustaining home ownership in the 21st century: emerging policy concerns*, AHURI Final Report No. 187, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/187 .

Wood, G., Colic-Peisker, V., Berry, M. and Ong, R. (2010) *Asset poverty and older Australians' transitions onto housing assistance programs*, AHURI Final Report No. 156, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/156 .

Wooden, M, and Li, N. (2016) Ageing, Death and Life Satisfaction: Evidence from the Household, Income and Labour Dynamics in Australia Survey, *The Australian Economic Review*, Vol. 49, Issue 4. 474-482

Yates, J. (2008) *Affordability and access to home ownership: past, present and future?*, AHURI Research Paper No. NRV3-10, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/nrv-research-papers/nrv3-10.

Yates, J. (2007) *The polarisation of housing affordability*, AHURI Research Paper No. NRV3-8, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/nrv-research-papers/nrv3-8.

Yates J. (1988) Home ownership: Who misses out in the private sector and why. Report to the National Housing Policy Review, Canberra

Yates, J. and Bradbury, B. (2010) 'Home ownership as a (crumbling) fourth pillar of social insurance in Australia' *Journal of Housing and the Built Environment*, Vol. 25, No. 2 Home ownership and Asset-based Welfare, June, pp. 193-211

Yates, J., Kendig, H., Phillips, B., Milligan, V., Tanton, R. (2008) *Sustaining fair shares: the Australian housing system and intergenerational sustainability*, AHURI Final Report No. 111, Australian Housing and Urban Research Institute Limited, Melbourne, https://www.ahuri.edu.au/research/final-reports/111.

Australian Housing and Urban Research Institute
National Office
Level 12, 460 Bourke Street
Melbourne Victoria 3000
Australia

Phone +61 3 9660 2300
Email information@ahuri.edu.au
Web www.ahuri.edu.au