Positioning Paper

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Housing needs of asset-poor older Australians: other countries' policy initiatives and their implications for Australia

authored by

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ACRONYMS

ABS	Australian Bureau of Statistics
AHURI	Australian Housing and Urban Research Institute
AIHW	Australian Institute of Health and Welfare
ATM	Automatic Teller Machine
CHSA	Commonwealth Housing State Agreement
CRA	Commonwealth Rent Assistance
FaCSIA	Australian Government Department of Families, Community Services and Indigenous Affairs
HILDA	Housing and Labour Dynamics in Australia (Longitudinal quantitative database)
NRV	National Research Venture (AHURI-funded)
OECD	Organisation for Economic Cooperation and Development: 30 developed countries with comparable economic and political systems
SHA	State Housing Authorities

EXECUTIVE SUMMARY

This Positioning Paper is the first output of a project that explores housing options and actual housing circumstances of asset-poor older Australians. Australia has very high levels of outright ownership among its pensioners. However, this is threatened by falling levels of ownership among younger age cohorts and increasing numbers of owners approaching retirement with mortgages. Demographic changes, labour market deregulation, housing market volatility and liberalisation of housing finance are thought to be responsible for these trends. They are likely to increase the number of *asset-poor* pensioners in the future. This is a source of policy concern because outright home ownership ensures low housing costs and helps safeguard pensioners from poverty in old age. However, these concerns could be overstated. Increased life expectancy might be accompanied by working longer and delayed withdrawal from the labour force. From this perspective a mortgaged old age may not have the adverse consequences feared during an earlier era when working lives were shorter.

The project will explore these ideas and help inform this area of Australian policy debate through a mixed methods approach: first, it will identify policy lessons drawn from the experience of six overseas countries through a systematic comparative literature review; second, by scoping the scale of the *asset-poor* problem in Australia through the analysis of HILDA survey panel data; and third, by using qualitative research (interviews and focus groups) to drill down and uncover the coping strategies older Australians expect to employ in addressing the housing implications of their financial situation.

A clear statement of the *problem* is needed and some more specific research questions.

The project focuses on two groups of older asset-poor Australians:

1. Owner-occupiers with insufficient home equity and other assets, such as superannuation savings, to be able to keep their current home.
2. Older private renters who are even more likely to face a housing problem as they age. In some cases a transition to public housing represents a lasting, although as our research shows, not a preferred solution.

The first group have emerged following the liberalisation of financial markets in the 1980s: many middle-aged Australian homeowners have become increasingly indebted and are now approaching retirement with debt obligations that will have to be met post-retirement. These heavily indebted homeowners with little superannuation savings may need to trade down or sell up to pay off debts. Recent research (Wood & Nygaard 2010, forthcoming) suggests this group is a sizeable one: one in four middle-aged Australian homeowners. We also know that the divorced and separated are over-represented in this group. Historically high rates of divorce combined with falling rates of marriage have resulted in increasing numbers of sole-person and sole-parent households, the majority being female-headed, often with intermittent labour market participation and hence inadequate Superannuation Guarantee accumulation (Wood & Nygaard 2010, forthcoming).

The second group are ageing renters who have never been homeowners, or have fallen off the home ownership ladder and are missing out on capital gains and asset accumulation associated with home ownership. Those falling off the home ownership ladder in middle age represent a *new* asset-poor grouping. They are households that we know little about, and an analysis of their characteristics is a key research objective.

Current low vacancy rates in large Australian cities, as well as high rental prices, present a potential difficulty for older renters with little superannuation savings and those still in the labour force but on lower incomes. In many such cases their prospects in the private rental market are bleak. The solution of entering public or community housing is in some cases available, but the Australian *dual* rental market (defined below) that stigmatises public housing may make this solution unappealing for some people.

AUSTRALIAN HOUSING AND RETIREMENT REGIMES AND POLICIES AIMED TO HOUSE THE ASSET-POOR OLDER AUSTRALIANS: AN OVERVIEW

In the 20 years immediately after World War II, the rate of home ownership increased sharply to peak at around 70 per cent of a rapidly growing population. This outcome was driven by the first post-War 'long boom', associated with high overseas immigration and rampant suburbanisation of the major capital cities. Government policies consistently favoured home ownership and the macro-economic, labour market, demographic and cultural conditions of the period further underpinned the emerging dominant tenural, as well as spatial, pattern of development.

Not surprisingly, more than two-thirds of Australians over 65 are outright home owners. The remainder lives in a variety of tenures. However, recent data suggests that the access of the non-home owning aged to both private and public rental housing is declining. This may reflect problems of affordability, insecure tenure, poor quality, inappropriate location and facilities, government funding constraints and chronic under-supply at the low-rent end of the housing market.

Because of the high rate of home ownership among older Australians, policy has tended to neglect the housing situation of the minority of non-owners. Age-related policy has instead focused on areas like health care and income support. The two groups forming the focus for this study—older private tenants and asset-poor home owners—are largely ignored. The former may receive Commonwealth Rent Assistance[1] (CRA) and the aged pension. However, the level of these benefits will not be adequate in many regions to generate reasonable affordability outcomes in the private rental sector. A declining public housing stock offers few alternative avenues for adequately meeting the housing needs of this group. The growth in the non-profit housing sector, supported by the recent National Affordable Housing Agreement and the National Rental Affordability Scheme, may provide improved opportunities for this asset-poor group, although it is not yet clear how successful these innovative policy initiatives will be. However, the other group of asset-poor households with high debts, low or even negative equity in their houses and insufficient superannuation and other savings, is also likely to increase in numbers and, to date, existing policies have not addressed their existence, future growth or special needs.

HOUSING AND RETIREMENT REGIMES OF SEVEN COUNTRIES

This section of the Positioning Paper gives a brief overview of the housing and retirement regimes of seven countries: the US, Canada, the UK, France, Italy,

[1] Commonwealth Rent Assistance (CRA) is a non-taxable income supplement paid to private renters who are also recipients of a Centrelink pension or allowance. CRA originated in 1958 as a supplement to single aged, widowed and invalid pensioners and was gradually extended to cover most welfare income recipients renting privately, as well as some forms of social housing (managed by community housing providers).

Germany and the Netherlands. It also explores the seven countries' government policies and financial institution initiatives to meet the housing needs of asset-poor older citizens.

The disparate nature of housing initiatives, the cumulative impact of housing careers and the mitigating effect of retirement regimes makes it difficult to capture the whole of any one government's policies pertaining to housing asset-poor older citizens. As a result of this complexity, we have chosen to address the characteristics of each country's housing and retirement regime in order to understand how their particular policies may function in comparison or contrast to the Australian context.

The case study countries offer contrasting housing and welfare systems as benchmarks. English-speaking countries, Australia, the UK, USA and Canada, fall into what has been termed the 'liberal welfare state regime', characterised by a strong market orientation and for all but the UK a limited direct government provision of services and little progressive redistribution. The four European countries discussed in this paper fit into a 'corporatist welfare regime' characterised by significant state regulation and provision focused on particular population segments with limited redistributive outcomes.

The housing systems are likewise bifurcated between, although not quite as neatly across, the two welfare regimes. Australia, Canada and the US have what might be termed 'dualistic rental systems' – significant, well-developed, lightly regulated private rental markets and small (and stagnant or declining) social housing sectors. The European countries, excluding the UK, have 'integrated' rental systems. In such systems, broader or universal access to subsidised housing is likely to influence prices on the private rental market. The Netherlands, France and Germany all have integrated rental systems. Germany's social housing stock has declined, but this is supplemented by strong tenant protection and demand-side subsidy in the private rental market. In contrast, the dualist system of English-speaking countries is characterised by significantly restricted access to social housing with eligibility being determined by an asset and income test that ensures only people on low incomes and few if any assets (typically the bottom or bottom two quintiles) are eligible. These systems tend to have smaller social housing stocks and social housing is seen as a residual option for those on the lowest incomes and with no savings to fall back on.

The tenure status of older people varies from country to country. However, a significant proportion of the older population live in rental tenures in each of the seven countries analysed, Italy having the lowest proportion in rental (22%) and the Netherlands the highest (73%). Australia is at the low end (11%).

Pension regimes vary considerably among the seven countries. While the contribution systems are quite complicated, the 'replacement rate' offers a valuable point of comparison and is defined as the proportion of an average wage that the state undertakes to pay its retired citizens. Obviously replacement rates have a profound effect on the housing choices of ageing asset-poor households as they attempt to meet housing and living costs from this income.

Pension replacement rates are generally highest in southern Europe (Greece and Italy in particular) followed by continental European countries, while they tend to be lower outside Europe. When applied to the countries we are analysing, this schema is evident: Italy has the highest (flat) replacement rate, which is advantageous for people on higher incomes; Netherlands and France are at the higher end but the Dutch flat rate privileges higher-income earners. The English-speaking countries are all under the OECD average. Canada's steep progressive replacement rate matches the OECD average for lower-income people but falls behind for higher earners. Australia's

replacement rate ranks with the other English-speaking countries, marginally higher than the US and UK.

The transition to fixed income poses specific problems for the asset-poor in rental markets, particularly in countries where light regulation means insecure housing in this tenure. 'Post-housing' poverty, or the financial position of people after housing costs, peaks in liberal welfare states for those who are retired and do not own their own home. These countries also have a combination of low rates of social housing and/or low regulation and security for tenants in the private rental market.

Wealth accumulated in owner-occupiers' homes can act as a buffer against medical costs and other unforeseen expenses. Housing wealth can even be used to create an income-stream, as evidenced by the emergence of 'reverse mortgage' instruments. However, for those who do not own this major asset, retirement pensions place significant limitations on housing options, including 'ageing in place'. The changing nature of debt levels at and beyond retirement also poses significant challenges to political economies that rely on low housing costs to mitigate retirement living costs. For the asset-poor the consequence is a higher risk of unmet financial need as they age.

This overview of the housing and retirement regimes of seven countries helps to contextualise the respective policy instruments available to address the housing needs of older asset-poor citizens. The housing mix, coupled with the type of rental market, describes the accessibility of affordable housing for non-homeowners and the role housing wealth plays in housing choices for people approaching or past age pension age. It may also cast light on the 'housing cultures' of particular countries. The nature of pension regimes gives us some insight into the poverty risk that the asset-poor face, and factors that may influence that risk such as gender, security of tenure, and single, couple or family household status. In addition, it provides some insight into the choices facing those who will not have paid out their mortgage by retirement.

There are at least two features of Australian housing and retirement policy arrangements that are distinctive relative to European (including UK) policy regimes:

- Government-provided retirement incomes are means-tested and non-contributory.
- High rates of outright ownership among the elderly have played a crucial role in supporting government retirement incomes policies. Outright ownership helped older Australians to achieve asset security that pays off in old age in the form of low housing costs.

Life-long asset-poor renters have not posed serious challenges for Australian policy makers because they have been a small proportion of the elderly population. Population ageing will swell their numbers, and growing numbers losing home ownership status in middle age will provide a further boost. These trends could undermine present arrangements. The likely increase in the other category of asset-poor older households, namely low net-worth homeowners, will further complicate and intensify policy challenges in Australia.

HOUSING FUTURE OF OLDER ASSET-POOR AUSTRALIANS: EVIDENCE

The empirics described in section 4 of this paper are sourced from the confidentialised unit record files of the Australian Bureau of Statistics (ABS) Survey of Income and Housing Costs (SIHC) 1990–2007, and the Household Income and Labour Dynamics in Australia Survey (HILDA) waves 1 (2001) to 6 (2006). The former are a series of

cross-section samples designed to be representative of the Australian population. The SIHC is used to profile long-run trends in housing wealth, mortgages and outright ownership. The nearly 20-year time frame allows a picture to be drawn that depicts how Australians at different points in the life course are faring. While the SIHC is a series of snapshots over a near 20-year period, HILDA is a longitudinal data source that profiles a representative panel of Australians as they age. The time frame is shorter (2001–2006). We use HILDA to profile the assets that Australians own, and the types of debt that Australians have used to finance asset acquisitions and consumption. Key results of the analysis to-date follow.

Long-term trends in housing wealth and mortgage debt

Suggestions that Australians are now paying off mortgages and hence becoming outright owners later in life are correct. We find that:

- In the 1990s rates of outright home ownership began to decline among young and mature-age Australians.
- This is particularly evident among mature age Australians, and is a trend that appears to have continued into the new millennium.

There has been a surge in real mortgage debt. Viewed in isolation, the increasing indebtedness of mature-age Australian mortgagors seems imprudent given the imminence of retirement. But there are caveats. Real house prices have soared, leaving an ample equity cushion to fall back on, and there are the maturing superannuation balances that could be used to pay off the debt. This might be at the expense of a comfortable retirement, although longer life expectancy could encourage longer work careers. In short, the later repayment of mortgages merely reflects changed expectations of continued earnings from labour supply beyond age 65 years.

But there are also risks. The incidence of ill health and disability increases with age and can thwart plans to work later in life. Real house prices could plunge at some point in the future; housing markets can become illiquid, leaving mortgagors with a debt to pay off, and no willing buyers for an asset that had been banked on as a source of funds to repay loans in the event of job loss. Finally, as noted earlier, there is the group of renters that have swelled in numbers in the mature-age and older age groups. They have not benefited from real house price booms, or have had spells as a homeowner but have been unable to sustain this status.

Net worth, assets and debt

In 2006 the average Australian had accumulated just under $750 000 spread across various assets, but *gross wealth* peaks among the 50–64 years group where average wealth is just over $1 million. Indebtedness is highest among people under 50, and in fact debt nearly doubled in every age group in the period 2002–2006, but remains modest when judged relative to their asset position.

The primary home continues to be the principal store of wealth for all age groups, and other properties (rental investments and second homes) are the second most important component for all age groups other than the mature aged. The importance of other properties reflects soaring house prices in recent years but is also due to the growing number of Australians who owned a rental property or a second home.

Nearly two-thirds of all debt is secured against the primary home; 95 per cent of all debt is secured against residential property of one kind or another. These figures are a startling indication of the importance of residential property as collateral. The steep increase in average debt holdings noted earlier has eventuated as property owners rode the crest of a house price boom.

We examine a panel in the age ranges 50–64 and 65+ in 2002, and track individuals' wealth and debt situations as they age over the time period 2002–2006. In the 50–64 age group; the share of residential property increases despite risky values and its illiquidity. Not all of this increase is down to booming house prices – the incidence of other property ownership also increased from 2002 to 2006. Even holdings of shares increase both in value and as a share of total wealth, an increase that eventuates despite the 'dot com' crash in share prices that must have been fresh in the minds of investors in the first half of the decade. There is little evidence of caution with respect to debt, which balloons from an average of $47 000 to $64 000, although it is noticeable that conservative gearing ratios are being observed by the average Australian approaching retirement. Rising asset values appear to be the source of collateral backing for additional borrowing, and financial institutions have clearly been comfortable in meeting this demand despite the advanced age of this group.

The over 64s already reached pension age in 2002; as they move further into retirement, gross wealth and net worth continue to increase, although one might have expected declining net worth as savings are drawn down for consumption-smoothing purposes. Asset price booms could be disguising what would have been evident in more stable financial and property market conditions. There are reductions in the shares of some of the more illiquid and risky investment asset classes – equity and business assets, for example – and superannuation balances are a declining share as balances are drawn on to help finance retirement. However, the value and share of property holdings increase to reach around two-thirds of all assets in 2006.

We then focus on the asset-poor in these same age cohorts; the asset-poor are defined as those in the poorest 40 per cent of the 2002 net worth distribution. Around one-third of the asset-poor are home owners, and their asset profiles dominate. Thus asset-poor individuals have much more of their wealth tied up in the primary home, and the share increased between 2002 and 2006. With over 50 per cent of wealth locked up in the primary home, the asset-poor are more exposed to house price and liquidity risk. The wealth data also reveal that the asset-poor have comparatively small amounts of superannuation savings. In other asset classes this mature-aged asset-poor group have very small amounts invested as compared to the average Australian. The asset-poor are also more heavily geared than is typical in this age group (a 2006 gearing ratio of 17% as compared to 6% among all Australians).

Similar remarks can be made about the over 64s, although these older asset-poor Australians have even lower levels of *gross wealth* and it is even more concentrated in the primary home (two-thirds of gross wealth in 2006). A particularly noteworthy feature is the tiny amounts left in superannuation. There is a birth cohort effect here since many older Australians' time in the workforce will have predated the Superannuation Guarantee. With so little to fall back on in terms of liquid assets, debt levels are typically very low.

There are some key findings that deserve emphasis in a summing up of this descriptive work.

→ Residential property remains the most important asset in the wealth portfolios of older Australians, and retirees become increasingly reliant on property as a source of wealth as they move further into retirement. Other assets are realised to smooth consumption in the later years of the life course.

→ Among Australian home owners approaching retirement between 2001 and 2006, booming house values have been used to secure large increases in debt. However, if house prices remain firm the typical pre-retiree will have a conservative gearing ratio.

- Because of very high rates of home ownership, home owners account for around one-third of the asset-poor older Australians. Despite their small tenure share, renters are the dominant group among older asset-poor Australians. They also typically have very low levels of superannuation savings, and are more highly geared than the average Australian.

While renters account for the majority of the asset-poor it should be pointed out that some of these older renters were in fact home owners earlier in their housing careers, but could not cling on to that status. We estimate that 284 400 older Australians who were home owners in 2001 had lost their home ownership status by 2006. Of these 134 600 joined the ranks of the asset-poor in 2006.

FURTHER EVIDENCE TO BE COLLECTED IN THIS PROJECT

In-depth interviews and focus groups. We use two different qualitative methods because they will result in different types of data. The confidential, one-to-one, semi-structured interviews generally secure unguarded but considered responses. This is especially important when private issues such as finances and adverse life events are discussed. We envisage 30 interviews will allow us to cover all significant variables: gender, type of tenure and retirement status. The focus group (up to 10 participants) situation is more 'public' and dynamic and usually results in discussions between participants, where a multitude of perceptions and attitudes come to the fore. Interview and focus group schedules will therefore be differently focused: the first on personal situations and the second on policies.

The qualitative methods will focus the coping strategies being used by asset-poor older Australians to address the housing implications of their wealth situation and their views on current Australian and overseas policies.

The quantitative component of the project will focus on transitions into asset poverty, and the implications for housing assistance needed by older asset-poor Australians. We are particularly interested in leveraged older home owners that fall into rental housing, and their subsequent housing assistance status. We believe that such an investigation can shed insight on the proposition that home ownership has become riskier, and its loss results in higher need for housing assistance.

1 INTRODUCTION

1.1 Aims of the project

This Positioning Paper is the first output of a project that explores the housing options and actual housing circumstances of asset-poor older Australians.

The overall aim of the project is to provide evidence to Australian policy makers confronted with the issue of asset-poor older Australians who may not be able to spend their retirement years as appropriately and securely housed self-funded retirees.

The project has a number of objectives related to this aim:

- To review Australian and overseas literature covering these issues.
- To analyse successful overseas policies and draw implications for Australia.
- To present and analyse evidence from the Household, Income and Labour Dynamics in Australia (HILDA) Survey that will scope the scale of the “asset-poor” problem in Australia and its implications for housing assistance programs.
- To gather qualitative data on the housing situation and coping strategies of asset-poor older Australians through interviews and focus groups.

1.2 Methodology

To achieve the project’s objectives, we use a mixed methods approach that uses primary (qualitative, collected through interviews and focus groups) as well as secondary data, collected through literature and policy document review and sourced from HILDA as well as from the Australian Bureau of Statistics (ABS) Survey of Income and Housing Cost (SIHC). The research approach has three components.

1. A systematic review of the overseas and Australian literature is sourced from two groups of countries. In the first group are English speaking countries (UK, US and Canada) that have similar housing systems, deregulated housing finance circuits and volatile housing markets. Initiatives in this group of countries are likely to be applicable in Australia. In the second group are continental European countries with age-dependency ratios (DR: the ratio of older retired people to the working-age population) that are substantially higher than the OECD average of 20 per cent. These countries are Italy (DR of 28%, projected to soar to 68% by 2050), Germany (26%, projected to be over 50%), France (24%, projected to be over 50%) and the Netherlands (21% and projected to be almost 50% by 2050) (OECD 2005). The last five countries are already addressing issues associated with a rapidly ageing population (Colebach 2004). Their experiences and policy solutions offer Australian policy makers opportunities to learn from the mistakes and successes of others.
2. The use of a panel database (HILDA) to conduct quantitative analysis. We will use two waves (2002; 2006) that contain detailed information on the asset and debt position of a representative sample of Australians, from which we will profile the changing asset and debt position of 55–64 year-olds and 65-and-older tenants and owners. HILDA also contains socio-economic and demographic data (age, gender, household type and so on) which will allow us to diagnose the trajectories and personal characteristics of those most exposed to investment and credit risks and most likely to need housing assistance post-retirement. The AHURI-3M microsimulation model is used to analyse the changing housing assistance status of these groups as they age.

3. In-depth interviews and focus groups. We envisage 30 interviews will be sufficient to allow investigation of how people's experiences and attitudes might reflect their gender, housing tenure and retirement status. The three focus groups of up to 10 participants will concentrate on people's experiences with, and views of, current government policies offering solutions for asset-poor older Australians. Analysis of narrative data can illuminate the issues in question from the point of view of respondents. This analysis will be undertaken in our final report.

The positioning paper partly addresses two (out of a total of three) key research questions.

1. What housing-related initiatives have governments and financial institutions of comparable countries introduced to address the housing needs of asset-poor older citizens in volatile housing and mortgage finance markets? Our analysis on how some of these initiatives may be applied in the Australian context will be presented in the final report.
2. What is the size of the asset-poor group of older Australians and is their asset situation likely to place increasing demands on housing assistance programs? The HILDA Survey and our AHURI-3M microsimulation model will be deployed in order to answer this question. Analysis of the demand for housing assistance will be presented in the final report.
3. What coping strategies are being used by asset-poor older Australians to address the housing implications of their wealth situation and what are their views on current Australian and overseas policies?

Q3 will be addressed in the Final Report, based on analysis of the interview and focus groups data.

1.3 Who are the asset-poor in Australia?

There is a consensus that all Australians, regardless of their wealth, should have an opportunity to age well. Housing is an important factor in the overall quality of life, and for older people this is even more so because of their decreased mobility and higher proportion of time spent in the home environment.

The housing needs and wellbeing of Australians whose combined superannuation savings and housing wealth may not be sufficient to support them through retirement represent a growing policy concern because of population ageing. Contributing to this concern are the following factors: demographic change, labour market deregulation, tenure churning, housing market volatility and liberalisation of housing finance. These are key features of the current policy environment in Australia and in the comparable countries explored in this project.

Over the past 30 years significant economic and cultural changes have affected housing markets. Welfare 'safety nets' have been in retreat across the OECD club of rich nations. There is increased reliance on the private housing market and individual wealth accumulation, as well as a drift away from institutions that have previously shaped people's lives, such as life-long marriage and reliance on extended family (Clapham 2002, p.59). In the 'brave new world of personal responsibility' (*The Economist* 2009), people are more exposed to the adverse consequences of poverty and housing insecurity in older age. However, we do not only look at the structural factors—the set of institutional arrangements—we also examine the agency of the asset-poor older Australian (views, decisions, subjective experiences and ways of coping with housing and financial situations) in order to better understand the issues, subsequent policy implications and the effect of existing policies on people's lives.

In recent years the focus of housing policy has begun to change. A new group of asset-poor older Australians is emerging and they pose specific challenges to existing housing policy assumptions. Post-World War II, Australian Governments increasingly targeted housing assistance programs on the low income and disadvantaged, a group that typically has, in economic terms, 'low net worth'[2]. Middle and high income groups were served by private housing markets that offered reasonably priced access to home ownership given abundant supplies of land. Tax-advantaged owner-occupied housing also proved to be a reliable vehicle for the accumulation of wealth that helped secure an old age free of poverty because housing costs are low for the outright owner, and housing wealth can be released as a last resort to meet acute spending needs if they arise (Parkinson et al. 2009). This environment changed with successive house price booms since the late 1980s which have pushed real house prices to extremely high levels. Many first home buyers and increasing numbers of those 'trading on' are forced into borrowing up to their credit limits (and beyond). This owner-indebtedness combined with changes in the labour market creates unprecedented exposure to two risks:

- Precarious employment: de-regulated labour markets and technical change have been accompanied by the spread of casual and temporary jobs offering more precarious employment, even in white collar jobs.
- Housing price volatility: speculative bubbles in property markets raise fears of boom and bust cycles that pose serious investment risks, particularly for the highly leveraged home buyer.

These developments have created a new group of asset-poor: those who do not have the low income characteristics of those traditionally eligible for housing assistance, but nevertheless have suffered misfortune and/or made ill-advised housing and financial decisions that result in loss of home ownership status. For example, among home owners in 2001, we estimate that over 950 000 (12%) had made at least one transition into rental housing by 2006. Our preliminary analysis of these transitions (to be presented in full in our Final Report) suggests that many if not most are involuntary transitions dictated by adverse biographical events (e.g. divorce) or deteriorating economic circumstances (e.g. unemployment). Furthermore, it seems that these disruptions to housing careers are more than a temporary hiccup for many of those affected. We estimate that 460 300 (or 48%) of those falling out of home ownership did not recapture their home ownership status by 2006. Nor is this phenomenon restricted to the young; an estimated 284 400 over 50-year-old home owners in 2001 made at least one transition into rental housing by 2006.

The 'new' asset-poor can suffer permanent scarring (e.g. to credit ratings) that adversely affect their housing career and livelihoods. These fears are prompting governments to introduce measures that help threatened households to cling on to their home ownership status. It is believed that such measures will 'pay off' in the longer run as eligible households will be less likely to need help from housing assistance programs and prove more economically resilient as they age.

In the OECD countries, government policies emphasise greater self-reliance in old age given a bulging older population of baby boomers that will place growing demands on public budgets. The stresses that have threatened the asset positions of a growing numbers of older-aged asset-poor also pose challenges for retirement

[2] The term is frequently used to describe the net asset position of a household that results when total debt is subtracted from gross wealth.

policy in a country that has long regarded home ownership as protection from poverty in old age.[3]

We define the 'asset-poor' as those in the bottom 40 per cent of the Australian net wealth distribution. In 2002 (2006) asset-poor Australians lived in households with net worth of less than $41 000 ($99 000). Table 1 compares demographic, socio-economic, tenure, geographic and attitudinal characteristics of the asset-poor with the 'asset-rich' (top 40% of the net wealth distribution), using the 2002 and 2006 waves of HILDA data.

Table 1: Comparison of the characteristics of asset-poor and asset-rich, 2002 and 2006 (column %)

	2002			***2006***		
	Asset-rich	***Asset-poor***	***Total***	***Asset-rich***	***Asset-poor***	***Total***
Age band						
Under 50	50.1	77.9	61.3	45.2	65.2	53.2
50–64	31.5	12.2	23.6	33.2	17.3	26.9
65+	18.5	10.0	15.1	21.6	17.6	20.0
Housing tenure						
Outright owner	48.0	5.9	31.8	46.3	12.8	33.2
Owner purchaser	44.2	20.0	34.9	47.2	18.9	36.1
Private renter	5.3	47.5	21.5	4.5	45.6	20.6
Public renter	.3	12.3	5.0	.1	11.4	4.5
Rent free	2.1	14.3	6.8	2.0	11.3	5.6
Gender						
Male	47.9	49.4	48.5	48.7	48.2	48.5
Female	52.1	50.6	51.5	51.3	51.8	51.5
Marital status						
Married	75.6	32.0	58.2	76.1	35.0	59.7
De facto	7.2	13.3	9.7	7.8	11.8	9.4
Separated	1.9	5.1	3.1	1.8	5.0	3.0
Divorced	4.0	9.6	6.3	4.0	12.0	7.2
Widowed	5.2	4.5	4.9	5.5	8.5	6.7
Single never married	6.0	35.4	17.8	4.9	27.6	14.0
Ethnicity				100.0	100.0	100.0
Australian non-Indigenous	71.4	71.1	71.3	71.4	71.1	71.3

[3] The generations coming after *baby-boomers* will face different and perhaps even bigger financial challenges as they approach retirement, but this is not something we are able to address here. However, it is useful to mention that, for example, today's first home buyers face greater difficulty entering home ownership than previous generations and typically achieve it at a later age. Home ownership is therefore likely to have a more limited *wealthfare* role for post-baby boom generations. They may also be less likely than earlier generations to inherit significant housing wealth from long-lived 'baby boomers'. In addition, the retreat of the welfare state has affected generations 'x'' and 'y' more than the baby-boomers before them, e.g. in the area of education (increasing cost of tertiary education), aged care, income support, employment security, youth wages, etc. Longer working careers (matching a longer life expectancy) is a possible or even probable coping strategy that generations 'x' and 'y' will have to adopt.

	2002			2006		
	Asset-rich	Asset-poor	Total	Asset-rich	Asset-poor	Total
Australian Indigenous	.7	3.3	1.7	.8	3.1	1.7
Main English speaking	12.3	9.5	11.2	12.3	9.5	11.2
Other	15.6	16.1	15.8	15.5	16.3	15.8
Region						
Major city	68.7	64.9	67.2	67.1	63.2	65.5
Inner regional	21.4	20.9	21.2	22.0	23.0	22.4
Outer regional	8.3	12.8	10.1	9.3	12.2	10.5
Remote	1.6	1.4	1.5	1.6	1.6	1.6
Job contract						
Permanent	42.5	36.7	40.1	45.1	38.0	42.1
Fixed term	5.2	6.1	5.6	4.9	5.3	5.0
Casual or other	8.8	16.2	11.9	9.0	11.7	10.1
No contract	43.5	41.0	42.4	41.0	45.1	42.7
Labour force status						
Employed full-time	45.8	45.2	45.5	46.6	42.8	45.1
Employed part-time	17.6	16.4	17.2	19.0	15.0	17.4
Unemployed	1.5	5.9	3.3	1.0	4.0	2.2
Not in labour force	35.0	32.5	34.0	33.4	38.2	35.3
Highest qualification						
University degree or higher	21.5	13.5	18.3	23.8	13.6	19.7
Other post-school qual	31.9	28.3	30.5	34.2	30.8	32.8
No post-school qual	46.6	58.2	51.3	42.1	55.5	47.5
Proportion of time in paid work since left full-time education						
0%–25%	6.9	12.5	9.1	6.5	14.4	9.6
25%–50%	7.8	12.6	9.7	7.4	11.0	8.8
50%–75%	17.4	20.6	18.7	19.2	23.4	20.9
>75%	67.8	54.2	62.5	66.8	51.2	60.7
Early death of parents						
Both parents alive	93.1	93.5	93.2	93.7	92.6	93.2
One or both parents deceased at age 14	6.9	6.5	6.8	6.3	7.4	6.8
Parents' marital status						
Parents together at age 14	85.7	72.6	80.4	84.2	74.7	80.4
Parents divorced or separated at age 14	14.3	27.4	19.6	15.8	25.3	19.6
Father's employment status						
Father not employed at age 14	8.3	11.6	9.6	7.7	12.5	9.6
Father employed at age 14	91.7	88.4	90.4	92.3	87.5	90.4

	2002			2006		
	Asset-rich	***Asset-poor***	***Total***	***Asset-rich***	***Asset-poor***	***Total***
Mother's employment status						
Mother not employed at age 14	57.9	48.7	54.3	56.0	51.8	54.3
Mother employed at age 14	42.1	51.3	45.7	44.0	48.2	45.7
Savings habit						
Don't save, usually spend more than income	4.6	7.7	5.8	4.7	7.8	5.9
Don't save, usually spend about as much as income	17.8	31.5	23.2	16.2	29.4	21.2
Save whatever is left over, no regular pan	42.5	33.7	39.1	42.7	38.0	40.9
Spend regular income, save other income	10.2	4.1	7.8	11.0	4.0	8.3
Save regularly by putting money aside each month	24.9	22.9	24.1	25.4	20.8	23.7
Difficulty paying utility bills				100.0	100.0	100.0
Could pay utility bills on time	90.7	72.2	83.5	93.7	77.7	87.6
Could not pay utility bills on time	9.3	27.8	16.5	6.3	22.3	12.4
Difficulty paying mortgage/rent (owner purchasers and renters only)						
Could pay mortgage/rent on time	95.6	86.5	92.0	97.0	89.1	94.0
Could not pay mortgage/rent on time	4.4	13.5	8.0	3.0	10.9	6.0
Population ('000s)	7281.4	4852.6	12134.1	7287.6	4846.4	12134.1

Source: Authors' calculations using the 2002 and 2006 HILDA Survey

In 2002 over three-quarters of the asset-poor were under 50, although this younger age profile is much less apparent by 2006, a trend that is in part due to the ageing of the panel; by 2006 the over 50s account for over one-third of the asset-poor. It is unsurprising to find adverse labour market characteristics as correlates of asset-poor status, but more unexpected is their tenure profile. By 2006 nearly one-third are owner occupiers; although tenants are over-represented among the asset-poor, it would be misleading in the new millennium to characterise low net worth as the exclusive preserve of renters. Indeed the position is somewhat more complicated than this because some 31 per cent of asset-poor renters were home owners in earlier stages of their housing careers.

An interesting feature of Table 1 is the importance of biographical events and family background. Divorced parents and mothers' labour market participation appear to be strongly linked with the asset-poor status of children. While single never married was the most important marital status category in 2002, this had changed by 2006, the married being most important in 2006. The divorced and widowed also became more prominent between 2002 and 2006. Finally, we should note that there are clear indications of financial stress among those with low net worth. There are difficulties in meeting both housing costs and utility bills, but this is particularly apparent with respect to utility bills—in 2006 nearly one in four of the asset-poor could not pay utility

bills on time. They could not fall back on savings to help meet pressing spending needs in 'hard times'.

There are some key findings here that deserve emphasis. The 'new' asset-poor of the 21st century cannot be characterised as young renters who will eventually transition into home ownership, or accumulate housing wealth that shelters them from poverty in old age. In fact many (31%) of the renters among the asset-poor have been home owners, but because of misfortune such as divorce, separation, unemployment or poor financial choices (borrowing 'beyond one's means'), have lost home ownership status. The asset-poor also have an ageing profile.[4] The asset-poor in 2006 have less time to replenish depleted savings before retirement, and we can expect a continuation of this trend as the Australian population ages.

1.4 The socio-economic context of OECD countries: ageing population and increasing reliance on the housing market

Policy context is important in addressing the issue of housing the growing older, asset-poor population.

Socio-demographic changes

Population ageing is a general trend in OECD countries, due to a considerable drop in birth rates since the 1960s–70s. Population ageing has a number of socio-economic consequences, one of the most certain being a considerable increase in health and pension expenditure. Populations of various OECD countries are ageing at different rates and some countries, like Australia, may be able to retain a younger age profile due to high immigration levels. Nevertheless (as Table 1 documents), Australia will have increasing numbers of asset-poor older citizens who are unlikely to be in a position to meet health expenditures, or have superannuation savings sufficient to finance retirement.

The growth of single-person households adds to the need for affordable housing in older age groups. Whether they are renters or home owners, the asset positions of sole-person households tend to be inferior because they do not benefit from the economies of scale in consumption and specialisation gains that are available to couples (Hendershott et al. 2009). For divorcees, the division of assets typically erodes wealth due to settlement costs. These demographic-related asset issues predominantly affect women: 70 per cent of single Australians aged 50+ are women (Wood et al. 2008a). They have generally lower levels of Superannuation Guarantee accumulation than men because their working careers are often interrupted by child-rearing. It is then unsurprising to find a much higher proportion of older home-owning women banking on the release of housing equity to help finance their retirement (Wood & Nygaard, forthcoming 2010). The housing position of older lone women renters is, inevitably, even more precarious (Jones et al. 2007).

The share of the population aged 65+ is projected to nearly double between 2000 and 2050 in OECD countries (Whiteford & Whitehouse 2006, p.78). While baby boomers approach retirement in better health and enjoying more wealth than any generation before them, the challenges presented by longer life expectancy, and the shrinking tax base of subsequent generations, pose particular public policy issues. Baby boomers who retire with few or no assets face significant hardship. Lusardi and Mitchell (2007) found that US baby boomers hold more wealth than the earlier cohort, but the

[4] There is a caveat here. The sample design in Table 1 is a balanced panel and so all persons are 4 years older in the 2006 profile.

improvement has not been uniform; in fact, baby boomers in the lowest quartile of the wealth distribution have less wealth than the poorest quartile of the previous generation. In addition, many Americans currently on the verge of retirement have accumulated little wealth outside their homes (Lusardi & Mitchell 2007, p.207). The social security system, and the age pension in particular, will be a critical determinant of their wellbeing in old age.

The countries of the European Union have introduced a '[C]ommon initiative to improving independence, choice and quality of life for older people across Europe' (Wel-hops 2009).[5] Just like in Australia, such initiatives are geared toward 'ageing in place' under the premise that the greatest concern of older people is to continue living in their own homes for as long as possible (Olsberg & Winters 2005). With a steady increase in the older population over the last 20 years, the proportion of elderly people (64+) has reached 16 per cent of the total EU population, and the increase in their numbers is expected to accelerate in the future.

Welfare state regime

Esping-Andersen (1999) proposed three ideal types of the welfare state among OECD countries: social-democratic, corporatist and liberal. In the social-democratic welfare state regime, the state provides universal welfare services, with a significant redistributive effect. In the corporatist welfare regime the state provision of welfare services is limited and segmented and the nuclear family is often explicitly favoured, while redistribution is limited. Liberal welfare state regimes (typical of English-speaking countries) are characterised by a strong market orientation and limited welfare state intervention, with little redistributive effect, while the provision of welfare services is mainly 'outsourced' to private companies. A type of welfare state regime is a significant factor in the determining socio-economic position of asset-poor older people, especially through the type of welfare entitlements an individual is eligible for past the pension age (e.g. age pension as a proportion of the average wage, as elaborated below). The relative level of age pension is closely related to a 'wealth-fare' role of housing in retirement, which can compensate for modest welfare entitlements (Castles 1998; Kemeny 2005). The Esping-Andersen classification is therefore relevant for our analysis and we apply it below.

Labour market deregulation

Over the past 30 years, the labour markets of OECD countries have been deregulated to different degrees. The highest degree of deregulation has been achieved in English-speaking countries with liberal welfare regimes. The purpose of labour market deregulation is usually articulated in terms of labour flexibility in the service of productivity and global competitiveness. Deregulation of labour markets is commonly advocated on the grounds that greater flexibility in hiring and firing, and *light touch* regulation with respect to hours, overtime, occupational health and safety and so on will result in higher productivity. Critics point to less popular consequences such as job insecurity for an increasing proportion of the labour force. A secure full-time job, an entitlement of most employees in OECD countries in the 1950s and 1960s, is nowadays a privilege of the minority (Reich 2008). Furthermore, the labour force is increasingly polarized between high earners at one end and people with precarious jobs and stagnant low incomes at the other end. The growing disparity in labour market outcomes prompts concerns about increasing numbers of lower-income people approaching and entering retirement with low net worth. This problem is likely

[5] Wel-hops is an interregional European program centred at establishing common guidelines for the design of senior citizens' homes, as well as for the renovation of the homes in which seniors are living.

to worsen, especially in highly deregulated liberal regimes such as Australia. In the past, the majority of Australians have accumulated wealth through home ownership, but over the past decade the age of the first-time home owner has risen steadily, which could result in people accumulating less housing wealth during their working lives. Insecure, intermittent and part-time and casual employment is an important determinant of delayed home ownership.

Tenure churning

As highlighted in the findings of AHURI NRV2 (2009), the idea that housing careers[6] progress smoothly from leaving the parental home through renting and then ownership until death or incapacity, with low housing costs matching lower income post-retirement, is losing its relevance in the 21st century (Beer et al. 2006). This linear progression is being replaced by more complex housing careers shaped by biographical events such as separation and divorce that are much more common among contemporary couples. Combined with job insecurity, this is causing churning in and out of home ownership. The outcome is increasing asset insecurity among older Australians. This is particularly evident among older private renters who are a growing minority of the disadvantaged households threatened by housing stress (Jones et al. 2007).

Housing market volatility

There is a growing belief that 21st century housing markets will be more volatile (Shiller 2005). Older homeowners, with reduced incomes and a heavy reliance on their accumulated housing wealth are vulnerable to price and liquidity risks that add to asset insecurity. However, these investment risks also pose challenges for younger home owners who are highly indebted because they had to borrow a high percentage of their home's purchase price, or because they have dipped into their home equity using flexible mortgages to finance consumer spending, home renovations or other investments, including financing an inherently risky small business operation. These people represent a new breed of insecure households who have either bought into house price booms by taking on high levels of debt, or rode the crest of a house price boom to release housing wealth via mortgage equity withdrawal. Recent events in the UK and US housing markets are a vivid illustration of these risks. In the UK a £1 billion package of measures was announced in September 2008 to revive the ailing housing market. In the USA the Federal Government has had to intervene and secure the survival of Freddie Mac and Fannie Mae, government-sponsored enterprises that underwrite mortgage-backed securities. The total losses due to the global financial crisis, sparked by the *meltdown* in the US subprime mortgage market, were estimated by the International Monetary Fund to be around $4 trillion (Berry et al. 2009).

Australian housing markets have not witnessed the same volatility that has been such a marked feature of many overseas housing markets in recent times. It is conceivable that repayment risks are a more relevant fear in the Australian context. Real house prices have soared since 1996, and the slowdown in 2008–09 appears to have been little more than a hiccup in an otherwise upward trend. First home buyers and existing home owners who trade up are commonly forced to take on increasingly large mortgages. While continued increase in prices shelters buyers from investment risks, upward shifts in mortgage interest rates could expose large numbers to repayment difficulties.

[6] The concept of housing career first appeared in the 1960s (see Foote *et al.* 1960) and is now well established in housing research. According to Beer *et al.* (2006, p.15) it pertains to the 'sequence of housing circumstances a household occupies over time'.

Deregulation of housing finance

That housing market volatility and an upward trend in house prices poses significant investment and/or repayment risk is in large part due to deregulation of mortgage markets that brought forth new mortgage products which allow home owners to treat their homes like 'ATMs': the large capital gains that have accrued to most home owners over the past decade or so have prompted withdrawals of housing equity. This leaves some middle-aged home owners with high levels of debt secured against the family home. Using the HILDA Survey we estimate that in any given year between 2002–2005, one in four Australian home owners who did not move, nevertheless withdrew equity by adding to their mortgage. Even among 55–64-year-old home owners, equity withdrawal is not uncommon: just over 10 per cent increased their debt this way. The amounts withdrawn are not trivial with the median in excess of $20 000 in this period. There is a potential welfare gain from improved housing asset liquidity; it means that home owners' unanticipated but pressing spending needs can be met from stores of wealth that have been accumulated in their own homes. But there are fears that some if not many home owners have been banking on continually rising house prices, or stable interest rates, a risky proposition as evidenced by recent events both overseas and in Australia.

Increasing reliance on the housing market in OECD countries

The policies of neo-liberal deregulation over the past 30 years have meant a contraction of governments' involvement in the market as a whole, and the provision of housing specifically. A retreat from government intervention has reflected the gradual dismantling of the welfare state (Reich 2008; Wake Carroll 2002). Neo-liberal reforms have been introduced to some extent in all OECD countries but were more radical in the English-speaking world, evidenced in their housing markets by a pronounced decrease in social (particularly directly government-provided) housing. The neo-liberal paradigm shift dictated a move away from (allegedly) high-cost public housing toward the more flexible and 'cost effective' demand-side measures of providing direct subsidies to individuals that facilitate their access to the private housing market. Even countries like the Netherlands, which historically have had high levels of social housing, witnessed a fundamental shift away from financing its continued provision. There has been an increase in *public-private partnerships* introduced to manage and run housing associations. However, it has to be emphasised that the differences in housing systems between countries are considerable (Haffner et al. 2008). For example, continental European countries such as the Netherlands and Germany still have lower rates of home ownership and a higher proportion of subsidised housing in comparison to both Australia and the US. Nonetheless, there is a general trend in all the countries we are looking at, even in those characterised as social-democratic welfare states, away from supply-side involvement in the housing market (Esping-Andersen 1999). According to Berry (1999, p.118), these changes in housing provision mark a transition to the 'post Keynesian city', characterised by re-focusing on the primacy of the circulation of capital and a retreat of the traditional welfare state, especially in the English-speaking democracies.

Today's asset-poor retirees and baby boomers have lived through this ideological shift from the welfare state to 'third way' political thinking: the shift from a social insurance-based welfare paradigm to an individual risk-based paradigm. This paradigm influences many aspects of welfare provision, extending beyond the housing market to pension regimes. The introduction of compulsory Superannuation Guarantee in Australia in 1992 was in line with such thinking: the underlying assumption was that the baby boomer generation could not be supported by the public pension system and

that private funds should mitigate the cost to the state. Its application seeks to sustain a higher quality of life and standard of living in retirement for those who spend their lives in paid employment, but not for those who may have worked part-time, with breaks (e.g. women because of childrearing and/or other caring responsibilities) or not at all. If a patchy labour market record aligns with a lack of home ownership in later life, the retired person is likely to experience considerable financial, and consequently also, housing problems.

In this context housing wealth has acquired a more prominent role as a 'wealth-fare' (Easterlow & Smith 2004) pension insurance. *Replacement rates* (the proportion of an average wage that the state undertakes to pay its retired citizens) influence the role that housing wealth plays in retirement. States with higher replacement rates better protect their citizens from poverty in old age regardless of their asset position. Partly in response to the low pension replacement rates in the USA, Australia and Canada, housing wealth functions as a 'fourth pillar'[7] of welfare after retirement (Yates & Bradbury 2009). In this context, those who do not own their own home have fewer housing options and face much bleaker prospects, including poverty and housing instability in old age—the focus of this research project.

[7] The first three pillars are: voluntary savings, the safety net of the age pension and compulsory superannuation contributions (Yates and Bradbury 2009).

2 THE AUSTRALIAN HOUSING AND RETIREMENT POLICY CONTEXT: AN OVERVIEW

2.1 The asset-poor in the Australian housing system

Australia's claim to be an egalitarian *land of opportunity*—which indeed attracts large numbers of immigrants from all over the world—is largely based on the fact that the majority of Australians are suburban home owners. Social commentators have defined the 'great Australian dream' as an aspiration to own a house on a *quarter acre* suburban block. Detached houses represent 76 per cent of the Australian housing stock, so many Australians have realised this dream (ABS 2005). But soaring house prices since 1996 make this dream a more uncertain prospect for the current generation of young Australians.

This 'culture of home ownership' has been supported by several factors. During the early post-war decades, the policy trend toward home ownership was supported by the long economic boom with private investment pouring into residential construction. From the late 1940s to the early 1960s the home ownership rate rose from just over 50 per cent of households to just under 70 per cent. Prime Minister Menzies, during his long time in office (1946–1966), aimed to create 'a nation of home owners'. According to Berry (1999, p.110), the availability of cheap land, loose planning controls (by European standards) and culturally embedded aspirations made suburban home ownership attractive and within reach. In turn, suburbanisation and the increase in home ownership were hailed as the basis and guarantor of Australia's superior 'property owning democracy' (Stretton, quoted in Berry 1999, p.107). In these conditions of economic growth and near-full employment, a wage earners' and home owners' welfare state was created. A 'functional fit between labour markets, housing markets, demographic change and successful macro economic policy' lasted until the 'oil shock' of 1973, which also marked the beginning of the economic restructuring (Berry 1999).

While the Commonwealth policy emphasis has always been weighted toward supporting home ownership, directly subsidised housing has played an important though small role in providing housing for the income- and asset-poor. In its brief heyday after the Second World War, social housing comprised 15 per cent of total dwelling completions; however, even then it occupied a relatively marginal position in the Australia housing regime. It now comprises approximately 5 per cent of dwellings across the nation (ABS 2005).

Social housing has traditionally been an important avenue of accommodation for single older people, especially women (Faulkner & Bennett 2002). Jones et al. 2007) reported that the social housing sector currently provides over half of all rental housing for older people. Households headed by a person aged 65+ currently occupy almost 30 per cent of all public housing tenancies and there is a small but significant number of older people living in community housing. McNelis et al. (2009) reported that public housing met 42 per cent of estimated demand from older people who were eligible for public housing in 2001. This may be in part because of preferential allocation policies: Office of Housing Victoria, for example, has a practice, although not an explicit policy, of housing people over 55, or over 45 if indigenous, from a different waiting list, which assures faster access.

Social housing has a number of advantages for older asset-poor individuals: it may be a good solution for those who struggle to pay market rents after retirement; it is able to provide housing stability as well as housing that specifically caters for the needs of

older people in accordance with design principles[8]; and is generally viewed positively by older tenants (Faulkner & Bennet 2002; Jones et al. 2004; Milner & Madigan 2001). However, the quantity and range of public housing is insufficient to cater for the housing needs of the older population now and in the coming years (Faulkner 2001; Beer et al. 2006, p.32). According to McNelis et al. (2009) public housing supply will need to be increased by over 4400 dwellings per year, which is unlikely in the current policy context. It is also too small to cater for the urgent but perhaps temporary housing needs of the *new asset-poor*—the younger unfortunate victims of unanticipated biographical events, economic shocks or poor financial decisions that prompt involuntary exits from home ownership.

Since 1986 there has been little change in the proportion of the older population renting, although the share in private rental has increased while that of public rental has declined. The very tight metropolitan private rental markets, with low vacancy rates and expensive rents are a difficult environment for older lower-income people. Nearly 12 per cent of the older Australian population lives in private rental and research by Olsberg and Winters (2005) indicates that many are fearful that with increasing age they will be forced to move due to financial constraints. In addition, there is some evidence that single private renters have been prematurely locating to aged care institutions, with a marked negative effect on their overall wellbeing. Similar findings have been reported in England and in America (Olsberg & Winters 2005). Research has clearly established that older people see living with a family member (other than partner), sharing a home with unrelated people or living in a residential facility as less desirable than living independently in the community (Olsberg & Winters 2005). On the other hand, Beer et al. (2006, p.33) argue that the baby boomer generation's living arrangement preferences may differ because they have been more mobile and had greater experience living with unrelated people than previous generations.

Today's Australian tax and fiscal policies are heavily biased toward supporting home ownership as the dominant tenure. Changes across OECD countries including demography, economy and labour markets, combined with growing urban inequality and residential polarisation, have meant that an increasing number of older Australians do not benefit from the housing 'wealth-fare' system. At the same time, the post-war emphasis on construction and management of public housing ('supply-side intervention') as a safety net to support those who cannot afford to buy has been steadily eroded. Until the recent Labor government's financial injection there had been no net increase in funding for public housing in a generation (McNelis et al. 2001, p.4); instead, it has been progressively replaced by the provision of rental assistance to private tenants through the social security system (McNelis et al. 2001, p.4). This change reflects the rise of a political ideology that favours 'free' market processes of housing provision for those on lower incomes, coupled with demand-side intervention where necessary (Berry 1999, p.117). Considering the limited capacity and political will for developing supply-side instruments to meet the housing needs of the coming wave of low-income baby-boomer renters, demand-side instruments are likely to be favoured (Berry et al. 2004). The private–public partnership in the provision of social housing (e.g. through housing associations) is a model that, because of its 'market incentive' element, has found support among policy makers and the general public. Such provision is more in tune with Australia's liberal welfare regime, close to the US and to a lesser extent UK in the organisation of welfare regarding redistribution and government expenditure (Hoekstra 2005). The current Labor government, in office

[8] 'Universal design' refers to planning regulations that ensure housing is built to remain accessible to people as they age, or to be accessible to people with a physical disability (Hanson 2001).

since late 2007, shows more interest than the preceding administration in implementing policies to improve housing affordability.

2.2 Australian pension regime

The Australian retirement pension system has three pillars:

1. The means-tested publicly funded age pension (AP), paid at a flat rate to men over 65 and women over 64.[9] It is designed to ensure poverty alleviation and includes non-cash benefits and tax concessions, etc. AP is adjusted in line with increases in the consumer price index and benchmarked to 27.7 per cent of the male total average weekly earnings. The age pension is conceived as a 'safety net' aimed at poverty alleviation. Couples who are both on age pensions receive 151 per cent of a single entitlement ($671.90 a fortnight for singles and $506.50 for each person in a couple, as per November 2009), reflecting their 'economies of scale' in consumption.
2. The superannuation contribution plan (Superannuation Guarantee—SG), which is a mandated employers' contribution of at least 9 per cent of employees' annual income per year (Whitehouse 2007), introduced in 1992. Employers are not required to contribute for those earning less than $450 a month. The superannuation plans are overwhelmingly 'defined contribution', securing an income in retirement that is generally paid at a percentage of the amount saved until the fund is exhausted.
3. Voluntary superannuation, supported by tax concessions, and other private savings.

In most cases retirement incomes of older Australians are a combination of two or three of the above components, with the Age Pension as the key component for many people. The superannuation scheme attempts to ensure a quality of life close to that an individual had while working. Superannuation contributions necessarily reflect income as they are paid at a percentage of annual salary. As such they perpetuate the advantages (and disadvantages) experienced over a lifetime of employment/unemployment. For example, who spend significant periods of time out of the workforce—the unemployed, those who cannot work for medical reasons, or parents who spend time child-rearing—are at a disadvantage when it comes to their post-retirement income. This has created a gender divide because women who spend time out of the workforce for child-rearing and other caring duties, are further disadvantaged due to low or even zero contributions. The impact of divorce on the wealth of men and women raises further issues. Divorce settlements tend to leave the family home (if owned) to the female partner, while male partners take the lion's share of superannuation balances (AMP-NATSEM 2002; Wood & Nygaard 2010, forthcoming). Single divorced women tend to have a much greater reliance on housing equity in their wealth portfolios, so housing market risks have ramifications that are more important for divorced women. The mandatory employment contribution scheme also raises the issue of compounded disadvantage for those who are marginalised from the workforce. The un- or under-employed, continue to be marginalised after retirement age. The fixed income of renters who receive the age pension can be supplemented by Commonwealth Rent Assistance. However, neither the age pension nor rent assistance is sufficiently responsive to the volatile rental markets or to large differences between regional rental sub-markets; rent thresholds are not indexed to changes in rents, for example. Furthermore, spiraling house prices

[9] Like in most developed countries, the pension age in Australia will gradually increase between 2014-2017.

and flexible mortgage products that allow home owners to release housing equity at negligible transaction cost are responsible for a growing number of indebted home owners that are approaching retirement burdened with investment (price and liquidity) risks and credit (repayment) risks.[10] There are fears that mortgage equity withdrawal is being used as a means of 'bringing forward' a pension lump sum that cannot then be drawn on to help finance retirement (Parkinson et al. 2009).[11]

The superannuation system (with its mandatory and voluntary components) is designed to operate in tandem with government-provided age pensions to ensure that no one is without an income in older age. According to the OECD the Australian age pension has a low replacement rate; however, it is difficult to compare retirement regimes of various countries as they are sit within different national policy settings which in many ways impact on the adequacy of retirement incomes.

2.3 The role of housing wealth in retirement

The importance of housing wealth as a cornerstone of retirement income was recognised both by analysts and the Australian Treasury long before the introduction of a mandatory superannuation scheme (Yates & Bradbury 2009). This becomes obvious once we compare pre- and post-housing poverty for the elderly. When measured on a 'before-housing' basis, poverty rates among the elderly are high in Australia relative to other OECD countries. But once we take account of housing costs, 'after-housing' poverty rates in Australia fall back to the OECD norm, a finding that reflects high rates of outright ownership (high levels of housing wealth) among elderly Australians (OECD 2008). Accumulating savings in owner-occupied housing does ensure low housing costs in old age. But there are serious impediments to the release of housing equity that could help smooth consumption in retirement.

Reasons to hold onto one's housing wealth post-retirement are often associated with the fact that the age pension and Veterans' Affairs pensions are asset-tested. In determining whether a person qualifies for a pension, the value of one's home (one's 'principal residence') is at present exempt from the social security assets test, but the net cash realised on the sale of a home is subject to the assets test and consequently would affect the age pension eligibility of many older people (Beer et al. 2006, p.31). In addition, many older Australians are financially conservative and debt-averse and therefore reluctant to turn their secure 'brick and mortar' into a cash tap. Many harbour deep suspicion toward new financial instruments such as reverse mortgages which enable this.

Disney (2009, p.24) argues that the Australian tax treatment of pensions and housing leads older Australians to over-invest in housing relative to other forms of investment. This leads to relatively high costs of housing maintenance and repair, which is then reflected in lower levels of consumption of other goods and services among older households. The outcome is a high incidence of the 'asset rich, income poor' older household (Disney 2009, p.25). The other problem with overinvestment in housing is that property owners become highly exposed to housing market volatility. Although younger households in Australia tend to have higher ratios of housing wealth to total

[10] These flexible mortgage products are not reverse mortgages but mortgages that allow homebuyers to borrow up to a specified limit. In other research (see Parkinson et al. 2009 Table 1) we report that 43% of Australian homeowners withdrew housing equity (by adding to their mortgages) on one or more occasions between 2002 and 2005. The typical amounts borrowed in these years varied between $20 000 and $26 000.

[11] See Wood and Nygaard (2010) for evidence on whether those approaching retirement are planning to use housing equity in order to help finance retirement.

wealth, roughly two-thirds of wealth at the fifth decile of the 65+ age group in Australia is held in the form of housing (Wood 1999).

In addition to financial reasons to hold onto their homes, people gain intrinsic utility from owning property and security of tenure—and presumably a particular property in a particular location—which would not be gained by renting. This intrinsic utility can be articulated in terms of social status (in home ownership societies renters are often seen as 'second class citizens'), local identity and attachment (the feeling of belonging to a neighbourhood, suburb or town) and ontological security (Faulkner 2001; Colic-Peisker & Johnson 2010, forthcoming). In addition, some older people prefer to cling to wealth stored in the family home and pass it on to their offspring (Olsberg & Winters 2005).

Acknowledging this strong cultural preference to 'age in place', many current policies are focused on sustaining older people in their homes, with the help of home care services. The Australian Longitudinal Study of Ageing (Luscz et al. 2006) has found that the motivation for moving most frequently stated by respondents was a home that was more suitable for their age-related needs (Beer et al. 2006, p.41). Faulkner and Bennet (2002) found that 44.9 per cent of respondents who intended to move indicated that receiving more or better personal care was the most important reason.

Table 2: Housing tenure of the older population aged 65+, 1986–2001

Tenure	***Year***	***Age group***				
		65–69	***70–74***	***75–79***	***80+***	***Total 65+***
Outright home owner	1986	66.9	67.1	64.1	51.4	63.5
	1991	69.2	67.4	65.1	52.7	64.7
	1996	73.2	71.1	67.3	54.1	67.3
	2001	73.0	73.2	70.4	56.8	68.5
Purchaser	1986	11.5	8.4	6.4	4.4	8.3
	1991	8.9	7.3	5.3	3.5	6.7
	1996	5.8	5.9	4.8	3.0	5.0
	2001	5.7	4.4	4.2	3.3	4.5
Public tenant	1986	5.4	5.5	5.2	3.9	5.1
	1991	5.3	5.7	5.7	4.4	5.3
	1996	4.8	5.0	5.0	3.9	4.7
	2001	4.5	4.7	4.5	3.8	4.4
Private tenant	1986	7.3	7.6	7.8	6.5	7.4
	1991	6.3	6.5	6.5	5.4	6.2
	1996	7.3	6.6	6.7	5.8	6.7
	2001	8.0	7.2	6.7	6.1	7.1
Other	1986	4.8	5.3	6.0	5.4	5.2
	1991	6.5	7.5	7.9	7.1	7.1
	1996	5.6	6.9	8.8	9.4	7.4
	2001	6.1	6.8	8.1	9.3	7.5
Non-private dwellings	1986	4.1	6.1	10.4	28.4	10.4
	1991	3.7	5.5	9.6	26.9	9.9
	1996	3.3	4.6	7.4	23.7	9.0
	2001	2.7	3.7	6.1	20.7	8.1

Source: Howe (2003, p.8)

Table 2 shows the 15-year trend (over four censuses 1986–2001) in housing tenure of the older population (of pension age: 65+). Outright home ownership generally increased among the older population, apart from a very slight fall for the youngest retired population in the period 1996–2001. The largest drop is in the proportion of home buyers among the older population. Public tenants as a proportion of the older population are slightly down, although given the overall decline of this housing sector, they represent an increasing proportion of all public tenants. Private renting has fallen among older retirees, but slightly up among the younger group, holding steady overall. We complement the trends shown in Table 2 by data from HILDA 2002 and 2006 waves in section 4, where we identify early signs of a reversal in these long run trends.

Table 3: Housing tenures and retirement income in Australia (2007–2008)

Tenure sectors: total population		***Tenure sectors: 65+***	***Percentage pensions replacement rate for individuals earning 0.5–1.0 of the average wage over a lifetime***	
Home ownership:	68.3	69.9	0.5	1
Private rental:	23.9	2.7	65.1%	40.0%
Social housing:	4.5	4		
Other	3.3	Other rental tenure: 4.5		
		(Not stated + not applicable: 16.2)		

Sources: Total Population: ABS Social Trends 1998–2009, Data Cube Housing, 2009 http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/LookupAttach/4102.0Data+Cubes-10.12.097/$File/41020_Housing_Indicators_2009.xls; ABS 2006 Census
Note: in Table 3, 'home ownership' denotes 'owner-occupation' therefore including mortgaged properties.

Table 3 indicates a large drop in private renting in the retired population, implying a difficulty that this type of tenure may represent for older people, primarily because of its poor affordability and in the Australian context also instability (short leases) and inflexibility in terms of adjusting the dwelling to the specific needs of ageing tenants. A large percentage of 'other rental tenure' and not stated/not applicable conveys a variety of arrangements older people may live in, from various aged-care facilities to family and other arrangements.

2.4 Policies to house older asset-poor people in Australia

While the housing of older Australians has received some attention during the past two decades, housing policies have been far less prominent in public debate than other policies, such as health care for example. Australian government attention to housing older people can be traced back to the post-war Commonwealth–State Housing Agreements (CSHA), and the *Aged Persons' Homes Act 1954*. However, the first systematic overview of housing issues for older Australians was undertaken in the context of the National Housing Strategy (NHS) in 1992, quickly followed by the *New Homes for Old* report of the Australian Urban and Regional Development Review (AURDR 1994). However, neither report led to the adoption of a systematic national approach to the housing of older Australians. A review of Australian housing policies for older people in the late 1990s asserted that, 'government policy has major impacts on the housing provision of older people, but there is no comprehensive housing policy expressly designed for them' (Kendig & Gardner 1997). Howe (2003, p.3) argued that policy for housing in an ageing Australia is emerging as a policy area but it has yet to be addressed in an integrated manner.

The main reason for the lack of policy attention to 'the macro-level policy issues of housing an ageing Australia' (Howe 2003, p.3) is that a large majority of older Australians are outright home owners (Tables 2 and 3). As such, they generally enjoy good-quality housing and do not experience financial stress in meeting housing costs during retirement. Consequently, issues such as access to health services and age-care facilities, as well as adequacy of retirement incomes, are seen as more urgent policy priorities. In the Australian context housing is in general less likely to be a focus of political demands compared to other areas of social provision. Housing provision for older people is currently a predominantly private sector activity; there is a long history of public policy playing a residual role. The private sector offers a number of retirement housing options, from luxurious retirement villages and less costly 'residential parks' to the budget options of independent living units and hostel-type accommodation (Costello 2009).

Nonetheless, there is a growing recognition that a significant minority of Australians remain outside the 'wealth-fare' safety net provided by home ownership. According to Temple (2008), 5 per cent of Australians aged 55+ experience housing affordability stress, and unsurprisingly, those living alone as well as those who do not hold assets are more likely to be in that position. With the population ageing, this is a growing group, in absolute and relative terms. As Jones et al. (2007) reported, the Australian government has supported rental housing for lower-income older Australians in three ways: by funding independent living units under the *Aged Persons Homes Act* (APHA) from 1954 to 1986; through the provision of financial support to the states and territories for housing for older people under CSHAs and related legislation, particularly since 1969; and through the provision of Commonwealth Rent Assistance (CRA) to older private market renters, beginning in the late 1950s but with significant extensions to the program since the early 1980s. In addition, there are programs and services funded under the Home and Community Care program (HACC) and the Supported Accommodation Assistance Program (SAAP).

There is a second group of Australians who are beginning to attract recognition as a source of concern in the context of an ageing population. These are home owners who have borrowed against housing equity, and ex-home owners who have suffered unexpected disruptions (e.g. divorce) that have left them unable to cling onto home ownership status. Frequently these people are in middle age and are approaching retirement in debt, and with few non-housing assets to fall back on. Their numbers have swollen as they have had to take on more debt to attain home ownership (as compared to previous generations), and marriage all too commonly failed to provide the secure foothold from which a prosperous retirement could have been financed. This segment of the baby-boomer generation does not have high standards of housing and low housing costs to look forward to in retirement. Some will extend their working lives as a coping strategy, but those unable to do so will pose potentially significant challenges for housing and retirement policy makers in the years ahead; but as we document in the remainder of this section, these concerns are beyond the range of current housing policy as it relates to older Australians and their housing circumstances.

The National Strategy for an Ageing Australia asserted that access by all older Australians to safe, secure, affordable, accessible and suitable housing will be a priority as the population ages. A recent report *Economic Implications of an Ageing Australia* (2005) argued that population ageing will create pressure for greater housing assistance to lower-income older people who do not own their homes (Australian Productivity Commission 2005, p.223–231).

A comprehensive housing policy for older Australians needs to be based on a detailed understanding of the current housing circumstances of older Australians and of current policy settings. It should also take into account the changing housing preferences and choices of older Australians and changing trends in housing supply. In addition, housing policy for the aged needs to be integrated with other key policy areas such as aged care, urban planning and income security (Jones et al. 2007).

An AHURI Report by Jones et al. (2007) describes in detail the government post-war policies to house older Australians who reach retirement outside owner-occupation. According to Jones et al. (2007), during the 1970s and 1980s, older people became established as one of the main population groups within the public housing system, although from the mid-1990s onwards, an explicit focus on older people as a priority group in public housing disappeared, in spite of population ageing emerging as a major policy emphasis at that time. As mentioned, funding for public housing declined in real terms over the past 15 years and housing assistance was increasingly provided by demand-side programs such as CRA. Affordable housing provision has been encouraged through the private and community housing sectors, and priority access to public housing is given to those with special and complex needs, some of whom are the elderly (Jones et al. 2007). As investment in new public housing has diminished, the number and proportion of older persons in public housing has increased between 1990 and 2004 and is now approaching 30 per cent of all public housing households.

Community housing is a relatively small but steadily growing housing sector and CSHA-funded community organisations were reported to be supporting 2558 households where the principal tenant was 65+ in 2003. In 2003 it was reported that 85 CSHA-funded community housing organisations targeted people aged 65+, and a further eight targeted people 75+ (AIHW 2003 quoted in Jones et al. 2007). However, the growth of this sector's provision of older persons' housing is slow, and with the exception of the independent living unit sector, is still small relative to public housing (Jones et al. 2007).

Lower-income older private renters may receive CRA. Since 1995–96, the Australian government's annual expenditure on the CRA has exceeded that on social housing through the CSHA; nowadays older renters are more likely to receive CRA than to be directly provided with public or community housing. CRA is partially successful but it still leaves from one-quarter to one-third of older private renters in housing stress, including more than 5 per cent in extreme housing stress (those paying 50% or more of their total income in rent). The decline in supply of low-cost rental housing since the mid-1980s has been extensively documented (Yates & Wulff 2000). Given the specific needs of the elderly, it can be argued that a combination of demand and supply-side policies will be necessary in order to address the housing needs of older asset-poor people.

The Supported Accommodation Assistance Program (SAAP) is a national program jointly funded and administered at the state and territory levels to provide transitional accommodation and support services to people who are homeless or at risk of homelessness and seek assistance with a range of issues including domestic violence, financial difficulty, psychiatric illnesses and alcohol and substance abuse, as well as 'purely' housing issues. Services are provided by community organisations and local authorities. The definition of the older population used in SAAP refers to people aged 50 years and over. Using this definition, older people comprise approximately 9 per cent of SAAP clients (Australia Department of Family and Community Services 2003, p.2).

In summary, housing affordability problems and insecure housing have a major impact on objective and subjective wellbeing of older Australians. Not being able to sustain a socially and culturally acceptable standard of both housing and non-housing consumption in retirement, has ramifications for crucial aspects of wellbeing, from the most obvious such as the ability to afford household utility bills, healthcare and quality nutrition, to the ability to maintain social networks and engage in recreational activities. Tenure is the main explanatory factor for the current levels of housing stress in older age because low housing costs afforded by home ownership are as important as income in retirement (Temple 2008; Rendall & Speare 1993). However, this may well be about to change. Growing numbers of middle-aged households are losing home ownership status, or borrowing against housing wealth. They pose potentially serious challenges for housing and retirement incomes policy makers. In section 3 that now follows we widen the scope of our study by considering how these and other challenges are being met by policy makers in some other countries.

3 HOUSING AND RETIREMENT REGIMES OF SEVEN COUNTRIES: CANADA, UK, USA, ITALY, FRANCE, GERMANY, THE NETHERLANDS

3.1 Introduction

In this section we review the academic literature and policy documents pertaining to the 'housing and retirement regimes' of seven countries. Three of these are *comparable* English-speaking countries to which Australia often looks for policy ideas (UK, US and Canada). In terms of housing systems, they are comparable through their deregulated housing finance circuits and volatile housing markets, as well as dualist rental systems[12] and liberal welfare states. Policy initiatives from this group of countries may be more readily applicable in Australia, an issue that will be explored in greater depth in our Final Report. We also give a brief overview of housing regimes of four continental European countries (Italy, France, Germany and the Netherlands). With larger social housing sectors and integrated rental systems, these countries rely more on institutional investors than Australia and other English-speaking countries. In effect, their housing systems are considerably different from Australia. Consequently, their housing systems may not be a source of easily transferable housing solutions, but their policies may be modelled and tailored to suit the different institutional arrangements in Australia. So transfer is not straightforward, but different institutional arrangements do not necessarily mean that policies cannot be transferred. We provide concrete examples of such policy transfers (e.g. the British Mortgage Rescue Scheme) in our Final Report.

In this section we also review seven retirement regimes. Accessibility to affordable housing, aged-care services and satisfactory levels of retirement income are crucial to the welfare of older people and are closely associated with their housing options. We use the term 'retirement regimes' to describe policies and measures that are intended to secure income for post-work populations, typically called pensions or age pensions. This includes public, private and co-contribution schemes. *Replacement rates* refer to the percentage of a person's pre-retirement wage that is *replaced* by the government-provided age pension. Table 5 lists the replacement rates of seven countries as measured by reference to 50 per cent, 100 per cent and 200 per cent of each country's average male earnings. These rates provide a broad frame of reference for understanding the income limitations older people face when making housing choices in retirement. As we seek to show, housing wealth can have a crucial mitigating effect on retirees' post-retirement financial positions, especially in countries where the replacement rate is poor and housing expenses high.

The specific housing policies for asset-poor older people in the seven nominated countries are not explicitly set out by their respective governments. Few governments have a clearly articulated legislative framework or policy structure for their specific policy goals in relation to the asset-poor older cohorts. In some cases there are generous statements of intention but little concrete market intervention or funding for

[12] National rental markets can be conceptualised through a dichotomy of 'dualist' *vs*. 'integrated'. According to Kemeny (2006) USA, Australia and Canada have a dualist rental market, whereas the other four analysed countries have an 'integrated' market. In dualist markets the rental market consists of two distinct types of rental tenure, private (which implies market rents) and subsidised (public or social), usually smaller, meant to accommodate lower-income people or those welfare-dependent who cannot afford market rents. In contrast, integrated rental markets have larger subsidised housing sectors and place fewer restrictions on public access to social housing, which tend to dampen market rent levels (Kemeny 2006).

housing. The Netherlands is an exception to this with detailed policy statements and measures. While some policies specifically address the issue of population ageing, or are programs offered in conjunction with retirement options, most measures that affect housing for asset-poor older people are embedded in general initiatives that address the housing needs of asset-poor citizens. Some policies emanate from urban planning initiatives such as environmental (*green*) design or universal design initiatives, some exist within policies to address foreclosure or mortgage relief and still others are targeted to high-risk populations such as the homeless or war veterans. To the extent that older people exist in all these groups, they benefit from these policies, but direct policy development on housing for asset-poor older people is lagging behind the number of people retiring with little or no housing or other wealth.

A number of other factors further complicate pinpointing policies that are specific to asset-poor older people. The first is the federal nature of some legislative regimes: for example, each state of the USA has the capacity to make and implement its own housing policy, although the federal Housing and Urban Development (HUD) department sets the housing agenda and provides some funding. Similar situations exist in Canada and Australia. The second is the nature of housing pathways. For instance, entry into the housing market among early baby boomers was supported in various continental European countries, such as Germany and France, to address the housing shortage caused by Second World War destruction (Langley 2002; Whitehead & Scanlon 2007). When direct assistance into the market ended, younger baby boomers in these countries tended to have better access to social housing and this sector began to influence the housing market overall (Whitehead and Scanlon 2007). These historical factors have had significant impact on the accumulation of housing wealth. Both cohorts, older and younger baby boomers, have housing careers that are profoundly influenced by when and how they entered the housing market. Their choices upon retirement are, in part, influenced by these early life opportunities, or the lack thereof. A third factor is the dynamic nature of population ageing. The housing, debt, wealth and income characteristics of the present generation of elderly persons are not necessarily replicated by future generations that are presently middle-aged or young. Policies to address the housing issues of older people need to be forward-looking, but the thinking of policy makers in this regard is difficult to discern.

The disparate nature of housing initiatives, the cumulative impact of housing careers and the mitigating effect of retirement regimes makes it difficult to capture the whole of any one government's policies pertaining to housing asset-poor older citizens. As a result of this complexity, we have chosen to address the characteristics of each country's housing and retirement regime in order to understand how their particular policies may function in comparison or contrast to the Australian context.

3.2 Housing regimes of seven countries

Table 4 describes the tenure mix in each national housing market. Tenure mix is important in understanding peoples' housing options in retirement and the context in which asset-poor retirees make decisions. The latter aspect will be addressed in the Final Report on the basis of qualitative data collected through interviews and focus groups.

Table 4 shows an important difference between English-speaking and continental European countries in the home ownership rates of older populations, as compared to the general population. Australia and other English-speaking countries' (UK, USA and Canada) older populations have higher home ownership rates than the general population, with the exception of the oldest population group (75+) because of their

gradual movement to aged-care facilities. The opposite situation in the continental European countries, the lower home-ownership rates among the 65+, can be explained by the fact that in the post-Second World War decades renting was a predominant tenure in these countries (especially Germany and the Netherlands), and a low residential mobility in these countries lead to a situation where today's elderly still live in those rental dwellings they came to occupy in the post-War decades, while the younger population picked up the rising owner-occupation trend and the general rise in home-ownership rates.

It should also be noted that the percentages shown in Table 4 may also reflect differences in housing data collection methods in various countries, for example, home-ownership rate can be calculated on either an individual or household basis.

Table 4: Housing tenure in seven countries, total population and over 65s.

Country	*Tenure: total population (%)*		*Tenure: over 65s (%)*	
Canada	Home ownership:	68.4	Home ownership:	75
	Rental:	31.2	Rental:	24
	Other arrangements:	0.4 ('band housing' mostly for Indigenous communities)	Other arrangements:	unknown
UK	Home ownership:	70	Home ownership:	65-84: 72
	Rental:	29		85+: 61
	Other arrangements:	1 rent free	Rental:	65-84: 28
				85+: 40
			Other arrangements:	unknown
USA	Home ownership:	66.2	Home ownership:	62-74: 82.6
	Rental:	33.8		85+: 73
			Rental:	62-74: 16.0
				85+: 23.5
			Other:	62-74: 1.3
				85+: 3.5
Italy	Home ownership:	82	Home ownership:	68
	Rental:	18	Rental:	22.2
			Other arrangements:	9.8
France	Home ownership:	66	Home ownership:	56.5
	Rental:	34	Rental:	30.2
			Other arrangements:	13.4
Germany	Home ownership:	57	Home ownership:	30
	Rental:	43	Rental:	60.4
			Other arrangements:	9.6
Netherlands	Home ownership:	54	Home ownership:	24.9
	Rental:	46	Rental:	73.6
			Other arrangements:	1.4

Sources:

Canada: Statistics Canada 2006 data http://www12.statcan.gc.ca/census-recensement/2006/as-sa/97-554/tables-tableaux-notes-eng.cfm: viewed Nov 2009

UK: Office for National Statistics UK 2006 data
http://www.statistics.gov.uk/STATBASE/ssdataset.asp?vlnk=8230 and
http://www.statistics.gov.uk/cci/nugget.asp?id=1265: viewed Nov 2009

USA: Hob F and Stoops N, Demographic Trends In the 20th Century US Census Bureau 2002, http://www.census.gov/prod/2002pubs/censr-4.pdf viewed on 9.11.09 p.125 (data from the 2000 Census) and Kevin S. Blake and Aleksandra Simic, Ph.D. of ICF Consulting (2005) 'Elderly Housing Consumption: Historical patterns and projected trends' A report for the Department of Housing and Urban Development, November 20, 2005, p.11

Italy, France, Germany, Netherlands: Eurostat Data 2007
http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes viewed 9 Nov 2009

3.2.1 Rental systems in seven countries

As shown in Table 4, the tenure status of older people varies from country to country. However, a significant proportion of the older population live in rental tenures in each of the countries analysed, Italy having the lowest proportion in rental (22%) and the Netherlands the highest (73%). While Table 1 shows that those who are asset-poor are more likely to live in the rental sector, there are growing numbers of owners who are retiring with little housing equity. With the potential this creates for tenure churning among a previously stable group, understanding the scope and function of the rental system becomes important. This requires an understanding of the rental tenure, the rental system and the type of government intervention used to regulate rental markets.

Rental systems have two categories of tenure: private rental and social housing tenures. Private rental markets are regulated by contract law and some tenancy law. Germany has particularly strong tenancy laws which favour the tenant, while English-speaking countries tend to have tenancy laws that are weighted more toward landlords' rights of possession (Haffner et al. 2008). Rental rates in the private rental market are 'market rents' determined primarily by the supply of and demand for rental housing. Social housing is a subsidised housing market where rents are regulated and typically set by reference to the income of tenants. The Netherlands has a strong social housing market that is based on a public–private model, which incorporates some free-market mechanisms and some government subsidy (Elsinga and Wassenberg 2007, p.133–134). In this integrated housing system, the social sector is dominated by not-for-profit housing associations, some of which have grown into large independent enterprises; namely, direct government subsidy ended in mid-1990s when housing associations' debts were written off.

In integrated rental systems, the broader access to subsidised housing is likely to influence prices on the private rental market. The Netherlands, France and Germany all have integrated rental systems. Germany nowadays has a small social housing stock, but this is supplemented by strong tenant protection and demand-side subsidy in the private rental market.

In contrast, the dualist system of English-speaking countries is characterised by significantly restricted access to social housing with eligibility being determined by an asset and income test that ensures only people on low incomes and few if any assets (typically the bottom or bottom two quintiles) are eligible. These systems tend to have smaller social housing stocks (with the exception of the UK) and social housing is seen as a residual option for those on the lowest incomes and with no savings to fall back on (Kemeny 2006, p.3).

However, the unitary rental systems often exclude the poorest and most vulnerable who are put in inferior subsectors which often have lower levels of tenure security, for example, 'very social housing' in France and 'secondary housing in Sweden' (Fitzpatrick and Stephens 2007).

3.2.2 Policy intervention

Within dualist or integrated systems, policy interventions in the housing market can occur on either the supply or demand side, or more commonly a combination of the two. A demand-side intervention offsets housing costs for consumers in the private market, an example being the CRA scheme in Australia. A supply-side intervention builds new or acquires existing housing that is then rented (or sold) at a subsidised rate; an example of this is the 'traditional' public housing model. Australia has a dualist system characterised by limited access to a small pool of social housing and limited access to demand-side subsidy (CRA) for a significant proportion of asset-poor older people who live in rental accommodation (close to a half of the asset-poor Australians are private renters, see Table 1). Private renters therefore represent a disproportionate share of the asset-poor population.

In order to better understand the application of international policy to this emerging issue we will now look at housing policy responses to the ageing asset-poor in seven countries. As the rental sectors across seven countries house between 22 and 73 per cent of those over 65, we will first look at the characteristics of each country's rental system. We will then highlight some recent policy developments, including mortgage relief programs designed to keep highly leveraged individuals in the homes that they are buying. While most of these instruments are not directed specifically at those traditionally conceived of as asset-poor, life-time renters with low incomes that make saving difficult if not impossible, they do target a group we have called the 'new' asset-poor: households occupying precarious housing market situations as they have been forced to take on high levels of debt, or relinquish assets, due to unanticipated biographical events, poor financial decisions or economic shocks. The predicaments these people find themselves in are aggravated by the increased volatility experienced in many national housing markets. Judicious interventions could prevent downward spirals that permanently scar housing market careers, and place additional strains on government retirement incomes programs. While Australia has avoided a serious slump in housing markets, the factors that expose the 'new' asset-poor to investment risks (divorce, mortgage equity withdrawal, spiralling debt and so on) are just as visible in the Australian landscape as elsewhere. How countries are grappling with these housing policy issues and concerns could contain valuable lessons for Australian policy makers.

3.2.3 Canada

Canada is a 'liberal welfare state' with a dualist rental system that houses over 30 per cent of the population. Canada has very low rates of social housing with the majority of renters living in private rental. Similar to the Australian situation, a shrinking social housing sector caters only for low-income people. The small social housing sector (housing 5 per cent of Canadians) is currently in the grip of a housing shortage, while in the private rental market, vacancy rates are below 3 per cent nationally and below 1.5 per cent in a number of capital cities (Canada Mortgage and Housing Corporation 2008). Over the past 40 years, Canadian federal and provincial governments gradually withdrew from housing provision and left the policy field to municipalities (Wake Carroll 2002). The general trend is to try to achieve supply-side targets within the market, through non-government organisations (NGOs) and housing associations and without the expenditure of public funds.

In terms of specific policy initiatives targeting older asset-poor citizens, Canada has a small grants scheme specific to seniors: Home Adaptation for Senior Independence (HASI) (see http://www.cmhc.ca/en/co/prfinas/index.cfm). It also has a shared equity scheme which reduces costs for non-profit development. This is not targeted specifically to seniors but has been used to create affordable housing projects for older people (Options for Homes Non-profit Corporation, Canada http://www.cmhc.ca/en/inpr/afhoce/fias/index.cfm).

Canada has a strong mortgage insurance policy that plays a dominant role in the market and has limited its exposure to the global financial crisis. The central mortgage insurance institution is the Canadian Mortgage and Housing Corporation.

3.2.4 United Kingdom

Because of a longstanding policy of privatisation, the UK does not easily fit the dualist/integrated dichotomy. Kemeny (2006) classified it as a dualist rental system; such a classification is qualified by the fact that there is an atypically broad eligibility for social housing, administered by either housing associations or by local government authorities. Social housing represents a considerable proportion of the housing mix (20% of total housing stock) and is therefore available to a wider cross-section of the community (than Australia, for example). The proportion of private renters is relatively small (c. 10%, Fitzpatrick & Stephens 2007). Both the social housing and private rental sectors are regulated by national legislation. There is also demand-side intervention in the form of housing benefit that helps offset the rents of tenants in both housing association- and local government-provided housing. The UK housing policy regime remains distinctive from its Australian and North American counterparts. Although it has shifted in the direction of a liberal welfare regime, the large not-for-profit sector allows a broad access to social (public) housing that is not available in Australia and North America.

Under the *National Strategy for Housing in an Ageing Society* (2008), the UK government has released a broad policy document entitled 'Delivering Lifetime Homes, Lifetime Neighbourhoods' (Department for Communities and Local Government, 2008). This document outlines a national strategy for housing people over 65. This strategy includes funding of at least £8 billion and proposed legislation to mandate universal housing design that is currently being implemented and negotiated through voluntary industry uptake. Social inclusion is being promoted through the idea of 'lifetime neighbourhoods' and appropriate housing for older citizens through 'lifetime homes'. There is a commitment to research and developing policy interventions in both the private and public housing markets, including equity release, small loans for home improvement and universal design renovations. Through this policy initiative and more generally, there is a shift away from the provision of social housing toward the provision of low-cost owner-occupied housing (Whitehead 2007, p.57). Within the same 'National Strategy for Housing in an Ageing Society,' another report entitled 'Housing Choices and Aspirations of Older People' presents findings from a focus groups-based research project that covered various groups of 'younger' (48–64) and 'older' (65+) mature people. Groups of home owners, renters in the social and private sectors, older people with disabilities, older people from black and minority ethnic (BME) communities, and older lesbian, gay, bisexual and transgender (LGBT) people were represented in each age group. Most people across groups expressed a strong preference to stay in their homes as long as possible and had a low opinion of aged-care homes. While they acknowledged the important 'wealth-fare' role of their housing equity, they were generally suspicious about existing equity release financial instruments. Only in rare cases did people have a consistent and thought-through plan for their older age and were 'generally reluctant

to consider their future [older] selves' (Department for Communities and Local Government 2008a). Such an attitude leaves the government with a significant role in policy development in regards to housing older citizens, and especially in supporting the preferred option: ageing in place.

To assist asset-poor homeowners in danger of housing stress, mortgage relief policies in the UK include: Homeowners Mortgage Support, Mortgage Rescue Scheme, Homeowners Support Package and Income Support for Mortgage Interest (Lawson et al. 2009). Most of these were responses to the global financial crisis and consequent recession.

3.2.5 USA

The USA sits at the far end of the liberal welfare regime and has a dualist rental system. Social housing is limited to low-income applicants who earn up to 50 per cent of average income (HUD 2009). While supply-side assistance through social housing does exist, it is a small proportion of the market and targeted to the elderly as well as those on very low incomes: nearly one-third of public housing tenants are aged over 62 (Schwartz 2006). There is also a demand-side assistance program that improves affordability through a government subsidy voucher system. The vouchers (commonly known as the 'Section 8 Voucher') offset the cost of private rental. While many people are eligible for the vouchers, there is a limited number issued at any one time and the waiting list can be long, with considerable state by state variation. The voucher system is funded by the federal government but administered at a state level (HUD 2009). The USA voucher program is distinctive because it is not an entitlement, like CRA (in Australia) and Housing Benefit (in UK), where eligible households receive assistance. US applicants must apply and join waiting lists.

In terms of major policy initiatives, there is a general recognition that as the large baby boomer cohort moves into retirement, it will pose considerable housing and other challenges. However, consistent with the political philosophy of small government and a liberal welfare state, there is no comprehensive policy articulated to address the issue. There are, according to Schwartz (2006), 23 distinct federal programs that subsidise housing for the elderly asset-poor in some way, but most are general policies that contain some specific stipulations for older people. For example, the *Housing Act 1952*, Section 202, allows non-profit housing providers to apply for grants and rental assistance when building for people over 62. The Assisted Living Conversion Program assists elderly renters living in non-profit housing to adjust their accommodation to their needs. There are also programs offering support to senior owner-occupiers who wish to live independently in their homes.

In terms of assistance to asset-poor owner-occupiers, the recent financial crisis precipitated the introduction of a suite of measures to address mortgage default and keep people in their homes through the *Housing and Economy Recovery Act 2008*. There is also a proposal for an opt-out mortgage scheme.

3.2.6 Italy

Italy has a relatively high share of private rental housing (17%) and lower share of social (*Edilizia Residenziale Pubblica*) housing (8%). There is a national demand-side subsidy (the Social Fund) that provides assistance to a small proportion of private renters (Tosi 1996, p.9). Income and asset tests apply, ensuring the subsidy goes to those with the lowest income (Tosi 1996, p.9). The Italian corporatist welfare state corresponds strongly to the Mediterranean welfare state model that incorporates an important welfare role for the family, including familial provision of housing (Esping-Andersen 1999). This is especially true of the over 55s, almost 10 per cent of whom live with their grown-up children or extended families. Such a housing role for the

family somewhat blurs the distinction between 'private renting' and 'other arrangements'. When establishing new households and moving into home ownership (usually at marriage) the Italian family typically finances a large share of the purchase price from savings, so reliance on mortgages, and hence exposure to credit and investment risks, is relatively low compared with other European states (Tosi 1996, p.9; Tosi and Cremaschi 2000F). The global financial crisis has not therefore precipitated the mortgage relief interventions to which other countries have resorted.

Italy has one of the lowest birth rates among OECD countries and rather dramatic projected increases in its population dependency ratio. This makes the issue of an ageing population a rather acute policy challenge. Higher rates of marriage breakdown, lower birth rates and a relatively weak national economy are undermining the traditionally strong family role in welfare provision, a trend that will spill over into housing with potentially important ramifications in the medium to long run.

3.2.7 France

The housing system in France falls within the corporatist welfare state model. France has an integrated rental system with a broad eligibility for social housing. There is a significant social rental sector comprising 17 per cent of the total housing stock, which went through its most intense development after the Second World War in response to acute housing shortages at that time (Levy-Vroelant 2007, p.70). While the French housing system has been traditionally centralised with funding and policy coming from Paris, there has been an increasing shift to decentralisation and a rising role for local authorities in managing social housing (e.g. Second Decentralisation Law of August 2004). In the 1960s housing in the social sector was considered a normal stage in the middle-class housing career but a policy focus on home ownership since the mid-1970s has resulted in a demographic shift. While the policy framework for access is broad, social housing is increasingly a tenure for the poor (Levy-Vroelant 2007, p.70). Direct and indirect grants to offset the costs of housing in the private market are significant in both the private rental and owner-occupied sectors, and they currently exceed investment in social housing. Therefore, there is a clear movement toward a market-dominated provision of housing.

France has a public–private housing provision structure under which some social housing is provided solely by the state and some through partnerships with private non-profit providers. While there is a rent control system in place (the so-called *Loi de* 1948, which covers around 200 000 households) a more recent initiative is a tax incentive called 'Borloo Populaire' after the Minister in charge (in 2006 when it was introduced) aimed at stimulating investment in middle-range rental by providing tax offsets to companies willing to develop properties which are then leased at 30 per cent below market value. This initiative bears a strong resemblance to the US Low-Income Housing Tax Credit (LIHTC) as well as the more recent National Rental Affordability Scheme (NRAS) in Australia.

There are tax measures in France that encourage home ownership. For example mortgage tax relief is available for the first 5 years of the loan on purchase or construction of one's principal home. The relief is granted at the rate of 40 per cent of interest in the first year of the home loan, followed by 20 per cent for the remaining four years, but it is capped. Tax policy also encourages good environmental building standards; if the property is energy-efficient, then the tax relief is granted at the rate of 40 per cent for seven years. While France does not have a specific mortgage relief policy, if a borrower has difficulties with mortgage repayments because of unforseen events in the family such as death or unemployment, lenders are obliged by law to negotiate a new repayment plan. A government agency, the Commission

départementale de surendettement (part of the Bank of France) can act on mortgagee's behalf in discussions with the lender.

There is also a scheme that provides 'social loans' to lower-income households for modest property purchases: *Pret a L'accesion Sociale France* (PAS). A range of government-regulated and subsidised mortgages is available to French residents for the purchase of the principal home and interest rates are generally lower than in the UK (French Property.com 2009).

France does not have specific polices in relation to housing the ageing population. However, the Law of Social Cohesion 2005 brings into play a number of urban regeneration measures aimed at improving and extending social housing; since the elderly are disproportionately represented in social housing, there are indirect benefits for the aged.

3.2.8 Germany

Germany is, according to Esping-Andersen (1999), a corporatist welfare state with a large proportion of affordable housing. An integrated German rental market has its roots in post-World War II housing policy: a stable housing market was considered important in order to avoid the economic and political chaos that affected Germany during the 'Weimar Republic' (the 1920s). The housing market in general is less dynamic and has not experienced large price increases over the past decade. According to some estimates, real estate in Germany is the most under-priced among the OECD countries (*The Economist* 2006; 2006a).

In the past, Germany had a much larger social housing sector. In the last 20 years, following German unification, the importance of social housing as an instrument of urban and social policy has diminished considerably. Social housing was in decline before unification due to the distinctive way in which social housing is classified, that is, for-profit landlords could get temporary subsidies, but once withdrawn, the housing passes from 'social' to 'market' rental.[13] Nowadays Germany has a very small social rental sector. From the almost 2.5 million subsidised rental dwellings in 2005, it is expected that no more than almost 1.8 million dwellings will be left at the end of 2010 (Haffner et al. 2009). In addition, some municipal housing has been sold off to the private sector in recent years, for example, the entire stock in the previously East German city of Dresden (Fitzpatrick and Stephens 2007, p.27). In terms of housing stock, less than 5 per cent belongs to the social housing sector and in terms of rental stock, social housing represents less than 8 per cent. Social housing is mostly found in multi-family buildings on the fringes of larger cities. As the subsidised sector has shrunk, low-income households are increasingly found in the private rental sector. This especially affects low- and middle-income groups in urban growth areas. Federal, state and local governments have steadily reduced their influence on the supply-side of the housing market, turning instead to demand-side interventions in the form of personal rent and acquisition subsidies (Droste and Knorr-Siedow 2007). There are also subsidies paid to social housing providers and tax incentives for developers and owners who lease properties.

The private rental sector, where 49 per cent of people live, is strongly regulated, particularly in relation to rent increases (Whitehead & Scanlon 2007). Restrictions on when a landlord can evict tenants also provide them with security of tenure. This is regulated by the *Housing Subsidy Act* and *Housing Benefit Act*.

[13] We are grateful to an anonymous referee for pointing this out.

In 2007, a major policy initiative named 'Towards a National Urban Development Policy in Germany' offered direction on the nature and scope of development, including the requirement for universal design in new construction and sustainability initiatives. This policy also looks at public transport issues in conjunction with affordability issues. It is not specific to older asset-poor citizens but has an impact on a number of key issues affecting them. In terms of policy initiatives specifically targeting the ageing population, the subsidisation regulation implemented at a state level has potential. While the federal government sets broad criteria for the use of its funds, states are able to channel them toward the areas they think are most 'in need'. This gives some scope for the direction of funds toward age-specific projects.

There are currently no mortgage relief policies in place in Germany, but there is a saving scheme to encourage entry into home ownership ('Bauspar Loans'). The relatively large share of rental housing and its tight regulation through rent controls and security of tenure have helped insulate the German housing system from the worst effects of the global financial crisis.

3.2.9 The Netherlands

The Netherlands is also a 'corporatist welfare state' with the foundations of its social housing sector established by the *Housing Act* in 1901. During post-War reconstruction the sector experienced a boom that continued into the 1990s. The Dutch integrated rental system is characterised by high levels of social rental stock (33%) and a smaller private rental sector (11%). The remaining stock (56%) is owner-occupied (Haffner et al. 2009, p.207). At the centre of Dutch social housing policy are housing associations. These associations are now completely financially independent of the government. They are a mix of not-for-profit and for-profit providers, regulated through the *Housing Act*, assisted by tax incentives and agreements with local governments (Haffner et al. 2009).

People of retirement age (65+) are over-represented in Dutch social housing. Twenty-nine per cent of social tenants are over 65 years of age, while they comprise 22 per cent of the total population (Elsinga and Wassenberg 2007). One of the major Dutch policy initiatives to house older people came in the form of an amendment to the *Housing Act* in 2001, when the 'provision of housing (but not care) for the elderly and handicapped' was added to the existing duties of housing associations.

In terms of mortgage relief policy the Dutch can rely on National Mortgage Guarantee (*Nationale Hypotheek Garantie*, NHG), the aim of which is to responsibly promote home purchase and minimise the financial consequences that unforeseen events can have on owner-occupier ability to meet mortgage repayments. The NHG therefore makes lenders more willing to lend to lower-income people. The scheme works with the Homeownership Guarantee Fund (HGF) established in 1993 on the initiative of the Ministry of Housing, Spatial Planning and the Environment (VROM) and the Association of Netherlands Municipalities. As part of this scheme, Mortgage Payment Facility (WLF) allows the person in acute housing stress to add their payment arrears to the mortgage and gain time to bridge a difficult financial period. In case the property has to be sold and the proceeds from the sale are not sufficient to pay off the remaining mortgage debt, the NHG pays this residual debt to the mortgage lender (NHG 2009).

The share of home ownership in the Netherlands has risen from approximately 28 per cent in 1947 to 56 per cent of the total housing stock in 2006 (Haffner et al. 2009, p.207). Home ownership has been growing in the context of a liberalised mortgage market. The Netherlands has the highest level of mortgage debt per capita in Europe

and its level of mortgaged ownership is higher than in UK (where ownership is generally about 15% higher than in the Netherlands).

Home ownership in the Netherlands is much higher in country areas than in large cities (VROM 2009). Home ownership is encouraged through full deductibility of mortgage interest from personal taxable income, in existence for several decades, and is considered to be a counterpart of the rent allowance for tenants.

The *Home Ownership Promotion Act 2001* introduced a Subsidy for Promotion of Homeownership. Its purpose is to help first home buyers on lower incomes by means of monthly tax-free contributions to help meet mortgage payments for a property the value of which is capped. The number of subsidies per year is maximised so applicants may need to wait (VROM 2009).

3.3 Pension regimes of the seven countries

Another factor that influences the housing choices of people as they age is government pension arrangements that govern eligibility and entitlement to state-provided retirement income. Two types of regime can be distinguished: 'universal basic' systems, which usually offer flat-rate pensions, and seek to provide a minimum standard of living for all pensioners, sometimes financed by general taxes; and 'insurance based' systems offering earnings-related pensions which aim to provide a standard of living similar to that during working life. Such a system is normally financed by earnings-based contributions (Davis 1995).

Pension regimes vary considerably among the seven countries. While the contribution systems are quite complicated, the 'replacement rate' offers a valuable point of comparison. Obviously replacement rates have a profound effect on the housing choices of asset-poor households as they attempt to meet housing and living costs from this income. Table 5 lists replacement rates for the relevant countries.

Table 5: Gross replacement rates by earnings level, mandatory government pension programmes, men (% of individual pre-retirement earnings)

Wage level	*0.5 × average wage*	*1 × average wage*	*2 × average wage*
Australia	65.1	40.0	26.2
Canada	72.4	42.5	21.3
United Kingdom	67.4	37.1	22.5
United States	49.6	38.6	28.1
Italy	78.8	78.8	78.8
France	84.2	52.9	47.4
Germany	47.3	45.8	37.6
Netherlands	68.7	68.3	68.3
OECD average	72.5	56.9	47.6

Note: The replacement rate is the percentage of a person's pre-retirement wage that is 'replaced' by their age pension. These are projected rates for people who entered the workforce in 2002. The projection only uses men because of the move to universal retirement ages that will be in place by the time this cohort retires.

Source: OECD 2005 Pensions at a Glance Public Policies across OECD countries, Paris, OECD

According to Whiteford and Whitehouse (2006, p.79), pension replacement rates are generally highest in southern Europe followed by continental European countries, while they tend to be lower outside Europe. When applied to the countries we are analysing, this schema is evident: Italy has the highest (flat) replacement rate, which is advantageous for people on higher incomes; Netherlands and France are at the

higher end but the Dutch flat rate privileges higher income earners. The English-speaking countries are all under the OECD average (Table 5). Canada's steep progressive replacement rate matches the OECD average for lower-income people but falls behind for higher earners.

When looking at replacement rates for singles and couples, older single people are in general at greater risk of poverty than older couples, and this is true of all the European countries and Australia (OECD 2005). Replacement rates are not structured to recognise this greater vulnerability. This is of concern as current demographic change will lead to greater numbers of single older people.

In terms of replacement rates and gender, women fare worse in insurance-based pension schemes as they typically spend less time in the paid workforce over their lifetimes and receive less pay over time for the work that they do. They are also disproportionately exposed to 'sexually transmitted debt' during separation and divorces (Harper 2001; Fehlberg 1997).

The transition to fixed income poses specific problems for the asset-poor in rental markets, particularly in countries where light regulation means insecure housing in this tenure. As Yates and Bradbury (2009) demonstrate, 'post-housing' poverty, or the financial position of people after housing costs, peaks in liberal welfare states for those who are retired and do not own their own home. These countries also have a combination of low rates of social housing and/or low regulation and security for tenants in the private rental market.

Each country's retirement regime has an impact on the housing choices of the asset-poor older population. However, replacement rates do not necessarily predict poverty levels. In economies like Australia, where the replacement rate is low, housing wealth is a crucial pillar of the welfare state, as described earlier. Yates and Bradbury (2009) draw a connection between low replacement rates and the mitigating effects of home ownership, that is, its 'wealth-fare' function in retirement. Home as a major asset can act as a buffer against medical costs and other unforeseen expenses. Housing wealth can even be used to create an income-stream, as evidenced by the emergence of 'reverse mortgage' instruments. For those who do not own this major asset, retirement pensions place significant limitations on housing options, including 'ageing in place'. The changing nature of debt levels at and beyond retirement poses significant challenges to retirement policy regimes that rely on low housing costs to mitigate living costs. For the asset-poor the consequence is a higher risk of unmet financial need as they age.

This overview of the housing and retirement regimes of seven countries helps to contextualise the respective policy instruments available to address the housing needs of older asset-poor citizens. The housing mix, coupled with the type of rental market, describes the accessibility of affordable housing for non-home owners and the role housing wealth plays in housing choices for people approaching retirement and those already retired. It may also cast light on the 'housing cultures' of particular countries. Pension regimes gives us some insight into the poverty risk that the asset-poor face, and factors that may influence that risk such as gender, security of tenure, and single, couple or family household status. In addition, it provides some insight into the choices facing those who will not have paid out their mortgage by retirement. According to the 2006 Australian Census, 6.6 per cent of over 65s are still paying off their homes. The situation of pre-retirement cohorts is even more precarious: the proportion of 55–64-year-olds who are outright owners of their homes dropped sharply in the past decade from 72 to 54 per cent (ABC 2008) (see section 4 for further analysis). The implications for understanding policy interventions are significant. Replacement rates intersect with mortgage repayments/rental payments in decisions

about whether and when to ‘downsize’ to a more affordable property, or move from the private rental market into subsidised housing.

There are at least two features of Australian housing and retirement policy arrangements that are distinctive relative to European (including UK) policy regimes.

Government-provided retirement incomes are means tested and non-contributory.

High rates of outright ownership among the elderly have played a crucial role in supporting government retirement incomes policies. Outright ownership helped older Australians to achieve asset security that pays off in old age in the form of low housing costs.

Life-long asset-poor renters have not posed serious challenges for Australian policy makers because they have been a small proportion of the elderly population. Even if their share remains low, population ageing will swell the numbers of elderly asset-poor and such a trend could undermine present arrangements. We might hope that Superannuation Guarantee will curb increases in the numbers of asset-poor Australians in retirement, but as we will show in section 4 below, such hopes might well be premature.

There is a second and more recent threat to Australian housing and retirement arrangements: the emergence of a new class of asset-poor Australians that we have described earlier as households occupying precarious housing circumstances due to high levels of debt, or ‘asset downsizing’ (including housing), in response to unanticipated biographical events, poor financial decisions and economic shocks. The next section puts flesh on the bones of these arguments by scoping the size and characteristics of these two groups.

4 THE CHANGING ASSET AND DEBT POSITION OF AUSTRALIANS 2002–2006: EVIDENCE FROM THE HILDA SURVEY

4.1 Introduction

In Australian housing studies we typically look at the income position of households when assessing housing circumstances, and housing affordability in particular. However, the wealth and debt position of households has attracted growing interest. This reflects a perception that households with high net worth are more resilient and therefore less likely to need housing assistance when adverse shocks occur.

The idea that wealthy people are more resilient is hardly novel, and would be unremarkable but for major recent changes in behaviour, demographics and housing and mortgage markets. These include financial market deregulation that has prompted a wave of product market innovations in mortgage markets. One of the more important is flexible mortgages that allow mortgagors to freely borrow from accumulated housing equity without moving or refinancing. Some, if not many home owners, have used these mortgages for consumption-smoothing purposes—bringing forward purchases to meet pressing spending needs or even discretionary spending (Benito 2009; Hurst & Stafford 2004). However, equity borrowing adds to indebtedness, eats into savings and can leave home owners in more vulnerable circumstances if their personal economic situation were to suddenly deteriorate. There are also fears, as mentioned above, that equity borrowing is (for many older Australians) a means to bring forward pension lump sums.

Demographic changes have added to interest in the role of wealth and debt in shaping housing fortunes. Until recently declining marriage rates and historically high rates of divorce combined to swell the number of singles in the population. Singles are much less able to accumulate wealth than couples because they cannot reap the economies of scale in consumption and specialisation gains that accrue when partnering 'under the same roof' (Grossbard-Shechtman 1993). For divorcees, there is an added problem as the division of assets typically erodes wealth because of settlement costs, and seems to result in loss of home ownership for one or both ex-partners in an alarming number of cases (Hendershott et al. 2009). These demographic-related asset issues predominantly affect women: 70 per cent of single Australians aged 50 and over are female (Wood et al. 2008a). They also have generally lower levels of superannuation savings than men because of careers interrupted by child-rearing. It is then unsurprising to find a much higher proportion of older home-owning women banking on the release of housing equity to help finance their retirement (Wood & Nygaard 2010). The housing position of older lone women renters is inevitably even more precarious (Jones et al. 2007).

It is tempting to equate the asset-poor with renters. However, equity borrowing, divorce, and the difficulty some singles experience in trying to accumulate savings despite home purchase, mean that large numbers of home owners are represented among the asset-poor (see below). Their wealth is not as diversified as the portfolios of the asset-rich (or even those of many renters), it being concentrated in the primary home. There is then an exposure to house prices and liquidity risk. There is evidence to suggest that home buyers expected prices to rise for ever (Shiller 2005). However, many in overseas housing markets are now painfully aware that house prices can slump as well as soar, and markets can freeze as well as boom, leaving sellers stranded. Leveraged home owners are more exposed to these risks. This is particularly stressful for those in precarious forms of employment; we have in recent

months witnessed how highly indebted home owners in casual and temporary employment are among the least resilient asset-poor.

In this section we profile the wealth and debt position of the Australian population, while our Final Report will present the findings from a number of modelling exercises that examine the role of net worth as a source of resilience in the housing market. A focus will be older Australians past retirement age, or approaching retirement age. These age groups have, as noted above, less time to recover from misfortune or errors in judgement that result in low levels of net worth. Low net worth may then have a particularly strong adverse impact on resilience in these older age groups. Furthermore, their numbers are growing rapidly with population ageing. We begin by describing our data sources, sample design and measurement issues.

4.2 Method, data sources and measurement

The empirics described in this chapter are sourced from the confidentialised unit record files of the Australian Bureau of Statistics (ABS) Survey of Income and Housing Costs (SIHC) 1990–2007, and the Household Income and Labour Dynamics in Australia Survey (HILDA) waves 1 (2001) to 6 (2006). The former are a series of cross-section samples designed to be representative of the Australian population. The SIHC is used to profile long run trends in housing wealth, mortgages and outright ownership. The nearly 20-year time frame allows a picture to be drawn that depicts how Australians at different points in their life course are faring. Are mortgages now paid off later in life? Are Australians more indebted as they approach retirement in the new millennium? These are the kinds of questions that we address using this data source.

While the SIHC is a series of snapshots over a near 20-year period, HILDA is a longitudinal data source that profiles a representative panel of Australians as they age. The time frame is shorter (2001–2006). We use HILDA to profile the assets that Australians own, and the types of debt that Australians have used to finance asset acquisitions and consumption. We also use this data source in the next stage of the project to measure the relationship between net worth and resilience. We are particularly interested in learning whether the asset-poor are more likely to transition into housing assistance programs because they are more vulnerable to financial and other (e.g. health) setbacks (see Final Report where the approach and findings will be described and presented).

The key variables sourced from SIHC are house value and outstanding debt secured against the principal residence. Both are self-reported values. HILDA contains a wealth module that has been included in the surveys conducted in two waves (2002 and 2006), and it elicits far more details on the components of personal wealth portfolios and types of debt than SIHC. Both surveys are a rich source of information on the socio-economic and demographic characteristics of the sampled individuals.

HILDA measurement issues: wealth, debt and their components are the critically important variables for the empirical analyses of asset and debt profiles. These variables are identified on an income unit basis using the AHURI-3M microsimulation model of the Australian housing market (see Wood et al. 2003). An income unit contains persons who live in the same dwelling, but can be expected to share their income. Households contain all the persons that live in the same dwelling. So, for example, a household comprising a couple with two dependent children aged 7 and 10 years of age contains only one income unit. But a household consisting of a couple

and a non-dependent 26-year-old son in full-time employment contains two income units.[14]

As noted above, wealth and debt measures reported in this study use income units as the *unit of measurement*. However, this calls for the application of a series of algorithms that transform HILDA wealth and debt values that can be reported on a personal or household basis. Appendix 1 lists wealth and debt variables, their units of measurement in HILDA, and the algorithm we have designed to transform the variables onto an income unit basis.

The empirical analyses use individuals as the *unit of analysis*. Thus, if there is no attrition the sample size will be the same across the different waves. Had we reported variable values on an income unit basis the sample size would differ from wave to wave despite the same number of persons in the sample. Some income units will fracture because of divorce and separation, and new income units will be formed as dependents leave the family home. When income units are chosen as the unit of analysis, average values for wealth and debt variables will then reflect these biographical events. This complicates the dynamics of wealth accumulation. Analyses are easier to interpret if we present wealth and debt variables on a 'person' basis. Thus if a couple (no children) income unit has net worth of $100 000, each partner is assigned a value for net worth of $100 000 in the calculation of means and other statistical tabulations.

The sample design selects a balanced panel of all persons successfully completing the HILDA survey in 2002 and 2006. These are the waves containing wealth modules. Attrition results in the omission of those persons in the wave 1 base sample that completed neither or only one of the surveys. Some correction for this sampling issue is achieved by using longitudinal responding person weights. Given differential rates of attrition, these weights scale a person's variable values so that they reflect the chances of survey participants with their personal characteristics successfully completing the survey in any given wave.

4.3 Housing wealth, mortgage debt and the net worth of Australians

Long-term trends in housing wealth and mortgage debt

Suggestions that Australians are paying off mortgages and hence becoming outright owners later in life are vindicated in Figures 1–3. Each looks at one of three age groups: under 50s (younger Australians); 50–64 years (mature-age Australians); and 65+ years (older Australians). On the verticals of these figures we measure tenure rates (measured on an income unit basis), while the horizontals represent the 1990–2007 time frame. So for example, Figure 1 compares the tenure rates of younger Australians in 1990 with Australians in that same age group, but in later years. We find that:

- In the 1990s rates of outright home ownership began to decline among young and mature-age Australians.
- This is particularly evident among mature age Australians, and is a trend that appears to have continued in the new millennium.

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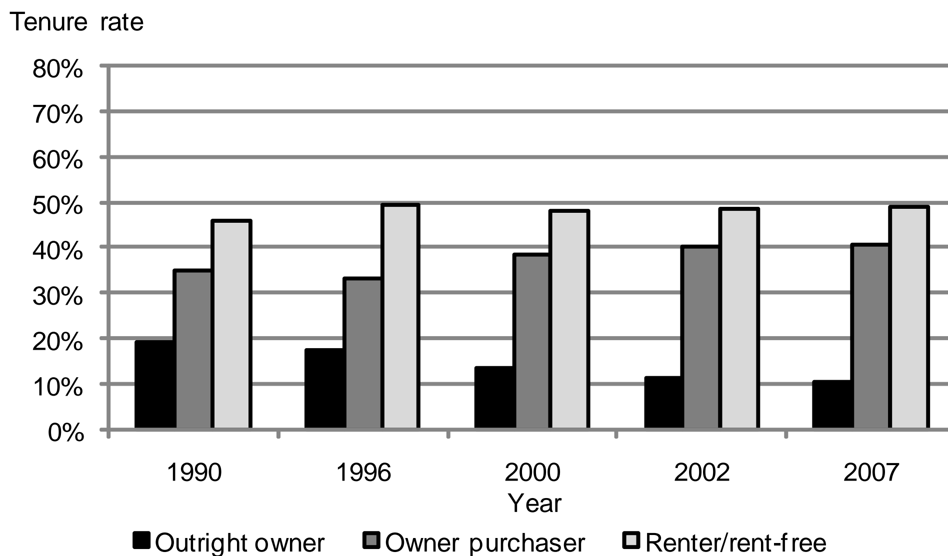
[14] In the next stage of the project we will be examining the relationship between net worth and resilience, and in particular whether those with high net worth are more resilient as evidenced by lower rates of transition onto housing assistance programs. The income and asset tests applied to determine eligibility for housing assistance are framed on an income unit basis, and so AHURI-3M applies the tests on an income unit basis. For details on how these tests are applied see Wood *et al.* 2003.

These patterns suggest that more Australian owner-occupiers are approaching retirement with outstanding mortgage debt that remains to be paid off. There are good reasons why we might expect slower repayment of mortgages. Baby boomers have had to purchase against a backdrop of higher real housing prices that require purchasers to borrow more. They have also benefited from the Superannuation Guarantee and so a growing number are retiring with sizeable superannuation balances. Some may have been tempted to accelerate access to these pension entitlements by equity borrowing before retirement and *bringing forward* lump sum pensions.

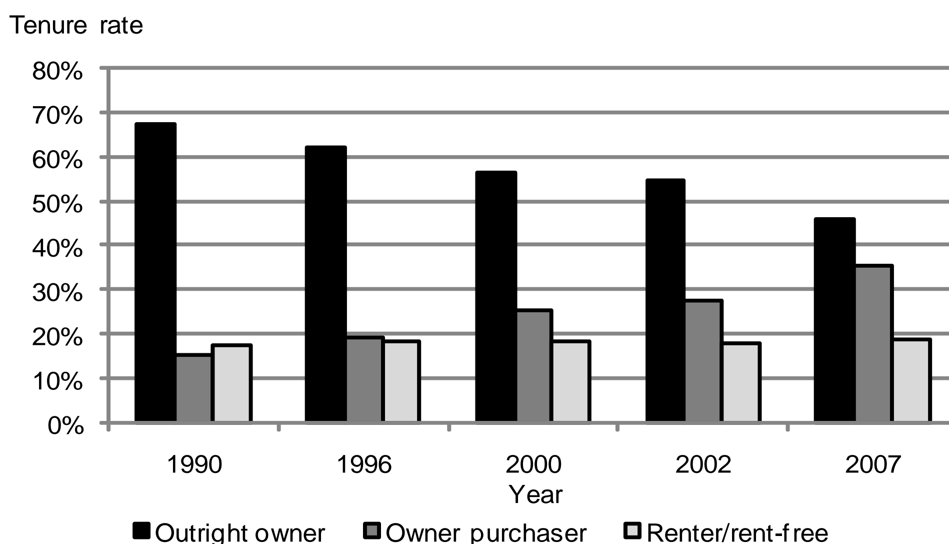
Figure 1: Housing tenure rates, reference person aged under 50 years, 1990–2007, per cent



Source: Authors' own calculations from the 1990, 1996, 2000, 2002 and 2007 SIHC.

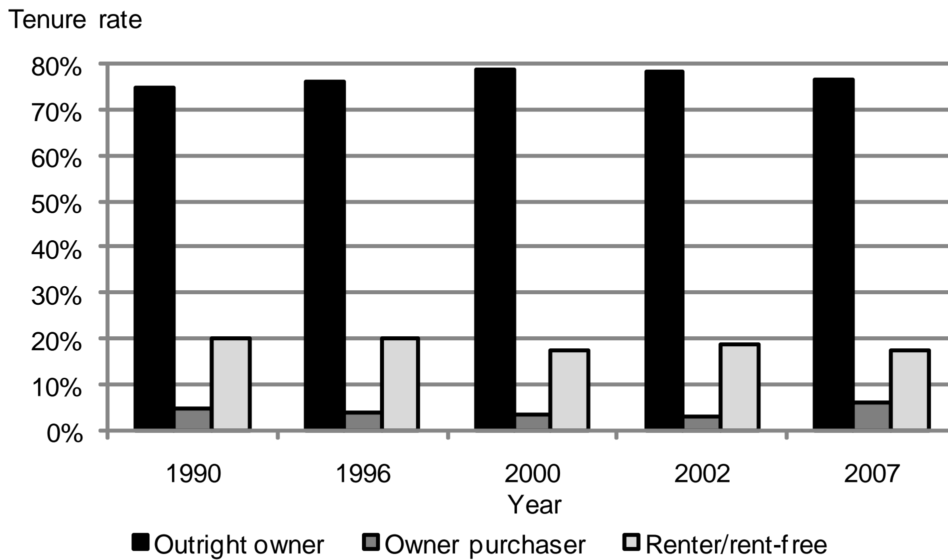
Note: The tenure shares are calculated on an income unit basis.

Figure 2: Income unit housing tenure rates, reference person aged 50–64 years, 1990–2007, per cent



Source: Authors' own calculations from the 1990, 1996, 2000, 2002 and 2007 SIHC

Figure 3: Income unit housing tenure rates, reference person aged 65+ years, 1990–2007, per cent

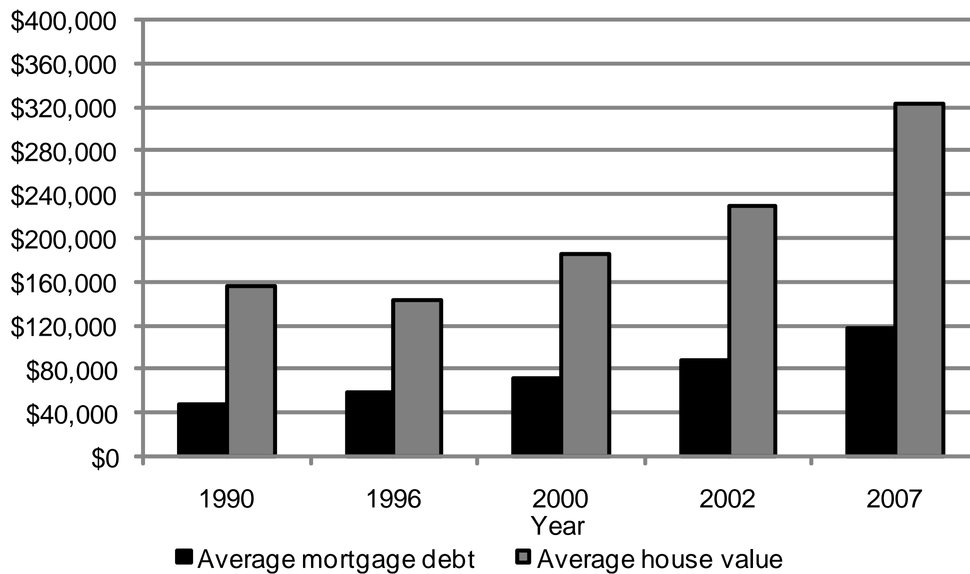


Source: Authors' own calculations from the 1990, 1996, 2000, 2002 and 2007 SIHC

Figures 4 to 6 measure average mortgage debt (secured against the principal residence) of *mortgagors* and their average house values (at constant 1990 prices) for each of our age groups over the same 1990–2007 time frame. It does indeed show an escalation in real mortgage debt, which has more than doubled since 1990. The rate of increase is accelerating, and this is particularly evident among the oldest age group (owner purchasers aged 65+ years) between 2002 and 2007. Viewed in isolation the increasing indebtedness of mature-age Australian mortgagors seems imprudent given the imminence of retirement. However, there are caveats. Real house prices have soared, leaving an ample equity cushion to fall back on if personal economic circumstances were to suddenly deteriorate [15]; and there are the maturing superannuation balances that could be used to pay off debt, although this might be at the expense of a comfortable retirement. The 50–64-year age group of home owners had accumulated a mean $244 000 superannuation balance in 2006 (see Table 6 below), and although mortgagors in this age group had somewhat lower balances of $230 000, they offer an ample source of funds that can be used to pay off outstanding debt on retirement. However, this could undermine the role of the Superannuation Guarantee as a source of retirement income that ensures economic independence in old age.

[15] Although imperfections in the downsizing market—transaction costs, for example—could impede release of home equity by trading on (see Disney 2009).

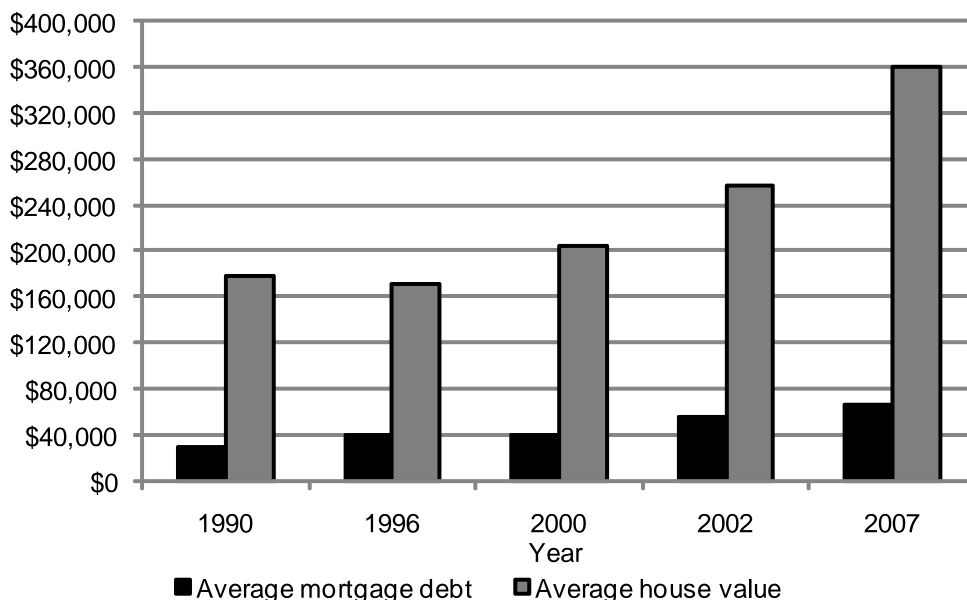
Figure 4: Average real mortgage debt and house value of owner purchasers aged under 50 years, 1990–2007, 1990 dollars[a]



Source: Authors' own calculations from the 1990, 1996, 2000, 2002 and 2007 SIHC

Note: a. The values in year t are deflated to 1990 values using the following formula: nominal value in year *t x* (CPI in 1990/CPI in year *t*). The June CPIs are used and they are 102.5 in 1990, 119.8 in 1996, 126.2 in 2000, 137.6 in 2002 and 157.6 in 2007.

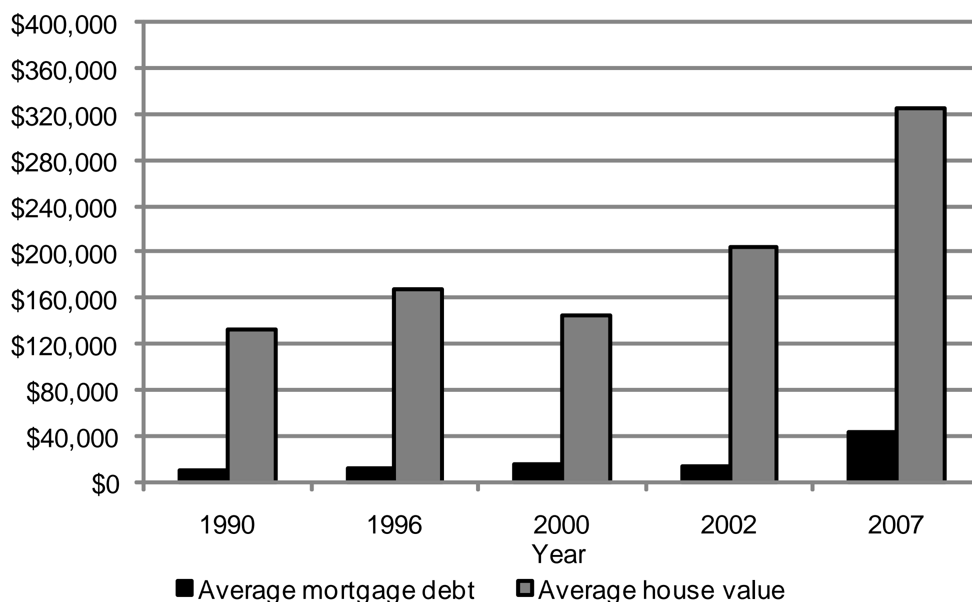
Figure 5: Average real mortgage debt and house value of owner purchasers aged 50–64 years, 1990–2007, 1990 dollars[a]



Source: Authors' own calculations from the 1990, 1996, 2000, 2002 and 2007 SIHC

Note: a. The values in year *t* are deflated to 1990 values using the following formula: nominal value in year *t x* (CPI in 1990/CPI in year *t*). The June CPIs are used and they are 102.5 in 1990, 119.8 in 1996, 126.2 in 2000, 137.6 in 2002 and 157.6 in 2007.

Figure 6: Average real mortgage debt and house value of owner purchasers aged 65+ years, 1990–2007, 1990 dollars[a]



Source: Authors' own calculations from the 1990, 1996, 2000, 2002 and 2007 SIHC

Note: a. The values in year *t* are deflated to 1990 values using the following formula: nominal value in year *t x* (CPI in 1990/CPI in year *t*). The June CPIs are used and they are 102.5 in 1990, 119.8 in 1996, 126.2 in 2000, 137.6 in 2002 and 157.6 in 2007.

There are also risks. Real house prices could plunge at some point in the future; housing markets can become illiquid leaving mortgagors with a debt to pay off, and no willing buyers for an asset that had been banked on as a source of funds to repay loans. Finally, there is the group of renters that have swelled in numbers in the mature-age and older-age groups. Among those aged 50–64 years (65+ years) in 2002, the number who are renters had increased from 398 000 (449 000) to 413 000 (492 000) by 2006. They have not benefited from real house price booms, or have had spells as a home owner but have been unable to sustain this status.

Net worth, assets and debt

Table 6 uses the confidentialised unit record files from HILDA wave 6 (2006) to profile the typical wealth portfolios and borrowings of Australians in each of three age groups: younger (under 50 years); mature-age (50–64 years); and older (65+ years). The sample is a balanced panel of 9545 adult Australians that successfully completed the special wealth modules that were completed in waves 2 (2002) and 6 (2006). Use of the population weights indicates that the sample can be used to describe the profiles of 12.3 million Australians in the 2006 population.

In 2006 the average Australian had accumulated just under $750 000 spread across various assets, but *gross wealth* peaks among the 50–64-years group where average wealth is just over $1 million. Indebtedness is highest among the under 50s, and in fact debt nearly doubled in every age group in the period 2002–2006, but remains modest when judged relative to their asset position. The youngest age group (under 50s) have the highest gearing ratio[16] of 24 per cent, but it nevertheless leaves a comfortable net worth that is nearly three-quarters of their total assets. Even if illiquid assets (superannuation savings and life insurance) are subtracted from total wealth, the gearing ratio is only 29 per cent.

[16] Total wealth divided by total debt and then converted into a percentage.

The primary home continues to be the principal store of wealth for all age groups, and other properties (rental investments and second homes) are the second most important component for all age groups other than the mature-aged. The importance of other properties reflects soaring house prices in recent years,[17] but is also due to the growing number of Australians who owned a rental property or a second home. In 2002 16.3 per cent of the panel owned a rental property or second home, and this share increased to 21.3 per cent in 2006. The increase was particularly steep among the under 50s (14–21%), a finding that is intriguing because it occurred despite increasingly advantageous tax treatment of superannuation. The average Australian had accumulated $132 000 in superannuation in 2006, but the under-50s had less than $100 000, which is lower than the average wealth of $111 000 stored in other property. There is a qualification here: ownership of other property is more concentrated at 21 per cent of the under 50s as compared to superannuation—93 per cent have positive balances.

Nearly two-thirds of all debt is secured against the primary home; 95 per cent of all debt is secured against residential property of one kind or another. These figures are a startling indication of the importance of residential property as collateral. The steep increase in average debt holdings noted earlier have eventuated as property owners rode the crest of a house price boom, so that most have a comfortable equity cushion to fall back on. Both borrowers and lenders seem to believe that a house price bust is extremely unlikely.

Table 6: Mean and composition of income unit wealth and debt, by age band in 2006

6a: Mean income unit wealth and debt, by age band in 2006, $000s

	Wealth and debt in 2006 by age band in 2006			
	< 50	***50–64***	***65+***	***All***
Wealth				
Primary home	261.6	417.6	349.6	320.9
Other property	111.1	175.8	112.3	128.6
Equity investments	25.3	80.0	88.9	52.7
Cash investments	1.0	3.2	5.9	2.5
Trust funds	8.8	18.7	7.4	11.1
Bank accounts	16.8	41.4	46.9	29.4
Life insurance	12.6	8.3	2.2	9.4
Superannuation	90.4	244.5	94.5	132.4
Business	20.8	22.1	4.0	17.8
Vehicle	25.4	27.6	15.4	24.0
Collectibles	3.1	4.3	3.7	3.5
Total wealth	576.8	1043.4	730.6	732.4
Debt				
Primary home	90.9	53.5	3.4	63.4

[17] At the time we were writing the research proposal there were widespread fears of a housing market crash. At the time of writing these fears proved unfounded. In Appendix 2 we conduct a hypothetical exercise in which all asset holdings other than property are held constant, while property values are scaled up to June 2009 values. Property shares in wealth portfolios have not slumped between 2006 and June 2009, contrary to expectations widely held in late 2008.

Other property	39.3	27.3	3.9	29.0
Business	4.6	1.6	0.2	2.9
Credit card	1.8	1.4	0.2	1.4
HECS	1.3	0.2	0.0	0.7
Other	1.3	0.2	0.0	0.7
Total debt	139.2	84.1	7.8	98.2
Population (000s)	6529.2	3280.2	2448.9	12258.4

6b: Composition of income unit wealth and debt, by age band in 2006, per cent (calculated based on means)

	Wealth and debt in 2006 by age band in 2006			
	< 50	***50–64***	***65+***	***All***
Wealth				
Primary home	45.4	40.0	47.8	43.8
Other property	19.3	16.8	15.4	17.6
Equity investments	4.4	7.7	12.2	7.2
Cash investments	0.2	0.3	0.8	0.3
Trust funds	1.5	1.8	1.0	1.5
Bank accounts	2.9	4.0	6.4	4.0
Life insurance	2.2	0.8	0.3	1.3
Superannuation	15.7	23.4	12.9	18.1
Business	3.6	2.1	0.5	2.4
Vehicle	4.4	2.6	2.1	3.3
Collectibles	0.5	0.4	0.5	0.5
Total wealth	100.0	100.0	100.0	100.0
Debt				
Primary home	65.3	63.6	44.2	64.6
Other property	28.2	32.4	49.9	29.5
Business	3.3	1.9	3.2	3.0
Credit card	1.3	1.7	2.6	1.4
HECS	0.9	0.2	0.1	0.8
Other	0.9	0.2	0.1	0.8
Total debt	100.0	100.0	100.0	100.0
Population (000s)	6529.2	3280.2	2448.9	12258.4

Source: Authors' calculations using the 2006 HILDA Survey

Tables 7 and 8 shift the attention onto mature-age and older Australians, but rather than make cross-section comparisons they examine a panel that are in the age ranges 50–64 and 65+ in 2002, and track their wealth and debt situations as individuals age over the time period 2002 to 2006. Economic theory yields firm predictions; as risk-averse individuals approach and transition into retirement they will shift out of assets with volatile prices (other property, business assets and shares, for instance), as well as illiquid assets that cannot be readily drawn down to help finance retirement (property and business assets), but move into liquid assets with secure values (bank accounts, cash investments). Because of the property price boom it

does not quite turn out that way; the share of residential property increases despite risky values and illiquidity. Not all of this increase is down to booming house prices: the incidence of other property ownership increases from 17.9 per cent in 2002 to 22.8 per cent in 2006. Even holdings of shares increase both in value and as a proportion of total wealth, an increase that eventuates despite the 'dot com' crash in share prices that must have been fresh in the minds of investors. There is little evidence of caution with respect to debt, which balloons from $47 000 to $64 000, although once again it is noticeable that conservative gearing ratios are being observed by the average Australian approaching retirement. Rising asset values appear to be the source of collateral backing for additional borrowing, and financial institutions have clearly been comfortable in meeting this demand despite the advanced age of this group.

There is more support for the kind of expected life cycle patterns when we examine the over 64s. This panel have already reached retirement age in 2002; as they move further into retirement, gross wealth and net worth continue to increase, although one might have expected declining net worth as savings are drawn down for consumption-smoothing purposes. Asset price booms could be disguising what would have been evident in more stable financial and property market conditions. There are reductions in the shares of some of the more illiquid and risky investment asset classes—equity and business assets, for example—and superannuation balances are a declining share as balances are drawn on to help finance retirement. However, the value and share of property holdings increase to reach around two-thirds of all assets in 2006.

Table 7: Mean and composition of income unit wealth and debt of persons aged 50–64 years in 2002

	Mean ($000s)		***Composition (%)***	
	2002	***2006***	***2002***	***2006***
Wealth				
Primary home	276.5	420.8	39.3	37.8
Other property	79.4	203.4	11.3	18.3
Equity investments	63.3	105.7	9.0	9.5
Cash investments	4.4	4.8	0.6	0.4
Trust funds	14.5	20.3	2.1	1.8
Bank accounts	36.2	51.1	5.1	4.6
Life insurance	5.9	3.5	0.8	0.3
Superannuation	160.3	250.6	22.8	22.5
Business	33.3	21.2	4.7	1.9
Vehicle	23.4	27.6	3.3	2.5
Collectibles	6.0	4.1	0.9	0.4
Total wealth	703.0	1113.2	100.0	100.0
Debt				
Primary home	27.6	35.1	59.0	55.3
Other property	12.3	25.9	26.4	40.8
Business	5.7	1.2	12.2	1.9
Credit card	0.9	1.2	1.9	1.8
HECS	0.1	0.1	0.2	0.1
Other	0.1	0.1	0.2	0.1

Total debt	46.7	63.5	100.0	100.0
Population (000s)	2895.1			

Source: Authors' calculations using the 2002 HILDA Survey

Table 8: Mean and composition of income unit wealth and debt of persons aged 65+ years in 2002

	Mean ($000s)		*Composition (%)*	
	2002	*2006*	*2002*	*2006*
Wealth				
Primary home	236.3	336.1	51.8	56.5
Other property	36.4	63.2	8.0	10.6
Equity investments	63.1	70.8	13.8	11.9
Cash investments	6.6	5.4	1.4	0.9
Trust funds	3.6	3.9	0.8	0.7
Bank accounts	34.8	41.9	7.6	7.0
Life insurance	2.1	2.2	0.5	0.4
Superannuation	49.5	55.2	10.9	9.3
Business	8.0	1.7	1.7	0.3
Vehicle	12.6	11.4	2.8	1.9
Collectibles	3.3	3.5	0.7	0.6
Total wealth	456.2	595.3	100.0	100.0
Debt				
Primary home	2.4	2.2	58.9	51.4
Other property	0.7	1.8	18.1	43.0
Business	0.7	0.1	17.9	2.1
Credit card	0.2	0.1	4.4	3.5
HECS	0.0	0.0	0.4	0.0
Other	0.0	0.0	0.4	0.0
Total debt	4.1	4.3	100.0	100.0
Population (000s)	1851.3			

Source: Authors' calculations using the 2002 HILDA Survey

Tables 9 and 10 concentrate on the asset-poor in these same age cohorts; the asset-poor are defined as those with net worth less than $136 606, a level that places them in the poorest 40 per cent of the 2002 net worth distribution. Around 68 per cent are renters in these age groups, so nearly one-third of the asset-poor are home owners. These asset-poor homeowners have much more of their wealth tied up in the primary home, and the share increased between 2002 and 2006. This group of asset-poor are then very exposed to house price and liquidity risk. The wealth data also reveal that the asset-poor have comparatively small amounts of superannuation, regardless of tenure; in 2006 the 50–64-years-old group had average balances of only $20 000, as compared to $251 000 for all persons in this age group. In other asset classes this mature-aged asset-poor group have very small amounts invested as compared to the average Australian. Their total debt levels increased from $19 000 to $26 000. The asset-poor are then more geared than is typical in this age group (a 2006 gearing ratio of 17% as compared to 6% among all Australians).

Similar remarks can be made about the over 64s, although these older asset-poor Australians have even lower levels of *gross wealth* ($94 000 for over 64s *vs*. $154 000 for 50–64 years in 2006), and it is more concentrated in the primary home (two-thirds of gross wealth in 2006). A particularly noteworthy feature is the tiny amounts left in superannuation. There is a birth cohort effect here since many older Australians' time in the workforce will have predated the superannuation guarantee. With so little to fall back on in terms of liquid assets, debt levels are typically very low.

Table 9: Mean and composition of income unit wealth and debt of persons aged 50–64 years in 2002 in bottom 40 per cent of net wealth distribution (net wealth < $136 606)

	Mean ($000s)		***Composition (%)***	
	2002	***2006***	***2002***	***2006***
Wealth				
Primary home	35.5	86.3	57.3	56.2
Other property	2.1	23.3	3.5	15.2
Equity investments	0.9	2.4	1.5	1.6
Cash investments	0.0	0.7	0.0	0.5
Trust funds	0.1	0.2	0.2	0.1
Bank accounts	3.9	7.0	6.3	4.5
Life insurance	0.6	1.2	0.9	0.8
Superannuation	9.3	19.7	15.0	12.8
Business	1.0	1.4	1.6	0.9
Vehicle	7.5	10.6	12.2	6.9
Collectibles	0.9	0.8	1.4	0.5
Total wealth	61.9	153.5	100.0	100.0
Debt				
Primary home	15.1	17.1	80.4	66.1
Other property	0.9	6.7	4.9	26.0
Business	1.1	0.1	6.1	0.3
Credit card	1.1	1.5	5.8	5.9
HECS	0.3	0.2	1.4	0.9
Other	0.3	0.2	1.4	0.9
Total debt	18.8	25.9	100.0	100.0
Population (000s)	593.9			

Source: Authors' calculations using the 2002 HILDA Survey

Table 10: Mean and composition of income unit wealth and debt of persons aged 65+ years in 2002 in bottom 40 per cent of net wealth distribution (net wealth < $136 606)

	Mean ($000s)		***Composition (%)***	
	2002	***2006***	***2002***	***2006***
Wealth				
Primary home	27.4	63.0	55.3	67.0
Other property	1.3	4.4	2.7	4.6
Equity investments	2.6	4.4	5.3	4.7
Cash investments	0.2	0.4	0.4	0.5
Trust funds	0.1	0.0	0.1	0.0
Bank accounts	10.4	13.9	21.0	14.8
Life insurance	0.3	1.5	0.6	1.6
Superannuation	0.7	0.7	1.5	0.7
Business	0.0	0.0	0.1	0.0
Vehicle	5.3	4.4	10.7	4.7
Collectibles	1.1	1.3	2.2	1.4
Total wealth	49.5	94.1	100.0	100.0
Debt				
Primary home	1.5	2.1	66.9	88.8
Other property	0.0	0.0	0.0	0.0
Business	0.4	0.0	16.7	0.0
Credit card	0.4	0.3	16.4	11.2
HECS	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Total debt	2.2	2.4	100.0	100.0
Population (000s)	488.8			

Source: Authors' calculations using the 2002 HILDA Survey

We complete this section by comparing the wealth and debt profiles of all home owners and renters. We also isolate those aged 50 years and over for special attention. Renters are typically younger—an average age of 43 years as compared to 53 years for owners in 2006—and so are at an earlier point of the life cycle when wealth accumulation is in its earlier stages. Moreover, they have not been able to reap the benefits of house price gains (unless they have invested in rental property), and generally have lower incomes. These patterns are a little more pronounced amongst the over 50s. There are therefore strong expectations of lower net worth among renters, and this is confirmed in Table 11 where the average gross wealth of home owners is almost five times that of renters, but home owners' debt is a lower multiple (just over 4) of renter debt.[18]

[18] These ratios are very smiliar among the over 50s.

It is noticeable that all renters including those over 50 have made fewer investments in every asset class, including superannuation, where renters have balances that are approximately one-quarter of those held by home owners (one-fifth among the over 50s). The most prominent asset in renter's portfolios is other property; this likely reflects the contribution of a small number of individuals living away from their normal place of residence, although in the all renters sample it might also comprise young people that remain at home but have invested in a unit/apartment as an initial foothold in the housing market. Among the estimated 624 000 renters who own other property, approximately 87 000 (14%) are still living at home.

Table 11: Mean and composition of income unit wealth and debt of home owners and renters in 2002 and 2006

11a: Mean income unit wealth and debt of home owners and renters in 2002 and 2006, $000s

	All age groups						***50 years and over***					
	2002			***2006***			***2002***			***2006***		
	Owners	***Renters***	***All***	***Owners***	***Renters***	***All***	***Owners***	***Renters***	***All***	***Owners***	***Renters***	***All***
Wealth												
Primary home	309.0	0.0	199.8	470.2	0.0	320.9	320.1	0.0	260.8	481.7	0.0	387.6
Other property	63.6	19.8	48.1	155.6	70.5	128.6	78.7	23.8	68.5	184.0	80.1	163.7
Equity investments	46.1	11.5	33.9	66.9	22.1	52.7	78.5	20.6	67.8	116.8	41.9	102.2
Cash investments	3.1	0.6	2.2	3.1	1.2	2.5	6.5	1.9	5.6	6.4	1.8	5.5
Trust funds	8.9	3.6	7.0	15.2	2.4	11.1	12.4	1.5	10.4	17.9	3.4	15.0
Bank accounts	26.8	10.9	21.2	33.0	21.6	29.4	38.9	20.7	35.6	47.9	45.9	47.5
Life insurance	6.2	3.1	5.1	12.0	3.7	9.4	4.9	4.0	4.8	3.5	2.9	3.4
Superannuation	115.3	27.0	84.1	172.1	47.1	132.4	137.3	30.9	117.5	207.9	40.5	175.2
Business	21.6	8.4	16.9	20.6	11.7	17.8	23.4	20.9	22.9	17.2	3.0	14.4
Vehicle	22.6	10.8	18.4	28.4	14.5	24.0	24.0	8.6	21.1	26.1	10.4	23.0
Collectibles	4.1	2.4	3.5	4.0	2.5	3.5	5.3	4.1	5.1	4.1	3.9	4.0
Total wealth	627.1	98.1	440.1	981.2	197.4	732.4	730.1	137.1	620.1	1113.4	233.7	941.7
Debt												
Primary home	59.7	0.0	38.6	92.9	0.0	63.4	21.9	0.0	17.9	27.9	0.0	22.4
Other property	12.7	7.9	11.0	30.6	25.5	29.0	9.2	5.3	8.5	21.0	9.2	18.7
Business	4.2	2.6	3.6	3.7	1.2	2.9	3.1	6.5	3.7	1.0	0.0	0.8
Credit card	0.9	0.9	0.9	1.3	1.5	1.4	0.6	0.8	0.6	0.7	1.0	0.8
HECS	0.4	1.4	0.8	0.4	1.5	0.7	0.0	0.2	0.1	0.0	0.1	0.1

Other	0.4	1.4	0.8	0.4	1.5	0.7	0.0	0.2	0.1	0.0	0.1	0.1
Total debt	78.3	14.3	55.7	129.3	31.2	98.2	34.9	13.0	30.9	50.7	10.5	42.8
Population (000s)	7925.7	4332.6	12258.4	8367.5	3890.8	12258.3	3836.0	872.9	4708.8	3789.5	919.4	4708.8

11b: Composition of income unit wealth and debt of home owners and renters in 2002 and 2006, per cent

	All age groups						***50 years and over***					
	2002			***2006***			***2002***			***2006***		
	Owners	***Renters***	***All***	***Owners***	***Renters***	***All***	***Owners***	***Renters***	***All***	***Owners***	***Renters***	***All***
Wealth												
Primary home	49.3	0.0	45.4	47.9	0.0	43.8	43.8	0.0	42.1	43.3	0.0	41.2
Other property	10.1	20.2	10.9	15.9	35.7	17.6	10.8	17.3	11.1	16.5	34.3	17.4
Equity investments	7.3	11.8	7.7	6.8	11.2	7.2	10.8	15.0	10.9	10.5	17.9	10.9
Cash investments	0.5	0.6	0.5	0.3	0.6	0.3	0.9	1.4	0.9	0.6	0.7	0.6
Trust funds	1.4	3.6	1.6	1.5	1.2	1.5	1.7	1.1	1.7	1.6	1.4	1.6
Bank accounts	4.3	11.1	4.8	3.4	10.9	4.0	5.3	15.1	5.7	4.3	19.7	5.0
Life insurance	1.0	3.2	1.2	1.2	1.9	1.3	0.7	2.9	0.8	0.3	1.2	0.4
Superannuation	18.4	27.5	19.1	17.5	23.9	18.1	18.8	22.6	19.0	18.7	17.3	18.6
Business	3.4	8.5	3.8	2.1	5.9	2.4	3.2	15.3	3.7	1.5	1.3	1.5
Vehicle	3.6	11.0	4.2	2.9	7.4	3.3	3.3	6.3	3.4	2.3	4.4	2.4
Collectibles	0.7	2.5	0.8	0.4	1.3	0.5	0.7	3.0	0.8	0.4	1.7	0.4
Total wealth	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Debt												
Primary home	76.2	0.0	69.3	71.8	0.0	64.6	62.8	0.0	57.8	55.0	0.0	52.3
Other property	16.2	55.4	19.8	23.7	81.8	29.5	26.4	40.8	27.5	41.4	87.6	43.7

Business	5.3	18.1	6.5	2.9	3.8	3.0	8.9	49.9	12.1	2.1	0.1	2.0
Credit card	1.2	6.4	1.6	1.0	4.7	1.4	1.7	6.4	2.0	1.4	9.7	1.8
HECS	0.6	10.0	1.4	0.3	4.9	0.8	0.1	1.4	0.2	0.1	1.3	0.1
Other	0.6	10.0	1.4	0.3	4.9	0.8	0.1	1.4	0.2	0.1	1.3	0.1
Total debt	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Population (000s)	7925.7	4332.6	12258.4	8367.5	3890.8	12258.4	3836.0	872.9	4708.8	3789.5	919.4	4708.8

Source: Authors' calculations using the 2002 and 2006 HILDA Survey

In a summing up of this descriptive work, we emphasise some key findings.

Residential property remains the most important asset in the wealth portfolios of older Australians, and retirees become increasingly reliant on property as a source of wealth as they move further into retirement. Other assets are realised to smooth consumption in the later years of the life course.

- Among Australian home owners approaching retirement between 2001 and 2006, booming house values have been used to secure large increases in debt. However, if house prices remain firm the typical pre-retiree will have a conservative gearing ratio.
- Because of very high rates of home ownership, home owners account for around one-third of asset-poor older Australians. Despite their small tenure, share renters are the dominant group among older asset-poor Australians. They also typically have very low levels of superannuation, and are more highly geared than the average Australia.

While renters account for the majority of the asset-poor, it should be pointed out that some of these older renters were in fact home owners earlier in their housing careers, but could not cling on to that status. We estimate that 284 400 older Australians who were home owners in 2001 had lost their home ownership status by 2006. Of these 134 600 joined the ranks of the asset-poor in 2006. An understanding of the housing market drivers and implications of being asset-poor will be enhanced by analyses of these transitions, a task that will be conducted and reported upon as part of the Final Report for this project. That Final Report will also examine whether being asset-poor matters as far as housing assistance status is concerned.

5 CONCLUDING COMMENTS AND NEXT STEPS

The average Australian is a property owner who has had to borrow large amounts, especially when being a young householder trying to buy into home ownership for the first time. However, even mature-age Australians have taken on much larger levels of debt in the early years of the new millennium. Most of this debt is secured against property; soaring property values have helped fuel this 'debt binge', and gearing ratios have therefore remained at modest levels for most. Although exposure to investment risks is then limited for the average Australian, credit (that is repayment) risks might prove to be a more significant risk exposure as interest rates climb following recovery from the global financial crisis. In the baby-boomer group approaching retirement, it seems that some with high levels of debt are relying on lump-sum pension payouts to ensure a debt-free retirement. This potential link with pensions could go some way to undermine a goal of Australian retirement policy—economic independence in retirement—and should be carefully monitored by policy makers. Others in this group might be contemplating trading-down in retirement to clear remaining debts. These baby boomers are presumably confident that the sort of house price crashes witnessed in USA, UK and other countries, will not occur in Australia. Even if such confidence is justified, the market in equity downsizing has imperfections that can undermine plans to cash in housing equity.

In all age groups property investment is typically a more important component of wealth portfolios than superannuation. The property price boom has contributed to this portfolio balance, but this finding nevertheless emphasises the importance of housing wealth in retirement.

It is commonplace to describe the asset-poor as life-long renters whose low incomes make saving and the accumulation of wealth difficult if not impossible. Renters do indeed make up two-thirds of the asset-poor. Unsurprisingly, asset-poor renters have few assets of any kind to fall back on. As they age, their housing options shrink as earnings tail off. Even if their share of the total population remains constant, their numbers will swell as the population ages. Their housing needs will require a response from policy makers (see below).

However, there is a new source of asset-poor households that could further add to their numbers—owner-occupiers with high levels of debt exposed to risk because of biographical disruptions and economic shocks, or 'reckless' financial decisions encouraged by easier access to credit. They are largely responsible for the finding that around one-third of asset-poor Australians are owner-occupiers. Frequently these financially stressed households lose their home ownership status. We estimate that almost one million home owners became renters between 2001 and 2006. It seems that these reversals are often more than a 'hiccup' in housing careers, and for some, they pose a threat that can permanently scar housing careers. These households are the 'new' asset-poor. Population ageing is a dynamic process; those recently falling out and unable to quickly climb back into home ownership are frequently young or middle-aged. They will join the ranks of the retired in the future; policy makers need to anticipate housing challenges, if any, that these developments might pose in the new millennium. It is conceivable that we are merely witnessing an adjustment to longer life expectancy. The younger people of today expect to live well beyond the current retirement age, and might therefore be planning to work into later stages of the life course; as a consequence they are comfortable with the idea of becoming first-home buyers and paying off mortgages later in life. In the next stage of our research we will be looking for signs of such behavioural adjustments among mortgagors pre- and post-retirement.

Our final report will also examine the role of financial stress and other factors in shaping transitions into an asset-poor predicament, as well as its relationship to transitions into housing assistance. This will be achieved using appropriate modelling techniques. The findings from this statistical exercise will help inform assessment of the policy options reviewed in the earlier sections of the positioning paper. The life-long low-income renter component of the asset-poor likely demands different housing policy responses from the 'new asset'-poor component. The latter might warrant temporary interventions designed to prevent permanent scarring of housing market careers. The mortgage relief policies outlined in section 3 could prove to be sensible and effective initiatives (on this, see Berry et al. (forthcoming 2010), chapter 5, for a discussion of a range of policy measures designed to reduce or mitigate mortgage default risk).

In liberal welfare regimes like Australia, greater reliance on flexible but imperfect housing and labour markets, associated with the rise in the numbers of older asset-poor rental households, raises large policy challenges for government. Previous research carried out by AHURI and the National Housing Supply Council suggest the existence of significant housing supply constraints and forecasts of robust long-term housing demand pressures in the major population centres; these twin developments imply that rents in the lower half of the private rental market are likely to rise faster than the capacity of government demand-side measures to cope and faster than in European countries where slower population growth and integrated rental systems may dampen the rate of rent increases in the private market. The situation for older and retired low net-worth tenants in Australia is likely to be particularly bleak. Dependence on CPI-linked pensions, declining mobility and the need to be accessible to relevant health and other urban services will narrow their effective access to appropriate affordable housing.

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APPENDICES

APPENDIX 1: Measuring income unit wealth and debt

In single-income unit households, household wealth is equivalent to income unit wealth. In multi-income unit households, the algorithm for measuring wealth and debt on an income unit basis is detailed in Table A1 below.

Table A1: Measuring income unit wealth and debt for income units residing in multi-income unit households

Asset/debt type	***Unit of measurement in HILDA***	***Method of measuring income unit wealth***
Asset		
Primary home	Household	We have identified income units that own the primary home in a multi-income unit household using AHURI-3M. Hence, the wealth stored in the primary home is assigned to the income unit that owns the primary home
Other property	Household	We are able to identify legal owners of other property within the household. We assume legal owners have equal share of property value to get the income unit value. So for example, suppose there are three adult members in the household, of which two are members of a couple-income unit, and the third is a non-related household member. Suppose that all three are reported as legal owners of other property owned by the household. The couple-income unit would be assigned two-thirds of the household wealth stored in other property, while the third adult would be assigned one-third of the household wealth.
Business	Household	Each respondent is asked what their financial year business income is. Respondents who report business income (whether made profit, loss or broke even) are classified as business owners. The household business assets are then divided equally among business owners in the household. For a couple-income unit, the sum of personal business wealth is added up to derive income unit business wealth.
Own bank accounts	Personal	For a couple-income unit, the sum of personal own bank account wealth is added up to derive income unit own bank account wealth.
Joint bank accounts	Personal	For a couple-income unit, the sum of an individual's share of joint bank account wealth is added up to derive income unit joint bank account wealth.
Life insurance	Household	This is divided equally among adult members of the household then summed for members of each income unit to derive income unit wealth. Data limitations prevent identification of life insurance owners and their share of life insurance wealth.
Superannuation – retired	Personal	For a couple-income unit, the sum of personal retirees' superannuation wealth is added up to derive income unit retirees' superannuation wealth.
Superannuation –	Personal	For a couple-income unit, the sum of personal non-retirees' superannuation wealth is added up to derive

non-retired		income unit non-retirees' superannuation wealth.
Equity investments	Household	This is divided equally among adult members of the household then summed for members of each income unit to derive income unit wealth. Data limitations prevent identification of equity investment owners and their share of equity investment wealth.
Cash investments	Household	This is divided equally among adult members of the household then summed for members of each income unit to derive income unit wealth. Data limitations prevent identification of cash investment owners and their share of cash investment wealth.
Trust funds	Household	This is divided equally among adult members of the household then summed for members of each income unit to derive income unit wealth. Data limitations prevent identification of trust fund owners and their share of trust fund wealth.
Vehicle	Household	This is divided equally among adult members of the household then summed for members of each income unit to derive income unit wealth. Data limitations prevent identification of vehicle owners and their share of vehicle wealth.
Collectibles	Household	This is divided equally among adult members of the household then summed for members of each income unit to derive income unit wealth. Data limitations prevent identification of vehicle owners and their share of vehicle wealth.
Debt		
Primary home	Household	Apply method of assigning primary home wealth (see above).
Other property	Household	Apply method of assigning other property wealth (see above).
Business	Household	Apply method of assigning business wealth (see above).
Own credit card	Personal	For a couple-income unit, the sum of personal own credit card debt is added up to derive income unit own credit card debt.
Joint credit card	Personal	For a couple-income unit, the sum of an individual's share of joint credit card debt is added up to derive income unit joint credit card debt.
HECS	Personal	For a couple-income unit, the sum of personal HECS debt is added up to derive income unit HECS debt.
Other[a]	Personal	For a couple-income unit, the sum of personal other debt is added up to derive income unit other debt.

Note:
a. Car loans, investment loans, personal loans, hire purchase, overdue bills

APPENDIX 2: Hypothetical exercise where property prices are scaled up to June 2009 values

At the time we were writing the research proposal there were widespread fears of a housing market crash. At the time of writing these fears proved unfounded. We conduct a hypothetical exercise in which all asset holdings other than property are held constant, while property values are scaled up to June 2009 values using the

Australian Bureau of Statistics (ABS 2009) House Price Index series as listed in Table A2. As shown in Table A3, property shares in wealth portfolios have not slumped between 2006 and June 2009, contrary to expectations widely held in late 2008.

Table A2: House price index of established homes from September 2006 to June 2009

Qtr	Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra	Weighted average
Sep. 2006	**94.4**	**112.0**	**112.7**	**114.5**	**188.4**	**127.1**	**152.3**	**110.0**	**112.0**
Dec. 2006	94.8	114.8	115.6	117.6	194.8	129.2	159.7	111.8	114.1
Mar. 2007	94.6	116.7	120.4	119.7	195.8	132.8	164.5	113.5	115.4
Jun. 2007	98.2	125.1	128.1	126.9	192.1	135.4	166.3	118.5	120.3
Sep. 2007	100.7	131.5	134.3	134.6	195.5	139.0	170.8	124.5	124.8
Dec. 2007	103.1	141.3	141.3	143.7	197.6	144.8	177.3	128.2	130.1
Mar. 2008	102.5	143.6	145.4	148.2	195.3	141.9	174.8	129.1	131.0
Jun. 2008	101.1	143.2	146.1	147.0	190.8	143.1	177.7	126.7	129.9
Sep. 2008	98.8	138.5	140.5	146.9	186.6	139.7	181.9	122.3	126.5
Dec. 2008	97.2	137.0	138.0	146.6	182.4	141.0	188.5	121.9	124.8
Mar. 2009	95.5	134.0	137.9	145.9	178.8	139.8	192.6	122.1	122.9
Jun. 2009	**100.2**	**141.0**	**141.3**	**150.9**	**183.7**	**143.3**	**197.3**	**126.5**	**128.1**

Source: Australian Bureau of Statistics (2009)

Table A3: Mean income unit wealth, by age band in 2006, property prices in 2006 and 2009 dollars

	Mean wealth, all asset prices in 2006 dollars ($000s)				***Mean wealth, property prices in 2009 dollars but other asset prices in 2006 dollars ($000s)***			
	< 50	***50–64***	***65+***	***All***	***< 50***	***50–64***	***65+***	***All***
Wealth								
Primary home	261.6	417.6	349.6	320.9	301.5	476.0	399.3	367.7
Other property	111.1	175.8	112.3	128.6	128.0	199.9	127.2	147.1
Equity investments	25.3	80.0	88.9	52.7	25.3	80.0	88.9	52.7
Cash investments	1.0	3.2	5.9	2.5	1.0	3.2	5.9	2.5
Trust funds	8.8	18.7	7.4	11.1	8.8	18.7	7.4	11.1
Bank accounts	16.8	41.4	46.9	29.4	16.8	41.4	46.9	29.4
Life insurance	12.6	8.3	2.2	9.4	12.6	8.3	2.2	9.4
Superannuation	90.4	244.5	94.5	132.4	90.4	244.5	94.5	132.4
Business	20.8	22.1	4.0	17.8	20.8	22.1	4.0	17.8
Vehicle	25.4	27.6	15.4	24.0	25.4	27.6	15.4	24.0
Collectibles	3.1	4.3	3.7	3.5	3.1	4.3	3.7	3.5
Total wealth	576.8	1043.4	730.6	732.4	576.8	1043.4	730.6	732.4
Population (000s)	6529.2	3280.2	2448.9	12258.4	6529.2	3280.2	2448.9	12258.3

Source: Authors' calculations using the 2006 HILDA Survey and Australian Bureau of Statistics (2009)

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