Positioning Paper

Ageing-in-place? Intergenerational and intra-familial housing transfers and shifts in later life

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for the

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ABBREVIATIONS

ABS	Australian Bureau of Statistics
ACHA	Assistance with Care & Housing for the Aged
AGE	‘Americans for Generational Equity’
AIHW	Australian Institute of Health and Welfare
AUSSTATS	Australian Statistics (Subscription service providing ABS material)
CBA	Commonwealth Bank of Australia
CGT	Capital Gains Tax
COPS	Community Options Projects
COTA	Council for the Ageing
DHFS	Department of Health and Family Services
DYNAMOD	Dynamic micro-simulation models
EACH	Extended Aged Care at Home
ECG	Electro Cardio Graph
FaCS	Family and Community Services
HACC	Home and Community Care Program
NATSEM	National Centre for Social and Economic Modelling
NCA	National Commission of Audit
OECD	Organisation for Economic Co-operation and Development
OMNI	Association of ‘Older men, New Ideas’
PROBUS	Organization of retired professional businessmen and women
SKINS	Group who advocate ‘Spend our Kids Inheritance Now’
SMH	The Sydney Morning Herald
UQ/RVAA	University of Queensland/Retirement Village Association of Australia

GLOSSARY

A household reference person: ABS census code definition: ‘One person in each family is designated as the family reference person. A family reference person must be present in the household on Census Night (i.e. listed in the main body of the census form, not in the part for temporary absentees), and over the age of fifteen years. There is a reference person for each family in a multiple family household. The reference person for the primary family is usually defined as the household reference person’.

‘Accidental landlords’	Beneficiaries who ‘let’ their inherited dwellings and thus play a role in the rental market
Ageing population	The older population
Ageing-in-place	Growing older in a person’s own home
Assisted care environment	Institution providing care for elderly and infirm
Baby boomers	Generation born after WW11(1946) up until 1961
Care accommodation	Community care, assisted or supported residential facility/service
Cohort	A group of persons sharing a particular statistical or demographic characteristic
Downsizing	Moving to smaller residences
Centumviral Court	Court during Roman period (AD 285-565)
Equity conversion	Converting home equity in to disposable income
Equity extraction	Extracting equity in the home through a loan scheme
Ex-nuptial children	Children born out of wedlock
Flat (or unit)	Includes all self contained dwellings in blocks of flats, units or apartments
Formal providers	Institution providing care for elderly and infirm
Generation X	The generation born between 1961 and 1981
Gerosocial succession	Where the family is expected to provide financial aid and support is passed on to second and third generations
Granny cabins	Relocatable homes, detached from the main residence
Home Telecare	Use of information, communication, measurement and monitoring technologies to evaluate health status and deliver health care from a distance to and from people in the home
Hostel/s	Residential and health care provider
Housing career	Pattern of housing tenure through a person’s life course
Housing ladder	Lifetime move of housing tenure
Housing tenure	The form of possession or holding of residential property
‘In-house-ageing’	Ageing-in-place, staying in the family home after-retirement
Intestacy/ Intestate	Where a person dies without leaving a will

Intentional communities	An inclusive term for co-housing (communes, urban housing cooperatives, ‘ecovillages’ etc.)
Inter vivos transfers	Transfers between living people
Intergenerational contract	Tacit set of norms defining expectations and obligations between different generations
Intergenerational equity	Degree of equality between generations
Intergenerational transfers	Pertaining to transfers of wealth (inheritance) between individuals in/of different generations or age groups (eg: from deceased to their heirs)
Intra-familial transfers	Transfers of wealth (inheritance) between family members
‘Joint tenants’	The legal implications for inheritance refer to the automatic transfer of property to the surviving partner on the title deed
Leverage’	Debt to asset ratio
Lifecycle/ Lifecourse	A series of stages through which an individual, passes during their lifetime
‘Lucky generation’	Commonly used to refer to the generation currently in their 50’s and 60’s
Milestone life events	Crucial junctures of the life course
Nursing Home	Residential and health care provider
Older Australians	Refers to men and women aged 65 years and over
Outsource	Paid outside assistance
Owner with a mortgage	A household where the reference person or partner owes an amount or mortgage secured against the dwelling
Owner without a mortgage	A household where the reference person or partner does not owe an amount on a mortgage or loan secured against the dwelling
Push factors	Factors that ‘push’ people to move (as opposed to draw/attract them)
Quid pro quo	Latin term meaning ‘Something for something’
Residential aged care	‘Formal’ aged care system in the form of Nursing Homes and Hostels in Australia
Retirement village	Housing complex alternative for people 55 and over
Reverse mortgage	Loan scheme secured against the family home: aimed at asset rich/cash poor retirees to provide disposable income
Semidetached	Occupied private dwelling with their own private grounds and no dwelling above or below. A key feature is that they are attached in some structural way to one or more dwellings.
Separate house	Occupied private dwelling which is self-contained and separated from other structures

Spatial mismatch argument	Occupation of a large family house by older single people or older couples represents an inefficient use of the housing stock
‘Smart technology’	Systems for home automation, security and environment control
‘Stay put’	American term for ageing-in-place
Tenants in common	The legal implications for inheritance refer to the right of the testator to ‘will’ the property as they chose
Testamentary bequests	Gifts by ‘will’ especially of money or other personal property.
‘The old, old’	Depression era children
‘The young, old’	People currently in their 60’s and seventies
User pays policy	People who use or benefit directly from resource use should pay for the full cost of accessing that resource.
Zero sum game	A game in which the sum of the winnings and losses of the various players is always zero, the losses being counted negatively

EXECUTIVE SUMMARY

Introduction

Australia's population is ageing because of the combined effects of increased longevity and decreased fertility. These demographic changes produce economic, social, and personal challenges for Australian society, for families and individuals. Ageing populations create demands for higher expenditure on pensions and other government provided welfare and social benefits, leading to higher taxes falling on fewer workers. Yet in a world of global markets and capital flows, governments cannot increase taxes significantly without damaging national competitiveness. In Australia, this has led to concern that there will be pressures upon the current levels of government provision of the age pension and other services, and an increasing requirement for a user-pays policy environment for health and aged care and other government-provided services.

Two decades of economic reforms have produced Australian Government policies and community expectations that older people will increasingly be responsible to self-fund their retirement needs and pay 'user-pays' charges for health, community care and aged care facilities. This will produce strains as there is extraordinary diversity in the ownership of financial resources among the elderly as a result of previous labour market experiences and lifetime income differences, regional differences, gender and ethnic differences, and an increasing economic polarisation within Australian society (Pusey, 2003). And increasing longevity will stretch the capacity of older people to adequately provide for their retirement requirements. This will particularly affect older women. There have also been vast changes in family structures, increasing levels of divorce and low levels of remarriage, particularly for older women (Olsberg, 2001).

For many older Australians, their only possibility of adequately self-funding their retirement needs will be to have financial support from family members, or to finance their needs out of the equity in their family home. Never before has the destiny of the family home been of such crucial moment for the economic, social and political future of Australia. And never before has the family home been such a potential force in a new intergenerational contract within families and between generations.

These issues raise important challenges for individuals and their families, and for Commonwealth and State Governments, for community organizations and for decision-makers throughout the public and private sectors. The Australian Housing and Urban Research Institute (AHURI) has contracted the University of New South Wales (UNSW) to examine these issues in a two year national empirical research project. The following Positioning Paper provides the conceptual framework for the empirical fieldwork. An Executive Summary of the main points raised in the Positioning Paper follows.

Demographic Changes and Housing Wealth

- Home ownership in Australia is very high and highly valued amongst older people. In 2001, 80 per cent of people over 65 years of age were home owners, 75.5 per cent owning their homes outright unencumbered by mortgage. Even for those aged over 85, 74.3 per cent were home owners, 70.3 per cent owning their homes outright without a mortgage (ABS, 2048.0, 2001). Because of the high rate of home ownership among older Australians, they have been major beneficiaries of increases in the value of housing in the past 20 years. More recent increases, particularly the momentous inflation in the value of the family home in the eastern states of Australia, have still further markedly increased those values and so the housing wealth of Australia's older population (Real Estate Institute, 2004).

- Over the same period, housing inflation has become an obstacle for the younger generation attempting to enter the housing market, changing the pattern of home purchase and home ownership among the different generations (King & McDonald, 1999).

- In Australia ownership of the family home is often referred to as 'The Australian Dream' (Baum & Wulff, 2001). Not only has the family home always been the most significant financial asset for the majority of Australians, home ownership has served as an important icon for personal identity and family values. Also, home ownership has traditionally been the primary form of retirement savings in Australia (Castles,1998). And home-ownership makes a major contribution to retirement living standards for older people (ABS, Cat 4130, 1999).

- The significance of home ownership as a source of private wealth of older Australians is indicated in three papers from NATSEM (Kelly & Harding, 2003; Kelly 2003b; Harding, King and Kelly, 2002). The average wealth of Australian families with a household head aged 65 or over was $367,600 in 2002, increasing from $106,000 in 1986 through $204,000 in 1998.

- Increasing longevity and the longer duration of the post-earning phase of the life course can be expected to place a greater demand on the private assets of older people. As well, the necessity to increasingly self-fund some of their retirement needs, together with increasing higher expectations for retirement lifestyles, overseas travel, leisure pursuits as well as elective and essential health care will place additional strains on older people's financial resources, in many cases to the extent that their living costs will exceed their income. The options for older people will be to seek support from family members or to finance their needs out of equity in their family home.

- Older Australians are a diverse population. But there is a strong generalised culture of independence among older Australians, an unwillingness to have to depend upon their children for financial support, and great value placed by older people upon being in control of their own lives (Olsberg, 1997).

- Social and structural changes in Australian society will also make it difficult for older people to call upon financial support from their families. As a consequence of the ageing of the population, there is greater prevalence of multi-generational families. When parents and children are likely to experience more than 50 years of overlapping adult life, there will be adults on both sides of the inter-generational relationship for most of the time. There are already stronger obligations on grandparents to care and support grandchildren, and perhaps two generations of older people in a family, including two generations of widows. The possible conflicting demands on the middle generation will be increasing and demands for providing care may affect family support as well as working life. Other changes such as the incidence of divorce, remarriage and blended families, single parent families, later child bearing and smaller families are important to intergenerational obligations and support because they form a central part of the context within which these are worked out.

- Although capital from other asset types may be more accessible than housing. for many older Australians without adequate superannuation or other assets, their only options will be to extract equity from their home or to trade down their residences. Elderly people will seek to free up housing assets to meet living costs by trading down to flats, smaller houses or cheaper locations, moving to other accommodation such as with families, retirement villages and aged care and by borrowing against housing assets.

Ageing in Place

- The preferred option of most older Australians is to remain in their homes for as long as possible and until their changing circumstances necessitate a move to an assisted care environment. The 'home' represents 'a combination of personal and financial security, family memories and a sense of place and wellbeing' (Manicaros and Stimson, 1999; Stimson & McGovern, 2002). There is an important positive value in familiarity with the house, the neighbourhood and people in the local community. The vast majority of older people live in houses selected decades earlier when they were in the paid workforce and had larger houses. Their use of dwellings and areas does change when children leave home and after widowhood in old age, but few people adjust their housing after retirement unless they eventually can no longer drive or maintain their homes (Kendig & Neutze, 1999).
- The desire by older Australians to remain in their home is supported by Australian governments not only in the form of favourable tax (capital gains) and pensions treatments (Winter, 1999), but also in terms of aged care policy by providing assistance with activities such as property maintenance, personal care, health care, and household tasks. Government agencies may provide services directly or purchase them from other formal providers. There are also technological advances which make it possible for older people to make alterations to their home to enable them to live longer independently (Celler & Lovell, 2000).

Making a Move

- Some older people move, and do so for a number of reasons (Robison & Moen, 2000, Faulkner, 2001). These include social and lifestyle reasons: moves on retirement or when children leave home to a location or house that they prefer; moves to places that have better amenities, such as close to shops, transport or recreation; moves to be closer to family or friends for social reasons; or generally 'a desire to pursue a more relaxed or better lifestyle' (Stimson & McGovern, 2002). There are a range of accommodation options which older Australians are faced with as choices as they age, and overall, the propensity to move increases with advancing age, especially after the mid-seventies. These options are ageing in place, down-sizing or making a move – whether sharing or moving into shared accommodation with family or friends; or into retirement villages or residential care of various levels.
- There has been a long standing pattern of some older people moving to smaller houses in their retirement, often moving to coastal areas. For many retirees the sale of their city family home offered the opportunity to purchase a smaller house and use the balance to fund travel and other lifestyle purchases (Salt, 1999). However, the huge growth in the value of housing in coastal areas right around the nation mean that many older people will no longer be able to afford to retire to the coast. Or even if they do, the increased housing values will seriously diminish the equity they have from the sale of their family home.
- Twelve per cent of older Australians reside with their children, five per cent with their children's family, three per cent with other relatives, and two per cent live with unrelated people (Stimson, McGovern & Earl, 2002). Unlike many other countries, intergenerational support of the elderly in terms of living under one roof is not common in Australia, 'and it could well be expected that it will become even less' popular in the future'. Preliminary research interviews indicate that many family sharing arrangements turn sour over time as family conflicts arise (Research interviews, December, 2003). These can be particularly acrimonious when older family members have sold their homes and made *inter vivos* living transfers to children or other family members with intentions of sharing purchased or renovated accommodation with that family.

- There is an unprecedented move by retirees in Australia to intentional communities or retirement village developments. By international standards, retirement villages are still limited in Australia (in 2001 only 3.3 per cent of elderly Australians lived in self-care retirement villages (ABS 2001), compared to seven per cent in the US. Yet Australian studies suggest retirement villages are generally regarded as an attractive option by older Australians (Stimson, McGovern & Earl, 2002). Although many of the elderly move to retirement villages due to health, security concerns, increased care, better lifestyle (among others) there are also numerous financial reasons that prompt people to downsize their housing. A retiree may be better off through gaining a substantial capital fund after selling his/her family home and purchasing less expensive accommodation in a retirement village. (Stimson and McGovern, 2002). It may prove especially beneficial if the value of the home well exceeds the cumulative costs incurred by the move and simultaneously provides a surplus disposable income to enhance quality of life. Moreover, the ongoing service fees of retirement villages may be significantly lower than maintaining a home and paying costly rates and land taxes. It may also prove beneficial to family members if, say, some of the surplus from the sale of the family home is apportioned in their favour to pay for tertiary education, the purchase a car, or to place a deposit on a home and so on.
- Other older Australians are forced to move to retirement accommodation with care services or to aged care institutions due to unforseen or overwhelming circumstances. The most common factors include ‘the death of a spouse, concerns about security, difficulties being experienced with home maintenance and changes in the nature of the neighbourhood, or because of their own current or anticipated care needs’ (Stimson and McGovern, 2002).
- Although the majority of older people function independently or with family support or community services, a portion of the elderly is unable to continue living in the community and require residential care facilities (Reberger, Hall & Criddle, 1999). In Australia, this facility is provided through Hostels and Nursing Homes. And the form of residential aged care an elderly person seeks admission to usually depends on the level of care required.

Consuming and Extracting Home Equity

- With more financial resources, 'young old' retirees and imminent retirees are more inclined to spend and to have the means to contemplate a greater engagement with contemporary 'lifestyle culture' than earlier generations of retirees - not only through such experiences as travel and other popular leisure activities, but also through their desire to avail themselves of anti-ageing strategies such as elective cosmetic surgery, alternative choices of lifestyle, and less parsimonious patterns of consumption. Australia is about to enter the era of the ‘discretionary ageing consumer’ (Access Economics, 2001). Many of those currently in retirement and certainly those now entering retirement and the baby boomers who will shortly enter retirement have greatly enhanced expectations for retirement lifestyles and greater demands for levels of health care (Olsberg, 1997). According to the Population Ageing and the Economy Report, mature consumers have more time on their hands than at any other time in their lives - and also compared to prior cohorts of the aged (Access Economics, 2001). They spend an above average share of their income on holidays, books magazines and the telephone. They cook at home and spend a below average share on fast food and restaurants, but an above average share on groceries and home wares. They are also more concerned about health and spend above the average on pharmaceutical products and health insurance, fees and charges. Older consumers are also more likely to 'outsource' - to pay an expert to do repairs to appliances, plumbing as well as the heavy work in the garden. With the combination of increased wealth (over their predecessors) and time to enjoy it, they will spend a lot more on boats and cars, garden tools to potter around the garden (though they will pay someone else to mow the lawn). The trend in their consumption will also increase in terms of recreational services, menswear, furniture and white goods (Access Economics, 2001).

- Yet, many older people have a need for income to meet essential health care costs or just to maintain their home. As 78 per cent of older people are dependent on pensions and other Commonwealth allowances for their main source of income ABS 2048.0, 2001), the high upkeep of homes and gardens is already onerous and the inflation of Council rates and other expenses accompanying the recent property booms weigh heavily (Project research interviews, December, 2003).
- The family home remains the main investment for most and for many really the only source of capital to support their increased consumption need and aspirations. Recent trends in creative financing have evolved to access the family home 'nest egg' in order to accommodate the spending needs, and desires, of this 'new class of retiree'. For even though 'The oldest old (Depression era children) will do without in order to improve or retain the value of their estate', the young old, 'those in their 60 to 70's have a higher expectation of lifestyle and are more likely to use up some of the inheritance' (Macken, 1999)
- A number of lending institutions have introduced innovative financial schemes such as the 'reverse mortgage'. These are designed to unlock the assets of the cash strapped elderly struggling to survive on the age pension by providing a means for elderly homeowners to access their home equity while continuing to live in their homes. In effect, reverse mortgages promote 'in-house-ageing' and ideally, such products would add to elderly homeowners' well being by providing a disposable source of income for those living on meagre means to cushion any future economic shocks (Fratantoni, 1999).

Intergenerational Relations, Inheritance and Inter Vivos Transfers

- The issue of intergenerational relations and the public or private transfer of wealth, particularly housing wealth and the potential for intergenerational conflict has recently become a public issue (Macfarlane, 2003). As well, there are new levels of interdependence within families and between kin created by 'user-pays' market philosophies for utilisation of health, family support and other welfare services. These concerns challenge established ideas about the place of older people in society, about succession and inheritance, and about family relationships, traditionally considered as an 'intergenerational contract' or as a set of social and cultural norms defining people's expectations and obligations (Walker, 1996).
- There is a new emphasis upon inheritance or *inter vivos* financial transfers between living people. Eighty-seven per cent of Australians who had received assistance to buy homes were helped by parents, and 64 per cent of those who inherited houses inherited from parents. The remainder received help or inheritances from grandparents or other relatives (King and McDonald, 1999). They found also that 5.5 per cent of the population aged 15 and over had, in the previous 10 years, received private inter-generational financial assistance to purchase a home or land and 5.7 had received an inheritance, worth at least $10,000, as money or inherited housing.
- The expectations for inheritance of the Baby Boom Generation are of particular interest. Using DYNAMOD simulation models, the AMP/NATSEM Income and Wealth Report (June, 2003) states that the wealth of baby boomers' parents has increased markedly as a result of housing and stock market booms of the 1980s and 1990s, and increased longevity means that their parents wealth will have more time to grow. As a result, the wealth available for inheritance by the baby boomers

should be greater than that available to previous generations, although they can expect to receive it somewhat later. Total household wealth potentially available for transfer by bequest is projected to rise from $8.8 billion per annum in 2000 to more than $70 billion in 2030 (AMP/NATSEM, 2003). This means that the amount available per beneficiary for baby boomers and their siblings should also be markedly higher. Also, living longer, parents of baby boomers may choose to leave a significant part of their estates to 30-year-old grandchildren just starting their families rather than their own children, skipping that generation. Overseas experience suggests that, with children living longer, better educated and tending to earn more than their parents, as well as having dual incomes, parents now feel less pressure to leave something for their offspring (AMP/NATSEM, 2003).

- Parents may decide to spend a substantial portion of their wealth because they fear that with a substantial bequest, their children would lose ambition and motivation, or adopt the view that nobody helped them in their younger years, so why should they. They may also choose to make sizeable donations to charities, medical research etc (Project research interviews, December, 2003).
- Another important form of inter-generational housing transfer is the increasing provision of accommodation in the parental home for young adults. In 1999, 17 per cent of 25-29 year olds and 7 per cent of 30-35 year olds lived in their parents' home (Kelly, Bill & Harding, 2003)
- Inheritance will be delayed and resources accumulated by the oldest generation may well have been largely consumed in meeting ordinary living expenses into old age, let alone any need that may have arisen for care. And, there is a likelihood of intergenerational conflict over the distribution of family resources - most particularly as much of the handing down of parental property and other assets in Australia is taking place in families previously unused to the munificence of such bounties (Project research interviews, December 2003).
- Assets of older people, particularly housing assets, may be required by older people to finance their needs for accommodation, residential care, health and other services and for their enhanced expectations for retirement lifestyles. Previously such demands may well have entirely exhausted the assets of older people, as evidenced by the vast majority of older people who until recently were entirely dependent upon the government provided old age pensions and many upon public housing (ABS, 2048.0, 2001).
- There are few studies either overseas or in Australia which focus upon the transmission of real property and capital assets either through testamentary bequests or *inter vivos* transfers. There is research in Australia on intergenerational transfers which has focused upon one regional area, in South Australia (O'Dwyer, 1999, 2000, 2001) and in Queensland (Mullins, 1999, 2000). Inheritance will be delayed and resources accumulated by the oldest generation may well have been largely consumed in meeting ordinary living expenses into old age, let alone any need that may have arisen for care (King and McDonald, 1999).
- The issue of intergenerational equity has long been and continues as a vexed and politically contentious issue by governments and by society. Classical debates concerning intergenerational equity in the academic literature focus upon the transfer of wealth within the family as a source of social inequality and a constraint upon broader access to opportunity and attainment (Wedgwood, 1929; Titmuss, 1962; Tawney, 1982).
- Much contemporary literature on intergenerational transfers has focused upon a narrow range of issues, most particularly the economic, social and moral obligations between generations and within families and the exchange of goods and services from younger to older generations and vice versa (Edgar, 1989;

Kendig 1984 & 1986). Much of the sociological research concerning inheritance has focused upon the transfer of wealth within the family as a source of social inequality and a constraint upon opportunity and attainment (Johnson et al, 1999; Quadano, 1989; Walker, 1990; Saunders,1994). The welfare, and particularly the feminist, literature has focused upon the nature and robustness of the social contract between generations, implicit within the redistribution of social resources through the welfare state through mediums of taxation and social expenditure such as welfare, health, pensions and other social benefits (Bryson, 1992; Shaver, 2001).

- Economic research explores two principal competing explanations of family exchange. The first is that altruism leads family members to share income and assets and provide each other with in-kind assistance of various kinds. The second is that family members assist each other only as part of a quid-pro-quo arrangement. Distinguishing between the two views is critical for a range of issues including the effectiveness of government inter and intra-generational redistribution programs and the intergenerational transmission of equality (Bernheim, 1985).
- In Australia, as in most other western countries, there is a separation of ownership and property rights from statutes concerning inheritance rights. Lifetime property rights are regarded as fundamental, based upon a combination of natural positive and common law. Succession to property on death through inheritance in Australia is legally constrained under laws relating to wills under State legislation and legal statutes which relate to the distribution of assets – all of which has a relevant history and which varies between the States (De Groot and Nickel, 2001). Yet, acceptance and degrees of legislative and fiscal restrictions upon the statute of wills and the rights of descents and distributions continues to be a source of debate in moral philosophy and political and legal thought.
- Since 1975 inheritance or estate taxes and death duties have been progressively removed in all Australian States. This is in contrast to most countries overseas which continue to impose varying amounts of death duties, wealth taxes or other imposts upon the testamentary disposition and transmission or receipt of property. Yet faced with the fiscal burdens of providing health, welfare and other government provided services for an ageing population, questions of the persistence of untrammelled rights of bequest and inheritance are once again on the public agenda for discussion.
- Overseas research on inheritance has found that there is a strong objection to any requirement to use wealth to meet old age needs such as long-term care (Hancock et al, 2002). The strong community opposition to the proposed introduction of Accommodation Bonds in 1997 suggests similar attitudes exist in Australia.

Challenges and Opportunities for Government

The issues for Government are numerous and require the development of multi-level policies. A number of strategies have been or are being proposed to control the public costs of ageing. The most important strategy currently in place to reduce age pension expenditure is the Superannuation Guarantee Charge which aims to build the levels of private savings and provision of retirement income (Olsberg, 1997). However compulsory private savings through superannuation contributions were introduced just over a decade ago and older people benefit little. It is also generally accepted that the Superannuation Guarantee will be insufficient to have a significant impact upon the retirement incomes of baby boomers (Kelly, 2002). And there is widespread opposition to increasing the compulsory contribution rate for superannuation and limited support for additional voluntary contributions by individual employees (Olsberg, 2002). As most older people are ‘housing asset rich and income poor’ (Kendig and Neutze, 1999: 144), some parts of Governments have an interest in unlocking the assets of the aged to pay for these expenditures. This would allow Governments to draw back from current per capita funding levels and enable more efficient targeting of expenditure. Government decision-makers are therefore faced with a limited range of options. These include:-

- Reducing the minimum age pension benefit or aged care and health service level per aged person.
- Increasing the age at which people may access aged pensions or government provided benefits.
- Shifting age care costs to the recipient or raising additional taxes to meet the rising costs.
- Introducing additional residential aged care costs and/or placing increasing emphasis upon community based support and care.
- Re-examining the possibilities for some form of estate taxation.
- Introducing some form of support or encouragement for the possibilities of older people extracting equity from their homes.
- To some degree, Governments since the early 1980s have taken a renewed interest in assets: re-introducing an assets test on age pensions and a capital gains tax. They have also promoted 'pay in advance' through superannuation or proposals for using insurance systems to fund aged care (Fine and Chalmers, 1998). The family home has to date remained sacrosanct, except for the low level aged care bonds and charges.
- Any moves to exhaust the elderly population's financial assets before accessing public support reduces their capacity for private transfers. For example, consideration of the assets of the elderly in determining entry fees to nursing homes would lead to less wealth being transferred to the next generation. On the other hand, if the costs of aged care were more the responsibility of individuals and relied less on taxpayers, then the younger generation's capacity to save could be higher. Smaller inheritances might then be offset by greater personal savings (Walker, 1998: 23).
- In particular, the popularity of the Home and Community Care Program suggests the need for a much expanded program of assistance which will enable older people to age in place in their homes. Issues such a home alterations or technology assisted domestic monitoring are important and useful forms of assistance which may facilitate greater independent living for older Australians.

The Empirical Field Research

The next stage in the project comprises a one year empirical research project with a follow up study two years later. The project combines documentary analysis and primary research using integrated quantitative and qualitative research methodologies. Quantitative data collection and analytical methods will be used for a national field research survey, followed by qualitative research using focus groups which incorporate scenario choices and focused discussion to explore and analyse patterns of differences within Australia's population.

The empirical research will explore the intentions and expectations of those in older ages about their future mobility and living arrangements and testamentary intentions. The particular focus will be their intentions concerning the disposal or transfer of housing assets. Awareness and attitudes to government programs which affect housing tenure and options for older citizens will also be explored. The small follow-up study two years later in 2006 will compare the intended and their actual moves of selected cohorts of the research sample between the proposed two waves of the empirical research. Important aspects for investigation will include the influences of gender, age, community differences, housing tenure, occupation, life course and housing history, financial resources, social integration and marital status.

The major issues underlying the empirical research may be listed briefly as follows:

- The effects of increased longevity and population ageing, and their impact upon 'intergenerational relations'.
- The increased costs of aged care and the attempts of government policy to contain them through 'user pays' policies.
- The growing concentration of wealth in the hands of older people, with home ownership as a major contribution.
- The projected decline in home ownership levels for 'Generation X' and their children.
- The trend to smaller families and the loosening of family bonds.
- The search for policies to unlock accumulated assets and make funds available for public and intra-familial use.

To explore these issues, the empirical research will explore how changes in the expectations society has for the elderly may be inconsistent with value systems older people have formed over a lifetime. How do the current home-owning elderly see their entitlements from and obligations to Government? What are their aspirations for housing and consumption? How do their views on assisting their children with housing match their children's hopes and expectations for inheritance or *inter-vivos* transfers?

The project aims to produce knowledge which will guide Australian citizens in their economic choices and thereby enhance their quality of life and social relationships. The project will also provide evidence for the strategies which support more sustainable government provided programs, as well as guidance for private sector developments for services and housing for the elderly.

Part One of the project will take approximately 12 months, to be conducted and completed in 2004. Part Two of the project will be conducted two years later and will take approximately six months, and be completed in December 2006.

Data collection will centre on home-owners in their late fifties to late seventies for the following reasons:

1. They are already concerned with these issues, many of them having already made decisions to downsize from their long-term residence either into smaller accommodation or into retirement villages.
2. They are reachable within our budget through the National Seniors/Council on the Ageing '50 Something Magazine' and through focus groups in retirement villages, social organisations such as Probus (retired professional business men and women), and recreational clubs such as bowling clubs.

We may get a few baby boomers within our sample – the oldest baby boomers are now 57 - and we may get some baby boomers who have already retired. Within our budget locating a representative sample of baby boomers is not possible. But we shall find out a lot about the future expectations for baby boomers by talking with their parents.

It is important to recognize the diversity of Australia's elderly population and the national quantitative survey will facilitate analysis of subsets of the data to target gender, socio-economic, occupational, life course and community cohorts in urban, outer metropolitan, semi-rural and rural areas. Qualitative research will provide opportunities to further examine and analyse these differences.

INTRODUCTION: AN OVERVIEW OF THE POSITIONING PAPER

The Challenges of and for Australia's Ageing Population

Australia's ageing population is expanding. In 1976 Australia had 1.3 million people over 65 years or 9 per cent of the total population. In 2001 there were more than 2.4 million people over 65 or 12.6 per cent of the total population (ABS 2048.0, 2001). The number of people aged over 65 is expected to grow to between 6.2 million and 7.9 million by 2051, more than 25 per cent or more than one quarter of the population. The over 85 age group is expected to almost quadruple as a proportion of the population, the highest growth rates of all age groups. From 290,000 now, the number of those over 85 will inflate to almost 1.6 million, an increase from 1.5 per cent in 2003 to 8.6 per cent by 2051 (Access Economics, 2001). Hand in hand with an ageing population, the proportion of working-age Australians is expected to drop substantially. As a proportion of the total population, the number of people in this working age bracket will fall from 67 per cent in 2002 to between 57 per cent and 59 per cent by 2051 (ABS, 3222.0, 2003).

Ageing populations create pressure for higher expenditure on pensions and other government provided welfare and social benefits, leading to higher taxes falling on fewer workers. This has led to concern that there will be pressures upon the current levels of government provision of the age pension and other services, and an increasing acceptance of a user pays policy environment for health and aged care and other government-provided services. The Commonwealth's 2002 Intergenerational Report (Costello, 2002) and the National Strategy for an Ageing Australia (Andrews, 2001) draw attention to the future implications of an ageing population for younger taxpayers, if current levels of public spending per head on older people are to be maintained. Yet in a world of global markets and capital flows, governments cannot increase taxes significantly without damaging national competitiveness. Increasingly in Australia there have been indications from government and anticipation from community organisations that individuals will not be able to look to the state to fund maintenance of current paid workforce lifestyles much less improvements in their living standards in old age. Already two decades of economic reforms have produced Australian Government policies and community expectations that older people must be increasingly responsible to self fund their retirement needs and pay user charges for health, community care and aged care facilities. This will produce strains as there is extraordinary diversity in the ownership of financial resources among the elderly as a result of previous labour market experiences and lifetime income differences, regional differences, gender and ethnic differences, and an increasing economic polarisation within Australian society (Pusey, 2003)

According to NATSEM, the current generation of retirees, as well as those now aged 55 to 64, have a substantial and increasing share of the nation's private wealth (Harding, King and Kelly, 2002). This is particularly due to their high levels of home ownership and the increased value of housing assets, particularly the recent momentous inflation in the value of the family home in the eastern states of Australia. Since many older people are asset rich but income poor, user pays policies generally depend on funds from selling or mortgaging the family home (Healy, 2002: 11). Home, hearth and marriage have long been seen as the bedrock of human existence (Castles, 1999: 248), but ownership of the family home has had a particular place in Australia's history, often referred to as 'the Australian dream' (Baum & Wulff, 2001). Not only has the family home always been the most significant financial asset for the majority of Australians, home ownership has served as an important icon for personal identity and family values. Never before has the destiny of the family home been of such crucial moment for the economic, social and political future of Australia. And never before has the family home been such a potential force in a new intergenerational contract within families and between generations.

At the same time, increasing longevity and decreasing fertility has shifted the demographic structure of the family from a pyramidal profile to a ‘beanpole’. And so the body of descendants available to support the number of elders at the top of the ‘beanpole’ has shrunk, while the welfare provisions introduced in the middle part of the 20th century are under pressure because of the fiscal burdens of government. The wealth relations between the elderly and young appear to be at a turning point. In the post-war period, successive generations have reached retirement with greater levels of home ownership and also greater levels of other assets. Inflation in housing costs and changes in labour market experiences, occupational stability and income differentials mean that although younger generations are building up superannuation assets their share of wealth is declining because many have not been able to enter the home ownership market. As a consequence, new patterns of family dependencies are developing, the focus of which is the family home of older people, whether as a source of accommodation for younger family members or as a means to finance inter vivos transfers or expectations regarding inheritance entitlement and bequests.

The Governor of the Reserve Bank has recently warned of the potential dangers of these trends:

> If we are not careful, there is a potential for conflict between generations. The young may resent the tax burden imposed on them to pay for pensions and health expenditure on the old. This will particularly be the case if they see the old as owning most of the community's assets. Housing is the most obvious example, where people of my generation have benefited from 30 years of asset price inflation, while new entrants to the workforce struggle to buy their first home (Macfarlane, 2003).

Not only will the wealth of the elderly be a source of intergenerational contention, but the assets of the elderly, particularly the housing assets, will also be increasingly contested by a number of stakeholders: the older people themselves, their descendants, Government, and the market (Tilse et al, 2003). This highlights the importance of housing as a contentious issue between the generations. and its importance as an issue of tension and potential contestation for other stakeholders - governments at all levels and private sector commercial interests.

> The contest over control and use of the current and future assets of older people is embedded in the policy discourses of independence, self provision and paying for care which conflict with cultural expectations around exchanges of assets in families and family entitlement to older people’s assets. Competing interests arise from the shift in balance between private and public responsibilities, the commodification of care and the changing roles of the family, the state, the market and the community in the provision of care and accommodation (Tilse, et al, 2003: 2).

The discussion above highlights the conflicts between the private and public interest in the use of the assets of older people, and in the public and private intergenerational utilisation or transfers of such assets. While the extent of such pressures is the subject of our exploration, it must be recognised that they can also be seen as a zero sum game. Any moves to exhaust the elderly population's financial assets before accessing public support reduces their capacity for private transfers.

For example, consideration of the assets of the elderly in determining entry fees to nursing homes would lead to less wealth being transferred to the next generation. On the other hand, if the costs of aged care were more the responsibility of individuals and relied less on taxpayers, then the younger generation's capacity to save would be higher. Smaller inheritances might then be offset by greater personal savings (Walker, 1998: 23).

Also, changes in the expectations society has for the elderly may be inconsistent with value systems they have formed over a lifetime. How do the current home-owning elderly see their entitlements from and obligations to Government? What are their aspirations for housing and consumption? How do their views on assisting their children with housing match their children's hopes and expectations for inheritance or inter-vivos transfers?

This Positioning Paper provides the conceptual frameworks for a forthcoming national empirical research study to explore and examine the ways in which older people see this contest and how they intend or expect to use their housing and other financial assets. Do older people use their housing equity to increase their standard of living in retirement? Do they expect Governments to place greater emphasis on 'user pays' for income support, health and aged care services? And do they make decisions about the form and disposal of their assets in the light of this? How much do older people use their wealth to assist younger generations, particularly to meet their housing shortfall, through gifts, inheritances or free accommodation?

The major issues underlying this project may be listed briefly as follows:

- The effects of increased longevity and population ageing, and their impact upon 'intergenerational relations'.
- The increased costs of aged care and the attempts of government policy to contain them through 'user pays' policies.
- The growing concentration of wealth in the hands of older people, with home ownership as a major contribution.
- The projected decline in home ownership levels for 'Generation X' and their children.
- The trend to smaller families and the loosening of family bonds.
- The search for policies to unlock accumulated assets and make funds available for public and intra-familial use.

Aims and Research Questions

The purpose of the empirical research project, funded by the Australian Housing and Urban Research Institute, is to examine how older people use and dispose of their housing wealth through consumption and/or intergenerational or intra-familial transfer.

Much attention has been paid to public intergenerational transfer (that is the tax burden on the younger generation to support public outlays on the old), particularly in the form of income support; health and aged care, both residential and home based (National Commission of Audit, 1996). There has been very little research, either academic studies or commercial inquiry, into the transfer of housing equity.

The project will examine home ownership and housing tenure patterns of mid-life and later-age Australian men and women, and their experiences, intentions and expectations in relation to intergenerational and intra-familial housing transfers, either during the life of the older giver as inter vivos transfers or after death as an estate legacy. The project aims to produce knowledge which will guide Australian citizens in their economic choices and thereby enhance their quality of life and social relationships. The project will also provide evidence for the strategies which support more sustainable government provided programs, as well as guidance for private sector developments for services and housing for the elderly.

There is a need to be clear about the meaning of ‘generations’. Demographers and economists use the term as synonymous with ‘cohorts’ based on year of birth. Anthropologists and sociologists are more inclined to use the term to refer to generations with family linkages. Historians emphasise historical generations, especially the ‘younger generation’, which become agents of change and innovation. The historians’ usage has become widely accepted by the general public, hence the concern with the ‘Baby Boom’ generation followed by Generation X. In the paper which follows, we identify the ‘Baby Boom’ generation as people born between 1 July 1946 and 30 June 1961. Generation X is the term invented by Douglas Coupland in his book Generation X (1991) to describe the generation born between 1 July 1961 and 30 June 1976. It is important to recognise that there is no universal experience within the older generation of those born before 1946, or the Baby Boom Generation or Generation X. There is always a great diversity in the experiences, attitudes and expectations of people as a consequence both individual responses to the ageing process and differences within the age cohort deriving from macro structural factors such as social class, gender, ethnicity and race. We recognise that it is important not to fall into the trap of assuming that relations between members of successive birth cohorts are characteristic of all such intergenerational relations involving those cohorts or that membership of a particular cohort is necessarily more influential than other factors in determining the nature of these relations (Riley and Riley 1993). But to understand recent developments in the relationships between people of different ages in Australian society, it is useful for us to use such terms to denote the single step in ranked-descent ordering of individuals within families which reflects microsocial roles and interactions between age groups within families (Bengtson et al, 1985, Daniels 1988). There are also difficulties in the meaningful analysis of much of the available data which refers variously to age cohorts, households and individuals. The practice of using the household reference person as a proxy for the population has been rightly criticised by McDonald (2003). In particular the probability of a person aged 15-24 being the household reference person household is lower than that of a person in an older group, and they are unlikely to be representative of their age group as a whole. The trend for young people to remain longer in the parental home also reduces their probability of being identified as a household reference person. These difficulties always arise in comparisons of different data sets, and are recognised. Older Australians refers to men and women aged 65 years and over (Ausstats: Social Trends 2001 ‘*Housing and Lifestyle: Housing experience through Lifestyle Changes’*).

The research project will focus upon the following research questions:

- How do older homeowners expect to use their housing assets? How do they see the options of ageing in place, moving or borrowing against their housing equity?
- What are the experiences and intentions of mid-life and later-age Australian men and women regarding assisting their children or other relations through gifts or bequests of housing assets?
- What have been the experiences of older people who themselves have been recipients of such transfers from their own parents or older relations?
- How do older people expect that their housing transfers will affect their own housing tenure, their retirement lifestyles, health, and accommodation needs?
- From the perceptions of older people, will their housing transfers (by inheritance or inter vivos transfers) affect the economic and social circumstances of younger family members in respect to the latter's' future demands and capacities to pay for housing?

The findings will provide particular understandings of:

- patterns of intergenerational and interfamilial housing transfers across diverse sectors of the Australian community, and their relation to fiscal and legal constraints, public policy and market-oriented provision in regard to taxation, housing loans, inheritance and social welfare.
- relations between the transfer of housing assets of older people and the perceived effects of those transfers by older people on the likely future economic and social circumstances of younger people - be they their baby boomer children or their younger grandchildren.
- social profiles of persons who have actually realised the value of their housing assets for the benefit of their younger relatives, or are contemplating such actions.

Structure of the Positioning Paper

The Chapters which follow elaborate on the competing interests of the elderly, the Government, the market and the family. There are tensions which affect the interests and indeed the intentions, desires and expectations of older people and their families with regard to the future disposition of the assets of older people. Private intergenerational and/or intra-familial legacies or inter vivos transfers are contingent upon the choices made by older people in the face of discretionary decisions or legislative or regulatory imposts. There may well be future pressures for older people to run down assets in order to reduce the public tax burden on younger generations.

Chapter One details demographic changes which affect Australia’s ageing population with particular regard to their ownership of housing assets. The changing relativities of home ownership and housing tenure across age cohorts and the importance of housing as a cultural icon for Australian individuals and families is also examined. Assets and home ownership are described from a generational and lifecycle viewpoint, including statistical and sociological material.

Chapter Two examines prospects for 'Ageing-in-Place', the options for ‘Downsizing’ moving to smaller homes; sharing accommodation with family members; moving to Intentional Communities, and the increasingly large range of options for moving to Retirement Village residences. The Chapter also examines recent trends in creative financing that have evolved to access the family home 'nest egg' through ‘reverse mortgages’, equity conversion and other equity extraction proposals currently in development.

Chapter Three examines previous discussions of inheritance, inter vivos transfers and intergenerational relations. The far greater spread of accumulated wealth in Australia and the momentous increase in the value of housing assets brings issues such as testamentary freedom, the power of legislatures to impose any measure of redistribution on lifetime property rights at the property owner’s death to the forefront of public concerns and policy deliberation. Structural changes that are known to be occurring suggest possibilities for a new intergenerational contract.

Chapter Four canvasses the public policy interests, including relevant current policy on social security, aged care, housing and taxation. It also examines current policy issues on how these are developing in response to the fiscal challenges of an ageing population.

Chapter Five describes the methodology of forthcoming empirical field research in more detail.

1 DEMOGRAPHIC CHANGES AND THE HOUSING ASSETS OF OLDER AUSTRALIANS

1.1 Introduction

Australia's population is ageing because of the combined effects of increased longevity and decreased fertility (Costello, Australia's Demographic Challenge, 2004). The proportion of the population aged 65 and over has increased from 9 per cent in 1973 to 13 per cent in 2003. The increase will accelerate from 2011 when the first baby boomers reach that age, to 23 per cent by 2033. Most marked however will be the number of Australians aged 85 and over, which will quadruple from 0.3 million in 2003 to 1.2 million in 2033. For the elderly themselves, increasing longevity for both sexes and earlier exit from the workforce by men have led to a potential doubling of the period of retirement since the late 1960s, and so increased demand on older people's financial resources. Increasing longevity will stretch the capacity of older people to provide for their retirement requirements, especially in an increasingly user-pays policy environment. This will particularly affect older women. There have also been vast changes in family structures, increasing levels of divorce and low levels of remarriage for older women.

Between 1900 and 1970 life expectancy at 65 grew by only one year for men and three years for women. In the following 30 years it increased by almost 5 years for both and is expected to increase further (ABS, 2003). In 1970, the great majority of men worked full-time until the age of 65: 81 per cent of men aged 55-64 were in full-time work, and 22 per cent of those aged 65 and over were employed. In June 2003, half the men aged 55-64 were working full time and 10 per cent of men aged 65 and over were employed.

> In 1968, a man who retired at 65 needed enough resources, along with an age pension, to support himself for around 12 years. In 2001, a man who leaves work at 55 needs resources for 25 years. If current patterns remain, a person who entered employment at 20 could expect only a decade less in retirement than he or she spends in employment (Perry, 2002:19).

While mature aged women have greatly increased their labour force participation, it remains below that of men. Single women have lower assets than single men do and partnered women are often reliant on their partners' retirement savings. In particular, women on average have half the retirement savings in superannuation that men have (Clare, 2000; Olsberg, 2001). All these changes place increasing pressure on Australian's capacity to provide for their needs in retirement.

At the same time, there has been a sustained decrease in fertility. The size of families has continued to decrease, with current estimates below replacement at 1.75 children per woman. The impact of fewer descendants will be significant, placing strain on families for social support for the elderly, but also perhaps increasing the potential inheritance for individual beneficiaries (Australian Social Trends, 1995: ABS Cat.No. 4102.0).

Home ownership has traditionally been the primary form of retirement savings in Australia, although other forms of investment, particularly superannuation, are increasing in proportion. Incomes of older people are very low relative to the population average (Johnston, 1995). Home-ownership makes a major contribution to retirement living standards, as the actual housing costs of homeowners are much lower than those of renters (ABS, Cat 4130, 1999).[1] In many other OECD countries with lower home ownership rates than Australia, retirement income systems provide a higher average level of income than in Australia, and are often accompanied by more substantial public housing assistance.

As well, higher expectations for retirement lifestyles, overseas travel, leisure pursuits and elective and essential health care will place a strain on older people's financial resources. To the extent that their living costs exceed their income, the increased duration of the post-earning phase of the life course would be expected to place a greater demand on private assets. While other asset types may be more accessible than housing, for many older people the options will be to extract equity from their home or to trade down their residences. Elderly people can free up housing assets to meet living costs by trading down to flats, smaller houses or cheaper locations, moving to other accommodation such as with families, retirement villages and aged care and by borrowing against housing assets.

This chapter details demographic changes which affect Australia's ageing population with particular regard to their ownership of housing assets and the potential dispersal and/or transfer of housing assets. The changing relativities of home ownership and housing tenure across age cohorts and the importance of housing as a cultural icon for Australian individuals and families are also examined.

1.2 The Wealth of Older Australians

The significance of home ownership as a source of private wealth is indicated in three papers from NATSEM (Kelly & Harding, 2003; Kelly 2003b; Harding, King and Kelly, 2002). The average wealth of Australian families with a household head aged 65 or over was $367,600 in 2002, increasing from $106,000 in 1986 through $204,000 in 1998. In 1998 80 per cent of 65-74 year olds and 72 per cent of households with a head aged 75 and over owned or were purchasing their homes.

Table 1-1: Type of Household, Tenure and Landlord Type, Persons Aged 65 Years and Over Living in Private Dwellings

	Total lone persons (%)	*In couples only households (%)*	*In other households (%)*	*Total (%)*
Owner				
Without mortgage	68.6	84.1	64.3	75.5
With mortgage	1.9	3.7	9.6	4.4
Total owner	70.5	87.8	73.9	79.9
Renter				
Public housing authority	9.2	2.8	4.0	4.9
Community or coop housing	1.5	0.4	0.5	0.7
Private landlord/real estate agent	6.7	3.8	6.4	5.2
Total renting	19.2	7.5	11.5	11.7

Source: ABS 2048.0, 2001 Census of Population and Housing

[1] The housing costs of the elderly may be kept low because they cannot afford the cost of maintenance and repairs.

Because of the high rate of home ownership among older Australians, they were major beneficiaries of the rise in house prices, which doubled over that period. More recent increases will have markedly increased those values. For example, between June 1986 and December 2002 the average price of a house in Australian capital cities has increased 236 per cent, with Sydney reflecting a 330 per cent increase (AMP/NATSEM, 2003:6). People's wealth has also increased as a result of the stock market boom between June 1986 and June 2000. At the same time, the gap between generations in levels of home ownership has widened rapidly. King and Kelly (2002) found that 55 per cent of Australian households in 1998 owned or were purchasing their homes, the proportion of 25-34 year old households in this position fell from 46 per cent in 1997 to 35 per cent in 1998, reflecting very different housing circumstances between the two age cohorts.

NATSEM has highlighted the significance of the elderly population's wealth when they estimated that in 1996-97 the 15 per cent of the adult population aged 65 and over owned 27 per cent of the nation's wealth (Harding, King and Kelly, 2002). What is more the wealth of the elderly was increasing:

> This points to a historically undreamt of total wealth that could be either transferred to the next generation, consumed by an ageing society with increased longevity, saved for and spent on aged care, or used for a combination of all of these. The split of total savings between consumption, wealth transfer and aged care will depend to a great extent on government policies (Walker, 1998: 22).

To understand this more precisely, the following should be taken into consideration: the main asset of the elderly is housing (which comprises 43 per cent of the total assets of those aged 65 and over (Harding, King and Kelly, 2002: 9), and the wealth of retirees is not evenly distributed. The wealthiest quarter of older persons owns 71 per cent of the total wealth of that age group, and the disparity between them and the other three quarters has increased over the previous decade. Moreover, those in the lowest fifth are not homeowners. There are also discrepancies between capital cities (median house prices in Adelaide, Perth and Hobart were less than half the Sydney median in February 2003), as well as between metropolitan and other areas. Of particular note, land values in certain east coast areas in which older people comprise significant proportions of landholders and home-owners have increased markedly in just 12 months in 2003. For example, Eurobodalla Shire which encompasses Bateman's Bay recorded the largest increase in recent NSW State Government Valuer General estimates with a typical block soaring 75 per cent from $204,801 to $358,402 (NSW Treasury Report, January 2004). There have also been huge increases in renovations and additions which have vastly increased values of residential properties in the past 10 years. While the value of residential housing continues to escalate, the cultural importance of home ownership must be emphasised.

1.3 Home Ownership: Australia's Dreaming

Home ownership has long constituted the 'Australian dream'. In the second half of the 20th century the free standing house on the quarter acre block represented the pinnacle for Australians' aspirations. High levels of home ownership were considered to be a feature of egalitarian society, and a home unencumbered by mortgage at retirement was seen as a norm rather than a privilege, with the 20 per cent of elderly households in other tenures regarded as disadvantaged (Baum & Wulff, 2001).

This is despite the fact that until the 1950s Australia was predominantly a country of tenants. At the 1911 census over two thirds of the population were tenants and between 57 and 60 per cent of the population remained in rented accommodation at the 1921, 1933 and 1947 censuses (Spearritt & Demarco, 1988: 16). Following the

Second World War, both Labor and Liberal parties subscribed to the notion that an owner-occupied home was the cradle of the race, the basis of family life. The suburban dream of a detached house in the sun and a car in the garage became a reality for more and more Australian families (Spearritt, 1978). The houses, often erected by owner-builders, often started off modestly. Many families lived in hastily erected garages – they could not afford a car at the time – while saving to embark on their house proper. Between 1947 and 1961 11,740 new fibro houses were added to Sydney's dwelling stock compared with 83,594 double brick and brick veneer buildings (Spearritt & Demarco, 1988:16). In addition to very strong direct public support, the post-war employment and economic policies also enabled a high level of ownership. The success of the (male) full-employment policy, and the wage maintenance system provided the income security and stability to allow families to commit to a long-term mortgage. Many ex-service men and women in particular benefited from extraordinarily low fixed interest long-term war service loans.

Australians not only continue to have a high rate of home ownership compared with many other countries, they have traditionally had a still higher, almost universal, rate of aspiration to home ownership[2].

> Whereas the Great American Dream is of rags-to-riches millionaires, the Great Australian Dream, somewhat more modestly, is of owning a detached house on a fenced block of land (Winter and Stone, 1998:1).

For non-aboriginal Australians, ancestral traditions in this land go back at most 215 years and for most far less than that. Yet in this very urbanised society in one of the most under-populated of countries, owning a home on a piece of land has a critical relationship to identity and social participation.

> It is just a sense of security I think, it is part of me, it has my personality because I came to it and furnished it and things like that. It is an extension of myself I suppose.
>
> The mere meaning of the word owning has more permanency about it and permanency equals a home.
>
> I think home owners on the whole feel more part of a neighbourhood because they own the home, they are a rate payer, they feel like a permanent resident and for that reason they tend, perhaps to be more active in local issues. (interviews with young Australians, reported by Winter, 1994: 113, 127, 133)

Some writers have argued that these aspirations are an artefact of government policies affecting housing choices (for example Kemeny, 1983). Others have attributed them to a wide range of financial and other advantages of home ownership, such as retirement, use value, exchange value, security of tenure, inheritance, status, freedom to control and modify one's living space and 'ontological security' (Badcock and Beer, 2000: 4-6; Winter, 1994). Yet while home ownership has long been recognised as an important cultural artefact in Australia, it has not received overly widespread academic attention until recently. This is in marked contrast to the UK, where home ownership has been traditionally limited to the more privileged, and the issue of housing tenure classes has been an important part of urban social theory (Winter, 1994; Winter and Stone, 1998).

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[2] For reviews of the literature on this, see Baum and Wulff (2001), Merlo and McDonald (2003),

An AHURI study by Merlo and McDonald (2002) examines the relationship between aspirations towards home ownership and the realisation of these aspirations. They conclude that future housing aspirations, as measured by survey research, are not reliable predictors of behaviour. Although home ownership is favoured by the majority of Australians, irrespective of socio-economic status, achievement of the goal is determined primarily by the employment situation, ethnicity and income. Aspirations, they conclude, are largely irrelevant to the actual achievement of home ownership. Ethnicity is relevant, in that survey respondents who were born, or whose parents were born, in a non-English speaking country, had twice the odds of becoming home purchasers compared with those from English-speaking backgrounds. Similar conclusions are reached in article by Robison and Moen (2000), examining the results of a survey in the United States. They conclude that aspirations to become a home owner are less important than previous residential history and life-course changes related to marriage and retirement.

The current ownership of housing wealth is important in any consideration of the eventual disposition of the housing assets of the elderly. What has been the general process of housing acquisition? How is housing wealth dispersed? What are the patterns of ownership between and within generation cohorts? And how do characteristics such as gender, geographical location, class and family background impact upon patterns of ownership? The Chapter examines a range of data which impact upon the differential ownership of housing assets by older age, by baby boomer and by Generation X cohorts. The diversity within those generational cohorts is examined. These questions are now explored.

1.4 The Housing Career

The pattern of housing tenure through a person's life-course is referred to as a housing career. Many writers have used the metaphor of a ladder. The standard (idealised) progression is to leave one's parental home, rent privately, purchase, reduce the mortgage or trade up, and reach the point of outright ownership by retirement. This career would run in parallel with the work career – leaving education, moving through various jobs, selecting and working through an occupational career and retiring. The third aspect of the standard life course was the family career: becoming independent, dating, finding a life partner, bearing and raising children until they in turn reach independence. The three ladders are of course closely linked. A work career provides the money for housing, and home-ownership has been linked to marriage and child bearing: 'it's almost as though renting is a contraceptive' (Richards, 1990, quoted in Winter and Stone, 1998:2).

The housing career, along with the work and family career, has become increasingly prone to deferral, mobility and risk. Badcock and Beer (2000) comment that 'snakes and ladders' is becoming a more appropriate metaphor. Completing education, leaving the parental home, child bearing and home buying have all been deferred. Casualisation of work, unemployment and impermanence of relationships increase the risks associated with long-term commitments to child bearing or a mortgage (Mudd et al,1999).

Increased income inequality, rising house prices and the dependence on dual incomes may mean that many young couples have to choose between having children and buying a house. Timing is critical, not only for child-bearing for women but also for getting onto the housing ladder in time to pay off a mortgage. If the current pattern of exclusion of older workers from the labour market remains, this timing becomes even tighter. Housing costs are structured so that they are higher in real terms at the beginning of a mortgage period. The early costs of children are also high because parents need to reduce work and therefore income and/or meet child care costs.

Finally, the instability of relationships has made home purchase risky. As couples separate, there are three typical options: either the house must be sold to divide the equity, one partner re-finances to pay the other out or one keeps the house and the other leaves with nothing.

Public and private intergenerational transfers can and do ameliorate some of the difficulties outlined above. Public assistance includes the first home-owner's scheme, family payments, and child care assistance. Parents or grandparents may provide accommodation for adult children or child care for grandchildren, and loans, gifts or guarantees to help with the costs of housing entry.

While a great deal of attention has been given to the effects of public assistance, there is little empirical research in Australia on the role of family assistance to young adults. The ABS (2003c) found that 11 per cent of first home buyers[3] had raised a deposit from 'other sources such as gifts, sale of car/other possessions, and inheritance'. Previous research on intergenerational transfers and assistance are discussed in Chapter Three.

In summary, most cohorts within the generation prior to the baby boom generation were thus substantially privileged in gaining access to home ownership. The differences within and between generations are now discussed.

1.5 Housing Assets and their Significance

Studies by the NATSEM group and by others underline the significance of housing as a source of private wealth, and also as an indicator of economic inequality. Because of the high rate of home ownership among older Australians, they were major beneficiaries of the rise in house prices, which doubled over that period. An even sharper increase took place in the net value of shares owned and accumulated superannuation benefits, so that the proportion of the total wealth of older Australians created by home ownership fell from 60 per cent in 1985-1986 to 43 per cent in 1996-1997. (*Note.* It may safely be assumed that the continuing increase in house prices since 1998, and fluctuations in the share market during the same period, have pushed the importance of housing back towards the 1986 figure, at least to some extent).

Harding, King and Kelly go on to point out that this increase masks the growth of inequality in the 65+ age group (2002). In the 11 year period under review, the top 25 per cent of older Australians increased their share of wealth from 67 per cent to 71 per cent. Similarly, the incomes of the top quartile increased more quickly than those of the rest. At the same time, Government cash benefits declined as a share of the after-tax incomes of older Australians, from 62 per cent to 57 per cent, indicating the increased importance of assets other than superannuation as a source of income.

Further information about the relation between housing and economic security is provided in a study by Baum and Wulff, undertaken on behalf of AHURI (2003). Although the overall rate of home ownership remains high, levels have fallen among younger age groups, especially those aged 25-34, where the rate dropped from 46 per cent to 35 per cent between 1988 and 1998. Baum and Wulff (2003) conclude that economic uncertainty, the growth of part-time and casual employment, and the need to move residence in search of work, have overtaken cost as the most important factor in making decisions about house purchase or renting.

The real growth in the value of household assets in Australia grew by 62 per cent between 1986 and 1997 (Harding, King and Kelly, 2002). But the wealth per adult in younger households, those with a reference person aged less than 45, fell in real terms over the period, while the cohort aged 65-74 in 1998 had more than double the

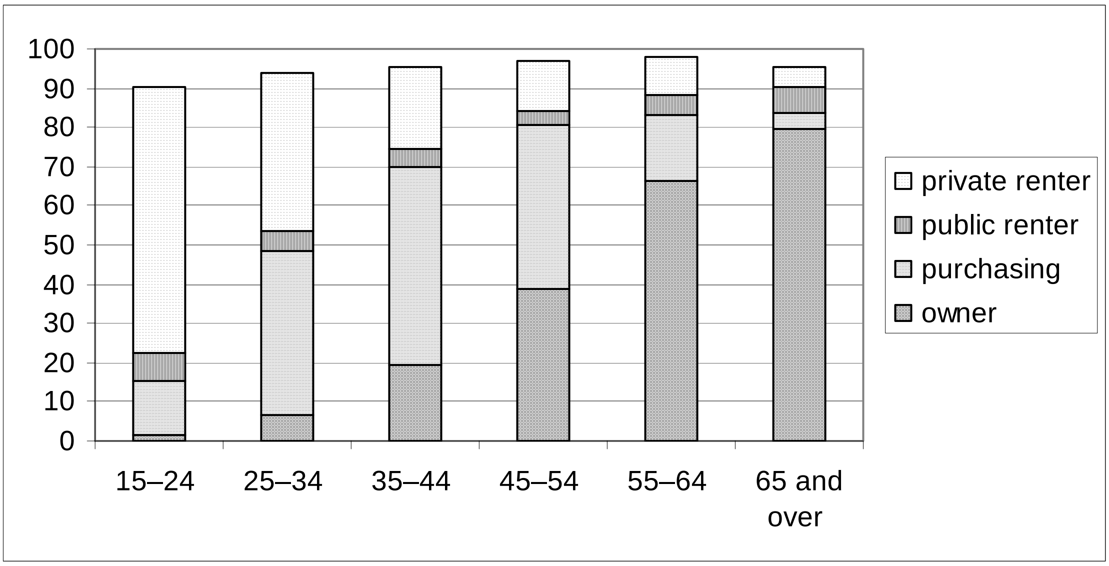
[3] This excludes those who had met a deposit through sale of a former house.

asset wealth of those eleven years earlier. The average wealth of 55-64 year olds increased by 46 per cent and that of the age group 75 and over by 60 per cent. Thus, the wealth distribution shifted strongly towards the older age groups over the period. Harding, King and Kelly (2002) found that the age group 65 and over had increased its share of total household wealth from 17 per cent to 27 per cent over the period, while the share of those aged 15-44 had fallen from 42 per cent to 28 per cent.

The reasons for the decline in home purchasing are thought to be (1) the increasing price of housing in many parts of Australia, (2) later entry and earlier exit from employment over the lifecycle, (3) increasing polarisation of both incomes and job security among individuals and families, and (4) crowding out of resources to purchase homes because of HECS Debts, superannuation contributions and the costs of raising children. There may also be a preference among higher income members of younger generations to forgo home ownership in favour of higher levels of investment in other forms, such as the stockmarket, businesses or investment housing (Mudd et al, 1999).

The ABS Housing Survey[4] in 1999 found that 80 per cent of households with a reference person aged 65 and over owned their homes outright. Figure 1-1 shows housing tenure in 1999 by age of reference person.

Figure 1-1: Australian Households - Housing tenure by age (1999)



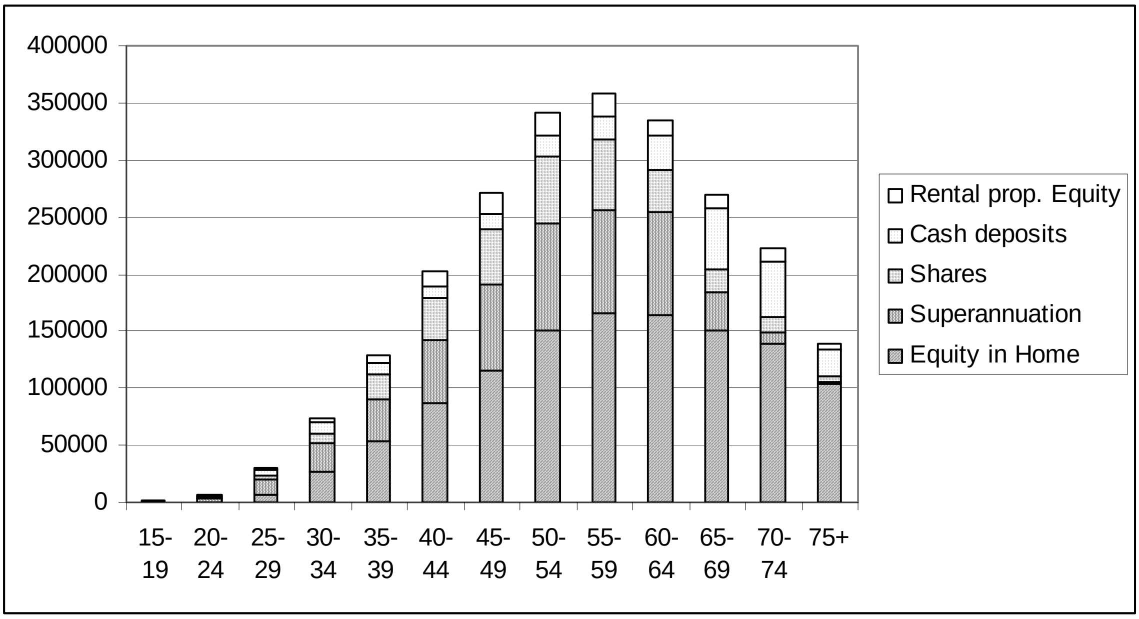
Source: ABS • AUSTRALIAN HOUSING SURVEY — HOUSING CHARACTERISTICS, COSTS AND CONDITIONS • 4182.) • 1999 Table 1 (Note: total does not sum to 100% because some live rent free or in 'other tenure')

The ABS Survey further found that 88 per cent of couple households aged 65 and over and 73 per cent of single aged households owned their own home. Aged single person households were more likely than aged couples to be in public housing or living rent free ABS, 4182.0, 1999). Harding, King and Kelly (2002) estimated that households in the age group 75 and over had lower home ownership rates and this is consistent with a higher proportion of that age group being single, perhaps following the death of a spouse and perhaps due to their move to live with family or into residential care.

[4] The household is the basic unit of analysis in this publication. It is defined, in its broadest sense, as a group of people who live and eat together as a single unit within a dwelling. Only usual residents of private dwellings in non-remote areas of Australia were in scope in the 1999 AHS. Private dwellings are houses, flats, home units, caravans, garages, tents and other structures that were used as places of residence at the time of interview. These were distinct from special dwellings which included hotels, boarding houses, institutions, nursing homes and hostels.

Papers by Kelly (2003b) and Kelly and Harding (2003), using NATSEM estimates for the years 2000 and 2002 respectively, examine household wealth by age of reference person for those living in private households. Based on this data, the following description of the current older generation emerges. The estimated average wealth of Australian households with a head aged 65 or over was $367,600 in 2002. In 2000, over half the wealth of these households was in the form of home equity (see Figure 1-2).

Figure 1-2: Australian Households - estimated wealth by type of asset by age of reference person (2000)



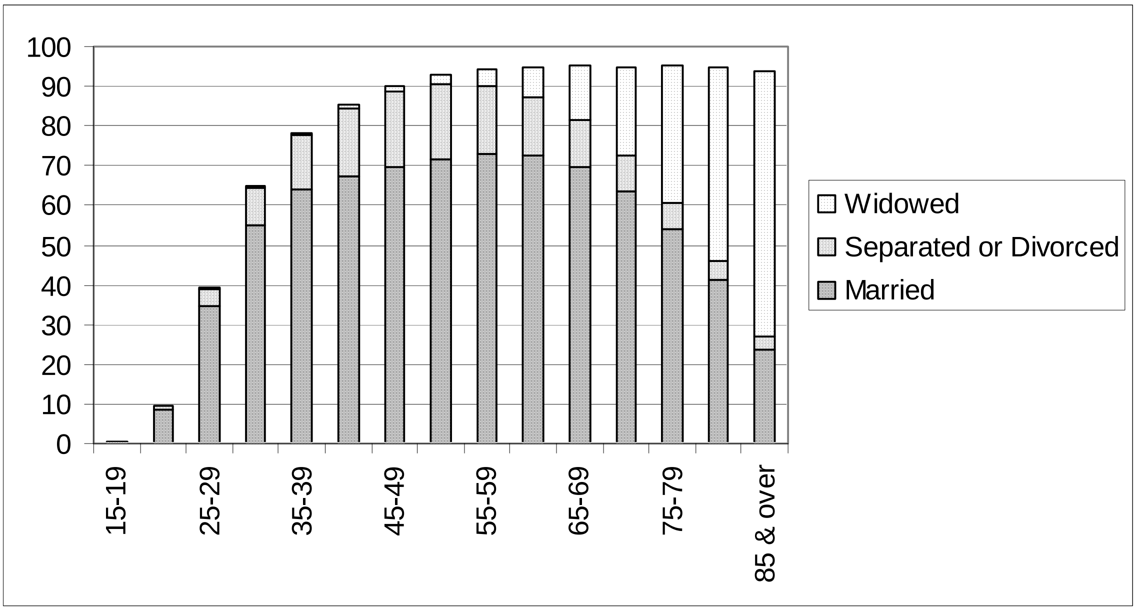
Source: Kelly, 2003b

The estimated wealth is much lower for those aged 75 and over, than for those aged 65-69. It is not clear how much of this is due to the cohort aged 75 and over having accumulated less wealth over their lifetimes, and how much it is due to running down assets in retirement, or transferring assets to younger generations. The forthcoming empirical study may provide some indications of these strategies and outcomes. Forty-four per cent of people in this age group were single women, mostly widowed, and 13 per cent were single men (ABS, 2048.0, 2001).

The group aged 50-64 had far greater wealth per household than those aged 65 and over, although of course, these were more likely to be couple households than the older group (72 per cent of people this age were married). Although the 50-64 year olds had the highest housing wealth, they also had more than half their wealth in other forms, particularly superannuation. It may be that a substantial amount of this money will be used to pay off home loans when it is accessed on retirement.

The average wealth of each cohort of course disguises differences within cohorts. In 2002, the wealthiest 20 per cent of households aged 65 and over owned 63 per cent of the wealth of that group, while the poorest 20 per cent owned 0.3 per cent. Harding, King and Kelly note that aged couple households have far greater wealth than aged single households (2002). In 1998 the wealth of couples aged 65 and over averaged $240,500, while that of single people was $190,000. This is related to age, as people - particularly women - become widowed. Figure 1-3 shows marital status by age and Table 1-2 shows the living arrangements of older people by age and sex.

Figure 1-3: Marital status by Age (2001)



Source: ABS 2048.0, 2001, Community Profile: Australia, AUSSTATS

Table 1-2: Living arrangements by age & sex - People aged 65 & over

	With partner	Single, with others	Alone	Aged care	Other non-private	Total	Persons
Men	%	%	%	%	%	%	('000)
65-74	74.8	8.5	14.8	1.3	0.6	100	573.8
75-84	66.5	8.7	19.5	4.6	0.7	100	325.3
85 & over	42.9	12.1	25.2	18.2	1.6	100	77.2
65 & over	69.5	8.9	17.2	3.7	0.7	100	976.3
Women							
65-74	56.0	14.9	27.5	1.3	0.3	100	623.3
75-84	31.8	16.8	43.3	7.5	0.6	100	457.6
85 & over	9.0	18.0	39.0	32.3	1.7	100	171.7
65 & over	40.7	15.9	34.9	7.8	0.7	100	1252.6
Persons							
65-74	65.0	11.9	21.4	1.3	0.4	100	1197.1
75-84	46.2	13.4	33.5	6.3	0.6	100	782.9
85 & over	19.5	16.2	34.7	27.9	1.7	100	248.9
65 & over	53.3	12.9	27.1	6	0.7	100	2228.9

Notes: With partner includes those living with a partner alone and with others. Other non-private includes boarding houses, non-aged care hostels etc (Source: ABS, 2048.0, 2001, Table 3.1)

As is reflected in Table 1-2, men are more likely than women to die living with a partner, while women have a much higher use of aged care and are more likely to live alone or with other family members. In 2001 there were 604,900 persons aged 65 years and over living alone in a private dwelling in Australia, representing 25.5 per cent of people of that age (ABS, 2048.0, 2001). Although national figures are not available, state-based Land Titles Offices indicate that the vast majority of residential properties are held by couples as joint tenants, and so with the death of one partner the spouse automatically gains full title to the property. Such transfers do not constitute part of the estate of the deceased.

1.6 Older Australians and Geographical Residence

There are noteworthy changes to people's preferences concerning where they live, particularly the preferences of older Australians. Salt (1996) argues we can expect 'densification' of areas within striking distance of capital cities. Coastal areas within a 90 minute drive of the CBDs of Sydney and Melbourne will be the target for older couples and single elders. There are increasing numbers of developments of marina and golf course residential estates, even vineyard residential estates close to the larger capitals particularly aimed for the retirees market (Salt, 1996: 166). At the same time, some older Australians are moving back into inner city metropolitan centres. Salt states this has been facilitated by changes to town planning regulations which encouraged the transfer of land from non-residential to residential use which has led to huge redevelopments of industrial and warehouse land in the inner city on the CBD fringe (1996).

As the value of houses varies according to their location, the geographical dispersion of older people affects the value of their home equity. Like the rest of the population, most people aged 65 and over (61 per cent) live in the capital cities. However, older people are more likely than those younger to live in regional areas. This is partly because younger people have been moving from regional areas to the cities as rural employment opportunities have declined, and partly because of a movement among retirees out of the city. There are proportionately relatively few people aged 65 and over in the population of remote areas, largely because of high Aboriginal populations in these areas and the much younger profile of the Aboriginal community. Table 1-3 shows the age distribution of different geographical area types.

Table 1-3: Age Distribution of population by Geographical Area (2001)

Section of State	**Age group (years)**						
	0–14	15–44	45–64	65–84	85 and over	Total	Total 65 and over
	%	%	%	%	%	%	%
Major Urban	61.9	67.5	63.5	63.7	66.8	65	64.1
Other Urban	23.5	20.2	20.8	24.4	25	21.5	24.5
Bounded Locality	2.9	2.2	2.6	2.8	2.5	2.5	2.8
Rural Balance	11.2	9	12	7.9	4.4	10	7.5
Total(b)	100	100	100	100	100	100	100

Source: ABS, 2048.0, 2001 Census: Ageing in Australia

Within cities, older people tend to live in middle range suburbs where they had moved early in life – not usually the most valuable inner city residences, nor the newer suburbs which tend to house more recent first home buyers.

People aged 65 and over are slightly more likely than others to live in New South Wales, Victoria, South Australia and Tasmania have the highest proportions of people aged 65 and over, while Queensland and Western Australia have relatively low proportions. The Northern Territory and the ACT have very low proportions of older people. New South Wales and Victoria have about the national average (see Table 1-4)

Table 1-4: Distribution of People aged 65 and over across States and Capital Cities (2000)

	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Aust.
	%	%	%	%	%	%	%	%	%
Capital city	20.3	17.8	7.5	6.8	6.4	1.1	0.2	1.1	61.0
Balance of State	14.9	8.0	9.8	2.4	2.1	1.6	0.1		39.0
Total % in each State	35.1	25.8	17.3	9.2	8.5	2.7	0.3	1.1	100.0

Source: Australian Social Trends 2002, Regional population ageing

Only in Queensland, do more people aged 65 and over live outside the capital city, many along the coastal retirement belts. However, in Victoria and New South Wales, as well as Queensland, older people are less concentrated in the city than are younger people.

Recent social, economic and cultural transformations make the issue of inheritance important when one considers the implications for multigenerational families. The particular interests of the baby boom generation are also of increasing moment.

1.7 Multigenerational families

Of the number of structural changes that are known to be occurring, one of particular import is the greater prevalence of multi-generational families as a consequence of the ageing of the population. Others such as the changing patterns of divorce and remarriage are important to intergenerational obligations and support because they form a central part of the context within which these are worked out. When parents and children are likely to experience more than 50 years of overlapping life there will be adults on both sides of the intergenerational relationship for most of the time. It will be increasingly common for grandparent –grandchild relations of pensioners and perhaps two generations of widows. The possible conflicting demands on the middle generation will be increasing and demands for providing care may affect retirement as well as working life.

The fact is - nearly two thirds of Australia’s older people live with other family members. In 2001, just over half 53.3 per cent of persons aged 65 and over where living in a private dwelling with their partner (with or without others present), while 9% were living with one or more relatives other than their partner. The living arrangements of the population change markedly with increasing age. The data (ABS,2048.0, 2001) shows that there was an increase in the proportion living with family members other than their partner across the following age groups; from 10.5 per cent for 45-54 year olds to 14.9 per cent for those aged 95 and over, a substantial proportion of older persons making the transition initially to a lone person household (from 9.8 per cent for those aged 45-54 to a high of 36 per cent aged 85-94, decreasing again to 18.9 per cent for those aged 95 and over) and then later in life to aged care accommodation with 48 per cent of those aged 95 and over living in such accommodation.

1.8 Retirement and Inheritance - Issues for the 'Baby Boomers'

The problems likely to be encountered by the baby boom generation have been examined in a number of papers emanating from NATSEM. In particular, Kelly (2003a) has drawn attention to the uncertain future faced by the baby boomers. He points out that though the Commonwealth Government has introduced a series of measures since 1989, they will not meet the demand for adequate retirement incomes. The ‘three pillar’ policy which now exists has been put in place too late to generate the necessary level of provision. Compulsory private savings through superannuation have been introduced too late to have a significant impact upon the retirement incomes of the baby boomers. Voluntary saving for retirement, encouraged by tax concessions, has not been particularly popular. And the constantly changing nature of the superannuation laws has created a great deal of confusion.

Kelly has attempted to forecast the situation as it my be in 2020, by which time most of the baby boomers will have left the work force and will be living on savings, pensions or superannuation. Increased life expectancy means that they will live considerably longer than their parents. A rational choice in this situation would be to remain in the work force for a period longer than the currently conventional retiring age, but not many people are expected to make this choice or may be able to find paid employment to do so. The Government has introduced the Pension Bonus Scheme to encourage later retirement, but the financial incentive is not great and the take-up has been correspondingly small. Kelly considers it unlikely that baby boomers, who have a high rate of home ownership, will want to sell their houses to finance their retirement, but this option may become more attractive once the financial realities become apparent.

Kelly and his colleagues also point out that the situation will be worse for women. For the average 65-year-old woman in 2020, lower earnings while in the work force, a smaller number of years of full-time employment, and the years of not contributing to superannuation while caring for children, will give her only a small payout to supplement the age pension. Current proposals to increase the compulsory superannuation contribution to 15 per cent would only improve the situation significantly for baby boomers if they remain in the work force. NATSEM modelling suggests that an increase to 15 per cent would not have an impact on age pension outlays until 2020.

The situation of baby boomers, especially at the younger end of this age cohort, is further affected by high rates of mortgage repayment. A study of ‘leverage’, i.e. the debt-to-asset ratio, has been undertaken by Ellis et al as part of the HILDA survey of housing income and labour dynamics (2003). Young homeowners are likely to have particularly high leverage, which makes them particularly vulnerable to labour market conditions and fluctuations in interest rates. They speculate that a significant proportion of households are dealing with uncertainty by paying off their mortgages before the scheduled date.

1.9 Australia’s Multicultural Society & Home Ownership

People aged 65 and over are more diverse in their countries of origin than younger people are, as they include the large cohort of post-war immigrants. Thirty-one per cent of older people were born outside Australia, compared with 23 per cent of the whole population. Eleven per cent were born in the UK and four per cent in Italy with the remainder scattered across numerous other countries, particularly European countries. Many were displaced persons and refugees, and the purchase of a house in Australia was a particularly important part of their search for security. On the other hand, their relative poverty and lack of access to high status jobs because of language difficulties, meant that for many immigrants housing was initially less affordable than for Australian born people. But their aspirations for home ownership for themselves and for their children has continued to be a driving force in many migrant communities. As those post Second World War migrant communities are disproportionately aged, particularly those from Mediterranean and European countries, the transfer of their housing assets is of imminent importance.

Older persons who were born in other than predominantly English speaking countries were more likely to be living in an extended family context. While a high proportion of those were living in private dwellings did live with a partner only (43.5%), they were more likely than all Australians to be living with their children or their children's family, with or without a partner (29.7% compared with 16.7%) or other relatives such as grandchildren, or parents, etc. (3.3% compared with 2.8%), and as a result less likely to be living alone (21.3% compared with 29.1%). They were also more likely to be living in multi-family households (5.0% compared with 1.8% of all Australian households) (ABS Cat. 2048, 2001).

Compared with the pattern for the total Australian population, over half (52.8%) of older men predominantly born in other than English speaking countries were living with their partner, compared with only 34.5% of older women. Although less likely to be living on their own than Australian women overall, older women born in other than predominantly English speaking countries were more than twice as likely than the men to be living on their own (28.6% compared with 13.6%) (ABS Cat. 2048, 2001).

Bourassa (1994) examined the relationship between ethnicity and home ownership in Australia for the 10 most populous migrant groups. He controlled for a number of factors such as length of time in Australia, marital status and sex, income and wealth and affordability relative to renting in the area in which the people lived. After taking into account these factors Bourassa claims that, as a group, immigrants did not differ from Australian born people in their propensity to home ownership, but the data (ABS, *Census of Population and Housing*: 2001) would seem to indicate otherwise. Data on this issue has proved difficult to access and detailed generalisations cannot be made on the basis of available data. Further research will examine these issues.

1.10 Home Ownership and the Cohort Effect

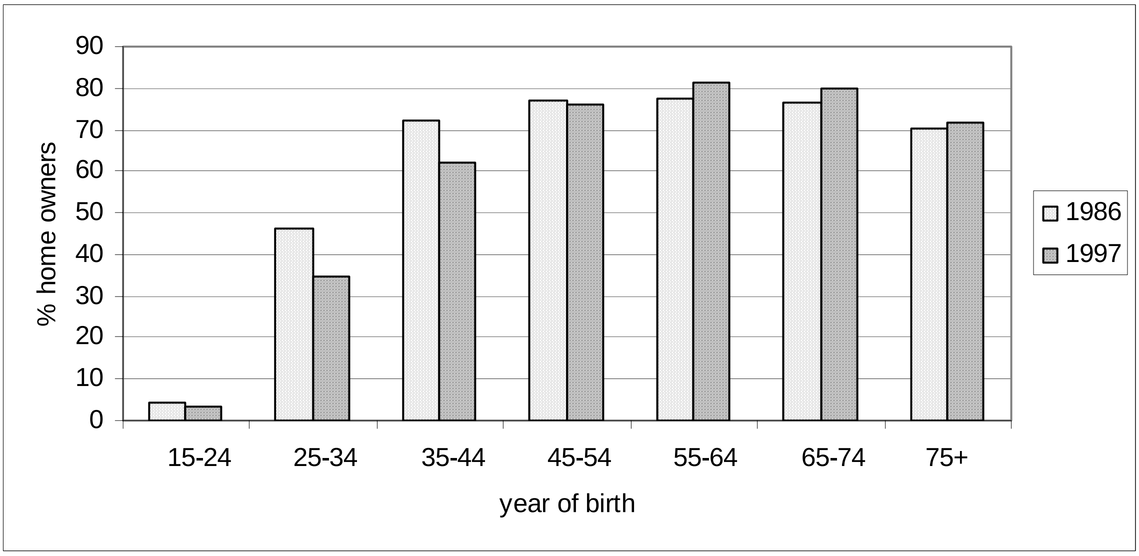
As quoted in the Introduction, Ian Macfarlane, Governor of the Reserve Bank, has warned of intergenerational conflict arising from the gap in wealth between young and old. As he observes, people of his generation have benefited from 30 years of appreciation in the value of houses, while new entrants to the work force have to struggle to buy a home. Other commentators have also suggested that the wealth of the elderly will be contested by a number of stakeholders, including descendants, governments, and the market. Governments are moving to greater emphasis on payment by the user for health and aged care services. Younger generations are likely to press for assistance through gifts, inheritance and free accommodation.

In the past, successive generations have reached retirement age with progressively greater levels of home ownership and also greater levels of other assets (e.g. superannuation). By contrast, those born since 1960 have, on average, less wealth in the form of housing than the generation preceding them. It is therefore understandable that housing is likely to become an increasingly contentious issue.

Distinction among the cohorts of different ages is useful in that it allows us to examine long-term effects of various economic conditions and policies on wealth in retirement. This is particularly so in regard to home-ownership, because of the large portion of a life-time taken up in saving a deposit and paying off a mortgage. However the cohort distinction, like any stereotyping, is also dangerous. It overlooks significant differences within cohorts, that can be greater than those between them and makes often (artificial) distinctions between people born on either side of an arbitrary cut-off year. There is also a tendency to fan the flames of intergenerational prejudice by fatuous generalisations, as has been the case in recent discussions about the supposed privileges which it is assumed that the baby boomers have experienced universally (Mackay, 1997).

Bearing that caveat in mind, the different fortunes and wealth accumulation of various cohorts is very important in understanding the significance of intergenerational transfers. In the discussion that follows, birth years of cohorts are selected to match the years of various data sources. Figure 1-4 shows the home-owner/purchaser rates in 1986 and 1997 for various age groups.

Figure 1-4: Home-ownership by Age (1986 and 1997)



Note: 'Home-ownership' includes both purchasers and outright owners

Source: ABS 1986 Income Distribution Survey and 1997-97 Survey of Incomes and Housing, from Harding, King and Kelly, 2002, Table 1.

The critical ages for entry into home purchasing are between 24 and 44. For each cohort the increase in home purchase/ownership rise only slightly beyond the age of 45. Households headed by a person born between 1963 and 1972 had a home ownership rate of 4 per cent in 1986, when they were aged 15-24, and in 1998 when they were aged 25-34, 35 per cent of such households owned or were buying homes[5]. The group born 1953-62 increased their home ownership rate from 46 per cent to 62 per cent between the ages of 25-34 and 35-44. These two age groups had home ownership rates in 1998 that were well below the rates for their predecessors a decade earlier. It is therefore quite misleading to group the 'baby boomers' together. In terms of acquisition of a house over their lifetime, the older group looks set to have the highest rate of home ownership ever, while the younger group were the first to experience a decline in ownership, which becomes worse for younger cohorts.

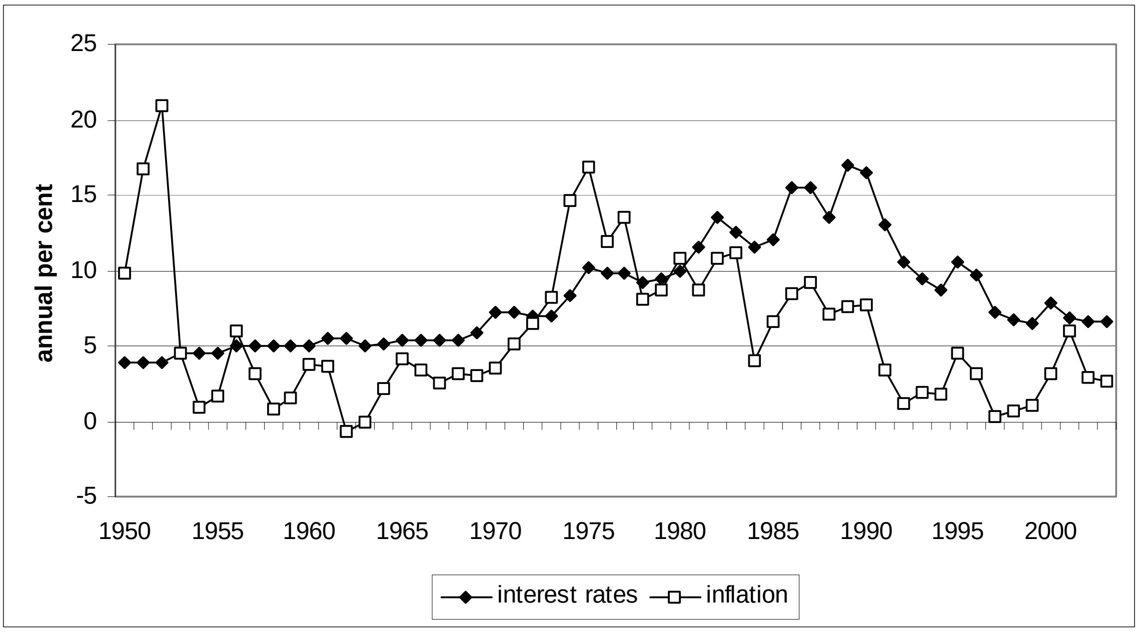
People's ability to buy a first home and pay it off before retirement depends on a number of circumstances pertaining at these critical ages and people's expectations of the future. These include the real price of houses in relation to individual and family

[5] The practice of using the household reference person as a proxy for the population has been rightly criticised by McDonald (2003). In particular the probability of a person aged 15-24 being the household reference person is lower than that of a person in an older group, and they are unlikely to be representative of their age group as a whole. The trend for young people to remain longer in the parental home also reduces their probability of being identified as a household reference person.

incomes, formation of couples, whether partners are, and will remain, in stable well-paid employment and expect to stay together, their other debts and expenses, rates of interest and inflation and so on. For the cohorts who reached 25 after 1975, many of these factors have been increasingly unfavourable. High levels of unemployment and casualisation of work have increased their risk of entering a long-term commitment to buy a home and their ability to raise a loan. Increasing instability of relationships greatly added to such risks. Additional time spent in tertiary education (and thus later entry to full-time employment), and HECS debts made it harder to save the necessary deposit. Where couples' ability to meet mortgage payments depends on the incomes of both partners, childbearing is a risk as mothers and sometimes fathers need to reduce their working hours while the children were young.

From 1966 when employment statistics were systematically recorded to 1972, the employment to population ratio of men in each age group between 20 and 59 was 90 per cent or more and 80 per cent of men aged 60-64 were employed. This work was almost all full-time and permanent. Male average weekly earnings rose steadily by 127 per cent in real terms from 1950 to 1975. Inflation soared in the early 1950s but by 1953 until 1971 settled below five per cent, apart from one year. Interest rates rose slowly from 3.9% in 1950 to seven per cent by 1973. Figure 1-5 shows annual interest rates and inflation rates from 1950 to 2003.

Figure 1-5: Annual housing loan interest rates and inflation rates (1950-2003)



Sources: Foster, 1996, Table 3.21b, Interest rates of banks: housing loans: actual. Reserve Bank of Australia.

The outcome of these factors was that home-ownership (including outright owners and purchasers) increased from 53 per cent in 1947 to 70 per cent by 1961 and remained high until 1981, when the proportion of households purchasing began to fall (Mudd et al, 1999, Figure 1.3). This is reflected in Figure 1-1 which shows that the cohort born 1923-32 had substantially higher home ownership rates than the group before them, reaching 80 per cent by the age of 65-74. The group born in 1933-42 had the highest rates of all, with a homeownership rate of 81.5 per cent at the age of 55-64, nearly 5 percentage points higher than the previous group had at their age.

The level of home ownership a cohort of people have in retirement is thus strongly affected by the climate for taking out a mortgage when they were under the age of 45. While many explanations for changes in housing tenure focus on government policy settings, Bourassa et al (1995) comment that demographics and economic circumstances are more important than most policy focused discussions have allowed.

Thus successful upward progression on the 'housing ladder' involves the desire to buy a house, the ability to raise the necessary deposit and obtain a loan and the ability to meet the repayments. Decisions concerning the disposition or transfer of the family home after the age of 65 generally can be perceived as the other side of the housing ladder, the descent step by step towards eventual departure from home ownership finally finishing perhaps even at death. The other side of the housing ladder is discussed in Chapter Two.

The desire to buy a house arises from financial, cultural and psychological factors. Financial considerations include the current relative cost of other tenure, consumption choices and in the longer term, wealth accumulation, alternative avenues for saving, retirement security and bequests. Cultural and psychological factors are such things as social status, community participation and membership, a desire for stability and security (as opposed to mobility and flexibility), a need to own a 'home' or territory which a person or family can have exclusive use of and the right to modify or control to their own tastes.

The necessary deposit is usually determined by the cost of suitable available housing as well as the requirements of a lending institution, and the ability to raise it usually requires an individual or couple to have excess income over expenditure for a period, assistance from parents or Government assistance schemes. Obtaining the loan requires either the purchaser or the lending institution to assess the risks, such as the stability of a couple or household, expected other costs and the level and certainty of their income over the period of the loan.

The ability to reach outright ownership depends on the amount a person or household borrows, interest rates, and the level of their income in excess of other expenditure over the period of the loan. It is helped by nominal growth in their income over the period and often destroyed by breakdown of the household. It is possible to examine the differences in access to home ownership across the generational cohorts by an exploration of the economic, social and cultural experiences over two periods 1950-1975 and 1976-2003, albeit such an exploration is highly generalized and there is of course a huge diversity within such generalizations. Such a discussion does underpin the differences in access to home ownership within Australia over the past half century.

1.11 How Various Cohorts Have Traversed the Housing Ladder

1950 to 1975

The generation now aged 65 and over was born before 1939. They were young adults in Australia after the second world war, had recent memories of hardship. These were not only those who had grown up in the depression and the war in Australia but also the great wave of migrants, many of whom had been displaced by the war in Europe. Thirty-one per cent of Australians aged 65 and over were born overseas (ABS, 2003). Furthermore the depression and war had been closely associated with the rise of mass political movements, which threatened or overthrew capitalist democracies. This group benefited by the long period of stability and male full employment with steadily rising standards of living from the late 1940s until the mid 1970s. Women had low full-time employment rates from their mid 20s onwards but high marriage rates, low divorce rates and high fertility also characterised this generation.

The age group born between 1939 and 1949, now aged 55-65, grew up during the Cold War, under the unrealised threats of nuclear annihilation and communist attack, but in a materially stable and increasingly prosperous society. Reaching adulthood in the 1960s, with higher levels of education and opportunity, and the availability of the contraceptive pill, they experienced and brought about significant cultural and social change.

1975 to 2004

The late baby boomers, born between 1950 and 1961, reached the age of 25 between 1975 and 1986 and are aged 43 to 54 in 2004. While witnessing as teenagers and young adults the cultural and social adventures of the group older than them, the period of the Vietnam war and conscription and the revolutionary changes of the Whitlam era, they grew up during a period of economic stability and prosperity until 1975-76.

At that point the economic malaise began. They achieved slightly better educational levels than the group before them, but were hit by a level of unemployment three times higher than the group before them, between the ages of 15 and 34. At the age of 25-34 the men had nine per cent lower employment than their predecessors, although the women had a slightly better rate, but only 75 per cent of the women were married. In addition, over a third of job growth for 24-34 year old men and women from 1975 to 2003 were part-time, and there was a massive shift from permanent to casual employment.

In the period 1976 to 2004, real average male wages grew by only 17 per cent compared with 127 per cent in the previous 25 years. Gregory (1998, table 3) notes that in the period 1975 to 1996, labour market income per capita fell for young people compared with older age groups. He estimated that the average earned income for men aged 24 to 35 in 1996 was $75 a week lower in real terms than for 25-43 year old men in 1975 and that their average lifetime earnings to that point were $91,000 lower than their predecessors in 1975. Gregory attributes this to lower employment levels, because of high unemployment and higher education participation, lower full-time employment levels and a shift in the age-wage profile disadvantaging young people.

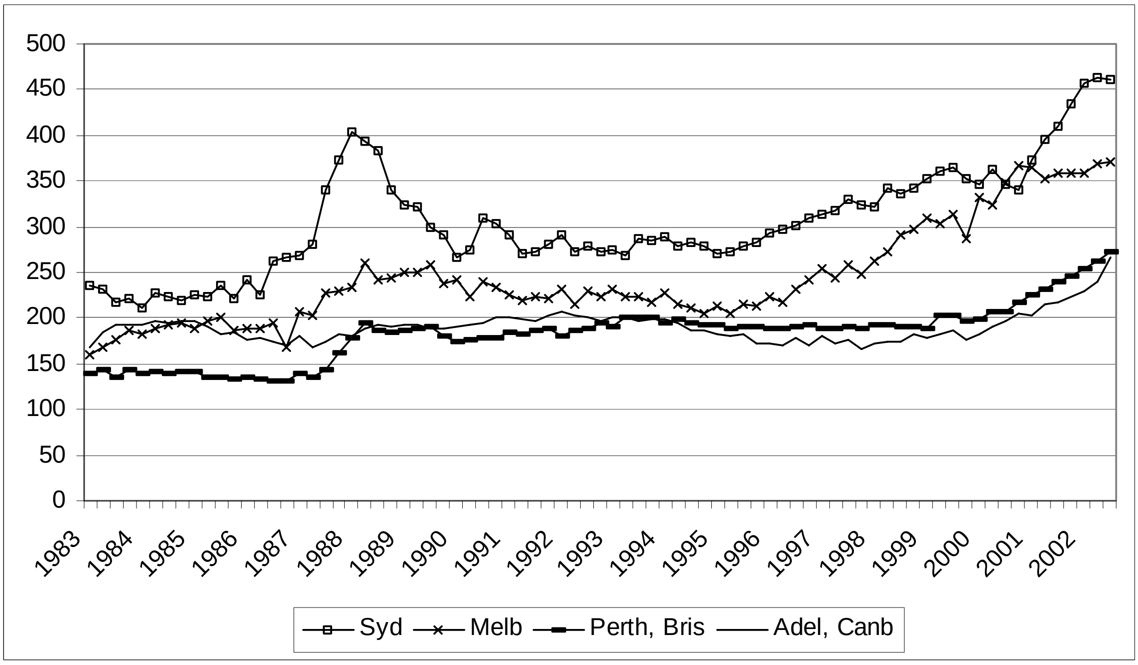
The proportion of the workforce who are casual doubled between 1982 and 1998 to 27 per cent (Campbell & Burgess, 2001:1). ABS figures show that although casualisation is highest among young and old groups, significant growth has also occurred at prime ages, with over 25 per cent of employed workers aged 25-44 being casual.

There was a growing disparity in individuals' private incomes and across household incomes. As women's employment rates grew and men's fell, and as relationships became less stable, the proportions of two-earner households, no earner households and sole parent households grew, while the predominance of single earner couple households fell.

Inflation rose from 3.6 per cent in 1970 to 16.9 per cent in 1975, then gradually reduced over the next 20 years. As inflation fell, interest rates rose. Housing loan interest rates were between 9 and 17 per cent between 1975 and 1996, apart from one year.

Since 1980, quarterly median established house prices in capital cities have been available from the Real Estate Institute of Australia. Figure 1-6 shows these for the major cities, divided by average weekly earnings in the relevant State. In the late 1980s house prices rose in all cities except Canberra and Adelaide to a new plateau in the 1990s. In Sydney and Melbourne they have been rising since the mid 1990s, and in all other cities since 2000. In the past three years there have been unprecedented increases in the value of residential houses across all capital cities and most particularly in Sydney and Melbourne.

Figure 1-6: Quarterly median house prices over Average Weekly Earnings - Major Capital Cities (1983 to 2003)



Notes: Quarterly median prices of established houses in each State capital city were divided by the Persons Full-time Adult Average Weekly Earnings for that State in the quarter ending the previous month. Perth and Brisbane were combined as they had similar patterns, as did Adelaide and Canberra. Full data series not available for Hobart and Darwin.

Source: Real Estate Institute of Australia, Quarterly Established House prices, Capital Cities, 1980-2003, ABS Average Weekly Earnings by State, 1983-2003, AUSSTATS

In summary, the groups born since 1953 have faced far greater obstacles to home ownership than those coming to adulthood in the post war boom. These are reflected in the lower rates of home ownership shown in Figure 1-4. Not only have they faced lower employment and earnings in their prime house-buying years, but those have become less secure. The casualisation of work increases the risks associated with committing to a long-term mortgage, both for the individual and for the lending institutions. Risky loans come at higher interest rates. The increasing inequality of opportunity and income, at both an individual and couple level has also made affordable home ownership available to a smaller proportion of these cohorts.

1.11.1 Home Ownership as Retirement Income

Certainly the purchase of a home re-distributes living standards across the life-course. Home ownership has been an essential component of the adequacy of retirement provision in Australia. Australia and New Zealand are alone in the Western world in their reliance on a flat rate, means tested pension for supporting the aged. Since the 1940s, the maximum pension rate has been around 20-25 per cent of male average weekly total earnings. Table 1-5 shows median housing costs and median income by tenure for households with a reference person aged 65 and over. In 1999, among households with a reference person aged 65 or over, the mean housing cost for couple home-owners was five per cent of income and private renters were paying 30 per cent. Among older single households, homeowners paid 11 per cent of income, and private renters 49 per cent.

Table 1-5: Housing costs & income by Tenure for Older Households.

	Median Housing costs	Median Income	Housing as % of income	No of households
	- $ a week -		- % -	- '000 -
Couple:				
Owners without a mortgage	23	367	6	510.3
Owners with a mortgage	62	347	18	22.3
Public renters	68	308	22	19.4
Private renters	121	345	35	18.9
Total	24	358	7	582.5
Single				
Owner without a mortgage	21	198	11	496.4
Owner with a mortgage	50	240	21	22.7
Public renter	39	184	21	68.4
Private renter	105	212	49	48.2
Total	26	192	13	681.8

ABS Cat 4182, 1999, Table 14

Put another way, the median saving in owning instead of renting privately was equivalent to 28 per cent of the median income of older couple households and 48 per cent of that of singles. For age pensioners, this would be partly offset by Rent Assistance, down to 9 per cent of a median couple's income and 30 per cent of singles' income.

As Kendig and Neutze (1999:442) point out, 'Older home owners generally have such low housing outlays that they can live an adequate if austere life on the pension'. However, age pensioners who do not own their own home are likely to be poor, particularly if they are renting privately, renting publicly or still paying off a house, as the 1975 Poverty Commission and subsequent assessments have found (Henderson, 1975: 240, Table 14.3, ABS Cat 4130.0 Housing Occupancy and Costs, Australia, 1999).

The current maximum rate of rent assistance per year is $2,454.40 for a single pensioner and $4,638.40 for a couple. Thus the high level of home ownership instead of rental carries substantial benefits for public expenditure as well as for older people themselves.

1.12 Summary

As this Chapter has shown, owning your own home in Australia has traditionally had a unique iconic significance that has been reflected in high levels of ownership. This ownership has been shown to be clearly associated with age, gender and class, among other things. The material value of this for the majority of elderly Australians is that the family home has and still represents their principal asset. Compounding this is the recent inflation of real estate, particularly on the east coast of Australia. This has proven to be a windfall for many elderly homeowners, endowing them with potentially unprecedented wealth. Conversely housing inflation has become an obstacle for the younger generation attempting to enter the housing market, changing the pattern of home ownership among the different generations. As a result the family home has acquired a new significance in terms of real and potential wealth for many, disadvantage for others, as well as a possible source of contention between the two.

An important policy issue for Government is to find effective means of enabling Generation X and their children to achieve home ownership. Existing policies have not been particularly effective, and alternatives will be explored in this project

These trends all bring into greater importance the role of intergenerational transfers in enabling people to acquire houses. These transfers may be through inheritance or through transfers between living generations. As demonstrated in this Chapter, the present generation of retirees and those immediately below pension age have the highest total asset value of any generation in history, mostly in the value of their housing assets. Because of falling birth rates they also have fewer descendants. This will potentially result in a very large volume of transfers from generations now over 55 to a smaller number of those below that age. But who will benefit from such transfers? Will they largely occur between generations in more financially advantaged families? How do individuals allocate their assets in wills or through assistance to younger generations? How much will this be used by transferees to acquire first homes? Conversely older people may seek to access some of the equity of their long-term family home by downsizing or moving in with family. Older people may also seek to access housing equity to finance their needs or desires for consumption or to fund health and residential care needs. These issues are next discussed in the Chapter which follows.

2 'AGEING-IN-PLACE', MAKING A MOVE, CONSUMING AND EXTRACTING HOME EQUITY

2.1 Introduction

As we have seen in Chapter One, people aged 50 to 59 have the highest level of home ownership and 90 per cent of those 60 to 75 live in their own homes. Over 75 years, levels of residence in one's own home continue to fall until for people aged over 85 only 60 per cent live in their one own home. What is the process of transition over the age period 50 to 85 years? What strategies may people adopt, and what choices do people make in their older years regarding the disposition of their family home?

There is remarkably scant consideration in research either in Australia or overseas on the behaviour and attitudes of older people in terms of the decisions they have or will make regarding disposal or transfer of their family home. There is an abundance of research which focuses on the move of older people into residential care and other aspects of aged care policies and delivery. But no attention has been paid to the financial aspects of that move and its effect upon home equity. This is despite widespread discussion in Australia, and even proposals for legislation, which would have involved many older people selling their home to pay for entry to high level residential care. Such proposals are discussed in Chapter Four. Overseas research is similarly focused upon issues surrounding the move to residential care, largely ignoring what effects this has upon ownership of the family home. The particular economic, taxation, welfare, wealth and estate tax situation and distinct cultural differences which are so distinctly different in overseas countries to Australia means that overseas research is of limited value in understanding or predicting behaviour in the Australian community.

This Chapter examines the options that older people have in Australia and explores previous literature concerning those options, as well as what is known about the choices which older people currently make. These include 'ageing in place' (or staying put in the family home during retirement), the available options for older people to move from their long-term family residence, as well as other options which are currently available for older people in Australia. Understanding these options is necessary prior to researching what strategies older people are aware of, are currently considering, and may or have already adopted. The range of opportunities for extracting equity from the family home through downsizing, moving into shared accommodation with family or other people, and financial products such as reverse mortgages are also examined.

2.2 Ageing-in-place

The preferred option of most older Australians is to remain in their homes for as long as possible and until their changing circumstances necessitate a move to an assisted care environment (Stimson & McGovern, 2002). In fact, 95.6 per cent of persons aged 65 or over live in a private dwelling, be it owned or rented (ABS, 2048.0, 2001).

The vast majority of older people live in houses selected decades earlier when they were in the paid workforce and had larger houses. Their use of dwellings and areas changes significantly when children leave home and after widowhood in old age. Few people adjust their housing after retirement unless they eventually can no longer drive or maintain their homes. Only 11 per cent of people wish to move (Kendig & Neutze, 1999).

The reasons for the preferred choice of elderly Australians to 'age-in-place' are numerous, but essentially the home represents 'a combination of personal and financial security, family memories and a sense of place and wellbeing' (Manicaros and Stimson, 1999). Not only does ageing-in-place allow people to spend their declining years in familiar surroundings but where they can maintain their network of family and friends, facilities and services (Manicaros and Stimson, 1999). Various studies in which older people have been interviewed about their housing (Thomson, 1998; Davison et al, 1993) suggest that people become more attached to their homes as they age. In addition to the values already mentioned, through long tenure a house becomes associated with memories that are part of a resident's identity. It may have become further imbued with meaning through the contributions made in building, buying, modifying, furnishing and decorating it, as well as growing a garden. There is an important positive value in familiarity with the house, the neighbourhood and people in the neighbourhood.

Ageing-in-place is increasingly endorsed by governments, not just in Australia but also in Europe, North America, the United Kingdom, and Scandinavia where there seems to be a general consensus that 'the role of the state in the provision of welfare needs to be curtailed' (deVaus and Li, 1997). Whereas government-provided services for the elderly were previously seen as an "inviolable social right", this is no longer accepted as governments respond to the fiscal restraints on spending imposed by economic globalisation (OECD, 2003: 18). Sen argues that instead of providing unbridled welfare - it is the government's role to 'foster self-reliance and self-provisioning' and to reduce people's reliance on welfare and restrict access to it (1997).

Ageing-in-place is supported by Australian governments not only in the form of favourable tax (capital gains) and pensions treatments (Winter, 1999) but also in terms of aged care policy. A major aim of aged care policy is to meet the preference of older people to remain in their homes by providing assistance with activities such as personal care, health care, and household tasks. Government agencies may provide services directly or purchase them from other formal providers. The activities most commonly supported by formal providers are property maintenance, health care and housework (ABS Year book, 2002). Table 2-1 examines the residential choices of older Australians, and demonstrates the preference for Australians to age in place as they grow older.

Table 2-1: Place of Residence for Older Australians - 65 yrs & over and 85 yrs & over (1996)

Housing type	**Persons aged 65 years and over (%)**	**Persons aged 85 years and over (%)**
Independent housing		
Private	90.2	60.7
Self-care retirement village	2.7	5.0
Care accommodation		
Accommodation for the aged	2.3	14.4
Nursing home	2.5	15.6
Hospital	1.1	3.3
Other	0.1	0.3
Other non-private accommodation	1.1	0.7
Total	100.0	100.0

Source: ABS, 4102.0, 1996.

An explanation of the Government's support for ageing-in-place may well be growing fiscal pressures on government, whereby it may prove less burdensome financially than providing alternative means of accommodation along with the ancillary costs involved. There are huge and growing dollar costs of medical services for people over the age of 65, and other fiscal imposts such as aged pension entitlements, the recurrent cost for nursing homes, and overall the Federal Government's expanding budget provisions for aged care. What is more, this trend of rising costs is anticipated to accelerate (AIHW, 1997). The Government's main support for ageing in place comprises the Community Aged Care Packages and the Home and Community Care program (HACC) in order to promote the independence of people who require certain levels of assistance, and thereby to mitigate their 'premature and inappropriate admission to long-term residential care' (Stimson, McGovern & Earl, 2002).

Currently, approximately 20 per cent of Australians over the age of 70 rely on some form of residential aged care support with HACC providing services for more than half of these while the remainder are cared for in nursing homes (5 per cent), hostels (3.7 per cent) and other community aged care (Stimson, McGovern & Earl, 2002). The Commonwealth provides 60 per cent of this funding, with the States and Territories financing the remainder. The 4000 or so HACC funded organizations provide services to some 540,000 people each year, of which 93 per cent are pensioners (40 per cent of these being over 80 years of age) (HACC, 2002). Reflecting this, an analysis of clients of the Sydney region Western Domiciliary Care and Rehabilitation Service, for example, has shown that there is 'a very large discrepancy in the levels of government support that clients of home based care agencies attract compared to residents in subsidised hostels and nursing homes' (Stimson, McGovern & Earl, 2002). Table 2-2 illustrates the range of activities supported by formal providers and the number of elderly Australians who received assistance with these activities in order that they may remain in their homes and age in place.

Table 2-2: Older Persons - Formal Assistance by Activity (1998)

	Govt Support	Private non- profit	Private for profit	Total receiving formal assistance (b)	Total needing assistance
	'000	'000	'000	'000	'000
Activities					
Self care	23.2	7.5	*6.3	35.3	155.0
Mobility	32.7	11.3	9.4	51.5	275.0
Communication	n.p	-	-	n.p	28.3
Health Care	105.9	14.4	132.2	238.6	376.0
Transport	38.5	18.5	11.9	64.9	453.9
Paperwork	*4.4	**2.1	*4.6	11.0	144.3
Housework	108.1	13.6	59.8	177.5	403.9
Property maintenance	42.5	24.5	234.5	284.9	626.1
Meal preparation	20.0	12.3	*7.6	39.2	142.2
One or more Activities (c)	237.5	74.6	350.1	506.7	887.9
Total receiving any Assistance (d)					853.3

(a) Aged 65 and over, living in households

(b) Total may be less than the sum of the components as persons may receive assistance from more than one provider

(c) Total may be less than the sum of components as persons may need or receive assistance with more than one activity

Persons receiving formal and/or informal assistance.

Source: Disability, Ageing and Carers: Summary of Findings, 1998, Australia (4430.0).

Quite clearly, there is Government commitment to assist older citizens to meet their strong preferences to stay in their homes as long as possible both here in Australia and overseas. The OECD suggests that the multifaceted nature of older people's desire to 'age-in-place' must be reflected in urban development, regeneration and city planning and design (OECD, 2003). Similarly, innovative financing approaches are needed in Australia which assist older people to 'stay put' and supplement their income through various equity extraction or equity conversions schemes such as reverse mortgages. Such strategies allow older people to access savings trapped in housing; to move to smaller more appropriate homes; or to consider co-housing, mixed tenure, multi-use, communal or hotel-like housing options set within sustainable, safe, accessible urban regions. These issues are further discussed later in the Chapter.

On the other hand there are policy decision-makers who oppose ageing in place policies. For example, the spatial mismatch argument is that the occupation of a large family house by older single people and couples represents an inefficient use of the housing stock. It is argued that older people in private houses have a very low utilisation of domestic space compared with other households. However, Kendig and others (Kendig & Neutze, 1999; Davison et al, 1993) contend that, as older people spend on average 18 hours a day in their house, they are actually making greater use of it than are people who work full-time. Older people they interviewed used the extra bedrooms for various hobbies and home production, as well as having friends and family members to stay. Kendig and Neutze further question why the housing choices of older people are singled out as wasteful over-consumption, rather than other forms of wealth consumption by other sectors of society (1999). A further argument is that retired people do not need to live in areas of high employment and could be encouraged to leave cities, to make housing available for workers. A sizeable minority in fact do so, particularly moving to more attractive rural and coastal areas. On the other hand, the need to be close to amenities, care and support and public transport might make that not a rational option. People also wish to live near their friends and family and often want continuity with familiar areas.

2.3 Technology Assisted Ageing-in-Place

Despite the Government's endorsement of 'ageing in place' and the increased emphasis on independent living for older Australians, the Government has largely failed to develop policies which provide support for families to adjust the family home to the present and anticipated needs of elderly people. Examples of this can be in the form of increased security measures such as alarms, fall monitoring, security doors, windows, and protection services. There are other potential costs in the way of ramps, special bathroom fixtures to facilitate mobility, duress alarms and the like. There is a profusion of such services and industries that cater for such needs, and new technologies are being developed which will greatly assist people to age in place but which require significant financial investment by the home owner. One example is 'home telecare'.

Home telecare is the use of information, communication, measurement and monitoring technologies to evaluate health status and deliver health care from a distance to and from people in the home. In the US home telecare is the fastest growing health care delivery sector with more than 5.9 million Americans receiving such services valued at US$25 billion. In particular, these facilities have significant application in rural and remote areas, representing an increasingly important part of rural telemedicine (Celler & Lovell, 2000). In essence, this innovative technology provides physiological monitoring in the home of such things as ECG, lung function, hypertension and motor function (tendency to fall) and can play a vital role in the future by giving the user greater confidence and security by providing health care services 24 hour diagnostic data.

First-generation home telecare systems include services designed to reduce anxiety among patients and reduce their use of primary health care services. Examples of such systems include personal alarm systems and emergency response telephones designed to make a voice connection between the patient and the response centre when a pendant alarm button is pressed. These systems are relatively low cost. Second generation systems bypass the patient for activating the alarm. These systems can monitor a large number of parameters of daily living sensitive to changes in functional health status and activate an alarm whenever significant changes are detected. Such systems are capable of measuring a range of physiological parameters such as temperature, respiration, ECG and blood flow. Transducer costs are generally low and public switched telephone network transfers data to a monitoring centre. Third generation systems attempt to deal with issues of loneliness and quality of life by creating a 'virtual community among clients, carers, health service providers and other community services via connection through the telephone, internet and interactive TV. A number of these systems can be integrated with evolving 'smart technology' for home automation, security and environmental control.

Regardless of older people’s desires to age in place and Government expressed encouragement for them to do so, there are increasing pressures upon the choices which older people make regarding their accommodation as they age. To the extent that their living costs exceed their income, the increased duration of the post-earning phase of the life course will undoubtedly place a greater demand on private assets. While other asset types may be more accessible than housing, for many older people the options will be to extract equity from their house or to trade-down their residence. The possible choices which older Australians can and do make are now discussed - ‘downsizing’ by moving to smaller houses or cheaper locations, trading down to apartments, moving to or sharing accommodation with family members, moving to various forms of intentional communities or retirement villages or moving into various levels of residential care.

2.4 Making a Move

Even though the vast majority of elderly Australians prefer to age-in-place (or ‘stay put’ as it is referred to in the US) there are also many who move, and do so for a number of reasons (Robison & Moen, 2000, Faulkner, 2001). These include social and lifestyle reasons: moves on retirement or when children leave home to a location or house that they prefer; moves to places that have better amenities, such as close to shops, transport or recreation; moves to be closer to family or friends for social reasons; or generally ‘a desire to pursue a more relaxed’ [or better] lifestyle (Stimson & McGovern, 2002). There are also those who are forced to move due to unforseen or overwhelming circumstances. The most common factors include ‘the death of a spouse, concerns about security, difficulties being experienced with home maintenance and changes in the nature of the neighbourhood (Stimson and McGovern, 2002), or because of their own current or anticipated care needs, to retirement accommodation with care services or to aged care institutions. Beside these, there are numerous financial pressures that prompt people to downsize their housing. They may include the cost and burden of upkeep on the house, to release equity in their house either to meet their own costs, lifestyle needs or desires, or to provide assistance to their children to name a few. But overall, the propensity to move increases with advancing age, especially after the mid-seventies as evident in the following Table 2-3 (Stimson & McGovern, 2002).

There has been a long standing pattern of some older people moving to smaller houses in their retirement, often moving to coastal areas. For many retirees the sale of their city family home offered the opportunity to purchase a smaller house and use the balance to fund travel and other lifestyle purchases. Salt observes that this is now no longer only a pattern for retirees (1996), that there has been a ‘big shift’ in people’s housing preferences which has significantly affected Australian culture and mainstream values. This factor has continued to underpin the huge growth in the value of housing, not just in coastal areas in Eastern Australia but right around the nation. Such price increases mean that many older people will no longer be able to afford to retire to the coast. Or even if they do, the increased housing values will seriously diminish the equity they have from the sale of their family home. These issues will be explored in the empirical research.

Table 2-3: Australians who moved residence 1991-1996

Age group	*Within same SLA * (%)*	*Other SLA same SD* (%)*	*Other SD same State (%)*	*Moved Interstate (%)*	*Total*
15-64	15.0	17.8	7.1	5.5	45.4
65-74	7.6	7.4	3.6	2.1	20.7
75-84	8.6	7.9	2.8	1.7	21.0
85-94	12.6	12.0	3.1	1.5	29.2
95 and over	15.5	15.6	2.7	1.1	34.9

Source: Derived from ABS census data (Stimson & McGovern, 2002)

2.5 Moving from the Family Home

While the majority of elderly Australians live in independent (self care) forms of housing there are a number of alternative housing options available to those who can care for themselves where they can continue an independent lifestyle. There are also a number of options for those with deteriorating health, a disability or advanced frailty, who require different levels of medical and personal care. The following Table 2-4 outlines the main housing options for the elderly in Australia today.

Table 2-4: Long-term housing options for older people

Self-care accommodation	**Care Accommodation**
• Owned/rented/shared private home • Living with family or friends/caravan/mobile home • Independent-living unit in retirement village	• Owned/rented home with community care • Assistance in independent-living unit • Serviced apartments • Supported residential facility/service • Hostel or Nursing Home

Source: ABS 4109.0.92 (Stimson, McGovern & Earl, 2002)

2.6 Assisted Retirement Housing

In the post WW11 era the construction of purpose built accommodation for retirees in Australia was developed through public subsidy. Though some of it was in the form of ‘Seniors Housing’ (small flats built and managed by State and Territory housing authorities) most of it was funded by the Commonwealth under the Aged or Disabled Persons Homes Act (Stimson, McGovern & Earl, 2002). Access for this type of housing has been by older persons who meet the income and assets criteria that qualify them as public housing tenants. At the beginning of the 1990’s more than a half of such housing was still subsidised by the Government, however, less than one third was available to financially disadvantaged retirees (Stimson, McGovern, Earl, 2002).

2.7 Caravan Parks & Relocatable Mobile-home Parks

There has been an increasing trend in recent years for long-term residence for elderly Australians in caravan and relocatable home parks. Twenty-three per cent of caravan park dwellers are aged 65 and over. In many cases such parks offer accommodation to both tourists and long-term residents, segregating the two into different areas. In general, permanent residents purchase their own caravans or mobile home and simply pay a regular fee to the management. Although it is unusual for such residents to purchase the site on which they reside, in some cases freehold titles on home sites are an option.

This is a new area of study in Australia. Some studies about such housing argue that retirees who chose this option have done so for lifestyle reasons over costs, even though the set up costs are substantially less than say, moving into a retirement village (Secomb, 2002). In field research in what Secomb calls these 'mobile or manufactured housing developments', she found high levels of resident satisfaction. Her findings challenged the stereotypes that such residents were primarily low-income pensioners. She found significant proportions were middle class retirees attracted by the lifestyle, the sense of community, shared activities and regular on-site health and other facilities offered by such intentional communities (2000). Stimson, McGovern and Earl report similar findings, that retirees living in such parks express very high levels of satisfaction with park living, namely independence, affordability, location, access to facilities and services, lack of crime, supportive neighbours, interaction with park visitors, proximity to relatives and the high standard of park management (2002).

However, there has been a serious trend towards long-term caravan parks being sold for re-development or conversion to short-stay caravan parks. Reasons include the escalating value of the land, particularly in coastal areas, higher potential income from short-stay caravan parks and increasing numbers of 'problem residents' who are unable to access other forms of housing, such as public housing (Connor & Ferns, 2002). A just released paper by Greenhalgh and Connor for AHURI and the Combined Pensioners & Superannuants Association NSW (2004) warns that older caravan park residents are facing homelessness as a result of caravan park closures across the nation. This highlights the insecurity of tenure in caravan and mobile home parks, and will be seen as an issue of concern by older people who may have been considering such a move. For many older people who had invested their small life savings in a caravan, these are rendered almost worthless by losing the site: many occupants have nowhere to go and cannot afford to move the caravan, if it is still moveable. 'It is reasonable to conclude therefore, that most people living permanently in caravan parks, either as a lifestyle choice or as a last resort and against their will, live in very basic conditions with minimal facilities and amenity compared to conventional forms of housing (Wensing, Holloway & Wood, 2003).

2.8 Living with Family

Although more than three quarters of older people in private housing live with their partners or on their own (Stimson, McGovern, Earl, 2002), almost one in four older Australians reside in extended family households. Twelve per cent of older Australians reside with their children, five per cent with their children's family, three per cent with other relatives, and two per cent live with unrelated people (Stimson, McGovern & Earl, 2002). Unlike many other countries, intergenerational support of the elderly in terms of living under one roof is not common in Australia, 'and it could well be expected that it will become even less' popular in the future' (Stimson, McGovern & Earl, 2002). Preliminary research interviews by the Law Reform Commission of New South Wales indicate that many family sharing arrangements turn sour over time as family conflicts arise (Perry, 2003). These can be particularly acrimonious when older family members have sold their homes and made inter vivos transfers to children or other family members with intentions of sharing purchased or renovated accommodation with that family. These are issues which will be explored empirically in the field research.

Nevertheless, there is an advertised market for this arrangement in what are referred to as 'granny cabins'. These are relocatable homes, detached from the main residence, designed to provide independence for both the retiree and their family. Priced at around $30,000 for a one-bedroom unit to anything up to and over $100,000 for three bedrooms they are regarded by older people as representing good value (Secomb, 2000). In general, these 'cabins' contain all the fundamental features of a home and are low maintenance. As there is little available information on this form of accommodation or the types of retirees choosing this housing option it is difficult to determine how popular they will prove in the future.

2.9 Retirement Villages

While many older people leave the family home only when they need the support of aged care facilities or family assistance, there is an unprecedented move by retirees in Australia to intentional communities or retirement village developments. By international standards retirement villages are still limited in Australia (in 2001 only 3.3 per cent of elderly Australians lived in self-care retirement villages (ABS 2001), compared to seven per cent in the US. Yet Australian studies suggest they are generally regarded as an attractive option by older Australians. A national inventory of retirement villages compiled by Manicaros and Stimson (1999) estimated the total number to be around 1,826.

Although many of the elderly move to retirement villages due to health, security concerns, increased care, better lifestyle (among others) there are also numerous financial reasons that prompt people to downsize their housing. From the financial point of view of the retiree, the retirement village option may be advantageous for a number of reasons. To begin with, a retiree may be better off through gaining a substantial capital fund after selling his/her family home and purchasing less expensive accommodation in a retirement village. (Stimson and McGovern, 2002). It may prove especially beneficial if the value of the home well exceeds the cumulative costs incurred by the move and simultaneously provides a surplus disposable income to enhance quality of life. Moreover, the ongoing service fees of retirement villages may be significantly lower than maintaining a home and paying costly rates and land taxes. It may also prove beneficial to family members if, say, some of the surplus from the sale of the family home is apportioned in their favour to pay for tertiary education, the purchase a car, or to place a deposit on a home and so on. Moreover, if the retiree has a strata title unit in the retirement village (though this is the minority) a considerable portion of the equity is also redeemable after the unit is sold. Even in the case of leasehold occupancy when an up-front lump payment is made (equal to the market value of the dwelling), the outgoing resident is entitled to a 'lease termination payment' against which may be offset a deferred management fee (McGovern and Baltins, 2002).

The move to a retirement village is an increasingly popular housing option for Australia’s retirees. It is difficult to give a common definition for retirement villages because in each state and territory they are governed by a separate legislation which specifies different attributes. But, in general terms, a retirement village is a housing complex alternative aimed at people 55 years and over which may contain the following:

- Independent living units only
- Independent living units with serviced apartments and/or hostel and/or nursing home
- Common areas such as a community hall, and sport and recreation facilities.
- These independent living units may be owned, leased, licensed or rented (Stimson & McGovern, 2002).

An important reason retirement villages appeal to the increasingly elderly cohort of retirees is that many provide additional care and emergency health facilities that may be required or bring peace of mind to those subject to increasing frailty. In a University of Queensland survey of retirement village residents, almost one quarter of respondents cited health reasons or need for some form of assistance as the reason for their move (Stimson, McCrae & Star, 2002). For younger retirees, retirement villages provide recreational facilities and social companionship that are seen as offering an enhanced lifestyle. From the financial point of view of the retiree the retirement village option may also be perceived as advantageous. A retiree may be better off through gaining a substantial capital fund after selling his/her family home and purchasing less expensive accommodation in a retirement village. (Stimson and McGovern, 2002) Moreover, the ongoing service fees of retirement villages may be significantly lower than maintaining a home and paying costly rates and land taxes.

Table 2-5: Retirement Village Residents' Reasons as Important in their Decision to move from their Last Permanent Home

Push factors	Most important reason (%)	An important reason (%)
Health reasons or required more assistance	23	35
Death of spouse or person living with	11	20
Garden at previous home too big	11	53
Previous home too difficult to maintain	10	37
Wanted a change of lifestyle	10	35
Wanted to be closer to family or friends	10	23
Did not feel safe in previous home	7	31
Previous home was too expensive to maintain	5	16
Design of previous home inappropriate	4	12
Wanted more free time	3	29
Wanted to spend time with people of similar background	2	30
Children, family or friends moved out of home	1	10
Had recently stopped working	1	9
Lonely	1	11
Could no longer drive	1	4

Source: UQ/RVAA survey data (2002)

A University of Queensland/Retirement Village Association of Australia survey on retirement villages collected in 2000-2001 found that 94 per cent of retirement village residents had financed their move by selling their own homes and almost all residents had owned their previous house outright. Respondents considered retirement villages were an'affordable housing option' for retirees (Stimson & McGovern, 2002). In a broader context, the emergence of the retirement village has filled a gap left by the Commonwealth Government's phasing out of capital subsidies for self care in 'independent-living retirement units' after 1974 (Stimson and McGovern, 2002). Although there is a paucity of literature on retirement villages in Australia, a national inventory compiled by Manicaros and Stimson (1999) estimated the total number to be around 1,826 with a state/territory breakdown of their distribution shown as follows:

Table 2-6: Retirement Villages in Australia (1999)

State/Territory	**Retirement Villages (no.)**
New South Wales	650
Victoria	230
Queensland	349
Western Australia	280
Tasmania	21
South Australia	263
Australian Capital Territory	30
Northern Territory	3
Total	826

Source: Manicaros and Stimson, 1999.

In a study of 62 frail aged people in Melbourne, Davison et al (1993) found that, while some who had moved to a retirement home or flat regarded their move in a positive light, 'the most threatening situations arise, when older people may be forced to move as a result of increasing frailty or the insecurity of private tenancy' (1993:177). They found that many interviewees avoided discussing moving, particularly when it implied residential aged care. Reasons they gave for moving tended to be reducing housework and maintenance, loneliness, changes in the neighbourhood and security. Reluctance to move concerned loss of independence, strong emotional attachment to home, pets, loss of space and furniture and the task of moving itself:

> Moving early from a bigger place is a good idea; as I said after moving out, if I'd been one day older, I couldn't have coped. You can't leave it too late (Interview from Davison, 1993:179).

Some expressed a preference for dying at home rather than moving. Davison found that 'Irrespective of frailty, the intact 'parental unit' can resist well-meaning attempts by children to suggest moves' and that couples usually made the decision whether to move or stay (1993; 180). Where couples didn't agree, they found the husband's view had prevailed. One couple they interviewed 'decided to move into a hostel together because their bachelor son wanted the home'. However, widows were much more likely to be influenced by their children and assisted by their children to find suitable accommodation and to move. Widows are also more likely to live with their children's family than are widowers or couples (ABS Cat 2048.0, 2001).

> A widow whose family 'wanted me to move out, too much, too soon' ended up in a retirement village. Her home was sold 'too quickly' and she thought 'oh well, I'll settle for this one' (Interview quoted in Davison, 1993: 181).

Gardner (1994) interviewed samples of 40 residents each in a 'resident-funded' retirement village and a subsidised village to ascertain the reasons they had moved into the retirement village. In the former, residents bought their units on entry as strata title and paid a small weekly fee. In the latter residents paid 25 per cent of their income as rent. All people in the resident-funded sample had been homeowners before entry. Eighteen of the subsidised sample had been home owners or purchasers at some point in their lives but had relinquished their homes, mostly through unemployment and other financial problems, divorce or widowhood. Fourteen of the sample had been mobile home owners before entry to the village, fifteen had been private renters, seven had lived with family and four were 'other'. The average age of home-owners on entry to the resident funded village was older than the average age of entry into the subsidised village, suggesting both a preference and an opportunity to remain at home longer.

In Gardner's study, using open ended interviews, the main reasons home-owners gave for moving to the village were actual or anticipated poor health, inability to maintain their houses or gardens, and isolation (loneliness or security concerns). One-quarter mentioned independence from needing to rely on their family. 'Some people spoke about "a new generation of neighbours" and one couple felt they were "strangers in our own district"' (Gardner, 1994; 39). Gardner identified a group as 'planners' who had moved to a village in anticipation of, rather than reaction to, poor health or frailty. These were on average slightly younger and were all couples:

> Age! We felt it was time to think for the future in terms of health care and personal security. That is, if something happened to one of us the other is not on their own in a big home. We have companionship in the village, we have made friends and therefore we will not be alone if one dies. Our family in country Victoria don't have to worry (Interview from Gardner, 1994: 38).

Widowhood was a contributing factor for singles, particularly women, because of loneliness, isolation, security fears and inability to manage home maintenance. Gardner did not provide any information on the financial implications of the move for consumption or inheritance.

Other factors relating to the move to a retirement village concern affordability. Costs depend on the prices charged by an individual village in relation to tenure. The forms of tenure offered by retirement villages throughout Australia are loan and license/loan and lease, leasehold, and Strata title (freehold). Though there are no regulated guidelines to stipulate the financing structure of buying into a retirement village, in general, a variety of fees are charged to residents either before entry or upon entry to a village. These include a standard entry contribution (in the form of a deposit), a regular service fee, and a deferred management fee. The entry fee is in the form of a lump sum amount paid before the resident moves into a retirement village. This is not payable by residents who rent their unit. The regular service fee is typically paid weekly, fortnightly or monthly. This fee goes toward maintaining the village's communal facilities, depreciation of its central buildings, and management costs. What remains of the cost of the unit is recouped by the village in the form of a deferred management fee. An example of some common pricing arrangements are as follows (McGovern & Baltins, 2002):

- entry contribution between $75,000 and $150,000
- service fee between $45 and $55 per week
- deferred management charge of 2.5 per cent p.a (capped at ten years)

The financial implications of retirees selling their home to move into a retirement village (94 per cent of residents finance their move by selling their previous home) are of particular interest. Such a move can be beneficial to the retiree if the value of the home well exceeds the cumulative costs incurred by the move (including the subsequent fees) and simultaneously provides a surplus disposable income to enhance their quality of life. It may also prove beneficial to family members if, say, some of the surplus from the sale of the family home is apportioned in their favour to pay for tertiary education, the purchase a car, or to place a deposit on a home, and so on.

In summary, though retirement villages have not yet proved as popular in Australia as in some other countries (like the US) there are indications that their popularity is increasing. It may well be that the US retirement village industry is more advanced in catering to the needs and aspirations of their clientele and once their Australian counterparts follow suit, retirement villages will increase in their popularity here. Whatever the case, though retirement villages may represent many positive outcomes for the government, the market, and retirees they may also represent a somewhat diminished equity in the transferable home/asset to potential inheritors.

Other older people move when they become frail and either they or their families decide they are in need of care. Where in the past care was provided in aged hostels and nursing homes, policy in the last two decades has been to encourage them to stay at home, with the assistance of various services, under the Home and Community Care Program and Aged Care Packages. As aged care institutions provide both care and accommodation, various home care arrangements aim to provide the former while the frail aged homeowners provide their own accommodation. From a public finance perspective, home care reduces the cost of providing residential aged care. The effectiveness of various care services in allowing frail aged people to stay at home rather than entering institutions is currently the subject of a separate AHURI project (Faulkner, 2001).

2.10 Moving Into Supported Residential Care

Although the majority of older people function independently or with family support or community services, a portion of the elderly is unable to continue living in the community and require residential care facilities (Reberger, Hall & Criddle, 1999). In Australia, this facility is provided through Hostels and Nursing Homes. And the form of residential aged care an elderly person seeks admission to usually depends on the level of care required. After certain legislative changes in the 1980s however, there has been a steady decline in the provision of such services.

An explanation for this is that from the mid 1980s, the Australian Government adopted central planning strategies that ‘succeeded in limiting nursing home places and increasing community services' (Healy, 2002: 1). These shifted the balance and growth 'from institutional to community care' (Healy, 2002:4) and placed a limit on nursing home costs, shifting a portion of the financial burden to the states for more community services (Healy, 1990). The Home and Community Care Act (1985) consolidated disparate funds into one combined program between the Commonwealth and the States. The following year (1986), aged care policy was addressed through one national department (now Health and Aged Care) whose portfolio it was to oversee the ongoing 'aged care reform strategy' (Howe, 1997, 1999). Following this, the number of nursing home beds in Australia per 1000 has dropped steadily (Healy 2002).

At the same time, expenditure on aged care over the next decade grew in 'total and per capita' terms (Healy, 2002:7), reflecting a shift in the 'balance of care' from institutions to expanded community services. This was clearly intended to maintain 'dependent people' in their own homes. Yet even though the Commonwealth reduced institutional spending and allocated more funds to community services after the mid 1980s, from the mid 1990s the 'balance of growth' moved back to institutional care (Healy, 2002; 7-8). Between 1995/6 and 2000/1 there was a 56 per cent increase in expenditure on residential care compared to a 34 percent increase on community services (Productivity Commission, 2001).

The 'purchase and provision' of aged care in Australia has been split between the Commonwealth and States with the Commonwealth being primarily a 'funder', while the State governments provide small amounts of institutional care. The major provider of both institutional and community services in most States is done by the voluntary sector (Healy, 1990, 2002). In the decade following the aged care changes of the mid 1980's this changed very little with the private sector providing nearly half of nursing home places but relatively few hostel places (AIHW, 1997b:table 5.17). Yet the question of who should pay for aged care has become an increasingly vexed policy question. Co-payment between government and the elderly has been gradually increasing over time and since the majority of people in old age are 'asset rich' and income poor a 'user pays' policy implies the selling or mortgaging of the family home (Healy, 2002).

2.11 Hostels

A brief definition of a hostel is a facility which supports people who can no longer live in the community in a reasonable manner but who do not need nursing (Lefroy, 1998). In general, hostels provide a minimal level of care for people with some form of 'less severe' disability, who may no longer be socially competent and 'whose behaviour may be eccentric but who have neither dementia nor advanced physical disability' (Lefroy, 1998). The design of such accommodation is intended to create a 'home like ambience' which 'encourages a pattern of life as near normal as possible' for more competent residents (than those whose dependency includes severe deterioration in mental state) and who are required to share a common environment (Lefroy, 1998).

In June 1996 there were some 1,510 hostels operating in Australia providing 62,634 places of which 60,437 were for permanent care and the remaining 2,197 for respite care (Liu, 1998). Of these, the majority (91 per cent in 1996) were managed by private (not for profit) organisations, three per cent by private (for profit) organizations with the remaining six per cent managed by State, Territory, and local governments (Australian Institute of Health Welfare & Department of Health and Family Services, 1998). Between July 1, 1995 and June 30, 1996 a total of 84,990 people spent 'some time' in a hostel with 53 per cent of these being 'respite' (non permanent) residents. The classification of permanent resident does not mean indefinite but longer-term residency. In the 1995-1996 period for which these statistics were compiled, eight per cent of permanent residents had been in hostels for less than three months, around 21 per cent had been residents for between three months and one year, 50 per cent for 1-5 years, and 22 per cent for more than five years (AIHW & WDHFS, 1998). Most (73 per cent) of 'permanent residents' were classified for 'Personal Care' (higher levels of dependency). 'Respite residents' can be classified as either 'Personal Care' or 'Hostel Care' (lower level of dependency).

A profile of hostel residents in 1995-6 showed that the vast majority of residents (when admitted did not have a spouse, about 16 per cent were married (or in a de facto relationship) while about 66 per cent were widowed (AIHW & WDHFS, 1998). Moreover, women were more likely to be widowed than men (58 per cent compared to 32 per cent).

Of the four in five residents who gave details of their housing status prior to admission, three quarters had lived in a house or flat, 12 per cent in a self contained unit, 1.7 per cent in a nursing home, and 7.4 per cent had come from another hostel (AIHW & WDHFS, 1998). Most of these residents had lived alone (58 per cent), or with non-family members. Women were more likely to be living alone on admission and among those who had previously lived alone (79 per cent), with a spouse (82 per cent) or with other family members (90-98 per cent) a private house or flat were the most common prior housing (AIHW & WDHFS, 1998).

Of the 41,400 persons admitted to hostels in 1995-6, 53 per cent were for respite care and among the permanent admissions more than 65 per cent were 80 years of age or older, with females representing 69 per cent of this.

Overall, results from studies on hostel care have indicated considerable improvement in the well being of the elderly (particularly those aged 75 and over), who have normal cognitive function but who are unable to remain at home due to diminishing quality of life (Reberger et. al., 1999). As the majority of hostel residents (75 per cent) lived in a private house or unit, and the majority are single, it remains to be established how much equity these residents had in their prior housing, how much of that is needed (for the permanent residents) for their move, how much is used for living while in the hostel, and how much remains at the end.

2.12 Nursing Homes

As people age their need for assistance clearly increases. Although most retirees prefer to live independently in their own homes (and in fact the majority do) assisted by family and friends in everyday activities such as property maintenance, transport and housework (‘Australian Social Trends’, ABS: 1999). With increasing age, they are more likely to require specialized forms of help, like health care and residential care accommodation. Both of these have traditionally been provided through hostels and nursing homes.

In 1998, 5.9 per cent of people aged 65 and over lived in such facilities, with those aged 80 and over, in particular, being the cohort most likely to require these forms of residential care accommodation due to the increased likelihood of having a disability or becoming widowed. Nursing homes are higher dependency care accommodation for older people who require one on one attention from nursing staff. In 2000 the number of beds available in Nursing homes was about 76,000**.** ‘Nursing home refers to a facility which provides 24-hour nursing care for its residents. These homes generally provide a higher level of care than hostels for the aged’ (Kendig & Gardner, 1997).

In recognition of the preference of the elderly to age in place and on account of the projected growth in the size of the ageing population and the associated costs, during the 1980’s the Commonwealth Government initiated a process of aged care reforms, including the expansion of home based care services and hostel accommodation, and a reduction in the proportion of older people being placed in nursing home accommodation (Australian Social Trends, ABS: 1999). The reason for this de-emphasis in nursing home residential care may well be due to the premature entry of the elderly into such government sponsored high care facilities. In 1997-1998 the annual cost to Government (excluding capital funding) was $29,648 for a utilized place in a nursing home (compared to $9,360 for a hostel).

The cost to an individual has varied according to their income and assets (ABS: 1999) and entry to a nursing home is governed by an assessment process which enables the elderly to move into such higher level of care as they become more dependent. In 1998 the basic daily fee for nursing home care was $21.96 for full and part pensioners and $27.11 for self funded retirees. Since then new residents with an income above the income-test threshold have to pay an additional $4.50 per day as well as $12 per day in accommodation charges - depending on their assets (ABS: 1999). At June 1998 there were 67,900 in nursing homes (compared to 57,500 in hostels) (ABS: 1999).

The preceding discussion has explored the range of alternatives that older people may consider with regard to their accommodation as they age. While ageing-in-place remains the preference for the majority of retirees, there are many who continue to age in place but do so in premises which are not their long-term family home. Many older Australians move in a 'desire to pursue a more relaxed [or better] lifestyle (Stimson and McGovern, 2002) or who downsize or otherwise change their residence for financial reasons. Moving alternatives can be seen as advantageous in that they may gain a substantial capital fund after selling the family home and sharing / leasing / renting / paying for / purchasing less expensive accommodation. Moreover, the service fees and associated costs of such a move may be significantly lower than maintaining the family home and paying costly rates and land taxes. Perhaps more than previous generations, many of those currently in retirement and certainly those now entering retirement and the baby boomers who will shortly enter retirement have greatly enhanced expectations for retirement lifestyles and greater demands for levels of health care (Olsberg, 1997). The issue of older Australians living in Australia's strongly culturally oriented consumer society is now examined.

2.13 Consumer Society and Older Australians

It has been estimated (January, 1999) that the over 55s 'households' own a remarkable 39 per cent of the nation's household wealth, with the over 65's accounting for 22 per cent alone (Howe, 2003). The over 55s also own around 54 per cent of the nation's financial assets while the over 65s own almost half of all deposits in the nation's financial institutions (Howe, 2003). A recent survey of wealth and inheritance by NATSEM (2003) reported that the 12 per cent of Australians aged 65 and over hold 22 per cent of the nations wealth and much of this wealth is in property (Howe, 2003). What is more, the value of equity in owner occupied dwellings in 1995-1996 was $690 billion (ABS 1998b) and among those older than 65 - 96 per cent of owner-occupiers are outright owners (ABS, 1998b). As detailed in Chapter One, the vast majority of older Australians have already paid off their homes and their housing equity is unencumbered by mortgage. This is not only relevant in terms of an unprecedented large scale transfer of wealth, but also in providing potential equity for older people for consumer spending. Based on data such as these it could be said that the elderly, as a group, are the wealthiest potential consumers in the country. The majority of people reaching retirement age are wealthier and have more disposable income than ever before. Not only are they better off than previous generations, but in many cases they are better off in retirement than they were for much of their working lives - particularly when they had children to support (Gilleard et al, 1999). An Access Economics Report for the Commonwealth suggests (Commonwealth Department of Health and Aged Care, 2001:56-57):

> As a group, mature consumers are the wealthiest in the country. They have a large proportion of that wealth invested in assets that can easily be consumed, with most of the rest in the family home. The family home is, indeed, the main investment for many of the mature aged. While these assets have traditionally been 'locked-up for life', trends have emerged in recent years to free-up bricks and mortar to accommodate the spending needs of a new class of retirees. The downsizing of the housing nest egg has already become a common way to free-up assets, and more innovative methods are also expected to reach Australia's shores in coming years. Other OECD countries have seen an increasing popularity of financial products that link income stream products to the family home. … If there is any truth to the bumper sticker 'Spend your kids' inheritance now', then the wealth of Australia's mature consumers has the potential to introduce a spending bonanza of proportions unseen before.

Much of older people's increase in wealth has come from the recent substantial rise in the value of real estate. Since 1996, property values have inflated vastly in Sydney and Melbourne, followed by the other capital cities in 2000, and outer-lying regions more recently. Even houses in former working/middle class suburbs have become valuable property. Research by the Real Estate Institute of NSW shows that when Depression era children were buying homes in the post war years, the new suburbs of Sydney were in a 15 kilometre radius of the CBD (Macken, 1999). These homes were in suburbs such as Chatswood, Burwood, Dulwich Hill, Drummoyne, Willoughby and Seaforth. Now many of these homes are worth in excess of $600,000 to $700,000 (Macken, 1999). Houses in formerly traditional working class areas like Paddington; Bondi, Coogee, Newtown (and others closer to the city centre) have become even more valuable. Even on the outer reaches of Sydney, in areas like Campbelltown, Liverpool, and Parramatta, property values have soared. Much of the recent inflation has occurred in inner city areas which were previously working class areas and in which many older people have their homes. An important implication of this, especially for those who have always considered themselves working-class, is that this newly gained wealth has provided an unprecedented opportunity in terms of equity extraction to fund essential and discretionary consumption.

The Access Economics Report (2001) quoted earlier contends that Australia is about to enter the era of the 'discretionary ageing consumer'. The Report states mature consumers have more time on their hands than at any other time in their lives (and also compared to prior cohorts of the aged), thus, they take advantage of this by spending an above average share of their income on holidays, books magazines and the telephone. They cook at home and spend a below average share on fast food and restaurants, but an above average share on groceries and home wares. They are also more concerned about health and spend above the average on pharmaceutical products and health insurance, fees and charges. Older consumers are also more likely to 'outsource' - to pay an expert to do repairs to appliances, plumbing as well as the heavy work in the garden. With the combination of increased wealth (over their predecessors) and time to enjoy it, they will spend a lot more on boats and cars, garden tools to potter around the garden (though they will pay someone else to mow the lawn). The trend in their consumption will also increase in terms of recreational services, men swear, furniture and white goods.

With more financial resources, 'young old' retirees and imminent retirees are more inclined to spend and to have the means to contemplate a greater engagement with contemporary 'lifestyle culture' than earlier generations of retirees - not only through such experiences as travel and other popular leisure activities, but also through their desire to avail themselves of anti-ageing strategies such as elective cosmetic surgery, alternative choices of lifestyle, and less parsimonious patterns of consumption.

For many older people their need for income is to meet essential health care costs or just to maintain their home. As 74 per cent of older people are dependent on pensions and other Commonwealth allowances for their main source of income (Stimson & McGovern, 2002), the high upkeep of homes and gardens is already onerous and the inflation of Council rates and other expenses accompanying the recent property booms undoubtedly weigh heavily. Kathy Hogarty. Finance manager at the Council of the Ageing (COTA), claims that many pensioners can ill afford the expense and maintenance associated with home ownership, particularly in areas where there has been significant capital growth. She cites a typical example of an 85-year old woman who has found that the house she and her husband built 50 years ago is now worth $500,000 and, having to rely on the old age pension, she can barely afford to pay the rates (SMH Jan 29, 2003).

Even though a number of the elderly may have a high proportion of their wealth invested in financial assets that are 'easily consumed', the family home remains the main investment for most and for many really the only source of capital to support their increased consumption aspirations. Recent trends in creative financing have evolved to access the family home 'nest egg' in order to accommodate the spending needs, and whims, of this 'new class of retiree'. For even though 'The oldest old (Depression era children) will do without in order to improve or retain the value of their estate', the young old, 'those in their 60 to 70's have a higher expectation of lifestyle and are more likely to use up some of the inheritance' (Macken, 1999).

According to Lewis Kaplan (1999), former Executive Director - Council on Ageing, this depends on the age of the elderly. As he explains it, while the oldest cohort of retirees (Depression' era children) will do without in order to improve and maintain the value of their home the younger cohort, or the so-called 'lucky generation', those in their late

50s and 60s, have a higher expectation of lifestyle and are more likely to use up some of the inheritance and other accumulated wealth. This is despite the fact that the family home in Australia (as an asset) has traditionally been 'locked up for life'. In the words of Walter Black, 72, Chairman of Older Men, New Ideas (OMNI), "My generation has grown up with the concept that you've got to leave your children the house without a mortgage" (Macken, 1999).

Having grown up in an ever-increasing consumer oriented culture, this 'new class of retiree' increasingly believe 'the wealth they have accumulated is for them to enjoy and spend rather than pass on' (Mulcahy, AMP financial Planning, 1999). This shift in attitude between the older and younger old was tracked in a survey of 51 to 65 year olds conducted by BIS-Shrapnel which as commercial research is not published. However, in a newspaper account of the research, the report's author, Tony Feely, referred to this group as the SKINS generation (Spend our Kids Inheritance Now), their attitudes summarised as follows 'We feel the kids have been set up and helped with education; we've done our bit; now it's our turn' (Macken, 1999). Heartbeat, a private research organization which conducted qualitative research for the Commonwealth Bank in preparation for the development of their new reverse mortgage product, reported similar findings (Research Interview, Heartbeat, Pty. Ltd., Principal, November, 2003).

2.14 Housing Equity and its Use-Value

While the preference of Australian retirees is clearly to age-in-place, the recent emphasis on reduced government financial support in the form of pensions and other allowances, and the general increase in the cost of living, can make this difficult for those with no other means of disposable income outside of an age pension. This would be especially the case for those who reach retirement age with an outstanding mortgage to service. Not only has this imposed additional financial pressure on this cohort of the elderly to move, but also means limited opportunity in terms of lifestyle. New financial products have been introduced and are being developed by major banks and financial institutions to allow retirees to choose to age-in-place through innovative loan schemes which provide opportunities for home owners to extract equity from their houses. This is additional to retirees who downsize their housing, and use any residual capital fund to enhance their lifestyle through consumption.

In response to this a number of lending institutions have introduced innovative financial schemes such as the 'reverse mortgage'. These are designed to unlock the assets of the cash strapped elderly struggling to survive on the age pension by providing a means for elderly homeowners to access their home equity while continuing to live in their homes. In effect, reverse mortgages promote 'in-house-ageing' and ideally, such products would add to elderly homeowners' well being by providing a disposable source of income for those living on meagre means to cushion any future economic shocks (Fratantoni, 1999).

The typical reverse mortgage borrower is asset rich but income poor and therefore cannot meet the criteria nor service a standard home loan. The majority of older persons receive a gross weekly income of less than $300, with the median weekly income being only $276) (Stimson, McGovern & Earl, 2002).

The reverse mortgage concept was initially introduced in Australia during the early nineties (by the Advance Bank as a 'Money for Living' loan) but did not prove popular and was withdrawn in 2000, only to be reintroduced again recently. According to Simon Kelly, a senior researcher from the National Centre for Social and Economic Modelling, despite an obvious need for such a facility elderly Australians have been reluctant to take advantage of such schemes. He sums up their resistance with the following rationale: 'They have spent their whole lives paying off their home and don't like the idea that their equity might go back down to zero if they live too long' (Kelly cited in Long, 2003). This seems to reflect the attitude of the older elderly (those over 75) more so than the young elderly (those between 55-75) whose philosophies vary on the dispossession of wealth (Heartbeat Research interview, November, 2003).

Reverse mortgage schemes, now being offered by three institutions in Australia, are designed to allow retired people to convert some of their housing assets into cash to meet living expenses, with the capital value and interest on such loans being paid back to the institution after death. While these are of great potential value in reducing hardship for those who own a house (but have no disposable income), growth in the take-up of these will affect the amount left over in their wills for transfers to beneficiaries. In response to this recently gained wealth of the elderly, the recent trend of innovative financing (like the reverse mortgage) has created the provision of a disposable income to ease the burden of funding longer retirement (due to extended longevity). It has also created the unprecedented opportunity for these retirees to-age-in place and/or enhances their lifestyle through essential and discretionary consumption.

The possibilities of extracting equity from housing stock through financial instruments such as reverse mortgages are already under examination by Government, as the following quote suggests:

> Following the substantial increase in housing prices in recent years which has contributed to rising household wealth ... the increase in borrowing secured against households has exceeded the net new spending on housing assets. This means that households, in aggregate, have been extracting some of their equity in housing stock to release funds for other purposes (Reserve Bank of Australia Bulletin, 2003).

Though the conditions applied to a reverse mortgage may vary from one lending institute to another, the loan is essentially 'an annuity payment to the homeowner for the length of time that s/he remains in the house' (Kutty, 1996). In Australia borrowers have to be 65 years of age or older to be eligible for a reverse mortgage, which is secured against their house. There is a limit imposed on the amount a borrower can borrow: with the St George Bank, for example, those aged 65 to 69 can borrow a minimum of $10,000 and a maximum of $80,000 - or 15 per cent of their property's value (whichever is lower) (Long, 2003). At the CBA a borrower can draw up to 25 per cent of their property's valuation, pay an establishing fee of $950, a monthly administration fee of $12, and the loan is subject to compound interest of one percent above the margin. For example, as the current interest rate on conventional loans is 6.8 per cent, the interest applied to a reverse mortgage at the CBA incurs compounded interest at a rate of 7.82 per cent. There are no repayments until the property is sold or the owner is deceased.

Reverse mortgages have been offered for the past three years in Western Australia by The Police & Nurses Credit Society, with some 600 borrowers drawing down an average $20,000 to $25,000 (Boreham, 2003). And in January of this year the St George Bank (which absorbed the Advance Bank during the nineties) reintroduced the reverse mortgage loan, attracting nearly 1000 customers in the first six months, who on average have borrowed $50,000 (Boreham, 2003). Since then the Commonwealth Bank of Australia (CBA) has also introduced a reverse mortgage loan in August 2003.

As the reverse mortgage did not prove successful in Australia a decade ago - in contrast to the US where they have been successful for some time (Long, 2003) - the question that remains is why are lending institutions, especially leading ones like the St George Bank, renewing their interest in this facility? Why, for example, has it been taken up by the Commonwealth Bank, whose customer base includes more pensioners than any other bank (Boreham, 2003)? According to Michael Leach, head of St George home loans, St George had not planned to promote the reverse mortgage aggressively but their renewed involvement stemmed from a high level of customer inquiries 'which we could not ignore' (Boreham, 2003). Moreover, 'The response has been greater than we budgeted for in terms of numbers and volumes written … within a year we would expect to have tens of thousands of customers' (Boreham, 2003).

Fred Huis, Chief Executive of St George Bank, said the average age of those interested in reverse mortgages is 70 in Australia (cited in Boreham, 2003). The question raised then, is why are the elderly demonstrating an interest in this form of loan now, when they did not do so previously? Is it indeed the case, as Michael Leach claims, that 'older people are finding their pension just doesn't go as far as it used to'? (cited in Boreham, 2003) Is it in response to new, additional financial pressures? Or could it simply be a cultural change in attitude by some of the elderly to passing on the equity in their most valuable asset intact?

Whatever the answer to this, there is a down side for those who stand to inherit from someone who has taken up a reverse mortgage, in that the equity in the inherited asset will undoubtedly diminish. And in many cases considerably so. As Louise Biti, financial planning, strategy manager at ING Financial Services warns, there is a possibility of 'exponential growth in the size of the debt' incurred against an asset by reverse mortgages. People are paying interest on the interest of such a scheme and 'it is possible to end up with a sizeable debt if you live for a long time after taking out the loan'. For example, a person borrowing $40,000 at say seven per cent will incur a debt of $78,500 if the loan is not repaid within ten years. 'If they live five years after that,' adds Biti, 'the debt will grow to $110,000' (Long, 2003). The negative implications of this in terms of the transfer of wealth were recently expressed by Geoff Strong and Farah Farouque of the Melbourne Age (Insight, 15/11/2003):

> The…reverse mortgage …is going to be a social disaster. You've got baby boomers who might have paid off their home but not left enough superannuation to provide the kind of retirement they want, so the banks will lend them maybe $100,000 against the value of their home. They don't pay it back, but it's taken out of the value of their estate when they die, plus interest. This means that the next generation, many of who have not been able to get into the inflated housing market, will end up being left nothing when their parents die. It's just not sustainable; we have sold our futures.

Bearing this in mind, loans, such as reverse mortgages (that are subject to compound interest) are much better suited to people with properties in areas where the capital growth of real estate (the CBD for example) can keep abreast of the growth in interest. Conversely, they would be less suited to those with property in rural and regional areas where capital growth is more likely to be slow.

2.15 Summary

This chapter has examined accommodation options which older Australians are faced with as choices as they age. These options are ageing in place, down-sizing or making a move – whether sharing or moving into shared accommodation with family or friends; or into retirement villages or residential care of various levels. The greater expectations for retirement lifestyles, desires for continued consumption of leisure, travel, entertainment and personal interests as well as ever escalating health needs may lead many retirees to seek to extract equity from their houses as outlined in the Chapter.

These issues raise a number of important questions which will be explored empirically in this project. For example, how many homeowners move after the age of 65? What are their reasons for moving or staying put? What happens to the equity in the house when they move? How much of it is used to secure a new form of housing? How much is passed on to inheritors through inter vivos transfers? And how much of it is allocated to consumption, especially discretionary or non-essential consumption. What happens to the family home when the elderly need to move to high care residential accommodation? And if the family home is sold following such a move, what happens to the residual equity after the costs of moving are met?

The issues for Government are numerous. The overwhelming desire of older people to age in place requires the development of multi-level policies to make this an expanding possibility. In particular, the popularity of the Home and Community Care Program suggests the need for a much expanded program of assistance which will enable older people to age in place in their homes. Issues such a home alterations or technology assisted domestic monitoring are important and useful forms of assistance which may facilitate greater independent living for older Australians. The need for financial resources for such lifestyle assistance together with the changes in consumer aspirations have potential effects upon the possibilities of older people extracting equity from their homes. This raises a number of questions. How much of this spending 'for other purposes' is attributable to retirees obtaining disposable income through any of the innovative loan schemes and alternative housing options providing them access to a ready source of disposable income? All such issues will be explored empirically in the forthcoming field research.

3 INTERGENERATIONAL RELATIONS, INHERITANCE AND INTER VIVOS LIVING TRANSFERS

Tell me, my daughters

(Since now we will divest us both of rule,

Interest of territory, cares of state),

Which of you shall we say doth love us most,

That we our largest bounty may extend

Where nature doth merit challenge.

[Shakespeare, *King Lear*]

3.1 Introduction

The issue of intergenerational relations, inheritance and inter vivos transfers between living persons which underlies discussions about the economic situation of older people, and hence issues related to their housing assets, arises from a combination of demographic and economic factors. The population is ageing because of the combined effects of increased longevity and decreased fertility. As well, new levels of interdependence within families and between kin are created by ‘user-pays’ market philosophies for utilisation of health, family support and other welfare services. And at the same time, established ideas about the place of older people in society, about succession and inheritance, and about family relationships, are under strain.

One important and growing area of discussion revolves around the notion of an ‘intergenerational contract’. This so-called contract is more properly described as a set of norms defining expectations and obligations. One of these, as described by the American gerontologist V.L. Bengtson, is ‘gerosocial succession’, in which the family is expected to provide financial aid and support that can be passed on to second and third generations. It is now under strain because it was, until recently, predicated on the retirement or death of the first generation before the ‘allotted span’ of 70 years, an assumption which is no longer valid.

Longevity and population ageing make the issue of solidarity between generations particularly salient (Walker, 1996). Yet dire prognostications about the future of intergenerational harmony are already surfacing. The issue of ‘intergenerational equity’ previously debated from the 1970s arose partly from demography and partly from economics. The majority of older people were regarded by the community as dependent and relatively impoverished, and the major items of public policy related to ageing were pensions, nursing homes, and health benefits. The improved economic situation of older people during the past 30-40 years has brought about significant changes in perception. As discussed in Chapter One, comments such as those by Australia’s Reserve Bank Governor Ian Macfarlane about the privileged position of many older people and the imminent possibilities of intergenerational conflict have opened up an often vociferous public debate in Australia’s media concerning the rights, obligations and expectations of relationships between generations. This is particularly manifest in the letters pages of metropolitan newspapers and on talk back radio. Similar strident debates are occurring in other countries too. New Zealand demographer and social analyst, David Thorns describes older people as financially secure and socially privileged, creating an unjustified drain on the welfare budget at the expense of younger generations of taxpayers (Thorns, 1994). Equally strident opinions abound in the United States, reflected in expressions such as ‘greedy geezers’, and the emergence of the lobby group AGE (Americans for Generational Equity).

Social, economic and cultural transformations in Australian society are contributing to the forging of a new intergenerational contract within Australian families. These transformations, discussed in Chapter One, will impact considerably on intergenerational relations and the aspirations and possibilities for intergenerational and intra-familial housing transfers in Australia over the next 50 years. The transfer of wealth from one generation to the next is a much debated social fact that involves key issues of concern to individuals and families and to the economic, political and social relations of society.

The focus of concern for this project is the intergenerational transfer of wealth, whether this transfer occurs at death in the form of a bequest or while living. The most usual form of inheritance is the transfer of bulk estates at the time of death of the testators. While the amount of personal savings such as superannuation and share ownership has increased dramatically, the bulk of individual wealth resides in ownership of residential property. This is particularly the case in Australia where, as demonstrated earlier, the value of residential property has continued to escalate. Inter vivos transfers – transfers between the living - add to the wealth of the recipient just as do inheritances transferred at death. Demands for inter vivos transfers to assist children, grandchildren or other relatives will also exert pressures on the financial resources of the elderly. Oliver and Shapiro state that advantages are passed on from one generation to the next through familial interventions in the form of inter vivos transfers - especially at crucial junctures of the life course or 'milestone life events' (1995). Inter vivos gifts can include parental care and support (advice, comfort, help during illness) domestic help (fixing things, making things, domestic and family support) or instrumental help (special gifts, accommodation, occupational support, money etc). In contemporary society financing education has become an increasingly important form of inter vivos giving. Another form of inter vivos transfers, now recognised as an increasingly important issue, refers to the transmission of cultural capital, generally defined as proficiency in and familiarity with cultural codes outlooks, dispositions and practices including linguistic styles aesthetic preferences and styles of interaction (Bourdieu, 1973; Bourdieu & Passeron, 1977).

The greater patterns of financial interdependence between and within families, the prevalence of multi-generational families as a result of increased longevity, the changing patterns of divorce and remarriage are important to intergenerational obligations and expectations because they form a central part of the context within which these are worked out. While Land Titles officers report the majority of family homes pass to the surviving spouse after the death of a partner (Research interview, NSW Land Titles Office, December, 2003), the complexities of blended families will bring different considerations to the fore. As well, the increasing number of sole parents and one person households and childless couples will affect the direction and patterns of inheritance and inter vivos transfers. The empirical research will provide the opportunities to explore the dimensions of this new intergenerational contract in Australia.

3.1.1 Inheritance & Inter Vivos Living Transfers in Australia

When parents and children are likely to experience more than 50 years of overlapping life there will be adults on both sides of the intergenerational relationship for most of the time. In Australia, where as discussed in Chapter One, it will be increasingly common within one family for there to be grandparent–grandchild adult relations, two generations of pensioners and perhaps two generations of widows, the possible conflicting demands on the middle generation will be increasing and demands for providing care may affect retirement as well as working life. As well, the increasing number of one person households may affect the direction and patterns of inheritance.

The trends discussed above may affect the role of intergenerational transfers in the distribution of housing and other wealth, including the ability of younger people to acquire homes.

> Given that older people are now expected to provide for their old age rather than rely on children, given that the old are expected to fund their own retirement, downsize into suitable housing and arrange support services for their declining years, it is surprising the level of entitlement the younger generations feel towards inheritance (Macken, 1999).

To what extent will the housing assets of parents be used to help younger generations to make up their shortfall in home-ownership? How much will older generations run down their assets before death and how much will be passed on to their children or other relatives?

Such transfers may be through inheritance or through inter vivos transfers between living generations. King and McDonald (1999) found that 5.5 per cent of the population aged 15 and over had, in the previous 10 years, received private inter-generational financial assistance to purchase a home or land and 5.7 had received an inheritance, worth at least $10,000, as money or inherited housing. Eighty-seven per cent of those who had received assistance to buy homes were helped by parents, and 64 per cent of those who inherited houses inherited from parents. The remainder received help or inheritances from grandparents or other relatives. As reported in Chapter One, the data on first home buyers is of particular note in terms of inter vivos transfers as 11 per cent of first home buyers obtained the deposit from gifts from families. A New Zealand study (Thorns: 1994, 246) found that 33 per cent of an elderly sample interviewed had assisted children with home purchase through either gifts or loans.

3.2 Inheritance and the Baby Boomers

The expectations for inheritance of the Baby Boom Generation are of particular interest. The most far-reaching study on prospects for inheritance for Australia's baby boomers is the AMP/NATSEM Income and Wealth Report Issue 5 released in June 2003. Using DYNAMOD[6] simulation models, the Report proposes a range of possibilities for future inheritance attitudes and behaviours by Australians. The forthcoming field research of this project offers an important opportunity to empirically explore the veracity of such hypotheses. The Report states that the wealth of baby boomers' parents has increased markedly as a result of housing and stock market booms of the 1980s and 1990s and increased longevity means that their parents wealth will have more time to grow. As a result, the wealth available for inheritance by the baby boomers should be rather greater than that available to previous generations, although they can expect to receive it somewhat later. Total household wealth potentially available for transfer by bequest is projected to rise from $8.8 billion per annum in 2000 to more than $70 billion in 2030 (AMP/NATSEM, 2003:12) This means that the amount available per beneficiary for baby boomers and their siblings should also be markedly higher. But can the baby boomers rely on inheritances to ensure that they enjoy financially comfortable retirement? The Report identifies a number of issues which suggest that as a group they may not.

(a) The uneven distribution of wealth may preclude it. The wealthiest 20% of parents (with 63 per cent of the wealth of older Australians) may be able to leave their children $lm or more, but 40 per cent of 'baby boomers' are unlikely to inherit significant amounts, and at least 20 per cent will inherit very little or nothing.

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[6] Micro-analytic simulation models to facilitate effective use of the output of micro-analytic research

(b) Living longer, parents of baby boomers may choose to leave a significant part of their estates to 30-year-old grandchildren just starting their families rather than their own children, skipping that generation.

(c) Overseas experience suggests that, with children living longer, better educated and tending to earn more than their parents, as well as having dual incomes, parents now feel less pressure to leave something for their offspring.

(d) Parents may decide to spend a substantial portion of their wealth because they fear that with a substantial bequest, their children would lose ambition and motivation, or adopt the view that nobody helped them in their younger years, so why should they. They may also choose to make sizeable donations to charities, medical research etc. (Research reveals that almost 15 per cent of US estates in 2030 will go to charities.)

(e) The ageing of the Australian population and government reluctance to increase taxes mean that individuals will be called upon to finance a greater proportion of their health and aged care costs. The extent to which this is likely to occur is evident in the "Intergenerational Report" published at the time of the 2002 Budget. As a consequence, parents may in fact leave less wealth, and 'baby boomers' may require more wealth themselves.

(AMP/NATSEM, 2003)

Another important form of inter-generational housing transfer is the increasing provision of accommodation in the parental home for young adults. In 1999, 17 per cent of 25-29 year olds and 7 per cent of 30-35 year olds lived in their parents' home (Kelly, Bill & Harding, 2003).

While children have traditionally expected to inherit the assets of their parents, or of their last surviving parent, the amount they might expect to inherit depends on the number of heirs among whom it is spread. Those born in the Great Depression may have fewer siblings but their parents also had lower assets. The baby boomers, whose parents shared in the housing boom of the 1950s and 1960s, were born to mothers averaging between 2.6 to 3.6 children. The baby boomers themselves have high home ownership rates and have fewer children (Hugo, 2002).

Inheritance will be delayed and resources accumulated by the oldest generation may well have been largely consumed in meeting ordinary living expenses into old age, let alone any need that may have arisen for care. And, there is a likelihood of intergenerational conflict over the distribution of family resources - most particularly as much of the handing down of parental property and other assets in Australia is taking place in families previously unused to the munificence of such bounties.

As argued earlier, the assets of older people, particularly housing assets, may be required by older people to finance their needs for accommodation, residential care, health and other services and for their enhanced expectations for retirement lifestyles. Previously such demands may well have entirely exhausted the assets of older people, as evidenced by the vast majority of older people who until recently were entirely dependent upon the government provided old age pensions and many upon public housing. Recent huge increases in housing values and the corresponding increase in the wealth of older people in Australia as reported in Chapter One suggest that the value of assistance which older people are able to provide for family members as inter vivos or living transfers and as bequests will be substantial and increasing. And also as reported in Chapter One lower levels of financial prosperity of younger people are already creating demands on the munificence of older family members.

There are few studies indeed either overseas or in Australia which focus upon the transmission of real property and capital assets either through testamentary bequests or inter vivos transfers. There is research in Australia on intergenerational transfers which has focused upon one regional area, in South Australia (O'Dwyer, 1999, 2000, 2001) and in Queensland (Mullins, 1999, 2000). Although this research is based upon empirical data which is now more than ten years old, O'Dwyer's findings are of particular interest. She has published several papers based largely on her research in South Australia and her figures underline the role of housing assets as the most important component of inherited wealth. Among other issues, she examines the case for inheritance taxes and claims that they would not have a major re-distributive effect as would generally be considered to be the case, though she does advocate inheritance taxes (O'Dwyer,1999,2000,2001). She does, however, stress that inheritance has substantial implications for the private rental sector. Many beneficiaries let their inherited dwellings and thus play a role in the rental market. The importance of this process has increased since 1990 because the rate of housing inheritance is occurring at a much greater rate than was previously the case, reflecting the very high rate of home ownership among older people. She describes the beneficiaries as 'accidental landlords', whose activities warrant study to ascertain whether such housing is affordable, accessible, and secure (O'Dwyer, 1999, 2000, 2001).

The other factor that may be changing is the age at which people inherit. King and McDonald found that the most common ages for housing inheritance were 45-64 years (1999). O'Dwyer (2000) found that the average age of recipients in her study was 47 and eighty-four per cent already owned homes. In a later paper, O'Dwyer documents the generally low rate of inheritance (2001). She states that only one per cent of South Australians had received any inheritance in the year prior to her 1990 study. King and McDonald too report that only 5.7 per cent of those asked in an Australia-wide survey in 1998 had received an inheritance of more than $10,000 in the previous ten years (1999). King and McDonald found that the modal age of people who received financial assistance from their living parents to buy homes was 24 to 34 years (1999). The growth in life expectancy for older people which has occurred since 1970 means that inheritances are received later in life. This trend will eventually be partly offset by deferred child bearing: the median age of giving birth was 26 for women born in 1951, and has increased to 31 for those born in 1981. King and McDonald (1999) provide some details of inheritance and beneficiaries, but no indications of future intentions and expectations. They concluded that inheritance was much more important than gift-giving, and that the most common form of inheritance was housing. The highest rate of inheritance was in the 45-64 age group, and two-thirds of inheritance was from parents. The enormous increases in housing values and the persistent differences in residential property values across states and regions make this national study an urgent and important priority.

The value and distribution of estates passing at death and the number of beneficiaries is not nationally recorded in Australia, and a pilot study of Records of Probate in New South Wales demonstrated the enormous difficulties in researching such data. Probate Records are held in State records and do not comprise a full register of estate bequests. As well, the automatic transfer of housing assets held as 'Joint Tenants' to the surviving spouse or 'other joint tenant' after the death of a partner limits the usefulness of probate records. In other countries where wealth and estate taxes are current, such records are far more readily available. For example, Walker in the United Kingdom was able to report that the number of estates passing at death had not risen dramatically over the previous 25 years but the value of inheritance had risen dramatically as a result of inflation and the growth of home ownership in UK (Walker, 1996: 142). Hamnett and Williams, also in the UK, reported in 1993 that a National Opinion Poll revealed that over a 10 year period, 12 per cent of adult individuals and 24 per cent of all households had received inheritance legacies.

The strategies which older Australians currently choose with regard to dispersion or transfer of housing equity is entirely unknown, and is the focus for the forthcoming empirical research in this project. The previous Chapter has examined the range of options which older people have in Australia with regard to utilisation or transfer of housing assets. This Chapter examines the conceptual frameworks which provide the analytical context for the empirical research.

3.3 A Genealogy of Intergenerational Relations and Inheritance

Intergenerational duty of care may be traced back to the biblical precept of “honour one’s parents’ and the expectations of filial piety are found in a wide range of religions and philosophies from Judaism to Confucianism (Cohen, 1993). [These are both transfers from children to parents and date from a time when children rather than governments were responsible for the welfare of aged people]. But wealth transfers within certain restricted sectors of society, whether by bequest or hereditary succession, were always seen as an important factor in the relations of power and intergenerational equity and the just distribution of opportunity and rewards.

The issue of intergenerational equity has long been and continues as a vexed and politically contentious issue by governments and by society. The literature on inheritance has generally focused on the effects of inheritance on intergenerational equity. Classical debates concerning intergenerational equity in the academic literature focus upon the transfer of wealth within the family as a source of social inequality and a constraint upon broader access to opportunity and attainment. Previously, the impenetrable circles of those who had estates to pass on limited challenges to rights of inheritance to notions of major social upheavals and socialist or communist-inspired social transformations. Karl Marx’s and Friedrich Engels’ ideas in the Communist Manifesto (1848) that only with the elimination of the rights of inheritance could humankind achieve emancipation were one source of inspiration for much of the early research on the relationship between inheritance and social inequality and injustice.

The pioneering efforts of Josiah Wedgwood in the late 1920s in Britain inspired twentieth century empirical research on the impact of inheritance on the relative lifetime economic status of individuals and families (Wedgwood, 1929). He argued that the transmission of wealth and income provided not just a source of material advantage but constituted the basis for a host of other environmental advantages, social status, educational opportunities and wealth making possibilities (Wedgwood, 1929). In a classic British text, Hilton argued ‘The maldistribution of the privately ownable wealth of this country is but a symptom of a universal malaise’ (1944: 174).

The fundamental dilemma between freedom of choice for the testator at the individual level and equality of opportunity at the societal level provided a focus for academic research and political rhetoric throughout the twentieth century. R H Tawney (1933) and Richard Titmuss (1962) in particular were concerned with issues of inheritance and distributive justice. Titmuss argued that inheritances are one method of spreading and splitting family worth which impacts upon and reduces tax and duty imposed upon property in Britain (1962: 78). Such concepts continue to provide the conceptual frameworks for much contemporary research.

Previous research explores two principal competing explanations of family exchange. The first is that altruism leads family members to share income and assets and provide each other with in-kind assistance of various kinds. The second is that family members assist each other only as part of a quid-pro-quo arrangement. Distinguishing between the two views is critical for a range of issues including the effectiveness of government inter and intra-generational redistribution programs and the intergenerational transmission of equality.

Much contemporary literature on inheritance and intergenerational transfers has focused upon a narrow range of issues, most particularly the economic, social and moral obligations between generations and within families and the exchange of goods and services from younger to older generations and vice versa (Edgar, 1989; Kendig 1984 & 1986). Much of the sociological research concerning inheritance has focused upon the transfer of wealth within the family as a source of social inequality and a constraint upon opportunity and attainment (Johnson et al, 1989; Quadano, 1989; Walker, 1990; Saunders, 1994). The welfare, and particularly the feminist, literature has focussed upon the nature and robustness of the social contract between generations, implicit within the redistribution of social resources through the welfare state through mediums of taxation and social expenditure such as welfare, health, pension and other social benefits (Bryson, 1992; Shaver, 2001). In terms of intergenerational transfers, the Australian Institute of Family Studies Family Formation Study found vast quantities of reciprocal intergenerational help exist, although only 21 per cent of older people gave direct financial assistance to younger family members (Edgar, 1991). Hal Kendig's 1983 study of the aged found that older people were more likely to be providers rather than recipients of many kinds of support (Kendig, 1986). There is already a large body of work on such issues and they are therefore not revisited in this Paper.

Canadian gerontologist, Susan McDaniel, addresses the question of intergenerational equity from a rather different standpoint, pointing out that differences between generations are less important than differences within generations. Canadian data indicate that the growing disparity of incomes in each age group matters more than population ageing or shifting age structure. The largest contributor, pro rata, to growing inequality, was the lone parent family headed by a woman under 45. Family type and gender of family head were more significant than age or demographic changes. McDaniel goes on to note that older people are particularly affected by dependence on savings, investments and public transfers (pensions and benefits). Increasing numbers of retired persons and soon-to-be retired persons are being forced by the need for cash flow into becoming shareholders interested in short-term returns. Pension funds are the largest existing pool of capital, so that pensioners and superannuants are staking a hold in the money market without having any real control. A consequence may be an increased role for the multi-generational family in providing an agency for the pooling of risks. Thus private intergenerational transfers will become increasingly important.

Economists have been concerned with inheritance at two levels: the economy wide level and the household level. At the economy wide level the principal focus of economic research has been to determine the proportion of total wealth in the economy that was either received as inheritance or accumulated with the intent to bequeath and the possibilities of redistributive taxation. The focus of economic research concerning the household level is on determining the behavioural motivation for making such bequests. Much of this research has been an exploration of altruism versus strategic exchange (Berhnheim, Shleifer & Summers, 1985). Altruistic models of bequests are based on the idea that parents care about the wellbeing of their children. Other altruistic models imply that parents use bequests to equalize opportunities among their children who have differing abilities and to make sure that their children will enjoy the same relative status in life as the parents (Menchik & Jianakoplas, 1998: 53).

While there has been some development of econometric tests on altruism based on data of inter vivos transfers from parents to children, the lack of reliable data has constrained the robustness of such findings for policy purposes. The weight of research findings are that both parents and children consistently understate the extent of inter vivos transfers and as well strongly reject the altruism hypothesis (Altonji, Hayashi and Kotlikoff, 1995.

The incidence of intergenerational conflict over the distribution of family resources through inheritance is now gaining attention in sociological and psychological literature in the United States. Research has identified problems for families where the handing down of parental property and other assets is taking place in families previously unused to the munificence of such bounties (Greene, 2002). Greene argues that family harmony is the most commonly overlooked part of inheritance planning, that the hardest part of estate planning is not an understanding of tax rates or trust laws but how to divide your assets so that your family is not hurt, angry or fighting among themselves once you're gone. American researchers conducted a national study with lawyers, financial planners and family counsellors to identify the most important questions family members should consider when thinking about inheritance. Parents were uncertain whether they should talk to their children about their inheritance, or the relative merits of creating hoops their children should jump through before they get their inheritance. The legal aspects of inheritance are also becoming of increasing import in Australia as the following discussion demonstrates.

3.4 Legal Aspects of Inheritance and Inter Vivos Transfers in Australia

Philosophical debates provide the context for much legislative and legal statutes concerning inheritance. Such debates arise from contradictions between John Locke's ideas of the natural rights of private property, and the rights of the individual to bequeath estates to designated heirs over possible redistribution of assets back to society and issues of intergenerational and social and economic equity (Milton 199: 311). Locke's views were challenged by British utilitarian and later American revolutionary thinkers seeking to bring inheritance rights within the legislative and regulatory bounds of civil society and so reallocate or at least diminish the fundamental rights of an individual no longer alive. It was argued that letting the dead control property was a danger to be strictly controlled by society, that the earth belongs to the living and that the dead have neither powers nor rights over it (Ascher, 1990). Positivistic views that the declaration of the civil as opposed to the natural origin of these rights became the mainstay in the power of governments to tax inheritance.

The acceptance and degrees of legislative and fiscal restrictions upon the statute of wills and the rights of descents and distributions continues to be a source of debate in moral philosophy and political and legal thought. As well, the question of the liberty of the individual to bestow his or her estate on those who please them best, in contrast to the rights of succession of primogeniture, constitutes the foundation of legal systems in most countries and is the focus of much legal conflict and disputation.

In Australia, as in most other western countries, there is a separation of ownership and property rights from statutes concerning inheritance rights. Lifetime property rights are regarded as fundamental, based upon a combination of natural positive and common law. Succession to property on death through inheritance is legally constrained under laws relating to Wills under State legislation in Australia and legal statutes which relate to the distribution of assets. Since 1975 inheritance or estate taxes and death duties have been progressively removed in all Australian States. This is contrast to most countries overseas which continue to impose varying amounts of death duties, wealth taxes or other imposts upon the testamentary disposition and transmission or receipt of property. Yet faced with the fiscal burdens of providing health, welfare and other government provided services for an ageing population questions of the persistence of untrammelled rights of bequest and inheritance have once again been raised in Australia as discussed in the following Chapter. Capital gains taxes introduced in the

1980s do have some impacts upon the transmission of property and other assets on bequests and inter vivos transfers between living persons. The transfer of property through inter vivos or transfers of property between living persons is now largely unfettered with the exception of the requirements of capital gains taxes. Gift taxes were gradually abolished by all Australian States in tandem with the abolition of Estate Taxes in the 1970s. There are exceptional circumstances where inter vivos transfers can be brought back into the deceased's estate under the various Family Provisions Acts, but the incidence of this is small. In most cases transfers of assets, material gifts or material munificence of some kind is regarded as unable to rescinded. Despite this, such acts of generosity have frequently led to bitter court challenges and family disputation, sometimes irrevocable family breakdown.

Australia's laws of wills have their origin in Roman Law. During the Roman period known as the Empire (AD 285-565) a procedure was developed by which the Centumviral Court could set aside a will that unjustly failed to provide for certain close relatives. Testamentary freedom was restricted by laws of succession which guaranteed heirs a fixed portion of the estate, subject to review by the court in special cases. Such principles were the basis of English law through their application by the ecclesiastical courts which had been established by William of Normandy following the conquest of England in 1066 as a quid pro quo for a papal blessing on the invasion. Until the 15th century in most of England the widow and children were entitled to a fixed share of personalty and a testator could only dispose of the balance. In London this regime continued until 1724, from which time, according to Lord Simon of Glaisdale, came "an interval of unbridled testamentary licence" (Schaefer v Schumann (1972) 46 ALJR 82 at 90. There were some restrictions arising from local customs such as the widow's right of dower (a life interest in one third of the husband's freehold property which was abolished by the Dower Act of 1833) and restrictions on gifts to charity (which were removed by the Mortmain and Charitable Uses Act 1891). Tyler comments that absolute testamentary freedom only existed in English Law from 1891 to 1938 when the Inheritance (Family Provision) Act was passed.

It is sobering that throughout history, in Roman times and particularly during the period in England 1540 to1833, there has always been a huge industry of people inventing ingenious ways to circumvent legal constraints upon the estate transfers of assets upon death, either to protect the unfettered freedom of a testator to leave his or her property to whosoever they wish and to protect the equitable provision for the families of the deceased. While legislation has sought to take account of the social circumstances of families concerned, the rights of individuals to determine to whom to bequeath their estates continue to test the court jurisdictions through Australia.

Conditions in Australia differed from those in England in the nineteenth century. Most colonists began life with little or nothing in the way of assets and acquired little during their lives. Marriage settlements were rare and if financially successful a colonist passed on assets only at death. De Groot and Nickel argue that there is remarkable similarity between Roman Law and its developments through English statutes and the legislative regime in Australia and New Zealand at the present time (2001: 1). In 1900 the New Zealand Parliament passed the Testator's Family Law Maintenance Act, the first family law provision legislation in the common law world. Within 20 years all Australian States had introduced similar legislation, and since 1900 legislative development have focussed upon broadening the class of eligible applicants and increasing the powers of the courts in adjudicating claims.

Although today there are some variations in Family Provision Acts between Australia's States, essentially a person has testamentary freedom to dispose of his or her estate except when there has been a failure to make proper provision for the maintenance and support of those who are seen as entitled to such maintenance and support. Initially those specified as eligible persons to make application to the courts under the

Family Provision Act were limited to spouses and children. In Victoria, application was restricted to widows and children under 18 years of age in the case of sons and 21 years of age and unmarried in the case of daughters. By 1977 all Australian States allowed claims by ex-nuptial children. Progressively former spouses and dependants (broadly defined) were also permitted to apply to challenge wills under the Family Provisions Acts in various States although legislation is still not uniform with some jurisdictions having gone further than others in broadening the class of eligible applicants.

Australian courts, particularly the High Court, adopt a two stage process in determining claims under Family Provision Acts - that is deciding whether the applicant has been left without adequate provision for his or her proper maintenance and support, and if the answer is 'yes', deciding what provision ought to be made. Such determinations usually rest upon whether the provision (if any) made was adequate for what in all the circumstances was a proper level of maintenance and support appropriate for the applicant (having regard amongst other things to the applicant's financial position, the size and nature of the deceased's estate, the totality of the relationship between the applicant and the deceased and other persons who have legitimate claims upon his or her bounty) (Singer v Berghouse (1993) 181 CLR 201 at 209, 210;68 ALJR 653 at 657; 18 Fam LR 94 at 100). There are no guidelines or mathematical formulae for determination of what actual provisions the courts may make, although legal precedents (decisions made by other courts on roughly similar fact situations) are used in tandem with judicial discretion.

It is clear that there is real difficulty in the Courts determining contestation of wills. Such conflicts concern facts extending over many years, indeed decades, and it is necessary to bear in mind, as Dixon CJ said in The Pontifical Society for the Propagation of the Faith v Scales (1962) 107 CLR 9 at 20 that 'one story is good until another is told, but a testator is dead and cannot tell his' (sic). Matters of family histories and family dysfunction are always difficult upon which to give judgements and estate transfers on death through deceased estates now constitute an ever growing proportion of matters before Equity Courts in all Australian States.

The actual transfer of the family home is determined by provisions of the Land Titles Acts in various states. Mostly family residences are held by husbands and wives under 'joint tenancy' so that if one spouse dies the entire title to the property passes to the surviving spouse. Alternatively, if the property is held by the couple as 'tenants in common', the death of one spouse involves the possibility of that specified proportion of the property being able to be transferred to another under the conditions of the deceased person's will. These two alternative conditions also apply to joint ownership of investment and other properties by persons other than married couples. So for example siblings, relatives, friends or business partners may share ownership of properties in varying proportions. And the death of one titleholder, depending upon whether they are joint tenancies or tenants in common, may involve the transfer of the shares in the property automatically to other titleholders or to have that share of the property subject to testamentary disposal.

The recent growth of retirement village living arrangements, intentional communities and other types of shared occupancies which continue to grow in Australia bring new pressures upon legal statutes and the courts to determine rights of succession and testamentary bequest. Retirement Villages operate under a great variety of tenure and title provisions, some of which are regulated by contract and some under traditional Land Titles regulations and most relationships are expected to have clear entitlements. As well, changes in family and household relationships continue to place a strain upon legal statutes regarding wills and general custom and practice in such determinations. Divorce and serial marriage, blended families, de facto relationships and same sex partnerships significantly complicate the distribution of assets on death.

De facto relationships and families with natural and ex nuptial or blended family relationships come within the boundaries of legal entitlements.

However, entitlements within same sex relationships are constrained by definitions of 'spouse' in many State jurisdictions and are currently a source of much contestation. Already there are political pressures to address such anomalies which can bring great heartache and serious conflict and disputation regarding the transfer of assets on the death of one partner. The allocation of superannuation death benefits is also a source of challenge and contestation regarding these issues. It is expected that political and legislative changes over the next few years will address these concerns.

In situations of intestacy, where a person dies without leaving a will, various statutes apply and again there are some variations across the States. Generally provisions are that if a couple have no children and one spouse dies, the surviving spouse inherits all assets. If there are children, the surviving spouse is awarded all household chattels plus $150,000 and the residue of the estate is divided equally between the surviving spouse and the children of the deceased. In practice, the surviving spouse often chooses rather to accept entitlement to ownership of the matrimonial home.

As a judge of the Supreme Court in Equity in New South Wales commented in a research interview conducted on November 9, 2003:

> 'Disputation over the succession to property on death has been grist to the mill of the equity division of the Supreme Court since the nineteenth century in Australia. But current expansion of ownership of assets throughout society and escalation of property values particularly in Australia's eastern States may well result in far greater levels of disputation in coming years. There are so often cases of differential treatment of children by parents throughout their lives and this can be reflected in unequal allocation of resources in testamentary provisions. As well, relations between siblings are not always amicable. The worst cases are those where there is sheer hatred between siblings. Often it is a feeling of being aggrieved about past circumstances rather than greed about money. In courts we often see a substantial erosion of the assets of the family through legal costs as a result of court disputes. It is not always the case of 'I want it they shouldn't have it, but I don't care who gets the money as long as they (the opposing party or parties) don't get it'. My advice to testators is that unless there is a good reason to treat children equally. Regardless of children's individual circumstances the disposition of assets in a person's will is always regarded as a deep and lasting indication of the quantification of the amount of regard a parent has for their children.'

There is already considerable discussion in legal circles and a particular enquiry in train by the Law Reform Commission of NSW concerning the legal rights of older people and obligations of intergenerational relationships. Fiona Burns has recently published a review of undue influence inter vivos and the elderly in which she examines the historical legacies of legal provisions regarding inter vivos transfers and recommends far reaching reforms to broad-based legal statutes in Australia (Burns, 2003)

Similarly, there is increasing concern about increases in disputation concerning awards of probate in the administration of wills. A seminar on Inheritance Disputes in New South Wales in Sydney in March 2002 attracted a new level of interest in legal circles. With an increase of 75 per cent in probate disputes from 2002 to 2003, there are expectations that Supreme Courts in Equity will be overloaded as increasing numbers of cases fail to be resolved by conciliation. Disputation is always intense and the levels of animosity no doubt leave family schisms which are often irreparable according to officers of the Probate Office (Research interviews, December 2003). Most disputation occurs between siblings who are children of the deceased, or between children of previous marriages of the deceased and spouses and children of later marriages. As the bulk of estates are bequeathed within the family, it is important for future family relationships that arrangements for estate bequests are discussed clearly. “We don’t know how to talk about money or death with our families”, according to John Johnston of Hillross Financial Planners in Sydney. (Research interview, November, 2003).

3.5 Summary

There is a common theme in overseas literature and most particularly in the Australian studies about the limitations of existing data and (predictably) the need for further research. Particular interest is consistently expressed in the need for empirical research on the role of intergenerational transfers in the distribution of housing and other wealth, including the ability of younger people to acquire homes. To what extent will the housing assets of parents be used to help younger generations to make up their shortfall in home-ownership? How much will older generations run down their assets before death and how much will be passed on to their children or other relatives? Inheritance may be delayed or resources accumulated by the oldest generation may well have been largely consumed in meeting ordinary living expenses into old age, let alone any need that may have arisen for care. There is a likelihood of intergenerational conflict over the distribution of family resources, most particularly as much of the handing down of parental property and other assets in Australia is taking place in families previously unused to the munificence of such bounties. Such questions will be explored in the empirical research as detailed in the following Chapter.

4 THE CHALLENGES AND OPPORTUNITIES FOR GOVERNMENT

4.1 Introduction

As mentioned in the Introduction, the ageing of the Australian population creates fiscal challenges for Governments in funding for income support, health, aged care and other services for the aged (deVaus and Li, 1999).

The present Commonwealth Government's National Commission of Audit (1996) had as one of its terms of reference to report on 'The impact of demographic change on Commonwealth finances, with the intention of making recommendations as to how emerging pressures could be provisioned' (1996:21, ToR 2(iii)). The National Commission of Audit recommended that,

> The Government should urgently implement measures to reduce the potential for longer term age related funding increases or, failing that, make allowances now in budget figuring to provide for them. The Government should take action now to change expectations of reliance on government assistance, by reducing aged and health related outlays.

Following the National Commission of Audit, the 2002 Intergenerational Report was issued under the Charter of Budget Honesty Act 1998 which required that,

> An intergenerational report is to assess the long-term sustainability of current Government policies over the 40 years following the release of the report, including by taking account of the financial implications of demographic change.

The underlying policy principle of these reports is 'intergenerational equity' in relation to taxes and expenditures. This policy 'will seek balance in treatment across generations, that is, it will exhibit intergenerational equity and avoid excessive net expenditure on the current generation at the expense of future generations' (Commission of Audit: 1996, 262).

However, the Commission of Audit's recommendation to bring the responses forward to the current cohort of older people is not consistent with intergenerational equity. The current cohorts aged 65 to 84 and those aged 85 and over are neither large nor wealthy in relation to the cohorts following them.

Thompson (2003) explores the issue of intergenerational equity, and whether it is compatible either with the life cycle or risk-sharing models of equity. The life-cycle model is that a society should re-distribute some of its resources from those at a stage in life where they are economically productive to the young and the old who are not able or permitted to participate in the labour force, on the basis that all its members pass through those stages. The risk-sharing model redistributes from advantaged to disadvantaged people, to cushion the vicissitudes of fortune. Both of these principles support a public obligation to the aged. Thompson criticises models of reciprocity where support for the aged is based on an intergenerational social contract.

The policy of intergenerational equity refers to *public* intergenerational transfers. The subject matter of this project is *private* transfers through gifts or bequests. However, where potential public transfers are reduced by shifting costs from the public to the private realm, the scope for private transfers is correspondingly reduced.

Private transfers are greatest in wealthier families. Assuming that the public tax-transfer system, in its broadest sense, is redistributive from wealthier to less advantaged sectors of the population, then the net outcomes of such shifts from publicly funded to privately funded goods and services are likely to result in a less equitable distribution across society.

A problem arises, if the enthusiasm for reducing intergenerational transfers results in inequity between rich and poor individuals and households. That is, to reduce levels of protection and services to a generation because it is large runs a danger of impoverishing poor individuals within that generation. To date, most policies adopted by Governments to encourage user pays among the elderly have been targeted to those with capacity to pay, rather than reducing support to the poorest.

However many people both inside and outside Government have noted that more account could be taken of the assets of older people in some policy areas:

> But it makes sense for the state to claw back some of its expenditure through claims it can exercise on the assets of older people, since public welfare systems are supposed to improve the welfare of recipients rather than subsidise intergenerational bequests. In Australia, this asset base of retired people is very large. (Johnson, 1999: 25)

Measures that affect the family home or taxing/charging deceased estates are highly controversial and many both within Government and outside would not support them.

The main strategies that have been adopted to reduce public intergenerational transfers have differed between policy areas, as will be discussed below. There are a number of strategies to control such costs: reduce the minimum income or service level per aged person; shift the costs to the recipient or raise additional taxes to meet the rising costs. As most older people are ‘housing asset rich and income poor’ (Kendig and Neutze, 1999: 144), Governments have an interest in unlocking the assets of the aged to pay for these expenditures. This would allow Governments to draw back from current per capita funding levels and to enable more efficient targeting of expenditure (Fine and Chalmers, 1998).

Another key area of Government concern is housing policy. As has been discussed in Chapter One, widespread home-ownership has been a high priority in Australia for both Governments and the people. In fact, the widespread nature of home-ownership has been an equalising factor in Australian society, while in other countries such as Britain home ownership was confined to a smaller privileged sector of the population. As well as the benefits for home owners, home-ownership reduces direct public expenditure on public housing and rent assistance for private renters. The debates as to how to calculate the indirect cost of home ownership through tax concessions is beyond the scope of the current paper.

Thus Governments have recently expressed concern over the fall in home buying among younger generations and the Commonwealth is currently inquiring into ways to make home-ownership more accessible. The re-introduction of the First Home Owners Grant Scheme in 2000 and particularly the short term increase in the amount in 2001 resulted in a dramatic boost in first home ownership, but this has now dwindled back to the doldrums of the late 1990s. This project is examining the role of private intergenerational transfers in assisting younger generations to acquire houses.

This Chapter examines the implications of a number of current policies for the elderly, their use of their assets and their ability to transfer wealth to younger generations.

4.2 Taxes on Assets and Inheritance

Unlike other OECD countries, Australia currently has no wealth tax or inheritance tax. There have been moves to reintroduce some form of estate taxation. Australian Governments in the 1970s and early 1980s moved away from the taxation of assets, removing death duties by 1980 and the assets test for pensions in 1976. However in response to concerns about the fiscal implications of current demographic trends, and greater policy emphases on targeting public spending and encouraging user pays principles, Governments since the early 1980s have taken a renewed interest in assets (Baekgaard and King, 1996; National Commission of Audit, 1996; recommendation 6.2).

While there remains no general tax on wealth nor estate duties, capital gains tax was introduced in 1985. In the same year the Commonwealth Government re-introduced assets testing for age pensions to encourage older people to make greater use of their assets and to improve targeting to those with lower income and assets. In the academic literature, there are attempts to at least raise discussion of estate duties, either in general or to recoup certain public subsidies, such as for aged care or for housing (O'Dwyer, 2000; Leveratt, 1999; Kendig and Neutze, 1999; Johnston, 1999).

Measures taken so far, such as the re-introduction of assets tests for social security payments and capital gains tax have exempted residential homes. Capital gains tax is not payable when assets change hands through inheritance, but is payable when the inheritors sell it. Some claim that capital gains tax on inherited assets results in greater public revenue than inheritance taxes did.

> In the 1994-5 financial year the government earned more money from dead people using CGT than the cumulative history of death duties. (Brett Davies, Tax Lawyers, Inheritance Tax Planner).

The capital gains tax exemption for a person's own residence can be retained while the person is in a nursing home. It also stays exempt if the inheritors sell it within two years of the former owner's death or if it continues to be the principal residence of the deceased person's partner, heirs or someone with a life tenancy. However the capital gains tax liabilities can become complex if an inherited asset is passed on to other members of the family: for example if a widow transfers the house she inherits to her children.

4.3 Income Support

Aged pension entitlements are a considerable budgetary impost. In 2002-03 the cost of payments to the aged was approximately $20 billion[7]. Around 2.2 million or 78 per cent of people of age pension age receive means tested income support payments in June 2003 (FaCS Annual Report 2003-04).

There have been two main strategies for containing such costs: superannuation and stronger means testing of pensions. The aim of the Superannuation Guarantee is to redistribute individual incomes across the lifecycle by converting a proportion of earned income into retirement savings. The intention is to reduce reliance on publicly funded pensions. Superannuation policy not only requires employers to contribute to employees' superannuation but also provides tax concessions to encourage people to contribute above the mandatory level, preserve their benefits until retirement and to convert their superannuation assets to retirement income streams.

For future generations, superannuation is becoming a very significant asset at retirement. However the Superannuation Guarantee and the requirement to preserve funds to retirement age were introduced too late for most people who are currently aged 65 and over, and for many of the older 'baby boomers'. For superannuation to

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[7] This includes $17,773 million paid to age pensioners under the Social Security Act (FaCS Annual Report, 2002-03, Output Group 3.4: Support for the Aged, Performance information) and an estimated $2,944 million paid on other means tested payments to the aged by the Department of Veterans Affairs based on recipient numbers in the DVA Annual Report multiplied by the average Age Pension payment.

be effective in providing substantial retirement income, a person needs to have contributed an adequate amount over an adequate period. Before the Guarantee and related reforms were introduced, access to superannuation was confined to more privileged sectors of the workforce and benefits were often lost through job change or taking payments as a lump sum which were frequently used to pay off houses.

Thus the present cohort of retirees have lower superannuation assets than future cohorts will have. As discussed in Chapter One, their retirement savings are predominantly in housing and also in shares, deposits and investment housing. It is yet to be seen how much mandatory and voluntary superannuation savings will replace or augment these more traditional forms of saving in the future.

The pension has almost always been means tested, although this has taken different forms, and there was a period in the 1970s when the means test was removed for those aged 70 and over. The income test has been made more generous over the years, most recently in July 2000 when the withdrawal rate was reduced from 50 per cent to 40 per cent. The assets test has in the main been strengthened, with more types of assets being included, most recently companies and trusts. The principle of deeming financial assets to earn interest is designed to encourage people to use their assets to produce an income that could partially replace public income support.

Assets that are given away by pensioners continue to be taken into account under the assets test for some time. This is intended to prevent people from impoverishing themselves to increase their pension entitlement. It is also a disincentive for older people from giving away assets to younger generations, for example to assist them to buy or pay off a house. Despite the strengthening of assets testing in general, as mentioned above the value of pensioners homes is not included in the assets test. However there is a higher asset threshold for non-home owners, which in effect is equivalent to an imputed value of $108,000 for a home.

The exemption of the pensioner’s home from the pension assets test may discourage some pensioners from trading down to a smaller, cheaper home or selling the home to release equity, as the equity would become assessable. Whether this would affect their pension entitlement depends on their level of assets and income. However, even those whose entitlement would not be affected may be reluctant to do so because they do not fully understand the implications.

There have been no policy initiatives to require pensioners to use their homes to increase their incomes although there have been two schemes in the social security system to enable them to borrow against their homes, with loans repayable from their estates. These are an early reverse mortgage scheme and the pensioner loans scheme. Neither have attracted much take-up.

From 1993 to 1996, the Commonwealth Government subsidised a pilot Home Equity-Conversion Scheme. It was hoped this pilot would lead to financial institutions offering their own commercial products. The Scheme was not a success: the average Commonwealth subsidy per loan was high, about $1,700, while the loans amounts were usually around $3,000 to $5,000. During the life cycle of the scheme, less than one per cent of eligible pensioners used the scheme.

The current Pension Loans Scheme allows people who are ineligible for age pension or entitled to only a part-rate pension to purchase income support as a loan against real estate, recoverable after death. The loan is subject to compound interest rate of 5.25 per cent. At September 2003 only 163 people were using the scheme.

4.4 Aged Care

The formal aged care system comprises residential aged care (formerly hostels and nursing homes) and community based care. The need for aged care increases with age, and also reflects the level of care that a spouse can provide. Men are far more likely to die before their spouses and have a correspondingly lower level of usage of formal aged care

> The probability of someone in the community aged 65 entering permanent residential aged care at some time during their remaining life is 28 per cent for men and 46 per cent for women. (Commonwealth of Australia, 2003: 10)

In 2001-02, residential aged care cost the Commonwealth $4.1 billion for 210,000 clients, while care in the community cost a further $1.4 billion. (Aged Care Pricing Review, 2003, Table 1). Although the cost to Government of the aged care system is now only a quarter of the cost of income support for the aged, there is potential for a dramatic increase: the number of people aged 85 is projected to grow by 840 per cent by 2051.

The main strategy to forestall this growth in demand is to support ageing in place through community based care and measures to promote healthy ageing initiatives. Such measures are very popular as they accord with the desire of most older people to remain independent as long as they can. It is critical for the well being of older people that such support is kept at a high standard. It is also critical that access to residential care is not reduced to the point that those who cannot survive decently in their own homes are excluded. It appears that, despite support for ageing in place, residential aged care is not expanding to meet real growth in demand and people may be inappropriately excluded. The second strategy is to require people using residential care to contribute more of their own assets.

4.5 Residential Aged Care

Until 1997, residential aged care was of two classes – nursing homes for the highly dependent and hostels for less dependent. Although these have long been provided by the non-government sector, they are funded partly by the Commonwealth and partly by user fees and charges. Hostels were funded at a far lower level per resident than were nursing homes. Government policy in the early 1990s was 'to progressively expand the hostel sector, whilst firmly controlling growth in the nursing home sector' (AIHW, 2002d: 7).

The present Government's policy goal is to fund 'one hundred places for every thousand people in Australia aged at least seventy. This total is divided between forty high care beds, fifty low care beds and ten operational community places' (Aged Care Pricing Review, 2003, Background Paper 2: 5). In fact the ratio of residential care places per 1000 people aged 70 and over fell steadily from 92 in 1995 to 82 in 2001, while the ratio of Community Aged Care Packages has increased from 2 to 15 per 1000 (AIHW, 2003: 2, Table 1)

The National Commission of Audit recommended

- means testing on the basis of income those seeking access to nursing home benefits
- providing scope for the Government to recover nursing home benefits from the estates of clients
- a review of the feasibility of private insurance products to cover costs of long-term aged care.

The first [two] of the NCA’s proposals provided an important stimulus for the development by the Coalition Government of a funding regime for nursing home care which reflected the principles of ‘user pays’. The measures initially introduced included new income testing arrangements lifting fees from around $21 a day for all residents, to up to $63.30 a day for non-pensioners, and accommodation bonds in nursing homes which effectively required an American style asset run-down by older residents forced to realise the value of their assets by selling or mortgaging their homes to meet the charges incurred. It appears that the new fees, together with entry contributions, would have provided around 50 per cent of the cost of nursing home funding for residents receiving lower levels of care. However the overwhelmingly unfavourable reaction of the older people, their families, and service provider organisations to the schemes when they were introduced in October 1997 led to a delay in their full implementation as they were made the subject of a Ministerial Review. (Fine and Chalmers, 1998).

Under the Commonwealth Aged Care Act 1997, former hostels became able to care for highly dependent residents. One of the stated reasons for this change was to allow residents to ‘age in place’ in the hostel rather than face transfer to a new institution as their dependence level increased. A second reason was the recognition that the number of nursing home beds had not grown in proportion to the aged population and that hostels had for some time had a growing number of highly dependent residents for whom nursing home places were not available.

These changes were accompanied by the introduction of an eight category scale of dependency which was the basis for the level of Commonwealth funding for each resident. This scale had four classes equivalent to the old nursing home need levels and four equivalent to former hostel levels. This change meant that high care residents would attract the same level of Commonwealth funding, whether they were in former nursing homes or hostels. The result of these changes was that the number of residential care places occupied by low care residents (levels 1 and 2) fell by 10,000 or one-third between 1997 and 2001, and the number of higher care residents increased correspondingly, while the total number of permanent places in former hostels increased by only 1,500 (AIHW 2002d). Eighteen per cent of the high care residents entered the hostel at that level of need, while the remaining 82 per cent were former low care residents whose care needs increased as they aged. It seems likely that the choice to move into a hostel style institution is becoming very restricted for people with low level care needs.

There has been much discussion of further ways in which a person’s assets can be drawn on to fund aged care. In 1999, Kendig and Neutze commented that ‘while the wealth of older people is largely off the present political agenda, long-term care could be funded from housing wealth, either individually through user charges or collectively through death duties’ (1999: 447). Often these arguments relate to different components of aged care: the costs of board and similar needs, the cost of care and treatment and the capital costs (for example, Myer Foundation, 2002; Commonwealth of Australia, 2003).

From a policy viewpoint, these are considered in relation to the ways in which such costs are funded in the wider community. Board and living costs relate to income, such as age pension. Health services are funded in the broader community from a combination of user-pays, direct subsidy, Medicare and private health insurance. Care has its parallels in community based care services and the provision of carer pension and carer allowance through the social security system. Capital costs are parallel to housing, met in the wider community through rent or home ownership. There is a complex system of charges and fees for aged care residents. The normal fees range from $9662 a year to $28985, depending on whether the person is a pensioner and on their income.

A very controversial area of funding is Accommodation Bonds, that people entering *low level care* can be required to pay. As indicated by Fine and Chalmers, above, the proposal in 1997 to apply the Accommodation Bond system to nursing homes (high *level care*) was dropped after strong community opposition. Bonds can include all assets above the value of $28,500, including the person's residence, unless the person's partner or dependent child, or a low income carer or close relative, lives in it. These bonds are retained for up to five years and then repaid without interest and minus the 'amount retained', 10 per cent of the bond per year. It is possible to make periodical payments equivalent to the amount the institution could earn and deduct from the bonds, if the assets are able to be converted into liquid assets. Those in high level care pay an assets based 'Accommodation Charge' up to $5000 a year.

The Accommodation Bonds provide a strong disincentive for homeowners to enter hostel level care, as they can lose 50% of the nominal value of their assets over five years. To illustrate this, take the example of a person with a median value house in Sydney (and other assets then worth over $23,000) who moved into lower level care in June 1998 and died in June 2003. The house would have been sold for $250,000 to provide the bond, of which $125,000 would be repayable by June 2003, at which time the value of a similar house would be $465,000. Any heirs who had anticipated inheriting the house on their parent's death would now find that they had inherited just over a quarter of the 2003 value of a house.

4.6 Community-based Care

The Commonwealth Government has a number of Health and Ageing programs directly providing support for the frail aged to age in the community. The main ones are Community Aged Care Packages, the Home and Community Care Program (HACC), Veterans Home Care, Community Options Projects (COPS), Assistance with Care and Housing for the Aged (ACHA), and Extended Aged Care at Home (EACH).

Community Aged Care Packages are designed to provide care services at home for those who would otherwise be eligible for low level residential care. They served 29,500 people in 2001-02 at a cost of $246 million (Aged Care Pricing Review, 2003). They provide a much more intensive service than HACC does. It appears that the fall in low level residential care mentioned above reflects the growth in care packages.

The aim of the HACC Program is to support the independence of frail aged people and people with disabilities and avoid their premature or inappropriate admission to long-term residential care. It covers a wide range of needs, with health care, housework and home maintenance being the most frequent. It is a joint Commonwealth State program, with total funding in 2001-01 of $1.0 billion, and provided services to around 583,000 people, equivalent to 32 per cent of the number of people aged 70 and over. Veterans Home Care cost $60 million and served 50,000 veterans and their widows and partners. COPS is aimed at 'the provision of more intensive home based for high dependence clients with complex needs as an alternative to residential and institutional care'. ACHA services target areas with high proportions of at risk older people in insecure housing, poor supply of residential care facilities, or with special cultural or ethnic needs, in predominantly inner urban areas. EACH was established as a pilot project in 1998 to provide even more 'flexible packages' of high levels of care in the home for older people who would be eligible for admission to a nursing home.

4.7 Summary

There are a number of strategies to control the public costs of ageing: reduce the minimum income or service level per aged person; shift the costs to the recipient or raise additional taxes to meet the rising costs. The most important strategy currently in place to reduce age pension expenditure is the Superannuation Guarantee which aims to build the levels of private provision of retirement income. To reduce residential aged care costs the major current strategy is to encourage ageing in place through community based support and care.

As most older people are ‘housing asset rich and income poor’ (Kendig and Neutze, 1999: 144), some parts of Governments have an interest in unlocking the assets of the aged to pay for these expenditures. This would allow Governments to draw back from current per capita funding levels and enable more efficient targeting of expenditure.

To some degree, Governments since the early 1980s have taken a renewed interest in assets: re-introducing an assets test on age pensions and a capital gains tax. They have also promoted ‘pay in advance’ through superannuation or proposals for using insurance systems to fund aged care (Fine and Chalmers, 1998). The family home has to date remained sacrosanct, except for the low level aged care bonds and charges.

Australia currently has no wealth tax or inheritance tax. Arguments can be made for either of these. Wealth is increasingly polarised and the aim of a wealth tax would be distributional equity. Or schemes could be developed which allow the cost of health services to become an impost on an estate of the deceased. There are different arguments for a broad based inheritance tax and for specific inheritance taxes on assets acquired through various public subsidies and tax concessions. These include home ownership and aged care, but could also apply to superannuation. However the nature and extent of public subsidy on all of these is very contentious.

A recent UK study on inheritance (Hancock et al, 2002) found that there is a strong objection to any requirement to use wealth to meet old age needs such as long-term care. The strong community opposition to the proposed introduction of Accommodation Bonds in 1997 suggests similar attitudes exist in Australia.

The case for an inheritance tax was examined in detail by the Asprey Committee on Taxation Review in the 1970s. There is a strong case for returning to those arguments and considering the introduction of some form of inheritance tax which would be politically feasible. The forthcoming field research of this project provides the opportunity to explore this issue empirically. The following Chapter details the empirical stage of the project which commences in February 2004.

5 THE FORTHCOMING EMPIRICAL FIELD RESEARCH

Introduction

This is a one year empirical research project with a follow up study two years later. The project combines documentary analysis and primary research using integrated quantitative and qualitative research methodologies. Quantitative data collection and analytical methods will be used for a national field research survey, followed by qualitative research using focus groups which incorporate scenario choices and focused discussion to explore and analyse patterns of differences within the population.

The empirical research will explore the intentions and expectations of those in older ages about both their future mobility and living arrangements. The particular focus will be their intentions concerning the disposal or transfer of housing assets. Awareness and attitudes to government programs which affect housing tenure and options for older citizens will also be explored. A small follow-up study two years later in 2006 will compare their intended and their actual moves between the proposed two waves of the empirical research. Important aspects for investigation will include the influences of gender, age, community differences, housing tenure, occupation, life course and housing history, financial resources, social integration and marital status.

5.1 Timetable

Part One of the project will take approximately 12 months, to be conducted and completed in 2004. Part Two of the project will be conducted two years later and will take approximately six months, and be completed in December 2006.

5.2 Methodology

Our data collection will centre on home-owners in their late fifties to late seventies for the following reasons:

1. They are already concerned with these issues, many of them having already made decisions to downsize from their long-term residence either into smaller accommodation or into retirement villages.
2. They are reachable within our budget through the National Seniors / Council on the Ageing ‘50 Something Magazine’ and through focus groups in retirement villages, social organisations such as Probus (retired professional business men and women), and recreational clubs such as bowling clubs.

We may get a few baby boomers within our sample – the oldest baby boomers are now 57 - and we may get some baby boomers who have already retired. Within our budget locating a representative sample of baby boomers is not possible. But we shall find out a lot about the future expectations for baby boomers by talking with their parents.

It is important to recognize the diversity of the population and we will conduct a large scale national quantitative survey which will facilitate analysis of subsets of the data to target gender, socio-economic, occupational, life course and community cohorts in urban, outer metropolitan, semi-rural and rural areas.

Part One of the project, to be conducted and completed in 2004, comprises a large scale national quantitative survey, two focus groups prior to the national survey to explore the development of the survey questionnaire, and five focus groups following the survey to qualitatively test the survey findings and further explore respondent perceptions and intentions of the issues revealed in the national survey. Informal interviews with older persons personally known to members of the research team have already been conducted in preparation for the two focus groups in January. These two focus groups in Sydney will be held with people aged in their sixties and seventies in a recreational club and with older people in a retirement village. From these focus groups we will develop a quantitative questionnaire. This will be pre-tested and piloted in February/March in preparation for the national survey.

5.3 Quantitative Research

The quantitative national survey will be conducted using a self-report questionnaire inserted in the bi-monthly journal of the National Seniors' Association, called '50 Something' in April/May, with a four week response period. Responses will be analysed in June and July. The National Seniors' Association (recently combined with the National Council on the Ageing) represents the majority of Australia's community and service organizations for people over 50. The journal '50 Something' has been selected as it offers the most cost-effective means of targeting a wide national readership from which we anticipate it will be possible to identify a range of respondent categories for subset data analyses. The journal has a readership which includes members of over 50's organizations such as independent retirees and more asset wealthy sectors of the community who live in their own homes. These readers constitute those sectors of the population who are in a position to make asset transfers and are thus the primary target population for this project. The journal has an audited circulation of 180,000 but inquiries into previous research using this publication indicate that an expected response rate would be between 4,000 to 6,000 responses. Such a response rate would produce a large data set, but would be expected to provide highly robust data on the asset transfer intentions of a wide variety of diverse groups across Australia. Responses will be analysed in comparison with ABS Census data for 2001 for over 50s, and if necessary sample responses will be appropriately weighted. It is not proposed to specifically target sectors of the population without housing assets. But many such people will be beneficiaries of the transfers referred to by respondents, and this information will provide valuable evidence of how such transfers will affect future housing tenure of these groups.

In analysing the results we will need to bear in mind the issue of response bias. Bias that can be measured by factors collected in the survey will be corrected by weighting where possible.

5.4 Qualitative Research

The national survey will be followed by qualitative research using focus groups in capital cities, outer metropolitan and rural centres to further investigate the expectations of a sample of retirees aged from late fifties to late seventies. Five focus groups will be conducted – one each in Sydney and Melbourne, one on the Queensland Gold Coast, one in Albury-Wodonga and one on the NSW Central Coast. Retirement villages and bowling clubs will be approached and asked to participate in providing venues and member lists from which stratified samples will be drawn. The Project Team Leader will lead the focus groups and refreshments will be provided.

The focus groups will confirm and examine further the findings of the quantitative survey, to allow further exploration of life course histories, contemporaneous housing tenure, current and projected housing tenure expectations and transfer intentions, and to test the relevance of the picture built up from the literature and statistical sources, and to canvass issues and themes that have not been adequately explored in the literature and quantitative study.

Respondents in the focus groups will also have the opportunity to discuss likely effects of their housing tenure decisions upon the economic and social circumstances of their families or other beneficiaries of housing legacies.

This first part of the project will provide evidence for the development and evaluation of programs that would assist people to age in their own homes and also programs that will 'unlock' housing wealth.

A Report and a Research and Policy Bulletin will be provided at the completion of Part One of the project.

5.5 Part Two of the Project

The second part of the project will be a follow-up survey of respondents two years subsequent to the original field study in order to determine changing expectations and actual shifts in housing occupancy - conducted through telephone interviews with previous focus group participants. It is our intention to use the sample from the previous focus groups to make contact with at least 50 respondents for this survey. Part Two of the project will provide longitudinal data for analysis of actual behaviour, which can then be compared against expectations and attitudes of respondents expressed in the baseline surveys, and focus groups. The intentions of the research will be to identify what (if any) changes in housing tenure and/ or housing transfers have taken place within this two year period, and whether decisions concerning housing transfers have been made or changed during the two year period.

A Final Report and a Research and Policy Bulletin will be prepared at the completion of the project. The Final report will bring together the essential findings of the literature review, and quantitative and qualitative surveys in relation to earlier research. It will aim to contribute to policy development on home ownership, ageing in place and accommodation options for the aged, and the balance between public and user financing of services and consumption among the aged.

5.6 Ethical Considerations

Ethical considerations are an important aspect of the project. The project, the research instruments and strategies for analysis will be submitted to the UNSW Ethics Committee for approval and continuing monitoring. Respondents in self-report and telephone surveys will be informed of processes to protect the anonymity of their responses, and the measures for the security of the data. Consent forms will be obtained from respondents in the focus groups. And all data will be retained and held securely in the School of Sociology at the University of New South Wales.

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