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Declining home ownership rates - the growing threat to retirement incomes: AIST research

Australia's declining home ownership rate has emerged as a significant threat to the adequacy of Australia's retirement income system, according to a new report commissioned by **the Australian Institute of Superannuation Trustees (AIST)** and released at the Conference of Major Superannuation Funds today.

The report – written by independent economist **Saul Eslake** and entitled: ***No place like home: the impact of declining home ownership on retirement*** – says there is a clear link between deteriorating housing affordability and the adequacy of Australia's current retirement income system. It raises a number of concerns about the impact of Australia's falling home ownership rates on the retirement wellbeing of future generations.

Mr Eslake said a key concern was the ongoing decline in the proportion of Australians who owned their homes outright, as well as the increase in the proportion of renters.

"If current trends continue, a lot more people will retire with either mortgage debt or having to rely on privately rented housing," Mr Eslake said. "Increasing numbers of retirees will use some, if not all, of their superannuation to discharge their outstanding mortgage, which in turn, will see more people rely on the Age Pension."

The report warns that failure to address the ongoing deterioration in housing affordability will condemn future generations to poorer living standards and higher taxes as Age Pension costs increase.

AIST Acting CEO, Eva Scheerlinck, said the report highlighted the need for governments to consider the wider implications of the housing affordability crisis and raised questions about whether official forecasts of the number of Australians reliant on the age pension in retirement in the decades to come were too optimistic.

"The assumption that housing is a 'fourth pillar' in our retirement income system has become increasingly dubious," Ms Scheerlinck said. "Many of the standard ways we measure the adequacy of superannuation assume retirees own their homes outright when this may no longer be the case for a significant number of Australians."

However Ms Scheerlinck said that using super to help first home buyers pay for a home was not the answer.

"This report clearly shows that tapping into super to buy a home would simply lead to higher housing prices, rather than home ownership and favour some groups over others," she said.

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AIST is the peak industry body for the \$700 billion profit-to-member super sector which includes industry, corporate and public sector funds.

Declining home ownership and retirement - key highlights of the report ([access report here](#))

- **FEWER RETIREES WILL OWN THEIR HOME:** The proportion of the next generations of retirees who own their home in retirement is likely to be considerably lower than the norm of 80 to 85% over the past 50 years.
- **PRESSURE ON RETIREMENT INCOME** from rising mortgage debt and more retirees renting.
- **MORE RETIREES WITH A MORTGAGE THAN OUTRIGHT HOMEOWNER:** Compared to 15 years ago when almost three out of five home owners owned their home outright, homeowners with a mortgage are now the majority.
- **MIDDLE AGED AND STILL RENTING:** Young and middle aged householders (age 25 to 54) have experienced the worst falls in home ownership. The upward trend over the past 25 years of younger householders renting suggests that a higher proportion of retirees will be living in rented accommodation in the future.
- **LESS SECURE RENTAL ACCOMMODATION FOR RETIREES:** Compared to previous decades, there has been a significant decline in the proportion of households living in more secure State or Territory-provided housing as distinct from private landlords. Historically well over half of renting retiree households rented from housing authorities.
- **TWICE AS MANY RETIRED HOUSEHOLDS ARE PAYING MORE THAN 30% OF INCOME FOR HOUSING :** The proportion of households headed by people aged 65 and over whose housing costs exceed more than 30% of their gross income has more than doubled since the turn of the century.
- **MORE RETIREES SET TO USE SUPER TO PAY OFF MORTGAGE:** If the decline in home ownership rates continue, more retirees will use their super to pay off their mortgage or to pay rent. This raises questions about current adequacy measures regarding superannuation, which assume outright home ownership.
- **IMPACT ON AGE PENSION:** Current assumptions about the number of people who will be able to support themselves in retirement without relying on the Age Pension may prove optimistic.
- **LESS ABLE TO AFFORD AGED CARE:** Declining home ownership in retirement points to a growing proportion of retirees unable to afford aged care facilities, for many people this is financed from the proceeds of selling their house.
- **MEASURES TO IMPROVE OUTCOMES** include either abolishing or modifying negative gearing/capital gains tax; further tightening of mortgage lending criteria; exempting pensioners from stamp duty when downsizing; more support for the development of affordable rental housing; increase investment in urban infrastructure in new suburbs.