

Actuaries Institute issues “Unlocking Housing Wealth” Green Paper

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The Actuaries Institute today released its “Unlocking Housing Wealth” Green Paper which provides a range of policy options designed to facilitate access to retirees’ housing wealth and improve living standards.

The Institute said the paper “aims to continue the discussion commenced by our earlier research on longevity risk – the risk that people will outlive their savings. This paper raises policy options that aim to remove impediments that constrain older Australians from accessing part or all of their housing wealth when they retire”.

“A common finding of our research is that for current retirees the family home is not only a place to live, but also a store of considerable, though relatively, untapped wealth,” it said.

The Institute said policymakers should facilitate retirees’ ability to access equity locked up in the family home due to doubts over the ability of superannuation to provide a sustainable and comfortable income for most Australians over the life of their retirement.

“Older Australians face a dilemma – they are often asset rich, but income poor,” said Institute President Lindsay Smartt.

“The Institute realises that this is an emotional issue as many people do not see the family home as an asset to be consumed but rather as something that can be bequeathed to their children or other family members,” Mr Smartt said.

“If they choose to, retirees can achieve a better standard of living if housing wealth is considered an integral part of their retirement plan. The overriding consideration of the Institute is that if retirees want to access their housing equity, it should be easy and safe to do so,” Mr Smartt said.

Issues discussed in the paper include:

- Partial protection (up to a cap) from the Age Pension means test for amounts accessed under home equity release schemes and downsizing.
- Government should consider reviewing the regulation/legislation relating to all equity release schemes and develop a principles-based approach to regulation which ensures security of tenure, applies to all types of schemes and providers, and facilitates standard and simpler disclosures.
- Regulatory protection for the elderly to help prevent financial abuse.

“The combination of easier access to a large pool of wealth and the vulnerability of older Australians creates a significant risk that needs to be managed. Equity access products will require strong safeguards to protect the homeowner,” said Mr Smartt.

The Institute noted that the paper “was not primarily concerned with reducing government expenditure on age-related services, though that is likely to be an outcome”.

The report highlights other options for consideration by policymakers, including:

- **Downsizing** - including some stamp duty relief or flexibility to assist retirees unlock partial housing equity.
- **Introducing a cap for the family home under the Age Pension means test aimed at wealthy retirees.** Only homeowners with equity above a specified cap would have part of the equity counted towards the Age Pension means test. This would promote a greater take-up. Reasonable transitional arrangements would have to be considered when implementing changes.
- **Review of banking practices that constrain the provision of bridging finance** to the elderly to make it easier for them to downsize.
- **Differentiating the Age Pension means test for homeowners versus non-homeowners.** The means test disadvantages renters versus homeowners and renters often represent the less wealthy cohort. Consideration should be given to providing greater support to non-homeowners and improving fairness in the system.

Certain principles should underpin any changes to home equity considerations, including:

- Sustainability - resources to be able to deal with all stages of retirement.
- Flexibility - removing barriers to accessing home equity and providing choice for retirees throughout their life.
- Equity – balancing taxpayer burdens with intergenerational equity considerations.
- Efficiency - public expenditure should meet the core objectives of providing reasonably adequate retirement.
- Simplicity - any advice sought by retirees to optimise should be affordable and not complex.
- Supportive regulatory frameworks – reforms that support consumer protection and competition but also promote innovation.

The Green Paper can be found [here](#).

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As the sole professional body for Members in Australia and overseas, the Actuaries Institute represents the interests of the profession to government, business and the community. Actuaries assess risks through long-term analyses, modelling and scenario planning across a wide range of business problems. This unrivalled expertise enables the profession to comment on a range of business-related issues including enterprise risk management and prudential regulation, retirement income policy, finance and investment, general insurance, life insurance and health financing.