Removing Rightsizing Roadblocks

Age Pension and Commonwealth Rent Assistance Reform

April 2025
Commissioned by the Retirement Living Council

Research and modelling by

Ansell Strategic

The Retirement Living Council (RLC) is the national leadership group for the retirement living sector, championing policies that deliver age-friendly homes and better services in retirement communities across Australia.

The RLC sits within the Property Council's national advocacy team and is the most powerful voice of the sector, representing for-profit and not-for-profit owners and operators of retirement villages and older Australians living communities.

We're excited and energised by the opportunities for the industry and feel enormous pride for the work we do in creating a better future for Australians young and old.

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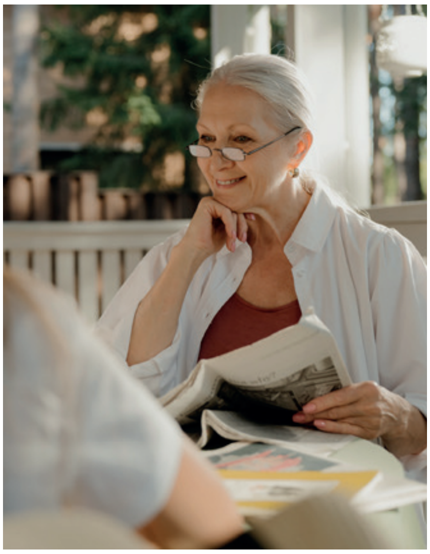
Foreword



Australia is facing an unprecedented crisis: a rapidly ageing population, a chronic housing supply deficit, and a struggling healthcare system.

If left unaddressed, these pressures will continue to impact Australians of all ages, putting immense strain on public services and the economy.

Governments must pull all available policy levers to mitigate this triple threat, and a key solution lies in encouraging older Australians to 'rightsize'.

Research shows that facilitating the transition from large family homes to age-friendly retirement communities can inject much-needed housing stock back into the market while alleviating demand on health and aged care systems.

This is a win-win for young families desperate to own their own home, and older Australians who deserve freedom to choose. If that choice is to 'rightsize' then it must come without the cost of losing independence.

By 2040, Australia's over-75 population will surge from two million to 3.7 million – an 85 per cent increase in a decade and a half. Without swift action, the impact on housing supply, healthcare, and aged care will be irreversible.

The Retirement Living Council (RLC) has identified critical reforms to address these challenges through changes to the Age Pension assets test threshold and Commonwealth Rent Assistance (CRA).

These changes, targeted at older Australians with low to moderate wealth, offer a powerful incentive to 'rightsize' without financial penalty.

The proposed reforms could free up more than 59,000 homes for younger Australians, encourage 94,000 older Australians to access retirement living housing options, generate $2.9 billion in stamp duty revenue for State Governments, reduce pressure on public housing, hospitals, and aged care facilities, and improve the quality of life for older Australians through age-appropriate living options.

Many retirees remain trapped in an "asset-rich, income-poor" scenario, living in oversized homes that could better serve young families. The financial disincentives to 'rightsize' – including harsh pension penalties – force them to stay put, despite the huge benefits of transitioning to retirement communities.

These changes, targeted at older Australians with low to moderate wealth, offer a powerful incentive to 'rightsize' without financial penalty.

While adjusting the Age Pension test threshold has no direct cost to the Commonwealth, CRA reform does. However, as research demonstrates, these costs are outweighed by substantial savings across the health and aged care sectors. Moreover, stamp duty windfalls for State Governments provide further economic benefits.

As the Australian Government works towards its goal of delivering 1.2 million new homes by 2029 – including independent living units within retirement villages – the proposed reforms offer a direct and rapid way to unlock existing housing stock.

For this strategy to succeed, older Australians must be reassured that 'rightsizing' is financially safe – not a decision that results in monetary loss.

With the right policy settings, Australia can create a win-win: healthier and happier retirees, more housing for families, reduced strain on aged care and healthcare, and a stronger economy for all.

The time to act is now.

Tony Randello
President
Retirement Living Council

Daniel Gannon
Executive Director
Retirement Living Council

For this strategy to succeed, older Australians must be reassured that 'rightsizing' is financially safe – not a decision that results in monetary loss.

Executive Summary

The RLC has identified significant reforms that could help ease pressure caused by Australia's triple threat of crises – a rapidly ageing population, chronic housing supply deficit, and struggling health and aged care systems.

By 2040, Australia's over-75 age cohort is forecast to skyrocket from two million to 3.7 million – an increase of 85 per cent. These changes will have huge impacts on housing supply, healthcare and aged care systems if swift action is not taken.

With the silver tsunami rapidly approaching, leaders are yet to present gold-plated solutions to combat these significant demographic changes.

Following on from the RLC's previous landmark reports, *Better Housing for Better Health*, *Shared Care*, and *Retirement Ready*, this latest research piece, in conjunction with Ansell Strategic, has uncovered – through proposed changes to the Age Pension test threshold and Commonwealth Rent Assistance (CRA) – new ways to boost housing supply by forging a smoother path to rightsizing for retirees.

The reforms, amid a cost-of-living crisis, target older Australians with low to moderate levels of wealth – those who are *asset rich but income poor*. The changes could:

01 Release more than 59,000 homes into housing markets for younger Australians.

02 Encourage an additional 94,000 older Australians to access retirement living.

03 Generate more than $2.9 billion for State Governments through stamp duty.

04 Reduce cost and demand on public housing, hospital and aged care systems.

05 Improve the quality of life for older Australians through retirement living.

As the Australian Government continues its race against time to build 1.2 million new homes by 2029 – which includes independent living units within retirement villages – the changes outlined in this research could unlock and supercharge the transition of already established homes from retirees into the hands of young families across the country.

To succeed, proposed changes to the Age Pension test threshold and CRA must reassure older Australians they will benefit financially from rightsizing, not be punished financially.

Rightsizing: Alleviating the financial insecurity of older Australians

Roadblocks and barriers to rightsizing can be addressed in the short term through considered but necessary policy changes to eligibility requirements for two government-funded social support payments.

This would build upon existing rightsizing initiatives put in place by Federal and State Governments, including the downsizer super contribution program, stamp duty concessions, the home equity access scheme, and the Incentivising Pensioners to Downsize Act.

Notwithstanding, the proposed reforms target a different wealth cohort and address the unique financial and psychological barriers they experience.

Changes to the Age Pension assets test and eligibility for CRA will target financial barriers that are acting as disincentives to a specific low-middle wealth cohort of older Australians who exemplify the description "asset rich, income poor".

Almost 1.9 million Australians over 65 own their home, either outright or with a mortgage, and rely on the Age Pension income to cover basic living costs.

The Age Pension asset test reform has the potential to release 28,000 homes suitable for Australian families. This could increase to 59,000 homes if CRA eligibility is also adjusted.

We expect proposed changes to the Age Pension asset cap would not result in an increase to the Government's Age Pension expenditure, as older Australians will retain their current eligibility. Long term costs would be expected to decline as wealth levels continue to grow among retirees.

CRA reform will come at an extra cost to the Australian Government – $244 million per annum if these changes were applied prospectively.

However, this would be offset by cost savings realised through lower residential aged care spending, among other economic benefits associated with unlocking housing supply. This would be augmented through separate reforms associated with the RLC's Shared Care framework.

We encourage the Government to consider the implementation of these reforms in light of the significant social, economic and wellbeing benefits they present.

Figure 1

Increase in Full Pension Asset Threshold vs Capital City Median House Prices, 1994 to 2024

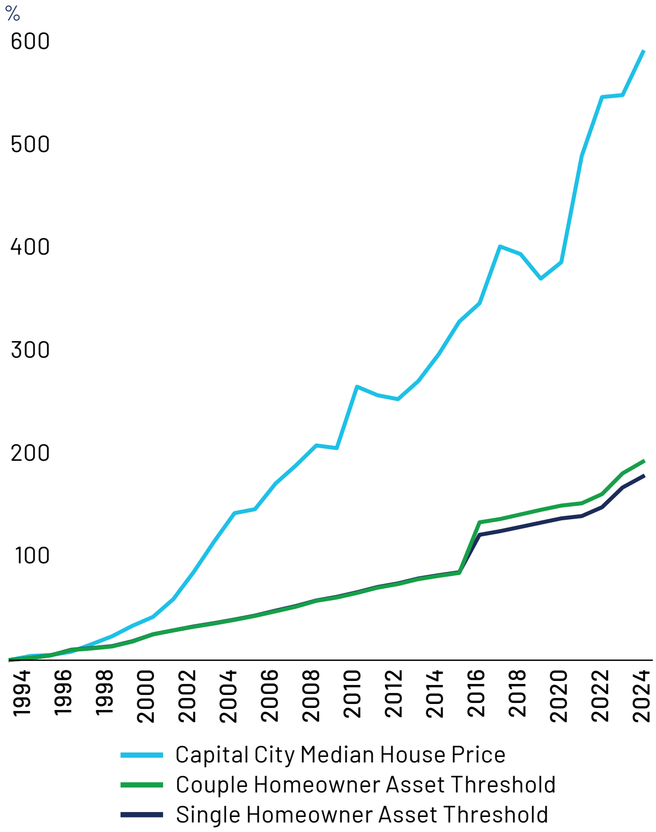


Image by
Marcus Aurelius
on Pexels

Removing financial barriers to rightsizing

The 2023 Intergenerational Report identified that the largest asset held by Australian households has historically been the family home, indicating those who own their home generally have lower housing costs in retirement compared with renters, as well as a store of private wealth that can be drawn on in retirement.

Unfortunately, a rapidly growing number of Australians are retiring with mortgage debt while the Age Pension remains the main source of income for most retirees.

Older Australians consider rightsizing to achieve greater financial stability in their retirement and improve their quality of life relative to their needs. However, multiple disincentives and barriers exist because of government policies that decrease the financial viability of rightsizing.

Rightsizing involves an older Australian typically moving from a larger dwelling – which is often their family home – into a smaller dwelling more suited to their ageing needs, enhancing their ability to live independently. This may involve moving into a dwelling with fewer bedrooms or a smaller footprint and smaller garden, posing fewer trip hazards and requiring lower levels of maintenance. This dwelling may be a smaller home in the community but is often a home in a retirement living community.

Approximately **57 per cent** of the population aged 65+ would be impacted by the proposed reforms

The proposed change to the Age Pension assets test would prompt an estimated 40,000 older Australians to enter retirement community, releasing over 28,000 homes

The addition of CRA entitlements boosts the combined effect, encouraging a total 94,000 older Australians to move into retirement communities, releasing over **59,000 homes**

The released homes average approximately $825,000 in value. They are primarily standalone homes with three bedrooms, located in outer metropolitan areas. **These homes are suitable and ideal for younger families**

Aveo Bella Vista Haven in New South Wales

Wealth	Low	Low Middle	Middle	High
Definition	Does not own a home (primarily renters) Receives Government benefits (primarily Age Pension and CRA)	Owns a home (with a mortgage) Receives Government benefits (primarily Age Pension)	Owns a home outright (with no mortgage) Receives Government benefits (primarily Age Pension)	Owns a home outright (with no mortgage) Does not receive any Government benefits
75+ Market Size Estimate	160,000	95,000	840,000	340,000
65+ Market Size Estimate	400,000	260,000	1.6 million	1 million
Disincentive to Rightsizing	Affordability of accommodation and ongoing fees and shortage of rental retirement community options	Reduced or eliminated Pension eligibility and hesitance to use their 'nest egg' funds to rightsize	Rightsizing would likely reduce or remove Pension eligibility as asset thresholds would be exceeded	Minimal financial disincentives, more likely to be impacted by social / psychological factors

As evidenced in *Better Housing for Better Health*, nearly three quarters of people aged over 75 are living in dwellings with one or more spare bedrooms. This represents more than 1.4 million older Australians who are living in homes that are oversized for their needs, and as a result many require extra government funded support to continue living in the family home.

Unsurprisingly, larger dwellings can increase health risks as people age, with most cases of falls in older people occurring at home. Features such as stairs without railings, clutter or poor lighting can create hazards for older people.

Under the current system, older Australians are incentivised to predominantly age in family homes which are larger than they require, resulting in a housing gridlock that reduces the availability of suitable housing supply for younger Australians.

The *Better Housing for Better Health* report released in 2023 identified the Age Pension asset test threshold and the limited applicability of CRA for retirement village residents as two examples of government policy that present rightsizing roadblocks.

Almost 1.9 million Australians over 65 own their home, either outright or with a mortgage, and rely on the Age Pension income to cover living costs. These older Australians have moderate to lower wealth levels and, having benefitted from accelerated property price growth, hold a significant amount of wealth in their primary home. They are "asset rich, income poor".

These pensioners often desire to keep a 'nest egg' from their home equity to fund future unexpected expenses, such as residential aged care, whilst meeting their day-to-day living expenses from their Age Pension income. As such, they perceive any loss of Age Pension entitlements as an overall financial loss. If their Age Pension income and 'nest egg' funds were able to be maintained, these pensioners would consider rightsizing more favourably.

Australian Housing and Urban Research Institute research tells us that almost 50 per cent of older Australians considering rightsizing believe that "rightsizing becoming financially worthwhile" would encourage them to move, leading to a bonus benefit for younger homebuyers currently locked out of housing markets around Australia.

Low-middle and middle wealth older Australians hold assets that are relatively close to the full Age Pension rate asset thresholds. Approximately 20 per cent of this group may already receive a part-Pension due to their asset wealth levels. With this in mind, any equity released from their home through the rightsizing process is likely to take them above the Pension asset threshold and significantly reduce or remove their Age Pension entitlements.

This specific cohort of older Australians will benefit most from the proposed policy changes, as they could achieve all the financial, health and wellbeing benefits associated with rightsizing, retain their Pension payments and access their surplus home equity to 'top up' their Age Pension income for a more comfortable lifestyle.

Why reform the Age Pension assets test threshold?

Australian Pensioners often live a lifestyle that reflects their fixed income and the need for careful financial management. Recent survey results found that nearly 90 per cent of older Australians felt that the Age Pension alone was insufficient to cover even a basic lifestyle with minimal living costs in retirement.

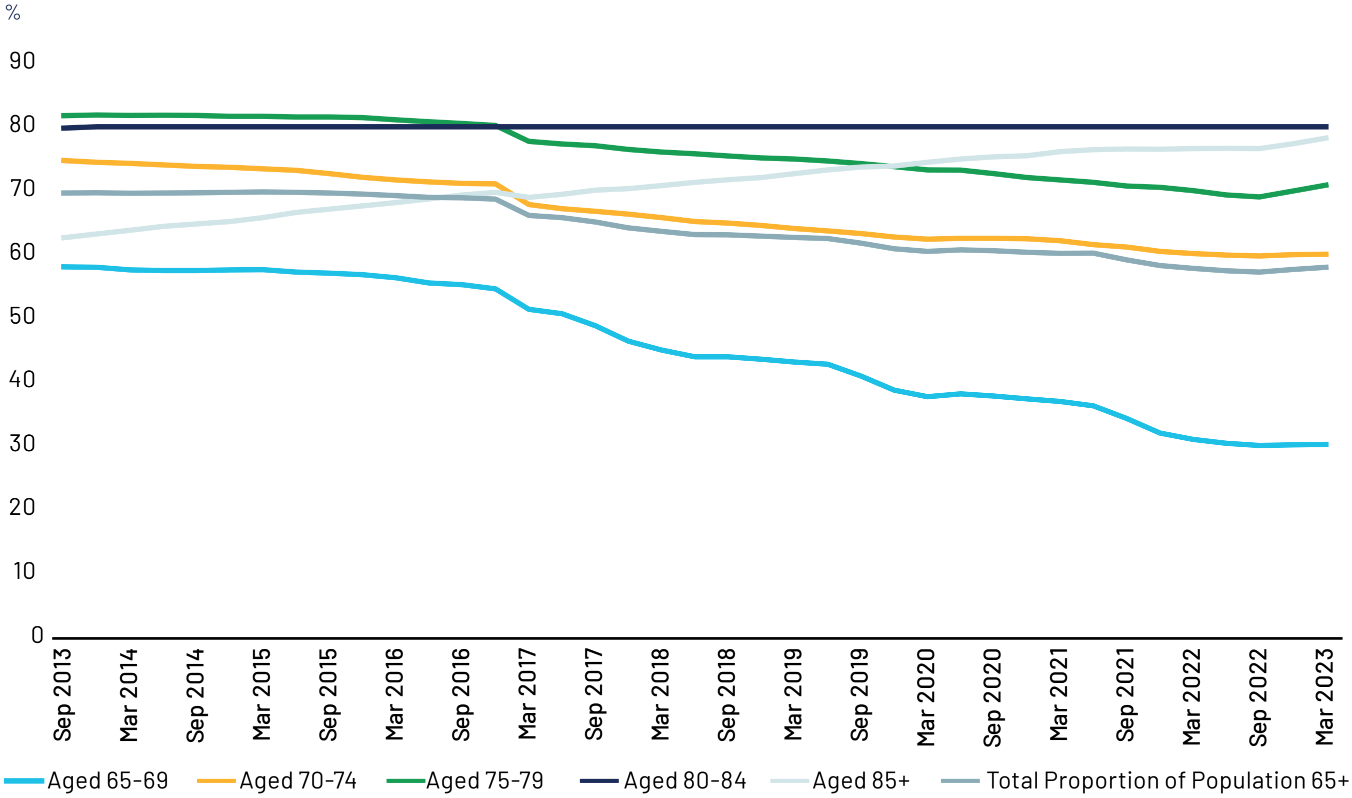
This sentiment is supported by the most recent ASFA Retirement Standard which provides a breakdown of an older Australian's estimated living costs. This research revealed that older couples would need an additional $146 per week and singles an additional $153 per week, on top of the maximum Age Pension rate, to fund a modest retirement. Significantly more was required to live comfortably.

As such, these older Australians are highly reliant on Age Pension payments as their main source of income, with wages, superannuation and other investments used to 'top up' this payment and cover additional living costs.

Whilst these Pensioners have a low level of income, a significant portion of their wealth is often connected to their primary home's equity which is classified as an 'exempt asset' and not factored into the Age Pension means test, making it a crucial asset in their overall financial landscape.

Figure 2

Pension by age



Because of the high value of their property (in many cases), retirees could reduce or even lose their eligibility for Age Pension payments if equity in the home is released. Losing access to Age Pension payments through rightsizing is perceived by this specific cohort as a significant financial threat.

Whilst house prices have grown over the past 30 years, the allowable asset threshold for the Age Pension has not grown at the same rate.

From 1994 to 2024 the allowable assets to receive a full Age Pension increased only 178 per cent for a single homeowner and 193 per cent for a homeowning couple. This compares to almost 600 per cent growth in capital city median house prices over this time.

This demonstrates that increases in allowable Age Pension assets have failed to take into account the high level of asset wealth many older Australians now hold in their home and has the unintended consequence of deterring this group of "asset rich, income poor" older Australians from rightsizing into homes more suitable to their ageing needs.

1.75 million
older Australians are full pensioners

850,000
older Australians are part Pensioners

	Income Limits	Maximum Age Pension Rate	Asset Limits
Singles	Pension begins to reduce when income is over $212 per f/n. Lose eligibility at $2,445 per f/n.	Full - $1,144.40 per f/n Part - $941.10 per f/n	Pension reduces when assets are over $314,000 for a homeowner and $566,000 for a non-homeowner. Eligibility is lost at $695,500 for a homeowner and $947,500 for a non-homeowner.
Couples	Pension begins to reduce when income is over $372 per f/n. Lose eligibility at $3,738 per f/n.	Full - $1,725.20 per f/n Part - $1,518.60 per f/n	Pension reduces when combined assets are over $470,000 for a homeowner and $722,000 for a non-homeowner. Eligibility is lost at $1,045,000 for a homeowner and $1,297,000 for a non-homeowner.

Recommendation 1: Increase the Age Pension assets test threshold

Allow single homeowners who rightsize to own assets of up to $550,000 before Age Pension income is reduced, with an equivalent change to the couples' threshold.

The results

28,000

homes would be released into the housing market for younger Australians.

40,000

older Australians would be encouraged to rightsize into more appropriate age-friendly housing.

Reduce

the demand for, and costs to governments, for aged care services, hospitalisations.

$2.9 billion

would be generated for State Governments in the form of stamp duty collected from the transfer of residential homes.

Reducing

cost and demand pressure on the public housing system.

Why reform Commonwealth Rent Assistance eligibility?

Commonwealth Rent Assistance (CRA) is a financial support payment designed to assist low-wealth renters with their housing costs. It is aimed at alleviating housing stress for eligible households and maintaining stable accommodation.

The application of CRA eligibility for older Australians differs between housing types.

To be eligible, individuals must receive a qualifying payment from the Australian Government, such as the Age Pension, and must rent in the private market or from a community housing provider.

Age Pension recipients who live in land lease communities or manufactured home estates are eligible for CRA payments, regardless of the incoming price paid for their home due to the rent they pay for the land on which their home (which they own) is located.

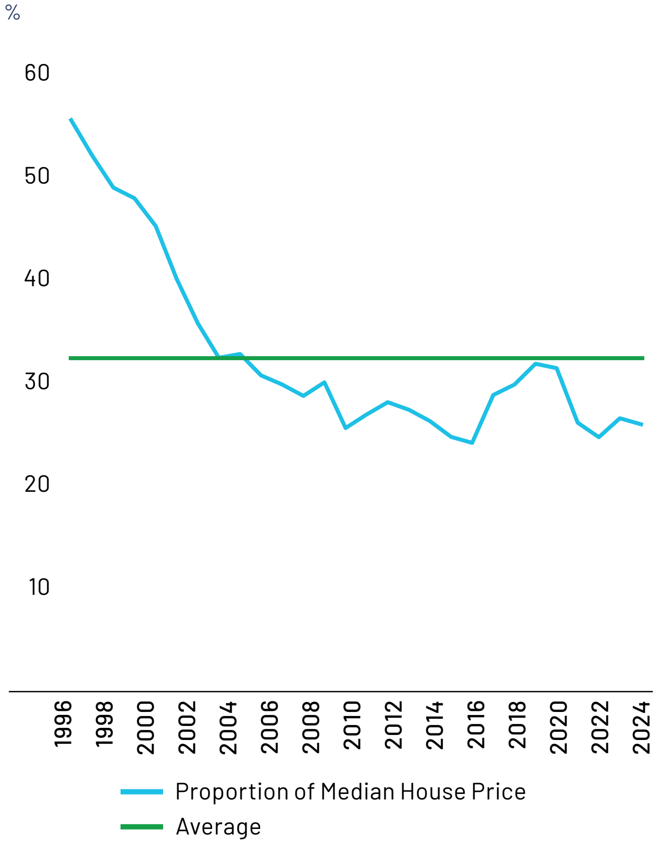
By contrast, retirement village residents who receive the Age Pension are defined as homeowners if the purchase price of their home exceeds $252,000 making them ineligible for CRA. Only retirement village residents who pay an ingoing contribution less than $252,000 are eligible to receive CRA to assist with the cost of monthly general service charges associated with living in a village.

For context the national average price for a two-bedroom independent living unit in a retirement village in 2023 was $559,000.

As shown in Figure 3, the allowable home contributions (purchase price) for retirement village residents to be eligible to receive CRA have fallen as a proportion of the median house price, from over 55 per cent in 1997 to 26 per cent in 2024. This is inclusive of a manual adjustment in 2017 which set the threshold back to the historic average of 32 per cent of the median house price.

Figure 3

CRA contribution eligibility threshold as a proportion of the Median House Price



Removing the ingoing purchase price benchmarks for retirement village residents allowing greater access to CRA would significantly relieve cost of living pressures for Age Pensioners and provide a more equitable playing field for those who live in a range of different older Australians' living asset classes.

Modelling shows that up to an additional 94,000 older Australians could be incentivised to rightsize into a retirement village.

The proposed CRA reforms would require an additional financial commitment from the Australian Government. If the Government adopts both the Age Pension asset test and the CRA reforms, the estimated additional cost would be $244 million per annum.

The estimated financial cost of broadening CRA eligibility reforms to both current and future retirement village residents is estimated to be approximately $550 million per annum.

Potential savings made across the healthcare, housing, and aged care portfolios due to the health and wellbeing benefits associated with living in a retirement community would also offset this expense, with RLC research estimating these savings could rise to $1 billion each year.

94,000

older Australians could be incentivised to rightsize into a retirement village.

$244 million

per annum would be the estimated additional cost if the Government adopts both the Age Pension asset test and the CRA reforms.

$550 million

per annum is the estimated financial cost of broadening CRA eligibility reforms to both current and future retirement village residents.

Recommendation 2: Increase eligibility for CRA

Remove incoming purchase price benchmarks for Age Pensioners who rightsize into retirement villages to provide them access to CRA payments, consistent with the eligibility applicable to residents in land lease communities and manufactured home estates.

Section 01

The case for change - research and rationale

1.1 Current pension and CRA trends

Across Australia, a total of 2.6 million people receive the Age Pension, representing almost 70 per cent of the total eligible population[1].

To receive the Age Pension, a person must be 67 years or older and meet residency requirements as well as financial criteria. Financial eligibility is means tested and is based on income and assets. The amount a person receives in Pension payments is based on income and asset thresholds, with those with higher income or significant assets receiving a reduced Pension or none at all.

CRA is a financial support program designed to assist low-wealth renters with their housing costs. It is aimed at alleviating housing stress for eligible households and maintaining stable accommodation in the face of rising rental prices. To be eligible, individuals must receive a qualifying payment from the Government, such as the Age Pension, and must rent in the private market or from a community housing provider. Currently, all Pensioners who live in land lease communities (LLCs) are eligible for CRA payments, regardless of the incoming price paid for their unit due to the rent they pay for associated land. Only retirement village residents who pay an incoming contribution under $252,000 are eligible for CRA to support ongoing village costs.

Australian Pensioners often live a lifestyle that reflects their fixed income and the need for careful financial management. Recent survey results found that nearly 90 per cent of older Australians felt that the Age Pension alone was insufficient to cover even a basic lifestyle with minimal living costs in retirement[2].

This sentiment is supported by the most recent ASFA Retirement Standard[3] which provides a breakdown of an older Australian's estimated living costs. This research revealed that older couples would need an additional $146 per week and singles an additional $153 per week, on top of the maximum Pension rate, to fund a modest retirement. Significantly more was required to live comfortably. As such, these older Australians are highly reliant on Pension payments as their main source of income, with wages, superannuation and other investments used to 'top up' this payment and cover additional living costs.

Whilst these Pensioners have a low level of income, a significant portion of their wealth is often connected to their primary home's equity which is not fully considered under the Pension means test, making it a crucial asset in their overall financial landscape.

1.75 million

older Australians are full pensioners

850,000

older Australians are part Pensioners

	Income Limits	Maximum Age Pension Rate	Asset Limits
Singles	Pension begins to reduce when income is over $212 per f/n. Lose eligibility at $2,445 per f/n.	Full - $1,144.40 per f/n Part - $941.10 per f/n	Pension reduces when assets are over $314,000 for a homeowner and $566,000 for a non-homeowner. Eligibility is lost at $695,500 for a homeowner and $947,500 for a non-homeowner.
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1.2 Housing shortages

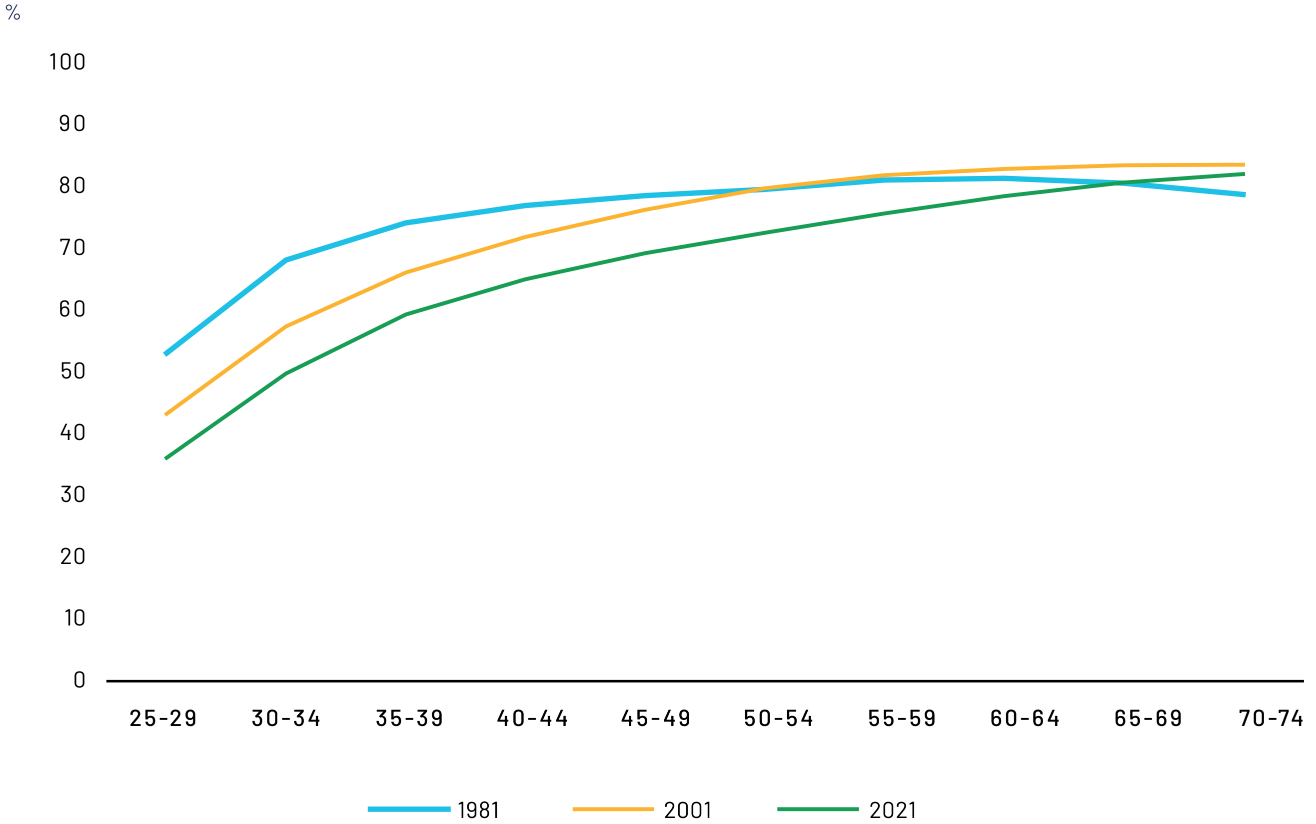
Many older Australians today have benefitted from booming house prices in Australia, which have delivered huge capital growth over the past 30 years[4].

Currently, the majority of older Australians are choosing to remain in their large family homes as they age. 73 per cent of Australian older Australians own a home debt free, with the vast majority being standalone homes with spare bedrooms[5]. Additionally, approximately 26 per cent of public housing stock is occupied by people over the age of 60[6].

Whilst older Australians occupy housing stock which is often larger than they need, there is increasing media and political attention on housing shortages disproportionately impacting young Australians. Graph 1 shows that home ownership rates for Australians below the age of 60 have declined significantly over the past 40 years. This has most significantly impacted young people aged 25 to 34, falling almost 20 percentage points over this time[7]. This can be attributed to the

Graph 1

Home ownership rates by age, 1981 to 2021



Source: Treasury, 2023
Analysis of customised ABS Census Data, 1981-2021

rising house price to income ratio, which has increased from just 2.5 in 1991 to 7.9 in June 2024[8]. Rising house prices are being driven by a significant imbalance between supply and demand for housing, particularly medium to low density housing suitable for young families. This imbalance is evidenced by record low rental vacancy rates, surging rental and sales prices and a reduction in property listings[9].

Recent market research has found that many working age Australians do not expect to own their home outright in retirement[10]. 32 per cent of Gen X survey respondents, who are the next generation to approach retirement age, expect that they will still have a mortgage on their home in retirement. This finding adds to a concerning trend which has seen the number of outright homeowners aged 55 to 64 almost halve over the past 20 years[11].

To date, high rates of home ownership have supported positive retirement outcomes for older Australians, with low housing costs often assumed in retirement planning. Declining rates of home ownership in retirement would likely increase the number of older Australians eligible for the Age Pension as well as CRA payments. As such, declining home ownership in Australians reaching retirement age presents a fiscal risk to Age Pension spending and may expose older Australians to poorer outcomes in retirement[12].

The release of suitable housing supply by older Australian homeowners creates an increased opportunity for younger Australians as well as older Australians approaching retirement to enter the housing market and in turn reduce future fiscal risks. This release of housing supply may be achieved by the promotion of 'rightsizing' for older Australians living in large family homes.

1.3 Rightsizing

Rightsizing involves an older Australian moving from a larger dwelling, which is often their family home, into a smaller dwelling which is more suited to their needs and enhances their ability to live independently.

This may involve moving into a dwelling with fewer bedrooms or a smaller footprint and a smaller garden, requiring lower levels of maintenance. This dwelling may be a smaller home in the community but is often a home in an retirement community.

The decision to rightsize into an retirement community is associated with positive wellbeing outcomes, including increased physical and social activity levels, reduced hospitalisations and increased life satisfaction[13]. 90 per cent of rightsizers report that they are satisfied with their move, with the reduced maintenance burden of a smaller home being the main driver of this satisfaction[14].

However, older Australians are faced with several barriers or disincentives that may discourage retirees from rightsizing. One significant factor for Pensioners is the impact of rightsizing on Age Pension entitlements. The equity released by selling a large family home and purchasing a smaller home can lead to an increase in assessable assets, potentially reducing or removing a Pensioner's payments. This would also disqualify older Australians from accessing discounts through the Pensioner concession card, increasing living costs. 57 per cent of retired Australians report the loss of an Age Pension or changes to their Pension as a concern in retirement. For 28 per cent of retired Australians this is a major concern. This level of concern is even higher amongst working age Australians with 77 per cent reporting it as a concern and 34 per cent as a major concern[15].

57 per cent of retired Australians are concerned about changes to their Pension payments

Retirement community residents are 5 times more socially active and 41 per cent happier than older Australians living in the community

Older Australians who rightsize may lose their Pension eligibility under the current asset thresholds

RetireAustralia, The Verge at Burleigh
Gold Coast Retirement VIllage

In addition to barriers associated with the Pension, older Australians tend to adopt 'nest egg' attitudes, emphasising the importance of saving and financial security in retirement[16]. Older Australians tend to keep this sum of money to cover any large, unexpected costs in their retirement but often choose to spend it in their later retirement years. For lower to middle wealth older Australians, saving attitude is partially perpetuated by these fears around changes to Pension entitlements. Furthermore, many retirees have emotional attachments to their homes and communities, making the decision to rightsize not just a financial consideration but a deeply personal one[17]. These factors combined create barriers that can lead retirees to remain in larger homes longer than necessary, even when smaller, more manageable options might be more suitable for their needs.

Therefore, addressing the barriers to rightsizing for older Australians is crucial to releasing appropriate housing supply into the market for younger Australians. Whilst barriers created by social attitudes require long term change campaigns, the financial barriers to rightsizing are able to be addressed in the short term through considered policy changes. As highlighted, the potential impact on Age Pension entitlements can deter many retirees from selling their family homes. By leveraging the retirement living market to supply age-appropriate housing in suitable locations and easing financial barriers related to Pension asset testing, we can create an environment that encourages older Australians to rightsize.

Jasmine Grove by IRT, Kanahooka NSW.
Cohousing for older single woman

Section 02

Market profile

2.1 Wealth profiles

In order to understand the market of older Australians who may currently be disincentivised to rightsize and may therefore be influenced by the proposed policy changes, we have developed four broad wealth profiles to categorise the market. These categories are based on the characteristics outlined below, which provide an indication of asset wealth and income levels.

Within each category, we have outlined the size of the market based on 2021 Australian Bureau of Statistics (ABS) Census data. For the purposes of this analysis, we have focused on the market aged 75+ to capture the current cohort of older Australians considering rightsizing, based on the average age of entry to retirement community accommodation[18]. In Section 2.11 of this report we have considered the market aged 65-74 to understand medium term future markets for rightsizing.

We note that the information reported for the four wealth profiles represents the characteristics of an average Australian household in each profile. These profiles do not purport to capture the entirety of the older Australian market, nor represent the diverse characteristics of persons within each group.

Wealth	Low	Low Middle	Middle	High
Definition	Does not own a home (primarily renters) Receives Government benefits (primarily Age Pension and CRA)	Owns a home (with a mortgage) Receives Government benefits (primarily Age Pension)	Owns a home outright (with no mortgage) Receives Government benefits (primarily Age Pension)	Owns a home outright (with no mortgage) Does not receive any Government benefits
75+ Market Size Estimate	160,000	95,000	840,000	340,000
65+ Market Size Estimate	400,000	260,000	1.6 million	1 million

2.2 Target markets

Each group is subject to different circumstances, benefits and barriers which may influence their decision to rightsize into an retirement community. Below we have outlined the key disincentive experienced by each group, based primarily on their financial means.

Wealth	Low	Low Middle	Middle	High
Disincentive to Rightsizing	Affordability of accommodation and ongoing fees and shortage of rental retirement community options	Reduced or eliminated Pension eligibility and hesitance to use their 'nest egg' funds to rightsize	Rightsizing would likely reduce or remove Pension eligibility as asset thresholds would be exceeded	Minimal financial disincentives, more likely to be impacted by social / psychological factors

With these barriers to rightsizing in mind, our market profiling will primarily focus on the low middle and middle wealth groups who would benefit most from the proposed policy changes explored in this research project. These markets consist of older Australians who may release home equity through the rightsizing process, threatening their Pension eligibility. Alongside financial benefits, these groups are most likely to be attracted to the social and wellbeing amenities in villages which they may not be able to afford in the community.

Given that the low wealth cohort do not have wealth stored in their dwelling, the proposed changes would not benefit this group. Similarly, the high wealth group would not benefit from the proposed changes as they are wholly self funded and do not need to consider the implications of rightsizing on eligibility for benefits.

On the following pages, we have provided an overview of the characteristics of each wealth profile to assist with quantifying the impact of any policy changes and to enable governments to understand how this market might be targeted.

2.3 Asset profile

The average older Australian in our target groups, the middle and low middle wealth profiles, has just over $300,000 in assets. This is excluding any equity held in their primary dwelling.

The majority of these assets, approximately 70 per cent, are deemed assets including superannuation, dividends, shares, bonds and interest from bank accounts. An average 6 per cent of these assets come from other real estate (e.g. investment properties) or business assets.

Low middle and middle wealth older Australians hold assets that are relatively close to the full Pension rate asset thresholds. Approximately 20 per cent of this group may already receive a part rate Pension due to their level of asset wealth. With this in mind, any equity released from their home through the rightsizing process is likely to take them above the Pension asset threshold and significantly reduce or remove their Pension entitlements.

These older Australians are likely to benefit most from the proposed policy changes, as they could achieve benefits associated with rightsizing, retain their Pension payments and access CRA or their surplus home equity to 'top up' Pension payments for a more comfortable lifestyle.

Low wealth older Australians hold little wealth in assets and do not hold equity in their dwelling. These older Australians are unlikely to be able to afford an entry contribution to a village and would not be impacted by the proposed changes.

High wealth older Australians hold significant wealth in assets which, alongside income streams, currently excludes them from Pension eligibility. These older Australians would not be impacted by the proposed policy changes.

Low	Low Middle	Middle	High
Average asset value of approximately $96,000 for a single and $140,000 for a partnered older Australian	Average asset value (excluding primary home) of approximately $160,000 for a single and $300,000 for a partnered older Australian	Average asset value (excluding primary home) of approximately $170,000 for a single and $330,000 for a partnered older Australian	Average asset value (excluding primary home) of approximately $1 million for a single and $1.4 million for a partnered older Australian
Vast majority held in deemed assets (e.g. superannuation, shares)	Vast majority held in deemed assets (e.g. superannuation, shares)	Vast majority held in deemed assets (e.g. superannuation, shares)	Vast majority held in deemed assets and other real estate and business assets

Please note that due to limitations in the data set, the figures on this page denote the average level of asset wealth for persons who have reached retirement age and are not specific to the 75+ cohort.

Sources: ABS 2021 Census; ABS Survey of Income and Housing 2017-18 (estimates projected to 2024 in line with annual CPI growth); DSS Payment Demographic Data, June 2024.

2.4 Home equity

Home equity is a significant contributor to an older Australian's wealth, making up approximately 70 per cent of their net wealth[19].

On top of the assets discussed on the previous page, the average home equity for low middle and middle wealth older Australians is approximately $440,000 and $620,000 respectively for older Australians in metropolitan areas.

Pensioners who had debt associated with the home (low middle market) had home equity valued an average 31 per cent less than Pensioners who owned their home outright (middle market). Home equity is also slightly lower in regional Australia due to the lower house prices in these areas.

The market which is likely to be disincentivised from rightsizing by the current Pension asset threshold likely hold home equity valued at or above the average. These older Australians hold a significant amount of equity in their home and would have the ability to afford a village entry contribution upon the sale of this asset. However, the average price for a retirement living unit is 57 per cent of the area's median house price, meaning that these older Australians would likely free up equity if they were to sell their house and buy into an retirement community[20]. In addition to the testable assets outlined on the previous page, these surplus funds from the sale of an older Australian's primary dwelling are likely to exceed the current asset thresholds.

Image supplied by Aveo

A portion of older Australians in the low middle wealth category, particularly single older Australians with very low levels of home equity, represent a different market. These older Australians may not have the funds to comfortably pay an ingoing contribution for a retirement community unit upon the sale of their home but would exceed the current asset threshold upon release of these funds and therefore be ineligible for full Pension payments as well as CRA. These older Australians are disincentivised from rightsizing as they have few other housing options. If policy changes were enacted, these older Australians may retain eligibility for the Pension and CRA payments, which could assist them to enter rental accommodation in an retirement community or to buy an retirement community unit and continue to receive CRA payments to support ongoing costs.

Please note that home equity figures provided are estimates only, based on self reported home equity data collected in the ABS Survey of Income and Housing 2017-18. Australians are generally unbiased when reporting the self-assessed value of their home, with a small positive bias of approximately 1 per cent of the home value[21]. The ABS data was projected in line with property price growth as reported in the ABS Total Value of Dwellings dataset[22] to estimate the value of older Australians home equity in 2024. Please note that due to limitations in the data set, the figures on this page denote the average level of asset wealth for persons who have reached retirement age and are not specific to the 75+ cohort.

Low	Low Middle	Middle	High
No equity is held in dwelling of residence as the older Australian does not own a home	National average equity held in the primary dwelling is approximately $370,000	National average equity held in the primary dwelling is approximately $530,000	National average equity held in the primary dwelling is approximately $880,000
	This is higher in metropolitan areas, at approximately $440,000	This is higher in metropolitan areas, at approximately $620,000	This is higher in metropolitan areas, at approximately $1,000,000

Sources: ABS Survey of Income and Housing 2017-18. Estimates projected to 2024 in line with property price growth (as reported in ABS Total Value of Dwellings, June 2024)

2.5 Income profile

When considering older Australians weekly personal income, there is very little difference in income amounts between the low, low middle and middle wealth groups.

Average reported income in these groups aligns closely with the weekly maximum Pension rates which are currently $431 each for a couple and $572 for a single. This supports the finding that the primary source of income for these groups is a Government benefit or allowance (primarily the Pension).

This suggests that the main differentiating factor between these groups is their level of asset wealth, particularly that held in their home, as discussed on the previous pages.

These variances between the groups support the ongoing focus on the 'asset rich and income poor' cohort of older Australians. The majority of older Australians across these wealth brackets live on an income which is below the Retirement Standard for a modest retirement – $914 a week for a couple and $635 a week for a single aged 65-84[23]. These older Australians are unlikely to have sufficient income to fund a comfortable lifestyle in retirement, but may be able to draw down on their assets to live more comfortably.

As such, these older Australians may be incentivised to rightsize by policies which allow them to retain access to their Pension, as they could draw down on their equity and receive CRA to 'top up' their Pension payments while retaining their nest egg funds.

We note that there are limitations to this data which may lead to an underestimate of the average weekly income for all groups. Data for the low, low middle and middle wealth groups focuses on the amount of income regularly received (i.e. through the Pension, employment and regular superannuation payments) and may not capture lump sum payments from superannuation. The reported income of the high wealth cohort may be understated as many respondents fall into the 'nil income' bracket. This occurs as part of an administrative function which sees respondents linked to a corresponding Medicare, ATO or Centrelink profile. Where respondents can be linked but have not reported any employment income or Government benefits through these bodies, they will fall into the nil income category.

Wealth	Low	Low Middle	Middle	High
Average weekly income of approximately	$450	$435	$410	$1,000
Main source of income	98 per cent of this group report government benefits and allowances	96 per cent of this group report government benefits and allowances	95 per cent of this group report government benefits and allowances	Investment income

Sources: ABS 2021 Census

2.6 Demographics

Our assessment of the demographic characteristics of these wealth groups will enable us to understand social and cultural factors which may impact attitudes and ability to rightsize.

It will also assist with establishing a clearer picture of the target market for the proposed policy changes.

There is a clear relationship between divorcee status and wealth levels in these groups. The low wealth cohort has the highest proportion of divorced older Australians, particularly women, while the high wealth group has the highest proportion of married older Australians.

Divorcees may be more concentrated in the lower wealth groups due to the splitting of assets required in the divorce process. This can leave older Australians with levels of asset wealth which are significant but insufficient to purchase a property outright. This can lead them to rent or purchase a home with a higher level of debt.

Divorced or widowed older Australians in the low middle and middle wealth groups, especially women, may be incentivised by Pension and CRA reform but will also likely be drawn to the social and wellbeing benefits offered by a village. Previous research has suggested that retirement communities can provide suitable housing for these older women and reduce risks of housing insecurity and homelessness.

Cultural background can also play a major part in an older Australian's desire to rightsize, with culturally and linguistically diverse older Australians demonstrating an increased reluctance to leave the family home where they can receive care from younger family members[24]. Cultural diversity is highest in the low middle market, with moderate levels in the low wealth group. This small group may be a more challenging market to incentivise, however specific and tailored policy may also help to engage this market with rightsizing opportunities.

Low	Low Middle	Middle	High
Higher proportions of divorced older Australians, particularly women	Higher proportions of widowed older Australians, particularly women	Majority of middle wealth older Australians are married or widowed	Higher proportion of married older Australians
Moderate levels of cultural diversity	Higher levels of cultural diversity	Lower levels of cultural diversity	Lowest levels of cultural diversity

Sources: ABS 2021 Census

Figure 4

Male marital status by wealth profile, 2021

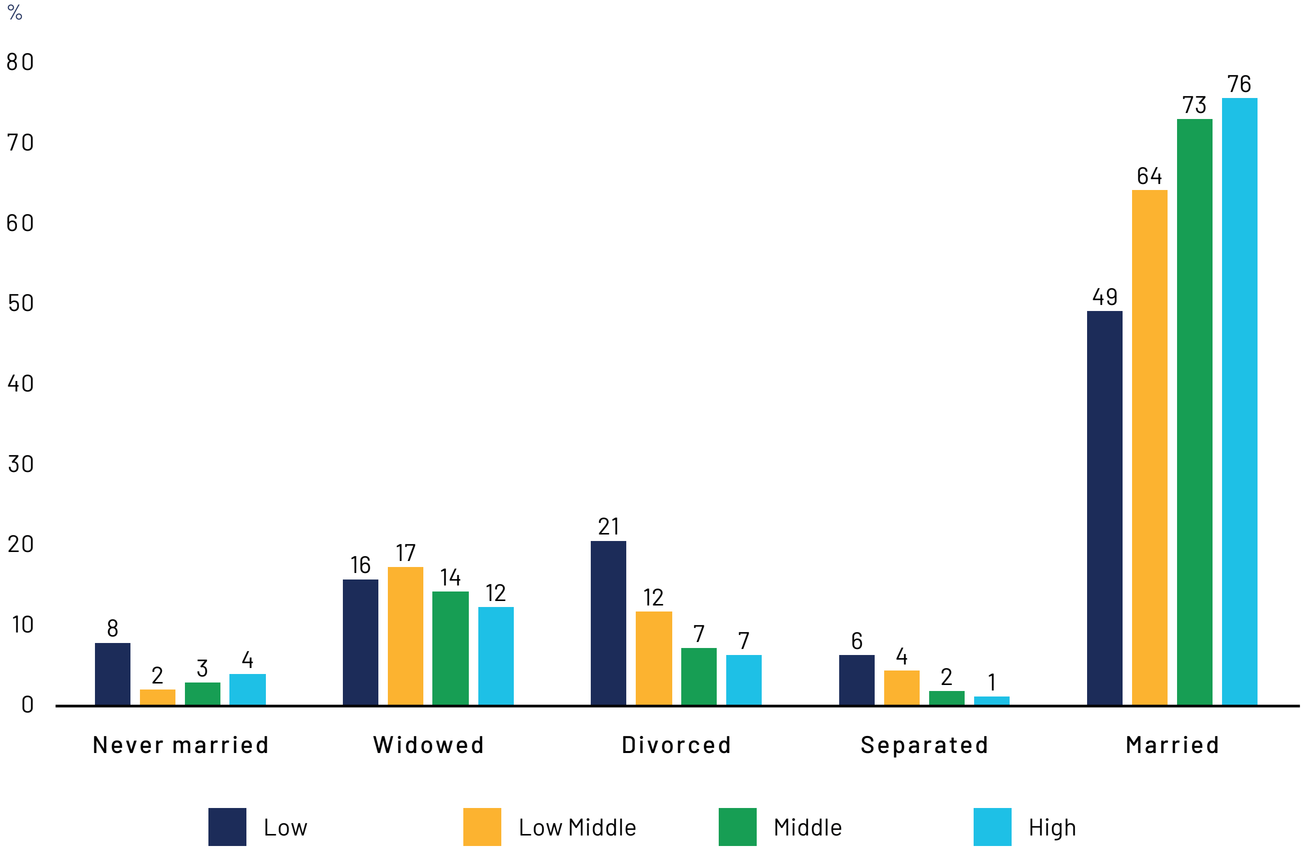
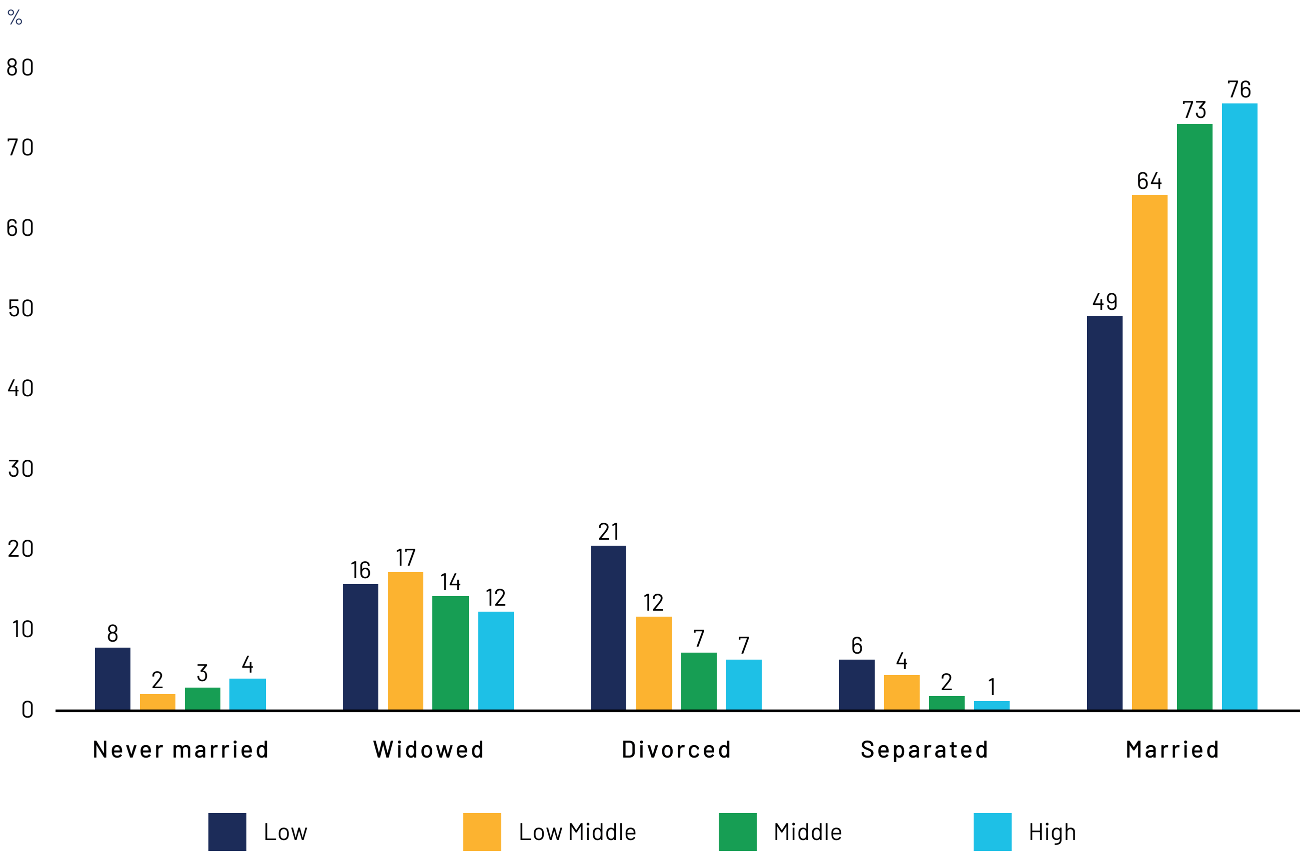


Figure 5

Female marital status by wealth profile, 2021



Source: Treasury, 2023

Analysis of customised ABS Census Data, 1981-2021

2.7 Housing profile

Older Australians generally live in couples, however almost half of low wealth older Australians live alone. This is likely driven by higher proportions of divorcees in this group.

The majority of low middle wealth older Australians live in homes with more than two occupants. The higher level of cultural diversity in this group suggests that these older Australians have cultural customs which favour informal care by family members within the family home. This sub-group of the low middle profile may be less likely to consider rightsizing as they continue to have younger family members or other occupants living in their home, however the ability for younger family members to care for older Australians may decrease as cost of living pressures drive a need for full-time employment.

About 80 per cent of older Australians across the wealth cohorts live in standalone houses, many with spare bedrooms. The number of spare bedrooms increases as a function of wealth, with 62 per cent of the middle wealth market having more than one spare bedroom. 56 per cent of middle wealth older Australians live with one other person. This market may be incentivised to rightsize as they are likely to have a large home with few occupants.

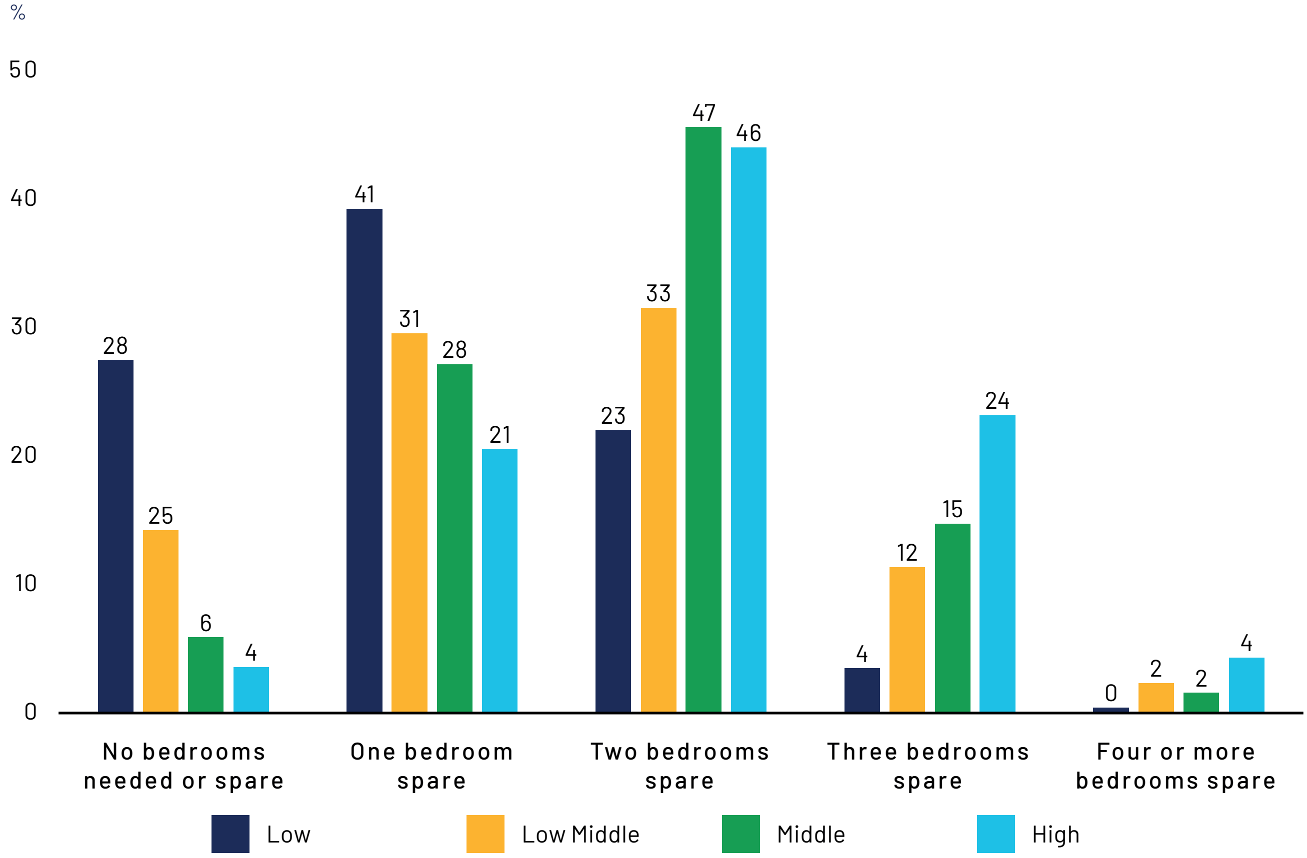
These findings suggest that the homes currently occupied by Australian older Australians are desirable for the market of younger buyers, with the vast majority of older Australians living in standalone homes with three or four bedrooms. If older Australians were incentivised to rightsize by the proposed policy changes, this cohort could unlock the specific type of housing needed by younger Australian families who are currently locked out of the housing market.

Low	Low Middle	Middle	High
86 per cent live in standalone houses	80 per cent live in standalone houses	77 per cent live in standalone houses, with 22 per cent in semi-detached homes or apartments	77 per cent live in standalone houses, with 19 per cent in semi-detached homes or apartments
47 per cent of this cohort live alone, and 39 per cent with one other person	39 per cent live with one other person, and 53 per cent live with more than 2 persons	56 per cent live with one other person, and 31 per cent live alone	61 per cent live with one other person, and 29 per cent live alone
57 per cent live in one or two bedroom houses	67 per cent live in three or four bedroom houses	72 per cent live in three or four bedroom houses	75 per cent live in three or four bedroom houses
41 per cent of older Australians in this group have one spare bedroom, and 28 per cent have none	50 per cent have more than one spare bedroom	62 per cent have more than one spare bedroom	74 per cent have more than one spare bedroom

Sources: ABS 2021 Census

Figure 6

Housing suitability by wealth profile, 2021



2.8 Location

Ageing populations are geographically spread throughout Australia, spanning both metropolitan and regional areas, however we have identified a broad trend in where these populations live.

Low wealth older Australians tend to be concentrated in central urban areas, such as the city CBD and surrounds, which have a higher proportion of rental properties and community housing. Remote regional communities also have a high concentration of low wealth older Australians, perhaps driven by lower income levels and dominant local industries which historically provided rental accommodation for workers.

Low middle and middle wealth older Australians tend to live in outer suburban areas where large homes are more affordably priced but have grown significantly in value over time. The middle wealth older Australians group also make up most of the population of regional centres and retiree destinations (e.g. large coastal communities such as the Sunshine Coast or Noosa), where home ownership is affordable but income tends to be moderate to low. High wealth older Australians are most concentrated in inner metropolitan suburban areas with higher median house prices.

This finding suggests that the market most incentivised by the proposed policy changes, the low middle and middle markets, live in desirable outer suburban areas and large regional centres. These are areas where younger people are likely to be able to afford to buy a large property. They are also growing areas with increasing infrastructure to support families, which may make them an attractive option for younger buyers.

In Appendix B, we have provided maps of the concentration of the low middle and middle wealth population in each capital city of Australia.

Low	Low Middle	Middle	High
Higher concentration in centralised urban areas where rental properties are more common as well as remote regional areas	Mostly concentrated in outer suburban and inner regional areas within commuting distance of the city	More concentrated in outer suburban areas as well as large regional centres	Mostly concentrated in inner metropolitan and suburban areas

Sources: ABS 2021 Census


Aveo Botanic Gardens
Retirement Village

2.9 Decision making process

Research suggests that the decision to sell the family home and rightsize is not taken lightly and often stems from a combination of personal, social and practical triggers[25].

For many older Australians, the primary catalyst to rightsizing is the realisation that the family home has become too large and burdensome to maintain. Despite this significant trigger, many Australians remain reluctant to rightsize due to their strong emotional attachment to their homes. Notably, 58 per cent of retirees prefer to retain their family home until they die either because they wish to leave it as an inheritance, or because it is their preferred place to live[26].

This preference is often driven by underlying socioeconomic motivations, including perceptions of the home as a source of comfort as well as a 'security blanket' or 'nest egg' to deal with any events which Australians may face during their retirement[27]. A Productivity Commission survey from 2015 found that almost 80 per cent of 65-69 year olds (Baby Boomer older Australians now aged 74-78) viewed the family home as a safety net to deal with future adverse financial events, with most preferring not to access equity from their home until it was necessary. Approximately 50 per cent of this group saw the home as something that could be used to fund their retirement. At this time, 40 per cent of the Builder generation said they would not draw on their home equity under any circumstances.

Further, practical considerations increasingly prompt individuals to consider rightsizing, particularly when faced with declining health or mobility issues which necessitate accessible living arrangements. Older Australians who remain living in their home may face a higher risk of falls and social isolation which can lead to poorer health outcomes. In recent years, we have seen an increase in older Australians seeking to access additional health benefits from rightsizing, with 44 per cent of shoppers expressing avoidance of RAC as a benefit to rightsizing into an retirement community[28]. This was particularly important for the 'getting by' cohort of older Australians with moderate levels of wealth. This preference to avoid RAC is being matched by retirement communities who are increasingly integrating care services to meet the desire to age in place. This trend will be exacerbated by reform in the RAC sector which will make RAC more expensive and less desirable, giving rise to more substitution models including retirement community.

Struggling	Getting by	Comfortable
'Struggling' is the label used for older Australians with lower financial means in the Catalyst research We have taken this to represent those in the 'Low' wealth group	'Getting by' is the label used for older Australians with moderate financial means in the Catalyst research We have taken this to represent those in the 'Low Middle' and 'Middle' wealth groups	'Comfortable' is the label used for older Australians with higher financial means in the Catalyst research We have taken this to represent those in the 'High' wealth group

Source: The Catalyst Report Retirement Living Insights, 2024.

Rightsizing to an retirement community offers numerous benefits that can significantly enhance older Australians health outcomes and quality of life and assist with prolong their independence. Older Australians living in retirement communities require less care from the healthcare system, are less likely to require hospitalisation and have reduced levels of depression and loneliness[29]. Social factors such as the desire for a sense of community can also play a significant role as older Australians seek environments that foster new friendships and engagement[30].

Those wanting to rightsize typically favour smaller detached homes with two or three bedrooms[31]. Location is also very important as older Australians strongly wish to remain in familiar areas which are close to friends and family. The most desirable location for older Australians considering rightsizing was in middle or outer suburbs of a capital city[32].

While the emotional attachment to the family home can make the decision challenging, the practical advantages to rightsizing often outweigh these sentiments if financial barriers are not an obstacle.

Keyton's Forest Hills
Retirement Village, Victoria

2.10 Emerging trends

As discussed on the previous pages, previous generations of retirees are largely hesitant to access home equity to fund their retirement.

However, with changing attitudes, experiences and wealth levels amongst the younger Baby Boomer cohort this may change.

The younger Baby Boomers (now aged 60-78) who are now reaching retirement age or considering village entry (average entry age of 75) have higher levels of asset and income wealth having benefitted from sharp increases in their home value and a maturing superannuation scheme (discussed in further detail in Section 3). That is to say that Baby Boomers hold higher levels of wealth than their predecessors, particularly in assets[33].

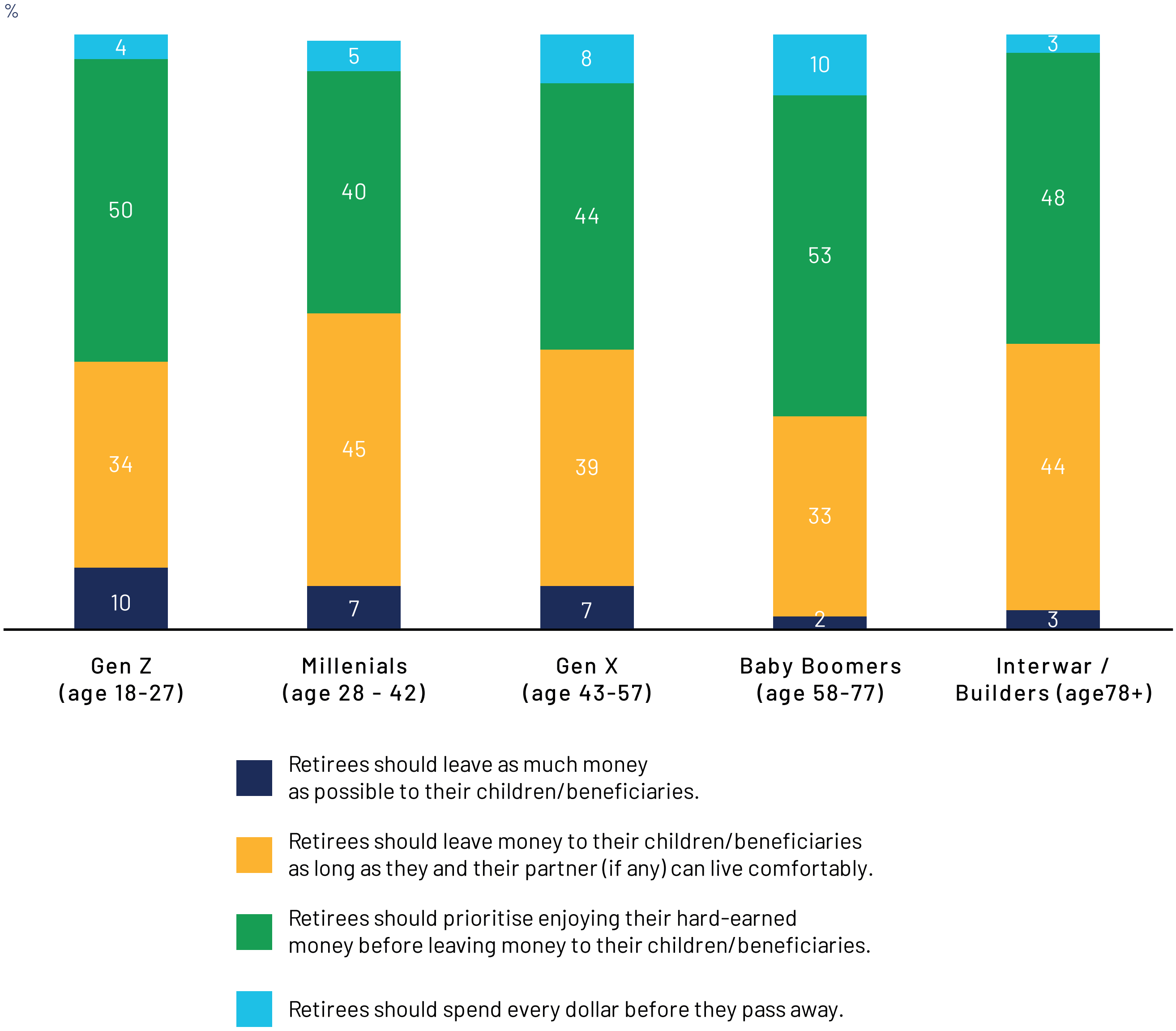
As shown in Graph 6, 48 per cent of Builder retirees said they should prioritise enjoying their money before delivering an inheritance. Only 3 per cent said they should spend every dollar before passing away. In contrast, 53 per cent of Baby Boomers said they should prioritise enjoying their money with another 10 per cent saying they should spend every dollar[34]. These findings suggest that Baby Boomers are far more willing to spend their money compared to the generations both before and after them.

This attitude extends to accessing home equity, with younger retirees in the Baby Boomer generation being more likely to see the home as an asset which can be used to fund retirement[35]. This increasing willingness to draw on home equity and use savings to fund a comfortable lifestyle in retirement may encourage more older Australians to consider rightsizing.

However, the Baby Boomer generations are also considered more financially savvy than the Builders and are likely to be aware of the financial impacts of rightsizing. 49 per cent of older Australians considering rightsizing report that 'rightsizing becoming financially worthwhile' would encourage them to move[36]. The removal of these barriers which reduce the financial benefit of rightsizing may encourage this lifestyle focused generation to draw on the benefits of rightsizing and release housing supply for younger Australians.

Figure 7

Attitudes towards spending in retirement by generation



Source: Vanguard 'How Australia Retires', 2024

2.11 Retirement living potential

If financial barriers were removed and larger numbers of older Australians sought to access the social, financial and wellbeing benefits of rightsizing, the market's capacity to provide appropriate and attractive rightsized housing options must be reassessed.

The retirement living sector is well positioned to provide these options to a greater number of older Australians looking to rightsize. As of 2023, there were over 450 retirement living operators providing more than 200,000 units for approximately 250,000 older Australians[37]. 18,000 new retirement units are expected to be built between 2023 and 2030, with efforts are underway to grow this pipeline.

Much of the housing offered in retirement communities is appropriate and attractive for the identified target market of older Australians, featuring accessible designs, decreased need for home maintenance, space for their belongings and a range of lifestyle benefits. The entry prices for these units are an average 48 per cent lower than the median house price and 2 per cent lower than median unit price, offering an affordable option which provides access to home equity. The changing focus of retirement communities to incorporate care and wellbeing offerings may further enhance their attractiveness, appealing to older Australians who wish to avoid or delay RAC entry and easing the growing challenge of the ageing population on Australia's aged care and health care systems.

While the current retirement community development pipeline may not be substantial enough to support long term growth in the number of rightsizers, this is not limited by the sector's desire to grow. We are seeing increased levels of private investment and growing development pipelines across major retirement community operators. The Retirement Living Council have projected that increased development efforts and removal of barriers could add an additional 49,000 units to the projected development pipeline.

The main delays or barriers to uplifting the number of retirement community developments is the approval of these projects by local Government as well as escalating construction costs. Reduced red tape and expedited approval processes for these developments would assist with boosting this development pipeline and meeting the future demand for rightsized housing.

The market profiling research presented in this section has established the socioeconomic benefits and barriers for the low middle and middle wealth markets to rightsize, as well as the nature of the housing supply being used by these older Australians. The following section will explore the current and projected future usage of the retirement income system in Australia, and how this might inform and create opportunities to adjust policy settings which promote positive outcomes for both retirees and younger Australians.

Section 03

Wealth analysis

3.1 Retirement income system

The retirement income system in Australia is commonly thought to consist of three pillars[38].

01	02	03
Means tested Government benefits (primarily Age Pension).	**Compulsory superannuation contributions.**	**Voluntary savings (including equity held within the home).**

The utilisation of these three pillars is shifting over time as the demographic makeup of the retiree population changes. Age Pension spending has been relatively stable as a percentage of the country's Gross Domestic Product (GDP) in recent decades, rising from 2.2 per cent in 2001 to 2.3 per cent in 2023. However, the proportion of retirees accessing the Age Pension is now declining across all age groups except those aged 85+ (See Graph 7)[39]. The larger decline in recipients aged 65-69 results from the gradual increase in the Pension age from 65 to 67 starting from 2017. The overall decline in uptake of the Government benefit income pillar is being driven by growth in the other two pillars, particularly by the maturing of the superannuation scheme which came into effect in 1992.

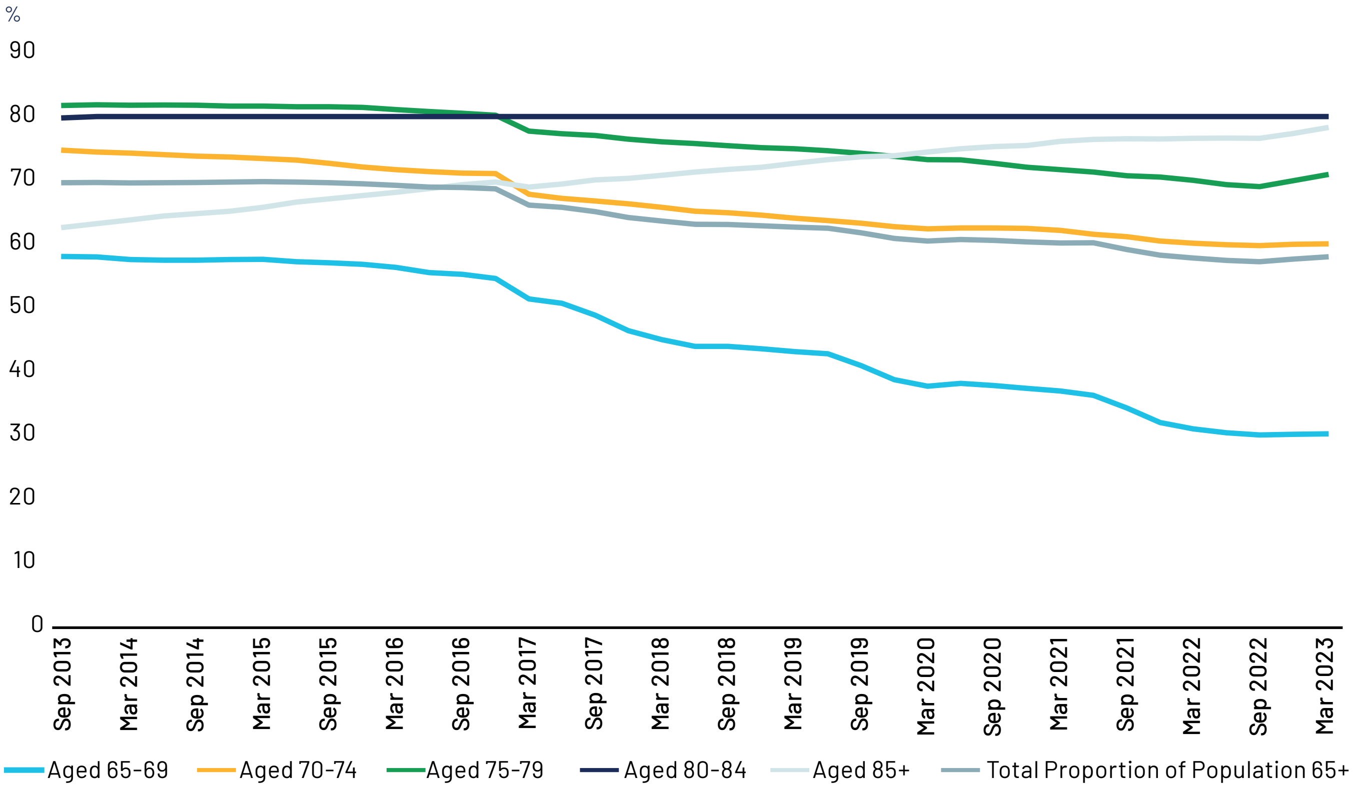
Since the introduction of a federal Age Pension in Australia in 1908, the Pension has operated under a means tested system. Eligibility requirements have changed significantly since the introduction of the Pension, having been consistently adapted to align with social trends including the growth of the female workforce and growing life expectancies. The means tests have also been adapted a number of times to address various unintended consequences of the eligibility requirements, including the discouragement of private saving and home ownership[40].

Following historic patterns, recent changes to the demographic characteristics of the ageing population, namely the unprecedented growth in the value of their properties, has inadvertently created a disincentive wherein the Pension asset threshold discourages older Australians from accessing more appropriate and beneficial accommodation for their life stage. The Government has previously acknowledged this issue in 2023, when the Pension asset test exemption was extended to exempt the proceeds from the sale of the family home for 24 months[41]. As has been done by previous Government administrations, there may be an opportunity to adjust the Pension means testing system to more effectively address this social issue.

On the following pages, we have considered the recent drivers of increased older Australians' wealth which will impact how retirees use each of these pillars to fund their retirement lifestyle.

Figure 8

Pension recipients as a proportion of ageing population, 2013 to 2023



Source: AIHW, 2023

3.2 Property price growth

Unprecedented house price growth in recent decades is the largest contributor to the growing level of voluntary savings held by the current cohort of Baby Boomer retirees.

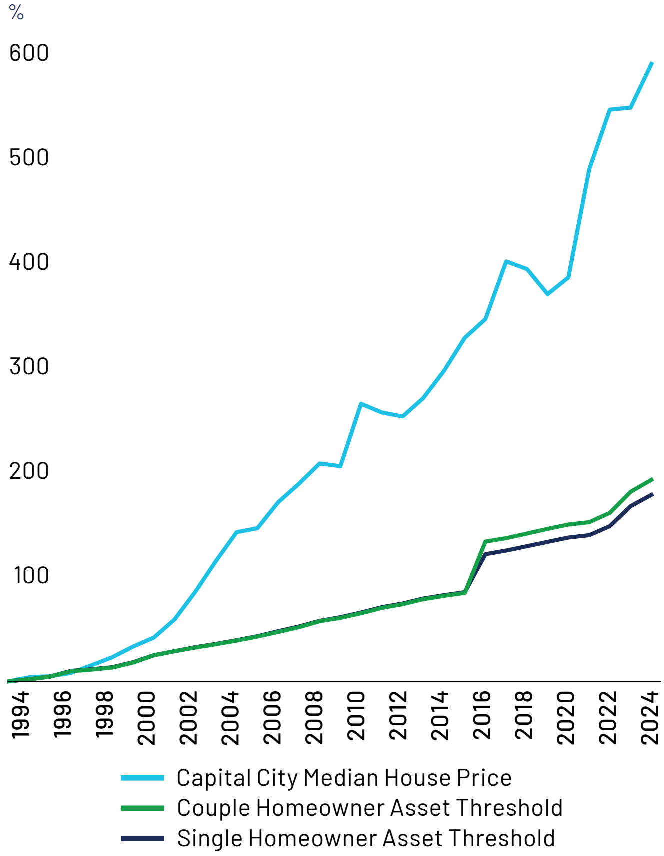
As previously discussed, an older Australian's primary dwelling makes up approximately 70 per cent of their total net wealth and often forms an important part of their retirement plan. Home ownership is associated with reduced financial strain as well as feelings of confidence in retirement[42].

Over the past 30 years, Australian homes saw substantial capital growth of 381 per cent. Notably, standalone homes experienced 415 per cent growth[43]. The house price to income ratio has also increased sharply over time, demonstrating the declining affordability of housing[44]. These rising house prices are sustained by a growing Australian population and residential housing supply constraints[45].

Whilst house prices have grown over the past 30 years, the allowable asset threshold for the Pension has not grown at the same rate. As shown in Graph 8, from 1994 to 2024, the allowable assets to receive a full Pension increased only 178 per cent for a single homeowner and 193 per cent for a homeowning couple compared to almost 600 per cent growth in capital city median house prices[46]. This demonstrates that increases in allowable Pension assets have failed to take into account the high level of asset wealth older Australians now hold in their home, and has the unintended consequence of deterring older Australians from rightsizing into smaller homes.

Figure 9

Increase in full pension asset threshold vs capital city median house prices, 1994 to 2024



Source: ABS, 2024; National level estimates using data from Abelson & Chung, 2004

With home affordability declining, younger generations are struggling to enter the housing market. This includes a significant proportion of Gen X, who will be the next generation of Australians to enter retirement after the current Baby Boomer cohort. As such, whilst the Baby Boomer and Builder generations have benefitted significantly from property price growth in their working years, the benefit to future generations is unlikely to be as significant[47]. As previously discussed, this can lead to financial and housing insecurity in retirement and presents a social risk as well as a fiscal risk[48].

If the asset rich Baby Boomers are deterred from rightsizing due to a loss of Pension entitlements, they are likely to continue living in homes which are larger than they need in order to retain access to their Pension payments. This will continue to contribute to housing supply constraints and drive unaffordable house prices and also presents a risk to older Australians safety.


Aveo Derwent Waters Retirement Living at Claremont, Tasmania

3.3 Superannuation

Spending on the Age Pension is projected to fall as a percentage of GDP for the foreseeable future from 2.3 per cent of GDP in 2022 to 2 per cent of GDP by 2062.

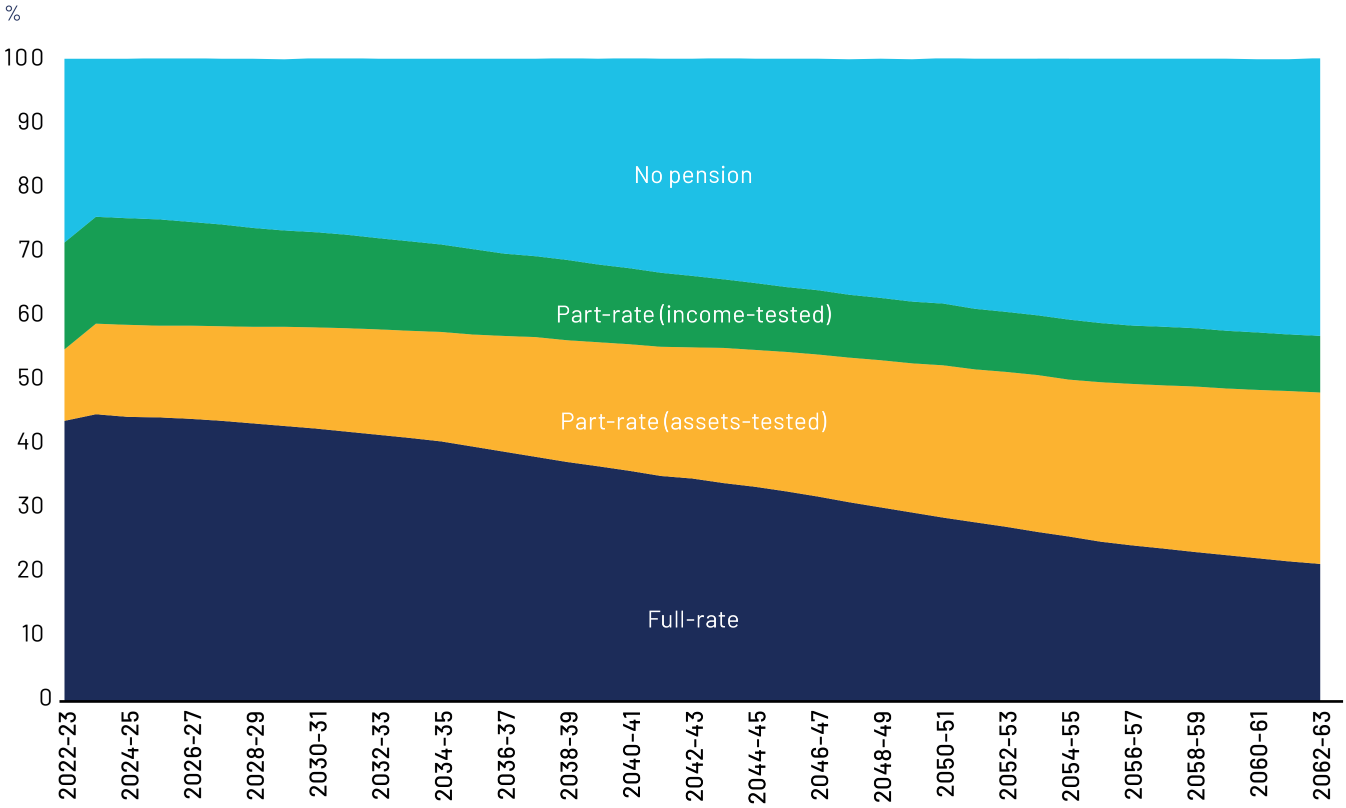
This is primarily driven by the maturing of the Australian superannuation system[49].

The compulsory superannuation system was introduced in Australia in 1992, with most working Australians having made minimal contributions prior to this point[50]. As such, most Australians retiring in 2024 have only been contributing significant amounts to their superannuation for approximately 30 years.

Within the next 20 years, most retirees will have been contributing super at 9 per cent or more for the entirety of their working lives[51]. As of June 2024, Australians hold approximately $3.9 trillion in superannuation assets, which is expected to grow to 218 per cent of Australia's GDP by 2062.

Figure 10

Projected persons of pension age by pension category, 2022 to 2062



Source: Treasury, 2023

Projections from the Treasury's Intergenerational Report indicate the proportion of older Australians drawing down from their retirement account will increase from 8 per cent to 19 per cent over the next 20 years. This is in comparison to growth in ageing population which will grow by only 6 percentage points. This indicates that the proportion of the ageing population using superannuation balances to fund their retirement lifestyle will increase significantly.

This change will see a reduction in older Australians' reliance on the Age Pension to fund retirement expenses. As seen in Graph 9, **the proportion of older Australians relying on any Pension income is expected to decrease from 71 per cent in 2022 to 57 per cent by 2062.**

43 per cent of older Australians will be fully self funded by 2062, an increase of 14 percentage points from 2021. Over this time period, more older Australians relying on a Pension will receive a part rate Pension due to their level of assets, primarily superannuation funds[52].

These factors come together with to show that the total annual cost of Australia's retirement income system, across Pension costs and superannuation tax concessions, will remain relatively steady across the next 40 years as a proportion of GDP[53].

2.3 per cent

of GDP (2022) is projected to decrease to 2 per cent by 2062 for Age Pension costs.

19 per cent

of older Australians are expected to use super for retirement in 20 years, up from 8 per cent.

$3.9 trillion

in super assets held by Australians is expected to grow to 218 per cent of GDP by 2062.

43 per cent

of older Australians are expected to be self-funded by 2062.

57 per cent

of older Australians are expected to rely on the pension in 2062, down from 71 per cent in 2022.

3.4 Implications and opportunity

The maturing superannuation system has contributed to a sustainable retirement income system in Australia, which sees the cost of the Age Pension as a proportion of GDP remain stable in the face of a rapidly ageing population.

As noted by the Actuaries Institute (2024), this stability allows the Government some degree of flexibility in adjusting policy settings to promote other social and economic outcomes.

Our research has revealed that booming property price growth which has particularly impacted the Baby Boomer generation of older Australians, alongside Pension asset thresholds which have not grown at the same rate, has the unintended consequence of lowering Pension eligibility for those rightsizing from their family home.

Baby Boomers are more willing to access their home equity to fund their retirement lifestyle, however they are generally more financially aware and will consider the implications on their Pension eligibility. If their Pension eligibility were maintained, or the CRA were available to cover a portion of rightsizing costs, these older Australians may consider rightsizing more favourably.

The incentive for older Australians to remain in homes which are larger than they require is contributing to rising house prices and an inability for younger generations to enter the housing market. This presents social and economic risks associated with future generations entering retirement with lower rates of home ownership and ongoing mortgage payments, including fiscal risks to Pension spending, housing security and retirement confidence[54].

Adjusting the Pension and CRA eligibility thresholds to encourage rightsizing can be justified from a political, social and economic standpoint.

By freeing up housing supply whilst the proportion of Pensioners is comparatively low, it can become possible to facilitate home ownership for younger generations. This could also reduce long term Pension spending.

RetireAustralia, The Green Tarragindi, QLD

Section 04

Assessment of existing schemes

Image by RDNE on Pexels

4.1 Current rightsizing schemes

The Government has already introduced a number of schemes which aim to incentivise older Australians to rightsize by offering financial benefits. However, to date none of these have wholly addressed the long term loss of Pension eligibility for rightsizers. Below and on the following pages, we have provided an overview of current and recent schemes which were implemented to promote rightsizing.

Home equity access scheme

The scheme allows homeowners of Pension age to access the equity in their home in the form of a loan by borrowing against the value of the property.

Eligible older Australians can access up to 150 per cent of the Age Pension (less any Pension payments) through the scheme. The loan must be paid back upon the sale of the person's property or from their estate, with a no negative equity guarantee.

The scheme, originally named the 'Pension Loan Scheme', was introduced in 1985 to target asset tested Pensioners with low levels of income. It is intended to help older Australians to supplement their retirement income and boost retirement outcomes by accessing the equity in their home.

Most accessing this loan use the funds to cover living costs whilst remaining in their home, however the loan may allow some older Australians to fund moving costs associated with rightsizing. These costs are a notable barrier to for those with lower income levels, who may utilise this scheme to facilitate a move. However, this scheme may also act to promote older Australians to stay in their family home, as they have the benefit of accessing home equity without rightsizing.

Source: DSS, 2022; Services Australia, 2024

Incentivising pensioners to Downsize Act

Under the Social Security Act (1991) the funds released from the sale of a older Australians' primary home are exempt from Pension asset testing for a period of 12 months when the proceeds were intended to be used to purchase, build or repair a new primary home. Only the equity that is exempt is the portion which is intended to be used to purchase the new home. A lower deeming rate (used to estimate the income earned from assets and testable under the income threshold) will be applied to this equity during the exemption period.

An update to this Act, named the Social Services and Other Legislation Amendment was implemented from January 2023. The amendment extends this exemption period from 12 months to 24 months, with a further 12 month extension for eligible older Australians.

This scheme is designed to allow older Australians adequate time and support to rightsize without losing short term access to their Pension payments with the aim of freeing up housing stock for younger families. However, it does not have any impact on the equity released from the sale of the primary home after buying a new home.

Source: DSS, 2023

Downsizer super contributions

Australians aged 55 and over may be incentivised by the downsizer superannuation contribution program, which allows people to use equity released from the sale of their primary home to increase their superannuation balance.

The program, introduced in August 2023, allows older Australians to contribute up to $300,000 for a single and $600,000 for a couple into superannuation from the proceeds of the sale. This contribution does not count towards a person's super contribution cap and will not impact the total super balance until the end of the financial year.

This offers older Australians a unique opportunity to boost their superannuation beyond the usual limits and even post retirement. It is also beneficial for older Australians as the downsizer contribution is an after-tax contribution, meaning no tax is paid on this sum.

This program may incentivise ageing home owners across the wealth spectrum to downsize/rightsize as released home equity is treated favourably and can be used to supplement their retirement income. However, it is more appealing for non-Pensioners as the additional superannuation contributions will count towards the Pension asset test and impact eligibility.

Source: DSS, 2022; Services Australia, 2024

Stamp duty concessions

Across most States in Australia, stamp duty concessions are offered for older Australians who sell their primary home. Eligibility criteria and concession amounts vary between each State, with most offering stamp duty exemptions or discounts for homes in specific value ranges (VIC, ACT, TAS).

WA offers stamp duty discounts for off the plan homes only with no price cap. NT no longer has a scheme in place, having been discontinued in 2021. NSW and QLD only offer general stamp duty discounts which may apply to rightsizers, but have no specific programs in place to incentivise this group.

These incentives target older Australians who are seeking a financial gain from the sale of their primary home, who may be deterred by the high costs associated with the sale. Stamp duty and other costs associated with moving have been identified as a significant barrier to rightsizing in previous research.

While those benefitting from stamp duty concessions are likely a similar target market to that for our proposed policy adjustments, stamp duty concessions mark a short term gain whilst proposed changes to Pension eligibility provide long term benefit. Whilst stamp duty costs are normal costs associated with the sale of a home, the loss of Pension entitlements presents a more unfamiliar and concerning scenario for low-income older Australians.

Source: Downsizer, 2024; AHURI, 2020

4.2 Impact of rightsizing schemes

Each of the schemes outlined target different barriers or benefits to rightsizing, including access to home equity to improve an older Australian's lifestyle, allowing time to find suitable housing, uplifting superannuation income and discounting barrier costs associated with moving.

However, none of these schemes consider the importance older Australians place on retaining their Pension payments when considering a move.

The Home Equity Access Scheme is an established program, which has seen a 329 per cent increase in utilisation from 2020 to 2024. As of June 2024, 13,000 people had accessed the program[55]. The rise of this program may be linked to the rising cost of living, with Pensioners requiring access to their home equity to fund living costs or a comfortable retirement lifestyle. As previously discussed, although this program may allow older Australians to access funds to cover moving costs associated with rightsizing, it may also allow older Australians to remain in their home for longer. This program acts to remove the incentive of access to home equity from the rightsizing equation.

More than 8,000 Pensioners took advantage of the 12 month asset test exemption from 2022 to 2023, prior to the extension of the exemption period. We have been unable to source updated utilisation data but assume that there may be a slight increase in this number due to the increased flexibility of the program. Overall, this program impacts a small portion of the rightsizing market for a relatively short period of time. Although it can preserve Pension payments over the short term, it does not address how surplus home equity can impact Pension eligibility.

In 2024, 13,000 individuals made $3.3 billion in superannuation contributions through the downsizer super contributions scheme[56]. This adds to the cohort of 60,000 older Australians who accessed the scheme from 2018 to 2023[57]. Older Australians aged 65-69 were the top access group from 2023-24 followed closely by those aged 70-74. This program seems to be effective in incentivising older Australians to rightsize by treating the equity released by the sale of the primary home favourably. However, this incentive is more likely to target non-Pensioner older Australians, who will not perceive any loss associated with a higher level of asset wealth held in superannuation.

We have been unable to quantify the uptake and impact of stamp duty concessions for rightsizers, however given that they have been introduced and subsequently removed in several States, they may not be a sustainable incentive scheme for rightsizing.

Our assessment of these existing schemes suggests proposed policy adjustments would complement existing initiatives whilst targeting a different wealth cohort and their unique barriers to rightsizing.

Aveo Botanic Gardens Retirement Village,
Cranbourne Victoria

4.3 Proposed policy adjustments

Older Australians currently face a deterrent to rightsizing associated with a loss of Pension entitlements and financial security. This report proposed two key policy changes which may act to reduce this barrier and introduce new incentives for older Australians to rightsize.

These proposed changes have been developed based on the nature of the disincentive, older Australians' wealth profiles and future trends as explored in the previous sections of this report. The changes also echo sentiments expressed across other retirement literature and research papers, including the 2016 Actuaries Institute Green Paper, which stated *"the means test exemption could be maintained on a portion of the home equity that is released on the sale of the home. The protected amount ...would be excluded from both the assets and income tests."*

If enacted, these schemes would increase the supply of suitable and available housing for younger Australians and reduce future fiscal risks to Pension spending.

01 A portion of the home equity released by rightsizing would be exempt from the Pension asset test.

This would allow single homeowners who rightsize into an retirement community to own assets of up to $550,000 before Pension rates are reduced. Pensioners could maintain access to their current entitlements when they rightsize into an retirement community, whilst retaining some 'nest egg' funds. This removes the current financial disincentive and adds an incentive as older Australians can use their untested equity to 'top up' Pension payments.

02 The eligible contribution cap for Pension recipients living in retirement communities would be removed, allowing all Pension eligible rightsizers to receive CRA payments. This change would be grandfathered in.

This change would see the current $252,000 cap on retirement community contributions removed. Any residents eligible for the Pension under the threshold defined in policy change 1 could then receive CRA. This acts as an incentive for older Australians to rightsize and enter retirement living, where they would receive assistance to cover their living costs in a village.

Section 05
Impact assessment

5.1 Scope and assumptions

To quantify the impact of the proposed policy changes on the retirement living market, housing sector and other economic considerations, an impact assessment was conducted for:

01

The number of older Australians that would be expected to move into retirement community if an additional $236,000 (for singles) of equity could be released from the family home without reducing Pension rates, i.e. exempting a portion of home equity from the Pension means test such that a single homeowner could own up to $550,000 for rightsizers with an equivalent/proportional change to the couple threshold.

02

The number of additional older Australians that would move into retirement community if they were entitled to CRA within an retirement community.

03

The amount of housing that would be freed up from both changes based on the split of singles and couples expected to move into retirement community.

The impact assessment was conducted using available data from the DSS, ABS, PwC-Property Council Retirement Census and other sources listed in Appendix G. Due to some data limitations the analysis conducted relies on a number of assumptions around the amount of potential wealth released from rightsizing. The model also assumes that residents moving into an retirement community wish to benefit from a more comfortable lifestyle associated with the release of equity from the home. These older Australians may currently be disincentivised as the release of home equity may impact their Pension eligibility. This may induce fear of needing to fully self-fund their retirement and losing their 'nest egg' which prevents rightsizing.

As only Pensioners who currently own a home would be affected by the proposed policy changes, these Pensioners were exclusively considered in the impact assessment, corresponding to 65+ year olds in the low middle and middle wealth groups identified in Section 2. This group has a population of 1.87 million people across Australia (57 per cent of the population aged 65+).
The current retirement community penetration rate amongst this population is 6.6 per cent, slightly higher than the overall average amongst 65+ year olds of 5.3 per cent.

Impact modelling focused on the number of middle wealth older Australians who might consider entering retirement community if the proposed changes were enacted.

In order to be incentivised by these changes, these older Australians would have surplus home equity after entering retirement community. We have assumed this equity would be substantial enough to 'top up' Pension payments to fund a comfortable lifestyle.

A portion of this market who would have surplus funds may choose to make the move to an retirement community. We have assumed that the proportion of the market who make this move stays consistent, while the number who are able to consider the move increases.

The increased asset threshold of $550,000 for singles was selected to provide the maximum benefit to rightsizers whilst staying below the threshold for non-homeowners (currently $566,000 for singles). This was done to maintain fairness for non-homeowners who would be unable to benefit from the change. Increasing the threshold further would likely require the non-homeowner threshold to also rise, which would be unlikely to benefit the retirement community and/or housing markets, whilst coming at an additional cost to Government. Therefore we considered a change above this level to be untenable.

The analysis was conducted on the basis that the average ILU represents a means for older Australians within this demographic to achieve a comfortable lifestyle due to the many lifestyle offerings available at retirement communities. As such we considered the ability to afford a 'comfortable lifestyle' a key determinant of a person's ability to enter an retirement community. Whilst the desired lifestyle varies from individual to individual we have used a measure of the average cost with the assumption that older Australians targeting a more, or less expensive lifestyle will offset in our analysis. Further detail on the assumptions used to estimate he number of older Australians who may be incentivised to enter retirement community by the proposed changes can be found in Appendix C.

5.2 Projected market size

The proposed change to the Age Pension assets test threshold would increase the penetration rate from 6.6 per cent to 8.7 per cent, representing over 40,000 additional older Australians moving into retirement community and releasing over 28,000 homes.

The 40,000 person increase would bring the total number of older Australians within the low middle and middle wealth groups to over 160,000, representing a 25 per cent increase. This is based on the number of middle wealth older Australians who currently do not have sufficient assets outside their family home to support a comfortable lifestyle, and wouldn't be able to access their home equity without affecting their Pension eligibility.

Allowing Pensioners living in retirement communities to access the CRA payments based on the regular retirement community service charges would further increase the demand for retirement communities by enabling less wealthy older Australians to more easily afford a retirement communities unit. The net impact of the change to CRA would be an additional 54,000 people moving to retirement communities and freeing up over 31,000 family homes, on top of those released by the Pension change.

With changes being grandfathered in, we expect it would take at least a decade for the effects of the proposed changes to be fully felt, especially as the current retirement community supply would need to be expanded to accommodate the increased demand.

These changes benefit the retirement community sector both in the short and long term. In the short term, the increased demand will boost the sector encouraging greater investment in retirement accommodation. This will allow older Australians to achieve the lifestyle they desire whilst enabling retirement community operators to expand their service offerings. It will also free up considerable housing to address the current housing shortage.

In the long term, this injection of demand matched by additional retirement community supply being built will help to prevent retirement community supply shortages over the next 30 years as the proportion of self-funded retirees continues to rise. Implementing this change now will promote sufficient supply in the future and prevent a supply bottleneck when those upcoming older Australians with larger superannuation balances reach retirement and wish to rightsize. The change also aids the long-term sustainability of housing markets for older Australians.

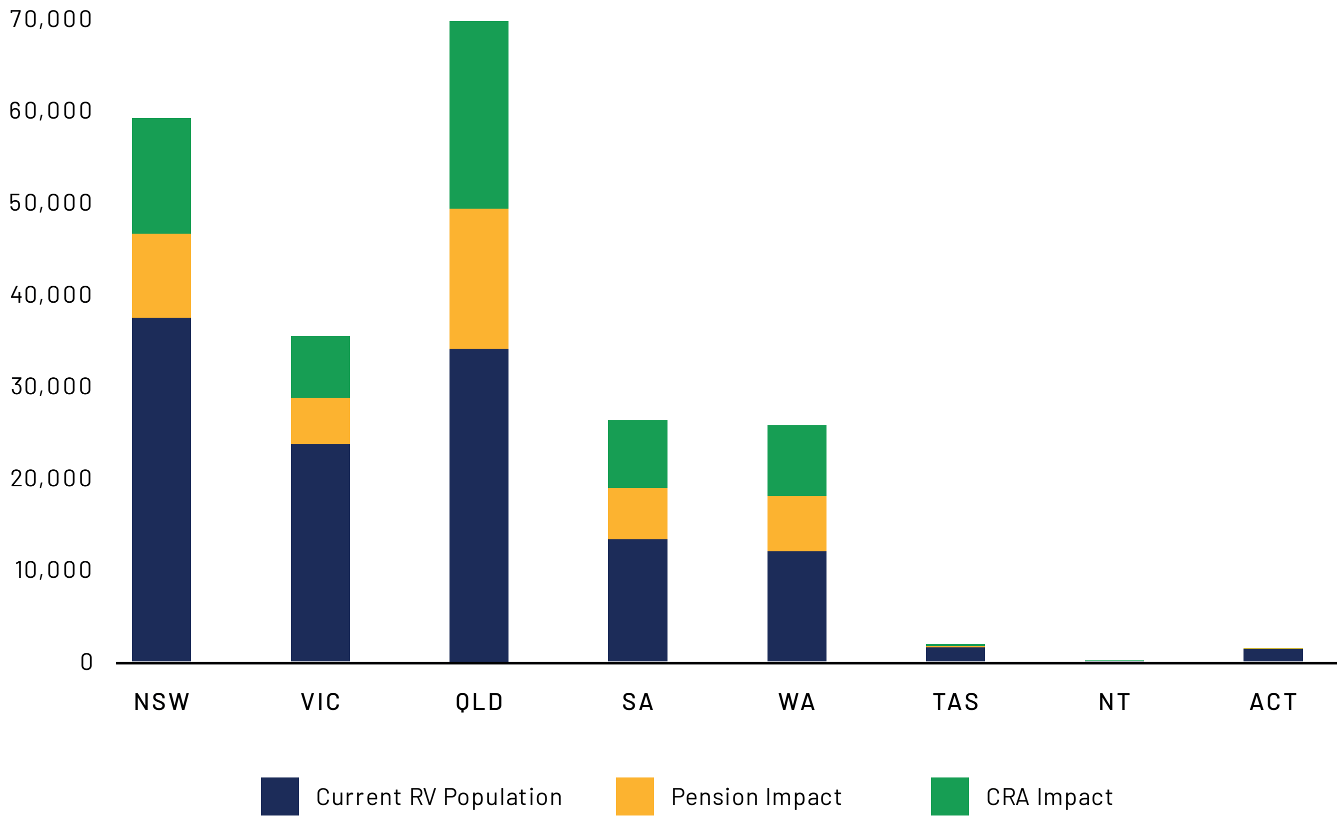
Currently, over **122,000** older Australians in the low middle and middle wealth brackets live in retirement communities, this equates to a **6.6 per cent** penetration rate within the target market

The first proposed change to assist older Australians with maintaining Pension eligibility may encourage an additional **40,000 people** to move into retirement community, releasing over **28,000 homes**

The combined effect of both of the proposed changes may encourage over **94,000 people** to move into retirement community, releasing over **59,000 homes**

Figure 11

Current and projected retirement community uptake



5.3 Housing impact

A key outcome of the Age Pension and CRA changes is older Australians rightsizing and releasing their family homes back into the housing market.

These homes can go a long way towards easing the housing pressures felt by younger Australians by increasing the supply and affordability of homes.

An increase of the Pension asset threshold for rightsizers is expected to release over 28,000 houses to the market. The largest portion of these homes are in QLD, followed by NSW, and WA as shown in Map 1 to the right. This is due to the relatively high property prices in these States allowing for more older Australians to capitalise on the proposed change. The inclusion of the CRA changes increases the total number of homes released to almost 60,000, with most of the houses located in QLD and NSW. Victoria has relatively few homes released largely due to the lower property price growth in recent years, leading to fewer older Australians being able to release significant equity to enter retirement community.

These homes are currently occupied by middle wealth older Australians and are primarily located in outer metropolitan areas. The specific type of homes varies significantly between States and singles versus couples, however most are self-contained homes. The largest portion of the homes released by the proposed policies would have 3 bedrooms, with significant portions of 2 and 4 bedroom homes.

The average value of the homes released by the proposed changes is expected to be $825,000, which sits slightly below the national median house price for established houses in capital cities[58]. NSW has the highest value homes being released with an average value $995,000, whilst WA has the lowest average value at $713,000 (excluding NT due to a lack of data).

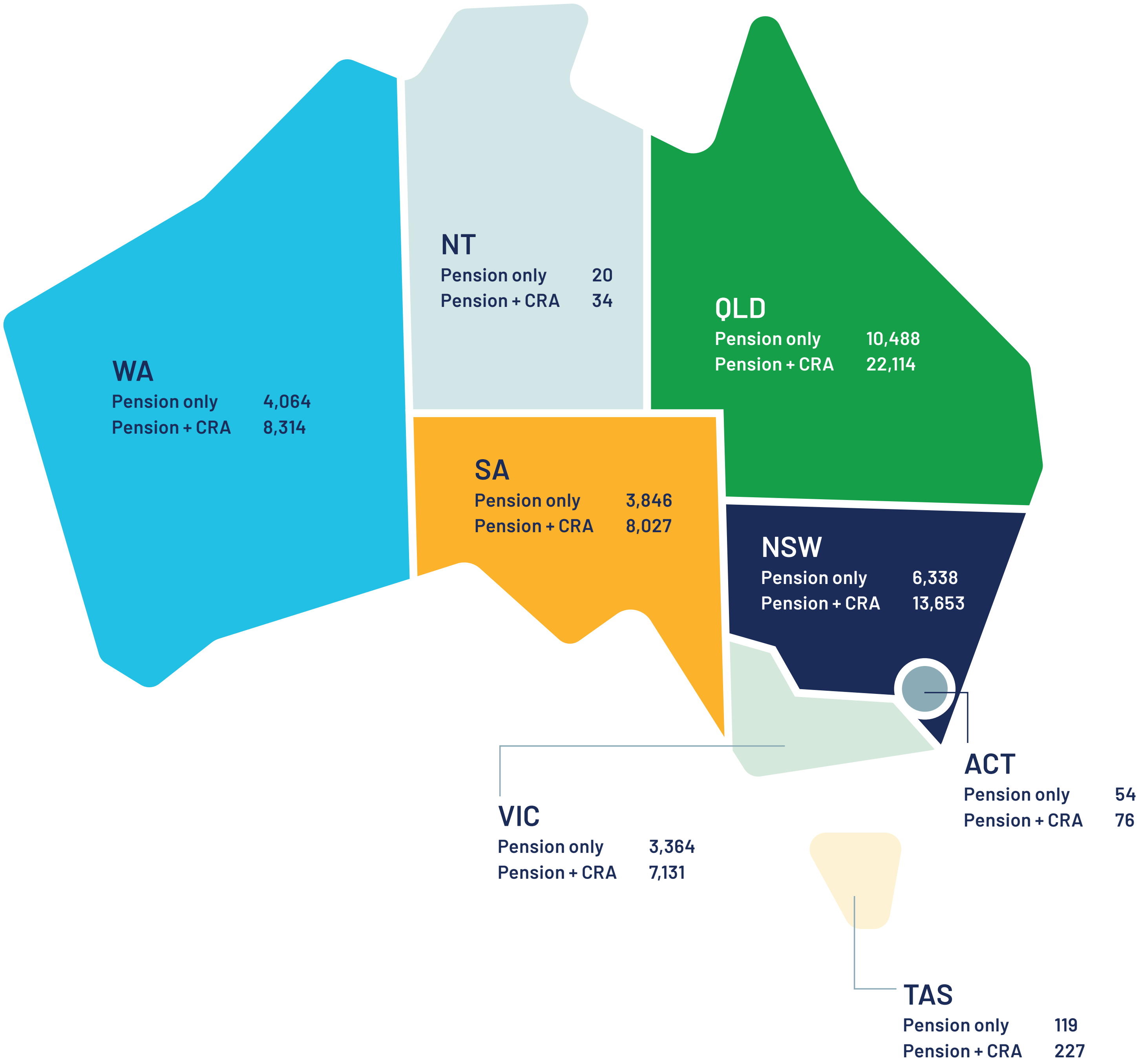
These homes are ideal for younger buyers with families who are entering the property market but are currently unable to due to a lack of appropriate and affordable housing supply. The release of this housing may also stabilise house price growth, making housing more affordable for first time and other young home buyers. The location of these large homes in primarily outer metropolitan areas represents an appealing offering for this younger market.

The average value of a home released by the proposed changes is estimated at $825,000

Most of the homes released would be self-contained dwellings with 3 bedrooms

Map 1

Estimated number of homes released



5.4 Risks and challenges

Whilst our modelling indicates a strong opportunity for the proposed policy changes to have a positive impact on social, health and economic outcomes for older and younger Australians alike, there are several notable risks and challenges which may limit the efficacy of the proposed schemes.

We note that we have considered other potential approaches to Pension and CRA reform, however these are not direct alternatives to the suggested approaches due to the lower level of associated impact on the uptake of retirement living accommodation and resulting benefits. We have outlined these alternative approaches in Appendix D.

Age pension

There may be some resistance towards the proposed Pension changes due to the perceived preferential treatment of homeowners and retirement village residents under the proposed model.

However, from a Governmental standpoint, this change adds minimal marginal expenditure to Government, as most beneficiaries are already Pensioners and thus will be maintaining their existing benefits and not see any increase to their benefits and consequently Government spending. The additional benefits offered by retirement living, as outlined in this report, also provide a compelling argument for this change.

Supply

The estimated scale of housing released by these reforms relies on the retirement community sector's ability to provide adequate supply of units for those incentivised to rightsize. This is a challenge, as the current vacancy levels and current development pipeline for retirement community units would not be sufficient to house the older Australians incentivised by these policy adjustments, however as previously noted there is a strong desire to increase the number of units in the retirement community development pipeline.

The information provided in this report may be used to communicate with State and Local Governments to expedite approval processes for local retirement community operators to build additional units, however operators should consider the suitability of the accommodation for the needs of older Australians as well as its impact in the local environment. Local Governments have expressed concerns around expedited approval processes which may fail to consider the impact of high density developments on the quality of life and property values in local suburbs[59]. These concerns should be considered when communicating the proposed changes.

Challenge to get Government approval of both schemes.	**Administrative burden of maintaining separate Pension/CRA threshold.**	**Risk of wealthy older Australians in retirement communities accessing CRA.**	**Insufficient retirement community supply to service the released demand.**

CRA

The modelled impact of the reforms also relies on the Government's implementation of one or both of the proposed policies. Whilst the changes to the Pension asset threshold alone provides a positive impact on the supply of housing, this effect is magnified significantly by the addition of CRA entitlements for retirement community residents.

The removal of the CRA entitlement threshold for village residents may be a more challenging proposition for Government given the increased financial cost associated with this reform. We estimate expanding CRA eligibility to all Pensioners living in retirement community could cost the Federal Government an extra $600m p.a.

Previous RLC research, however, has shown the health and wellbeing benefits of rightsizing to retirement community has the potential to reduce Government costs paid towards RAC and healthcare by over **$1b each year**[60]. These savings would come through fewer GP visits, reduced hospitalisations and delayed entry to RAC. Given these potential savings and that CRA reform works to more than double the demand for additional retirement community compared to the Age Pension changes alone, the reform is likely to remain a net benefit on balance.

This benefit is exacerbated given the number of homes that would be resold with associated stamp duty collected by the Stage Governments (please see our modelling which estimates the combined value of extra stamp duty on page 64).

An additional risk associated with the CRA change is people accessing the CRA who are not the intended beneficiaries (i.e. high wealth older Australians). If the value of the entry contribution is not considered when assessing the CRA, there is the potential for high wealth older Australians to purchase multi-million dollar units to quarantine most of their home equity from the means testing in order to fall below the Pension asset threshold and receive Government funded CRA. This may be considered inequitable and pose a barrier to implementation. This risk is likely to be low, given in this scenario, the high wealth older Australians would also be required to use other assets to fund their entry contribution (and bring their assets down to the threshold levels), and would result in them potentially foregoing their existing lifestyle. There are potential mitigating strategies, such as considering if people were previously eligible for the Pension or other income support payment and/or increasing the entry contribution cap. We have explored raising the maximum entry contribution cap in Appendix D, however we note that this reform has a lower level of impact compared with the removal of the cap.

We note that while we have suggested broad reforms which address the key research questions in this report, it is up to the Australian Government to consider appropriate eligibility requirements to ensure that each policy has the intended outcome.

5.5 Australian Government

In order to assess the feasibility and acceptability of the proposed reforms to Government, we have conducted a high level assessment of the costs involved to implement these policy changes.

Our high level modelling suggests that the proposed **Pension reform will create little additional direct cost** to Government, as the older Australians choosing to rightsize in light of these reforms would continue to receive their current Pension rate. The cost of this initiative would also be expected to decrease in the long term as fewer Australian older Australians rely on a Pension to fund their retirement. The proposed **CRA reforms would require additional financial commitment** from the Federal Government in order to extend CRA eligibility to a new market of retirement community entrants. As the change would be grandfathered in, this cost to Government would increase over time as more village residents enter with CRA entitlements, however, this effect will also be balanced by the increase in self-funded retirees ineligible for the CRA. **The significant health and wellbeing benefits associated with the implementation of this policy change may also help to counterbalance these CRA costs.**

As noted in this report, the long term risk of lowered home ownership rates amongst older Australians may present a risk to future Government spending on the Age Pension and housing supports[61]. Increased rightsizing amongst older Australians may reduce this risk and allow more Australians to enter the housing market, freeing up rental properties and decreasing spending on rental support payments in younger markets. The sale of these homes would also release older Australians' capital into the economy.

Additionally, the demand for RAC beds to provide high level care to older Australians is growing as the Australian population ages. The number of RAC beds per 1,000 older Australians aged 70+ has declined by 19 per cent from 2012 to 2022, with an expected shortfall of 130,000 new beds by 2034[62]. The number of nurses available to care for these older Australians is also declining, with an expected shortfall of over 17,000 full time aged care nurses by 2035[63].

Lowers risk of long term increases in Pension and CRA spending	**Unlocks underutilised housing for families**	**Relieves pressure and creates savings in the RAC and healthcare systems**	**Supports cost effective home care services**

Aveo, Parkside Carindale
Queensland

The average retirement community resident enters RAC several years later than older Australians living in the community, with retirement communities increasingly able to provide a wide range of care supports to residents which enable them to live independently for longer[64]. Retirement community accommodation can also support the delivery of cost-effective home care services[65]. As such, retirement communities can relieve demand on this system by increasing uptake of the more cost effective home care system as a RAC alternative and delaying or avoiding the need for RAC entry. Enhanced uptake of retirement community accommodation will create savings to the federally funded RAC system. retirement communities also reduce risks of falls and social isolation, reducing bed blocking and cost pressures on the public health and hospital sectors which are jointly funded by the Federal and State Governments. This is discussed in further detail on the following page.

These policy changes also offer a political platform for Government which delivers a positive impact for both younger and older Australians in the large, middle wealth bracket. Younger Australians would benefit from increased housing supply, while older Australians benefit from enhanced incentives to access suitable and desirable accommodation which meets their needs and provides health, wellbeing and lifestyle benefits.

5.6 State Government impact

The State Governments hold responsibility around public services and infrastructure including schools, hospitals, public transport, public housing and housing supply targets.

Similarly to the federally funded RAC sector, the hospital sector is facing a shortage of hospital beds and nurses as the population ages. A recent report from Deloitte found that a 55 per cent increase in the number of hospital beds will be required by 2036 to match increases in demand[66]. Additionally, there is projected to be an undersupply of 26,000 full time acute care nurses by 2035[67]. In 2021, older Australians aged over 65 represented 49 per cent of all hospital bed days, spending an average 31 per cent longer in the hospital compared with other age groups[68].

Public hospitals in Australia are jointly funded by the State and Federal Government and are owned and operated by the State Government. The growing demand for hospital beds for older Australians will continue to increase hospital costs, compounded by the physical risk of older Australians remaining in housing which is not suited to their needs. Alongside delaying older Australians' entry to RAC, living in an retirement community is associated with a 20 per cent lower likelihood of hospitalisation[69]. Retirement communities help to avoid 14,000 hospitalisations annually, which would increase if more older Australians were to rightsize[70].

Additionally, increased uptake of rightsized accommodation in retirement communities may provide benefit to the overall healthcare system. The impacts of loneliness can have a profound impact on health, particularly in elderly individuals. Lonely older Australians have a 58 per cent higher risk of developing dementia compared with their peers. They are also more likely to enter care at a premature age and have an increased risk of chronic disease, depression and premature death[71]. Residents in retirement communities are 5 times more socially active and 41 per cent happier than they were prior to entering the village, reducing loneliness and save on associated costs for both the Federal and State Governments[72].

State Governments are also responsible for funding and delivering public housing and managing overall housing supply targets. These Governments are being impacted by growing waitlists to access these homes and increasing rates of homelessness resulting from the current housing shortage and cost of living crisis[73]. The highest increases in people seeking homelessness assistance were in QLD and NSW, which are also the States in which the most housing would be released through the proposed policy changes. Freeing up housing supply for renters to purchase their first home can assist with increasing rental vacancy rates and reducing strain on the public housing system.

Relieves pressure from the public hospitals	**Creates health and wellbeing benefits which reduce costs to the healthcare system**	**Frees up housing supply, reducing strain on public housing system and development pipeline**	**Increase in funds collected through stamp duty**


Europa on Alma in Melbourne

Additionally, the proposed policy changes would result in an increased number of property transfers, which would provide financial benefit to the State Government in the form of stamp duty collected. Based on our modelling of housing released from increased Pension threshold would result in **over $1.3 billion of stamp duty collected by State Governments** from the sale of properties over the next 10 years, or over **$2.9 billion if both changes are enacted.**

Table 1

Total stamp duty

$

	Age Pension	Age Pension + CRA
NSW	383,021,689.54	825,103,542.11
VIC	224,120,710.82	475,117,634.82
QLD	394,478,367.21	831,730,582.81
SA	190,992,500.12	398,620,379.48
WA	199,820,605.52	408,740,340.80
TAS	4,390,559.73	8,393,808.12
ACT	1,956,753.47	2,761,429.86

5.7 Local Government impact

Local Governments are responsible for maintaining local infrastructure and services which support residents, including roads, recreational facilities, cultural facilities such as libraries and managing services.

Although Local Governments are not responsible for providing housing in Australia, they often support their local communities by investing in housing solutions to fill specialised gaps and increase overall supply. Additionally, Local Governments control town planning and building approval processes within their region and may be subject to housing supply targets set by the State Government.

As such, Local Governments have both the ability to facilitate increased rightsizing through the approval of retirement community developments, as well as benefit from the outcomes of increased rightsizing amongst local older Australians. By promoting the uptake of rightsized accommodation and allowing for additional retirement community development within communities, Local Governments can bring younger residents to these areas without displacing the local ageing population.

Younger populations are associated with economic stimulation and tend to attract higher levels of investment in both public and private services[74]. Young people bring new business opportunities and employment to local areas and promote continued usage of critical services, including childcare centres, public transport, libraries, schools and local businesses. In particular, families with children spend the most in local economies and build a productive future population which contributes to long-term growth[75].

If younger people are priced out of areas, the resident population will continue to age and retire from the workforce, bringing lower levels of economic growth associated with lower workforce participation[76].

However, we must also consider the valuable contribution older Australians make to local communities, and the negative implications of displacing older Australians in retirement. Freeing up larger housing stock for younger residents and facilitating opportunities for local older Australians to live in more appropriate retirement community accommodation within or near their local area can bring increased age diversity to the region and promote intergenerational interactions. This can encourage utilisation of a diverse range of services, boosting the local economy, creating job opportunities and contributing to increased vibrancy in a local area.

Further, Local Governments play a role in ensuring the wellbeing of local older Australians in the community, and often provide services to provide social outcomes for older Australians. The inclusion of rightsized retirement community accommodation within local areas can allow these care and supervision services to be shared with private retirement community operators, relieving pressures on Local Government.

Increased economic stimulation and investment from younger residents	**Intergenerational communities using a wide range of amenities and services**	**Relieves pressure on Local Government to deliver older Australians' services and activities**

LDK Amberfield at Weston,
Australian Capital Territory

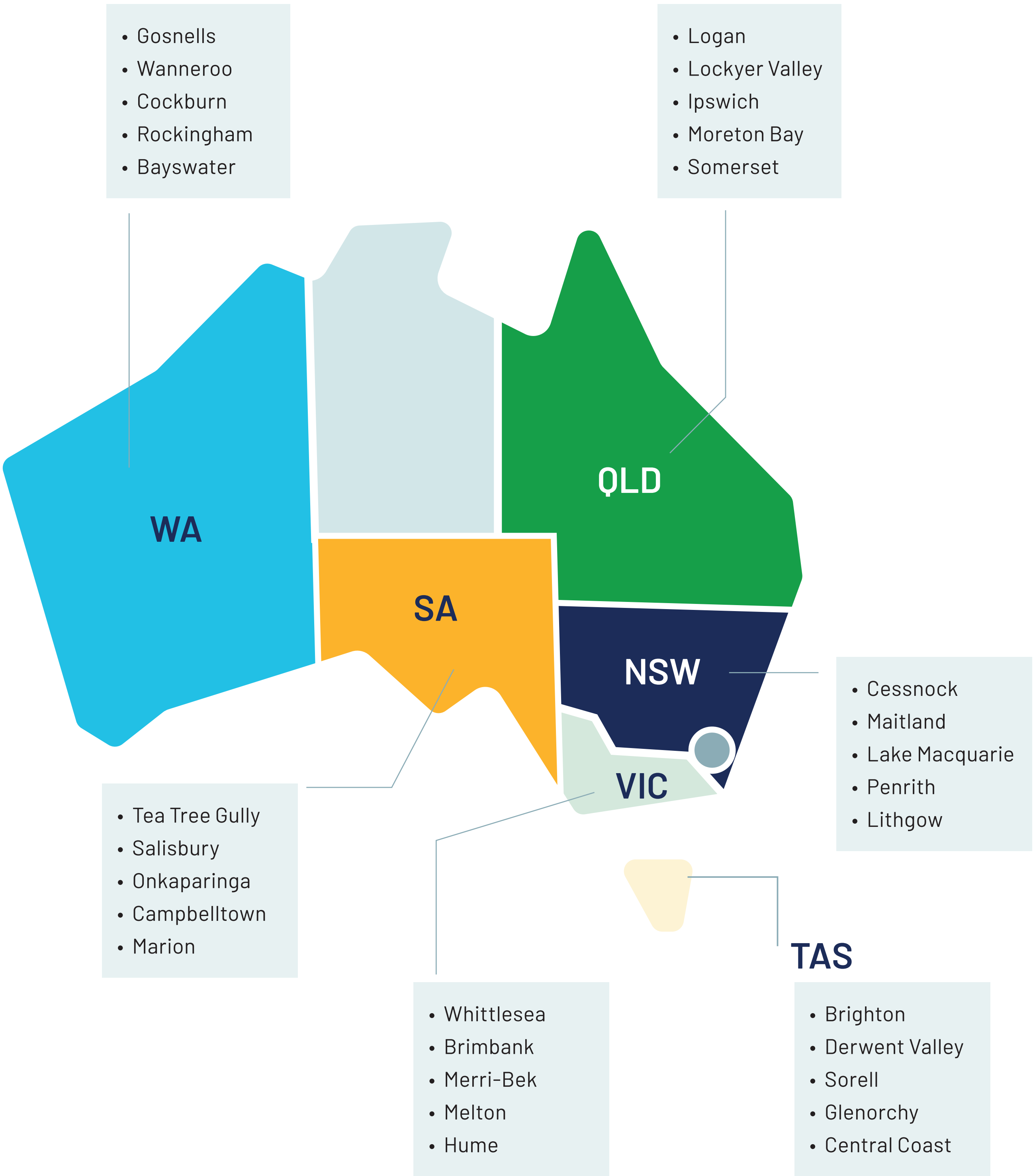
5.8 Where the homes are located

Leveraging the results from our market profiling, we have developed a list of Local Government Areas (LGAs) with a high proportion of low middle and middle wealth older Australians who would benefit most from the proposed policy changes.

For each State, we have identified five LGAs with a moderate to large population size and primarily in outer metropolitan areas or regional centres, which have the highest concentration of this older Australian cohort.

We note that the proportions of low middle and middle wealth older Australians are very small in the NT due to the large wealth divide in the State. These older Australians are unlikely to benefit from the proposed reforms, and as such we have not identified target areas within this territory. The ACT is not divided into LGAs and is therefore not included in this analysis.

Vasey Communities Kokoda Residences at Rhodes, New South Wales


• Gosnells
• Wanneroo
• Cockburn
• Rockingham
• Bayswater
• Logan
• Lockyer Valley
• Ipswich
• Moreton Bay
• Somerset
WA
QLD
SA
NSW
VIC
• Cessnock
• Maitland
• Lake Macquarie
• Penrith
• Lithgow
• Tea Tree Gully
• Salisbury
• Onkaparinga
• Campbelltown
• Marion
TAS
• Whittlesea
• Brimbank
• Merri-Bek
• Melton
• Hume
• Brighton
• Derwent Valley
• Sorell
• Glenorchy
• Central Coast

Appendices

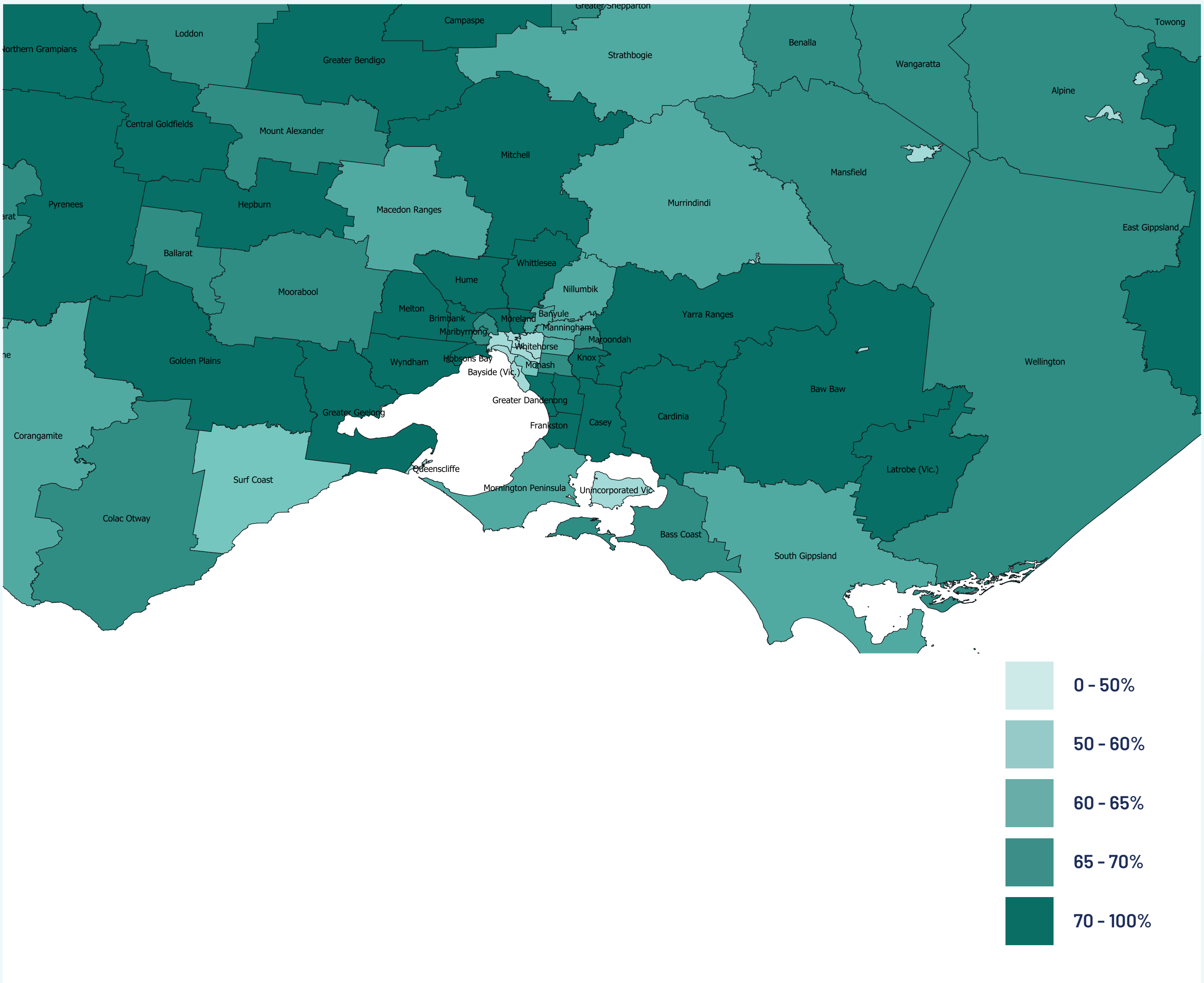
Appendix A
Glossary

ABS	Australian Bureau of Statistics
AIHW	Australian Institute of Health and Welfare
ASFA	The Association of Superannuation Funds of Australia Limited
ATO	Australian Taxation Office
CRA	Commonwealth Rent Assistance
DSS	Department of Social Services
GDP	Gross Domestic Product
LGA	Local Government Area
RAC	Residential Aged Care
RLC	Retirement Living Council
RV	Retirement Village

Appendix B
Capital city wealth markets

Figure 1

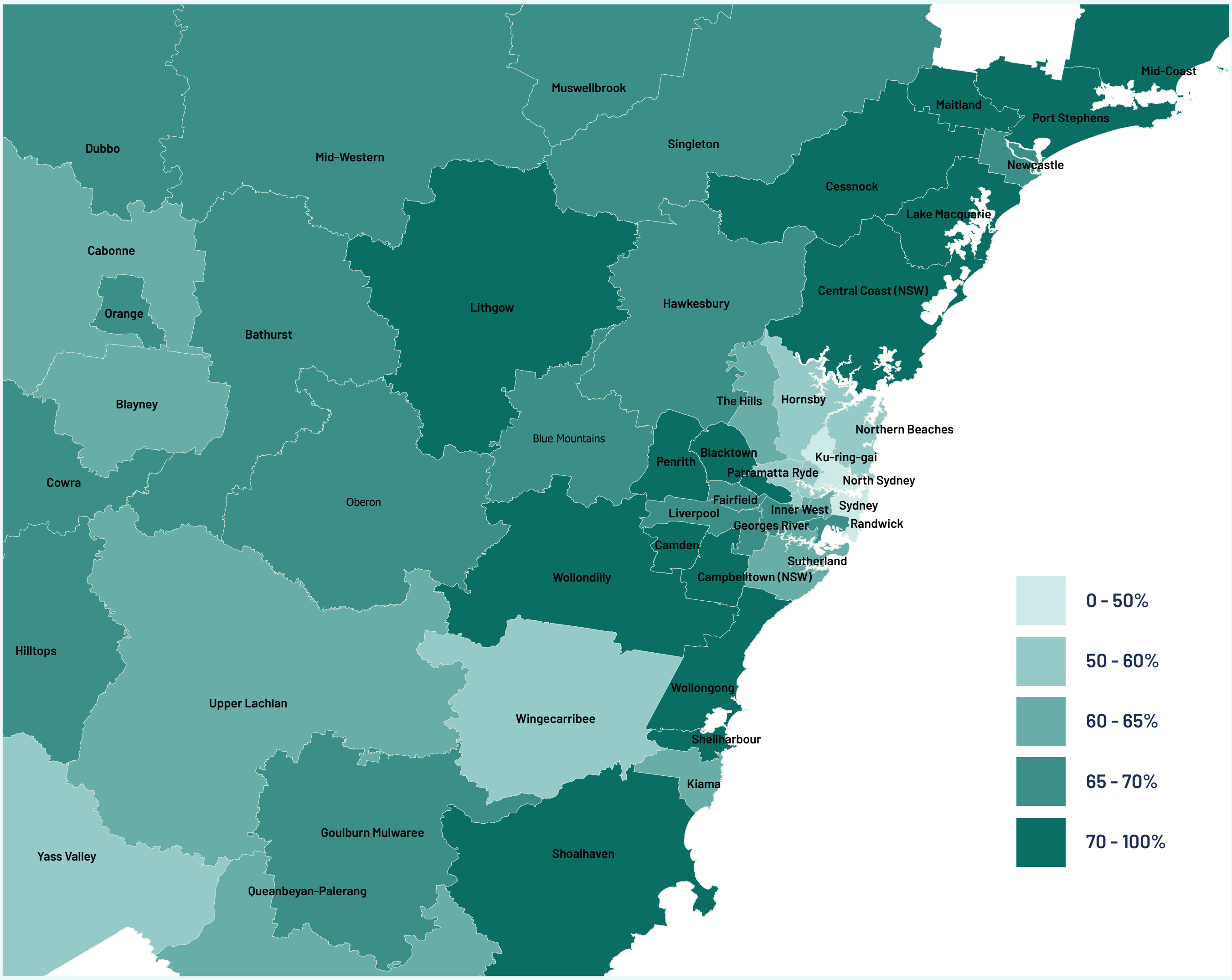
Melbourne LGAs by Concentration of Low Middle and Middle Wealth older Australians



Appendix B
Capital city wealth markets

Figure 2

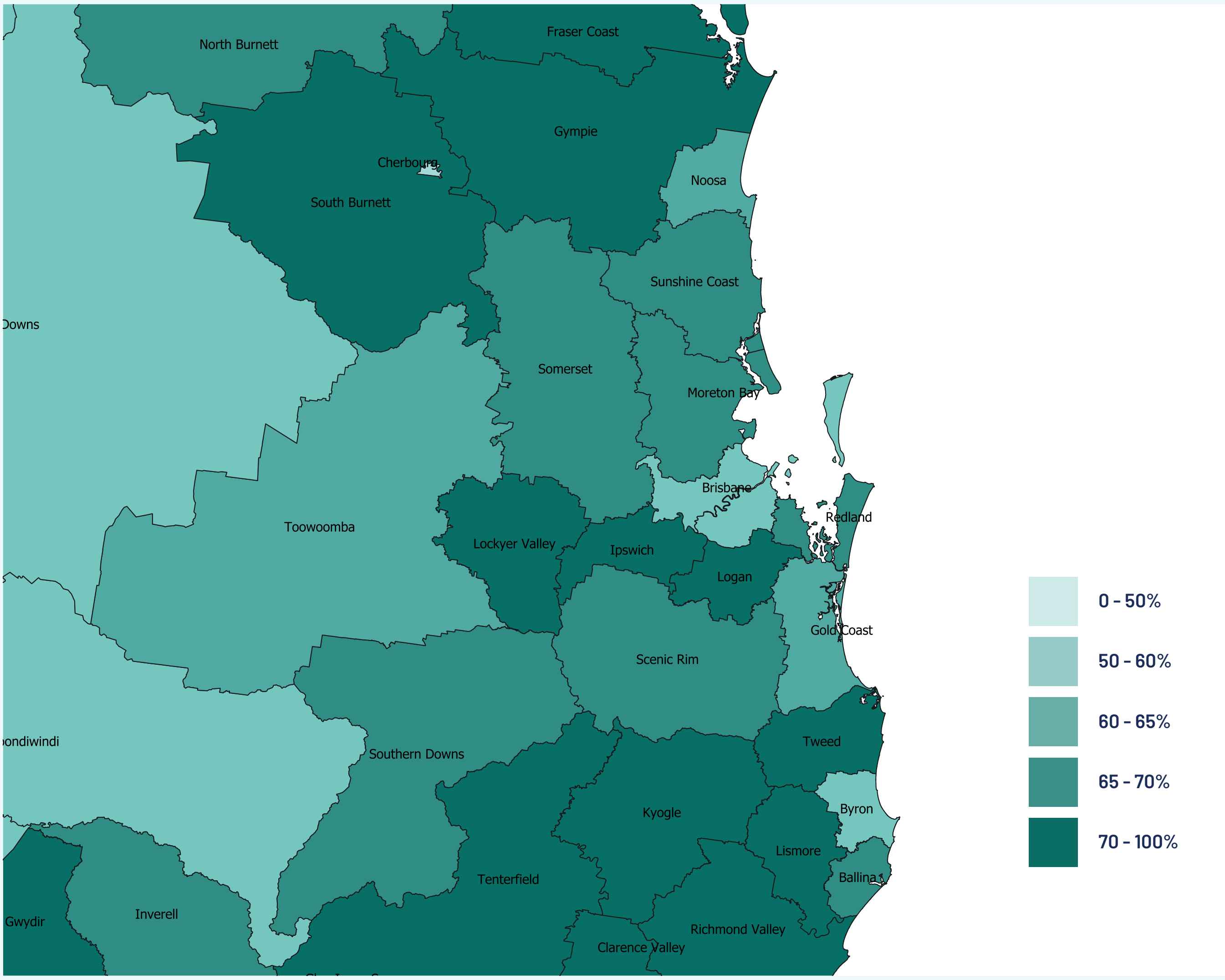
Sydney LGAs by Concentration of Low Middle and Middle Wealth older Australians



Appendix B
Capital city wealth markets

Figure 3

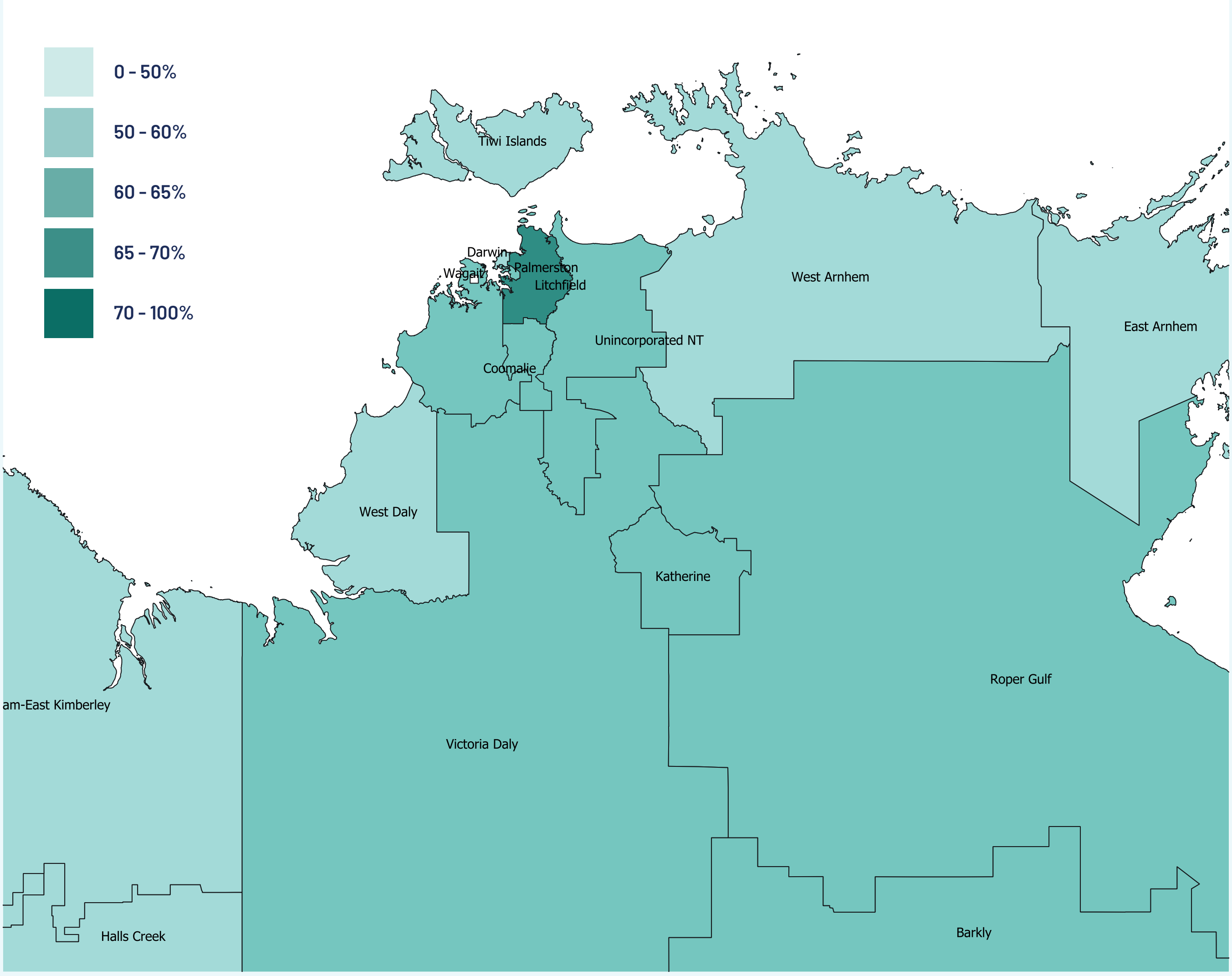
Brisbane LGAs by Concentration of Low Middle and Middle Wealth older Australians



Appendix B
Capital city wealth markets

Figure 4

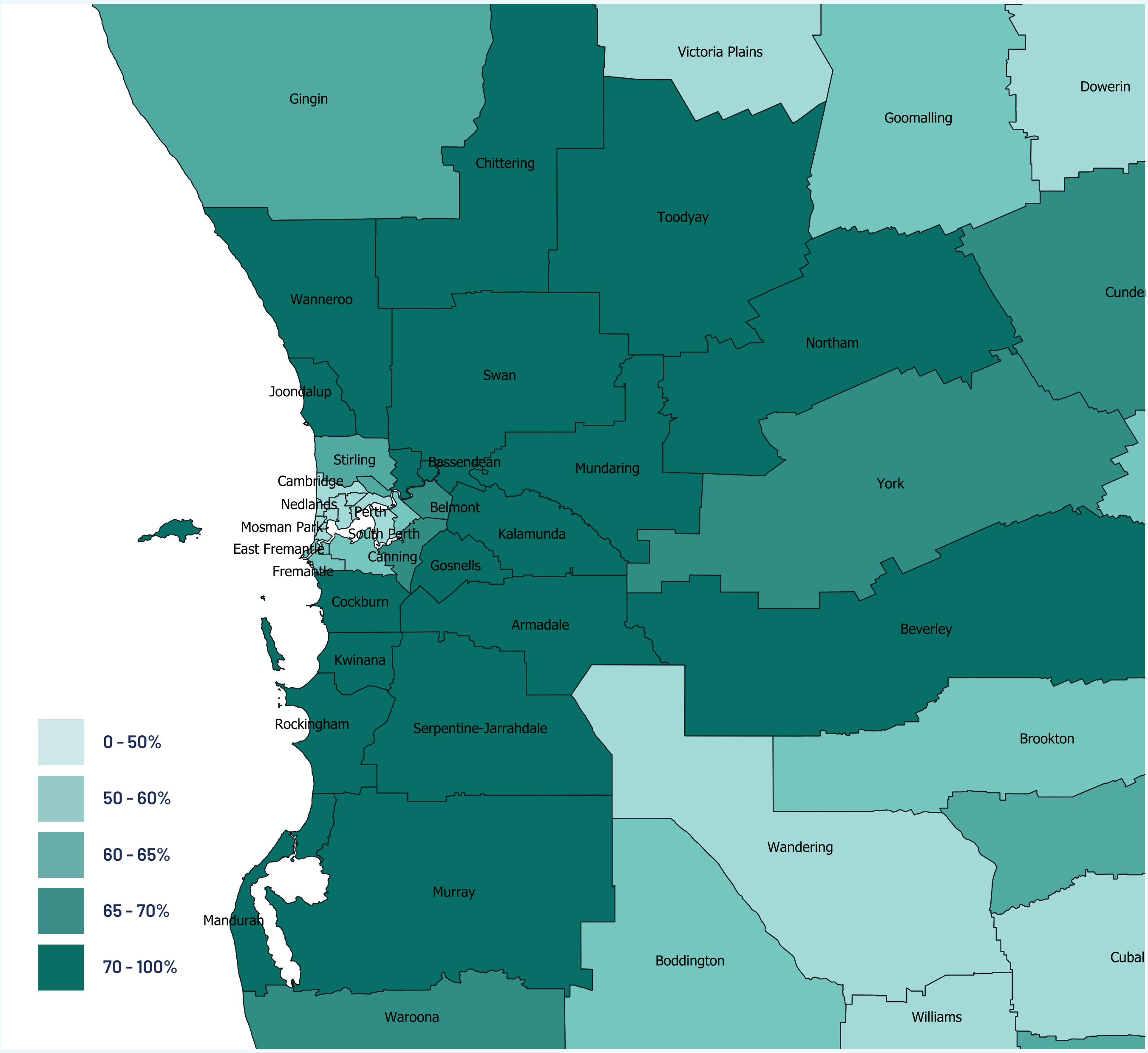
Darwin LGAs by Concentration of Low Middle and Middle Wealth older Australians



Appendix B
Capital city wealth markets

Figure 5

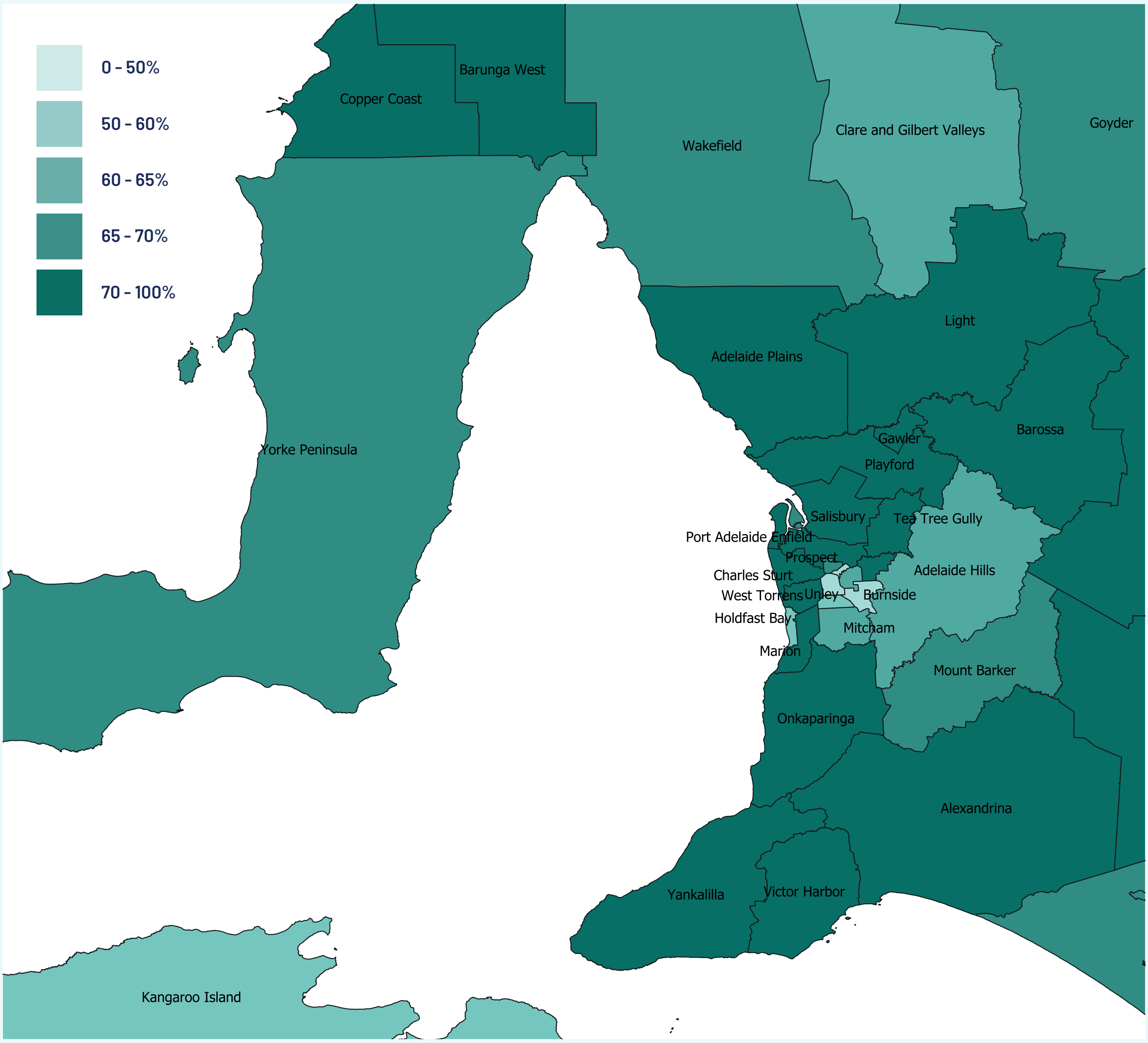
Perth LGAs by Concentration of Low Middle and Middle Wealth older Australians



Appendix B
Capital city wealth markets

Figure 6

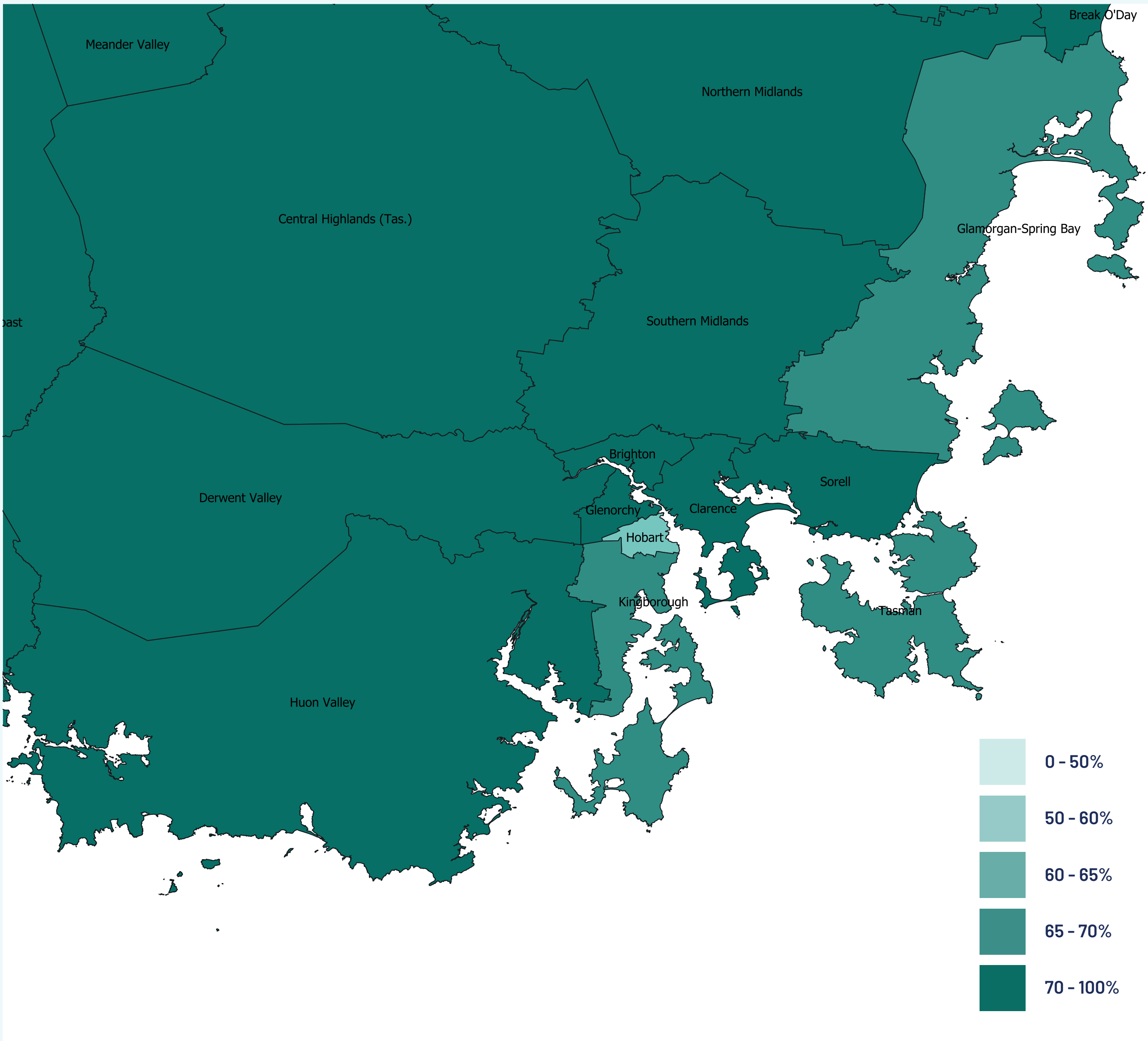
Adelaide LGAs by Concentration of Low Middle and Middle Wealth older Australians



Appendix B
Capital city wealth markets

Figure 7

Hobart LGAs by Concentration of Low Middle and Middle Wealth older Australians



Appendix C
Impact assessment modelling assumptions

- The cost of a comfortable lifestyle was assumed based on The Association of Superannuation Funds of Australia (ASFA) retirement standard budgets for older Australians 65-85 at $1,404.92 per week for couples, and $997.80 for singles. As this is above the couple and single Pension rates, older Australians wanting this lifestyle required an additional source of income, with not all older Australians able to achieve it.
- As total income distributions of Pensioners was not available (only employment income), we converted the weekly payments into the value of an equivalent 25 year annuity with a 6 per cent yield to compare it against Pensioners' asset distribution. This then gave us a metric to assess the number of older Australians within the target demographic that could afford a comfortable lifestyle, and a penetration rate of retirement community within this subgroup of the broader target population.
- We then considered the number of additional older Australians that would meet this asset value should they be able to release $236,000 of equity for singles, or $355,000 for couples ($177,500 each). This was then compared to the home equity distribution of older Australians in each State to estimate the number of older Australians within each State that could afford to release the equity whilst still maintaining sufficient capital to afford an ILU entry contribution. In doing so we implicitly assumed the non-home asset distribution is independent of the home equity distribution. The accuracy of this assumption may impact the accuracy of the result depending on the overall correlation between these distributions.
- Finally for the older Australians with sufficient means to afford a comfortable lifestyle in retirement community under the proposed changes, we applied the current penetration rate to estimate the number that would be adequately incentivised to move into retirement community if these changes were implemented, thereby assuming that the penetration rate amongst older Australians with the means to move into retirement community remains unchanged (i.e. consumer preference remains unchanged for those who can afford to move into retirement community, however we are enabling more people to be able to afford it and therefore generating uplift in retirement community residence).
- To estimate the impact of broadening CRA eligibility to retirement community residents the average general service charge for villages in each State was used as a proxy for rent. The CRA receivable on this rent amount was then considered an additional income source for residents to top up the Pension. The income shortfall to afford a comfortable lifestyle was then recalculated from this higher base, with the rest of the steps the same as in the Pension threshold scenario to determine the net impact on retirement community uptake.

Assumption	Value
Asset threshold increase	$236,000 (Singles) $355,000 (Couples)
Cost of comfortable lifestyle	$997.80/week (Singles) $1404.92/week (Couples)
Annuity interest rate	6 per cent
Annuity term	25 Years
Current retirement community penetration rate amongst Low Middle / Middle Wealth	6.55 per cent (National) 2.82 per cent - 8.81 per cent (per state excl. NT)
Current retirement community penetration rate amongst Low Middle / Middle Wealth with assets greater than annuity value	21.97 per cent (National) 9.63 per cent - 28.73 per cent (per state excl. NT)
Average ILU price	$466,000 - $707,000 (per state excl. NT)
Average CRA income	$29/week - $65/week (per state excl. NT)

Appendix D
Alternative reform suggestions

As per Section 5.4, there are potential risks and challenges associated with CRA reform. Particularly there is additional risk associated with the CRA change in that older Australians who are not the intended beneficiaries (i.e. high wealth older Australians) may gain access to this payment. Below, we have explored alternative reform suggestions which may mitigate against this risk.

Savings bond

In addition to the suggested Pension reform, the Government may also consider the introduction of a Government held bond savings account which would allow older Australians to deposit released home equity that is exempt from Pension asset testing. A similar scheme was first proposed in the 2011 'Caring for Older Australians' Productivity Commission report, and further revised in the FY14 Federal Budget as 'Housing Help for older Australians'. It was accepted by the Labour Government but never implemented.

The 2014 initiative aimed to 'remove the disincentive for Pensioners to move to more age-appropriate housing' by allowing older Australians who owned their home for more than 25 years to deposit up to $200,000 into a CPI interest earning account. These funds were then exempt from Pension means testing for 10 years provided there were no withdrawals from the account.

We would suggest a number of tweaks from the original proposition to make this reform both impactful and palatable to Government. If revised, we would suggest that the requirement to own the home for at least 25 years be removed or reduced so as not to exclude a portion of the market. Further, the cap on funds deposited in the account should be raised to at least $236,000 to align with our proposed higher threshold. Finally, older Australians could have the ability to male capped/limited withdraws over 10 years (at the potential loss of some interest earnings) to allow older Australians to top up their Age Pension payments to enhance their lifestyle.

The scheme would provide additional capital to Government and allows for potential returns whilst easing the administrative load. The scheme would extend the impact of the proposed raised threshold, encouraging housing supply and benefitting older Australians with access to their equity to fund a more comfortable lifestyle or earn interest on funds held in the bond.

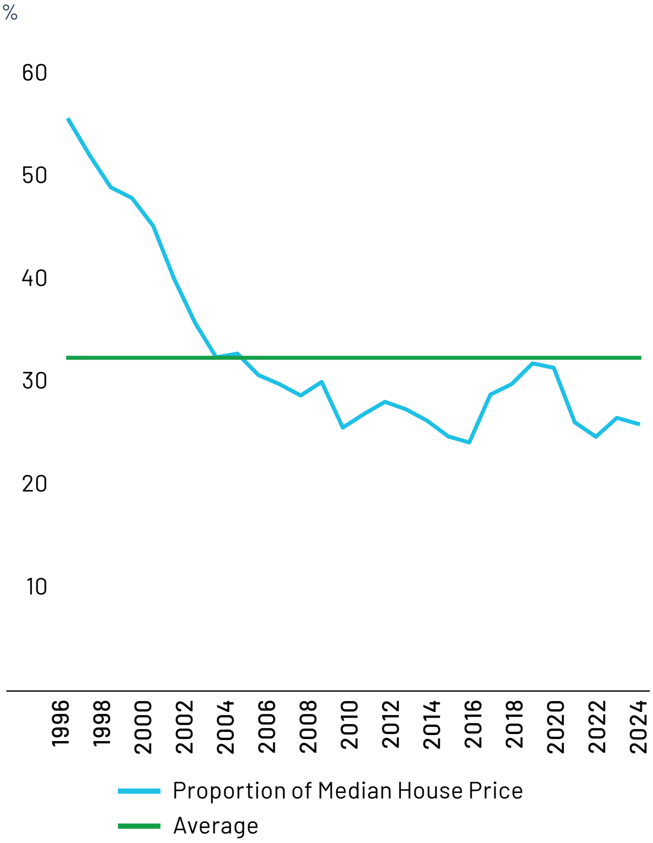
Raised CRA threshold

An alternative proposal would be to raise the maximum entry contribution to receive CRA from the current $252,000 to a higher value, thus expanding eligibility without allowing misuse by those with the means to fund their own retirement.

As seen in the graph below, the allowable home contributions to receive CRA have fallen as a proportion of the median house price over, from 55 per cent in 1997 to 26 per cent in 2024. This is inclusive of a manual adjustment in 2017 which set the threshold back to the historic average of 32 per cent of the median house price.

A proposed increase in this limit to $310,000 would represent a readjustment to 32 per cent of median house prices. Alternatively, a raise to $550,000 would align the CRA threshold with the proposed Pension threshold. Either of these changes would increase CRA eligibility without risking high wealth older Australians gaining access, reducing the cost to Government and mitigating against unintended use of the scheme. We note that these changes would have a reduced impact on housing released.

CRA contribution eligibility threshold as a proportion of median house price



Appendix E
Key LGA electorates

State	Target LGAs	State Electoral Division(s)	Commonwealth Electoral Division(s)
VIC	Whittlesea	Yan Yean, Thomastown, Mill Park, Bundoora	McEwen, Scullin
	Brimbank	St Albans, Laverton, Kororoit, Sydenham, Niddrie,	Fraser, Gorton, Maribyrnong
	Merri-Bek	Pascoe Vale, Broadmeadows, Brunswick	Wills, Cooper
	Melton	Melton, Kororoit, Sydenham, Sunbury	Hawke, Gorton
	Hume	Sunbury, Kalkallo, Greenvale, Broadmeadows	Hawke, Calwell, Maribyrnong
NSW	Cessnock	Cessnock	Hunter, Paterson
	Maitland	Maitland, Upper Hunter	Paterson, Lyne
	Lake Macquarie	Lake Macquarie, Charlestown, Swansea, Wallsend, Cessnock	Hunter, Shortland
	Penrith	Londonderry, Penrith, Badgerys Creek	Lindsay, McMahon, Hume
	Lithgow	Bathurst	Calare
QLD	Logan	Logan, Jordan, Algester, Woodridge, Waterford, Springwood, Macalister	Wright, Forde, Rankin
	Lockyer Valley	Lockyer	Wright
	Ipswich	Ipswich West, Scenic Rim, Ipswich, Bundamba, Jordan	Blair, Oxley
	Moreton Bay	Glass House, Pine Rivers, Ferny Grove, Everton, Murrumba, Bancroft, Pumicestone, Morayfield, Kurwongbah, Redcliffe	Longman, Dickson, Petrie
	Somerset	Nanango, Lockyer	Blair

State	Target LGAs	State Electoral Division(s)	Commonwealth Electoral Division(s)
WA	Gosnells	Thornlie, Southern River, Cannington	Burt, Tangeny, Canning
	Wanneroo	Wanneroo, Butler, Mindarie, Landsale, Girrawheen	Pearce, Cowan
	Cockburn	Cockburn, Oakford, Jandakot, Bibra Lake, Fremantle	Fremantle
	Rockingham	Baldivis, Secret Harbour, Darling Range, Kwinana, Rockingham	Brand
	Bayswater	Marylands, Morley, Bassendean, Mount Lawley	Perth
SA	Tea Tree Gully	Newland, King, Wright, Schubert, Torrens, Hartley, Morialta,	Makin, Sturt
	Salisbury	Taylor, Ramsay, King, Wright, Playford, Florey, Port Adelaide, Enfield, Florey	Spence, Makin
	Onkaparinga	Mawson, Heysen, Kaurna, Hurtle Vale, Reynell, Davenport, Waite	Mayo, Kingston
	Campbelltown	Morialta, Hartley	Sturt
	Marion	Black, Davenport, Gibson, Elder, Badcoe, Morphett	Boothby
TAS	Brighton	Lyons (Prosser), Lyons (Rumney), Lyons (Derwent)	Lyons
	Derwent Valley	Lyons (Derwent)	Lyons
	Sorell	Lyons (Prosser), Lyons (Rumney)	Lyons
	Glenorchy	Clark (Elwick), Clark (Derwent)	Clark
	Central Coast	Braddon (Montgomery)	Braddon

Appendix F
Summary of findings (Wealth profiles 75+)

	Low	Low Middle
	Receives Pension or Other Gov. Benefit	Receives Pension or Other Gov. Benefit
	Doesn't own a home	Doesn't own a home outright
Description	Low wealth in both income and assets. Does not own a home.	Low level of income and a moderate level of wealth held in assets. Owns a home with debt.
Financial disincentive / barriers to rightsizing	Affordability of ingoing contribution and ongoing fees.	Affordability of ingoing contribution may be impacted by moderate levels of asset wealth, with no 'nest egg' funds leftover.
No. persons in category 75+	160,000	95,000
Per cent of 75+ pop in category	11 per cent	7 per cent
Personal income	76 per cent have an income between $300 and $499 per week	77 per cent have an income between $300 and $499 per week
Median asset wealth (estimate excl. value of primary dwelling)	$96,000 for a single and $140,000 for a partnered older Australian	$160,000 for a single and $300,000 for a partnered older Australian
Home equity (estimated home value less mortgage)	N/A	Average approximately $370,000 in home equity, $440,000 in metro areas
Dwelling structure	86 per cent live in a separate house	80 per cent live in a separate house
No. bedrooms	57 per cent live in one or two bedroom homes	67 per cent live in three or four bedroom homes
No. people in home	47 per cent live alone, 39 per cent in a 2 person household	39 per cent in a 2 person household, 53 per cent live with more than 2 persons
Housing suitability	28 per cent have no spare bedrooms, 41 per cent have one	31 per cent have one spare bedroom, 33 per cent have two
Marital status	There are higher proportions of divorced older Australians (particularly women) in the low wealth group	There are higher proportions of widowed and divorced older Australians (particularly women) in the low middle wealth group
Cultural diversity	77 per cent only speak English	72 per cent only speak English
Barriers to retirement community	Fear of hidden expenses (51 per cent)	Fear of hidden expenses (51 per cent)
Benefits of retirement community	Downsizing - less house/garden to look after	Downsizing - less house/garden to look after
Desire to access home equity	21 per cent saw accessing value in their home as a benefit of entering retirement community	21 per cent saw accessing value in their home as a benefit of entering retirement community

Middle	High
Receives Pension or Other Gov. Benefit	Self-funded retiree (does not receive Pension or benefit)
Owns a home (outright)	Owns a home (outright)
Low income with moderate to high levels of asset wealth held in their home.	Moderate to high levels of wealth in both income and assets.
Sale of family home may reduce Pension elibility as asset thresholds would be exceeded.	Risk aversion (moderate). Other social/psychological factors to be explored.
830,000	340,000
59 per cent	24 per cent
75 per cent have an income between $300 and $499 per week	33 per cent have nil income. 34 per cent have an income over $500 per week
$170,000 for a single and $330,000 for a partnered older Australian	$1 million for a single and $1.4 million for a partnered older Australian
Average approximately $530,000 in home equity, $620,000 in metro areas	Average approximately $880,000 in home equity, $1,000,000 in metro areas
77 per cent live in a separate house	80 per cent live in a separate house
72 per cent live in three or four bedroom homes	75 per cent live in three or four bedroom homes
31 per cent live alone, 56 per cent in a 2 person household	29 per cent live alone, 61 per cent in a 2 person household
91 per cent have at least one spare bedroom, 62 per cent have more than 1 spare	95 per cent have at least one spare bedroom, 74 per cent have more than 1 spare
Most older Australians in the middle wealth group are married or widowed	The high wealth group has the highest proportion of married older Australians
81 per cent only speak English	87 per cent only speak English
Desire to stay at home (67 per cent). Expenses less important but remain a top barrier	Desire to stay at home (68 per cent). Expenses less important than other barriers e.g. reputation, privacy, etc.
Downsizing - less house/garden to look after	Ability to 'lock and leave' for holidays
18 per cent saw accessing value in their home as a benefit of entering retirement community	7 per cent saw accessing value in their home as a benefit of entering retirement community

Appendix G
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Retirement Living Council
Suite 03, Level 04
91 King William Street
Adelaide SA 5000

propertycouncil.com.au/rlc