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## Retirement Income Review Consultation Paper

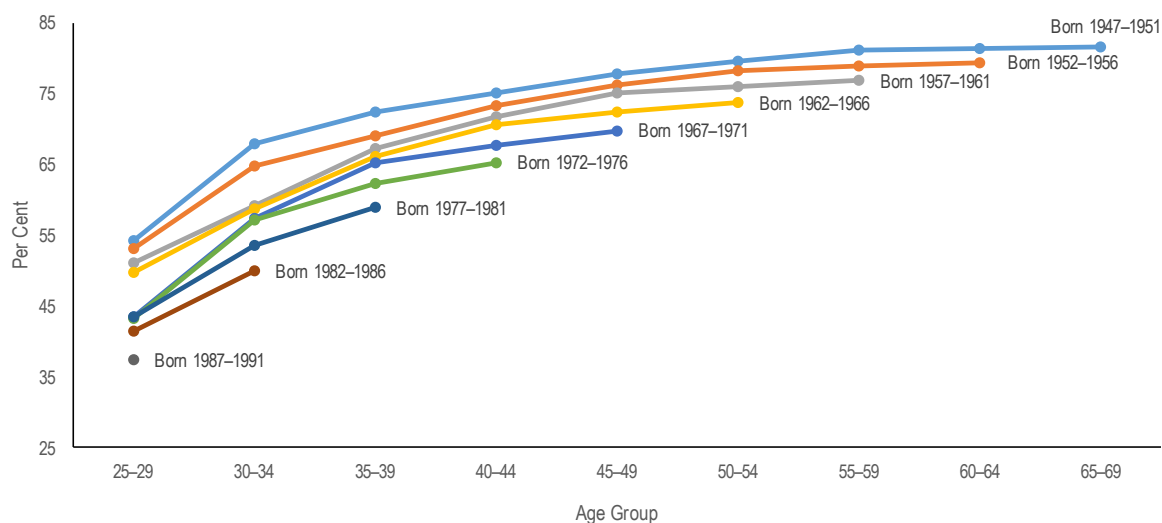
The Housing Industry Association (HIA) welcomes the opportunity to respond to the Retirement Income Review Consultation Paper. As the peak association for Australia's residential building industry, we are acutely aware of the important role that housing plays in the Australian economy, including the important role that home ownership plays in retirement.

The three pillared framework presented in the Consultation Paper correctly identifies home ownership as a key factor in determining adequacy of income during retirement. Housing wealth, most commonly accumulated throughout a lifetime of employment, provides an important source of income in retirement.

Age cohorts that have reached retirement age today have significantly higher rates of home ownership than the age cohorts that follow them. The retirement income system must recognise that the decline in home ownership rates amongst younger cohorts may shift the demand within the system over time. Increasingly, those who do become home owners are doing so later in life than previous generations. There are several factors that may contribute to this.

### Home Ownership Rate by Birth Cohort and Age Group

Source: A HW



Aspiring home owners today have typically been in formal study for longer than previous generations, are entering the work force later, and start accumulating wealth (including saving for a deposit for a home purchase) at a later stage in life. In many instances, the extended period in formal education also means a debt which is required to be repaid when they commence work.

The increase in home prices over recent years has meant that it typically requires more than a single income to affordably service a mortgage, which has made dual income households more prevalent. Family formation is also occurring at a later age and this may also be a factor behind the delay in buying a home. There could well be a degree of 'reverse-causality' in these decisions. It is unclear whether households are entering home ownership at a later stage in life because family formation is occurring later or conversely, families are forming at a later stage of life because their ability to afford to enter home ownership occurs later in life.

There is a myriad of factors conspiring against first home buyers, leading to either delays in or outright abandonment of home ownership. This has been a long term problem, increasing over decades. It presents challenges to Australia's social and economic fabric, including the retirement income system.

Should the trend towards lower rates of home ownership persist the demands within the retirement income system are set to change. The extent that owner occupied housing provides a source of implied income in retirement is set to decline over time, while the demand for rent assistance payments is set to increase. If the retirement income system is to remain dependant on the implied income provided by high rates of owner-occupied housing, there must be significant policy reform to lift rates of home ownership.

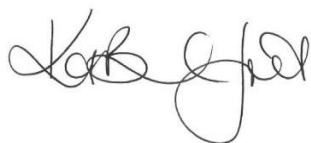
It is important that this Review has recognised that home ownership is a fundamental element of Australia's retirement income system. In moving forward with the Review, the Government must continue to support this pillar and ensure policy settings do not see a decline in home ownership for all age cohorts. The current trend to defer home ownership to later ages must be addressed to ensure that the welfare system does not become burdened by rapid growth in housing costs.

HIA would be pleased to discuss these comments in more detail.

Please do not hesitate to contact myself or Geordan Murray, Senior Economist on 02 6245 1379 or [g.murray@hia.com.au](mailto:g.murray@hia.com.au).

Yours sincerely

HOUSING INDUSTRY ASSOCIATION LIMITED



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