



8 February 2024

Retirement, Advice and Investment Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

### Retirement phase of Superannuation Discussion Paper – Retirement Living Council

Dear Assistant Treasurer

As Australians continue to live longer, healthier lives, the Retirement Living Council (RLC) welcomes the opportunity to contribute to the important discussion around how retirees can be better supported to achieve a financially secure, dignified retirement.

Australia is experiencing a dramatic demographic shift, propelled by an ageing population. Over the course of the next two decades the number of people aged over 75 is expected to increase by nearly 70 per cent to about 3.4 million and will make up approximately 10 per cent of the total projected population.<sup>1</sup>

These changes will have far-reaching implications for the nation's socio-economic outlook, including increased demand for healthcare, social services and aged care services. At the time of drafting, the RLC awaits the Australian Government's response to the Aged Care Taskforce, which has publicly mooted the introduction of a new tax<sup>2</sup>, user co-contribution<sup>3</sup> or even using superannuation<sup>4</sup> to fund the nation's broken aged care system.

The government's 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<sup>5</sup> while the aged pension remains the main source of income for most retirees.<sup>6</sup> This presents a difficult task for governments looking to ensure superannuation is the predominant income for retirement in an equitable and sustainable way.

The RLC's recently released report, **Better Housing for Better Health**, outlines the value-adding contributions of the retirement living sector and presents a comprehensive overview of our role in

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<sup>1</sup> Intergenerational report (2023); ABS National, state and territory population (2023)

<sup>2</sup> Royal Commission into Aged Care Quality and Safety – Final Report Volume 1 (2021)

<sup>3</sup> Coorey, P. (2023) *User pays, means testing more likely than a new aged care tax* [www.afr.com](http://www.afr.com) 26 July.

<sup>4</sup> Chrysanthos, N. (2023) *Government mulling superannuation as part of aged care solution* [www.smh.com.au](http://www.smh.com.au) 4 August.

<sup>5</sup> [Majority of homeowners face 'debt cliff' heading into retirement](#), AMP, 12 December 2023

<sup>6</sup> [Retirement and Retirement Intentions, Australia, 2020-21 financial year](#) | Australian Bureau of Statistics ([abs.gov.au](http://abs.gov.au))



addressing the needs of older Australians, and the potential for the sector to assist government managing the escalating costs associated with housing, health and aged care services.

As evidenced in the report, nearly three quarters of people aged 75 and over are living in dwellings with one or more bedrooms spare. This represents more than 1.4 million older Australians that are residing in homes that are oversized for their needs, which can lead to trips, falls and increased interaction with healthcare services.

Nearly 30 per cent of Australians over the age of 55 are considering 'rightsizing', however high costs associated with rightsizing disincentivise older Australians to move. Increasing resident's eligibility for financial support and exempting a portion of home sale proceeds from the age pension asset test could encourage more rightsizing, which then also injects more housing supply into the market for singles, couples and growing families.

The Superannuation Discussion Paper identifies the three pillars of the retirement income system as **superannuation**, the **aged pension**, and **voluntary savings** which include voluntary super contributions, housing and other assets.

The interaction between these pillars will vary depending on the individual circumstances of retirees, however the RLC has identified inequitable access for retirees to important government financial support payments such as Commonwealth Rent Assistance and the Home Equity Access Scheme.

The RLC therefore submits the following recommendations for your consideration:

1. Exempt a portion of home sale proceeds from the age pension asset test to reduce the financial disincentive for those considering 'rightsizing' while ensuring the security of their pension long term.
2. Remove incoming purchase price benchmarks for Australians living in retirement communities to allow deeper access to Commonwealth Rental Assistance.
3. Amend existing inconsistencies to allow Australians living in retirement communities to access the Home Equity Access Scheme.



**Daniel Gannon**

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Retirement Living Council

## About the Retirement Living Council

The Retirement Living Council (RLC) is the national peak body for Australia's retirement living sector, championing policies that deliver age-friendly homes and better services in retirement for the 250,000 older Australians who call one of these communities 'home'.

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 seniors' living communities.

## 'Better Housing for Better Health'

This landmark 2023 report sheds light on the value-adding contributions of the retirement sector and presents a comprehensive overview of its role in addressing the needs of older Australians and managing the escalating costs associated with housing, health and aged care services.

The 2023 Intergenerational Report forecasts a more than twofold increase in Australians aged 65+ by 2063, charting the ever-growing cost and challenge of funding aged care.

*Better Housing for Better Health* outlines several tangible solutions to these critical challenges which we believe will be welcomed by policymakers across Australia, and our sector stands by ready to assist and cooperate.

*Better Housing for Better Health* details a range of health, societal and economic benefits to both retirement living residents and the broader Australian community including the following economic incentives:

- Supports almost 30,000 jobs every year.
- Provides the Australian Government savings of \$945 million dollars per year through better designed communities that lead to delayed entry into aged care.
- 14,000 avoided hospitalisations in older Australians annually.
- Provides retirees with homes that are on average 48% more affordable than homes in the same postcode.

In addition, the report also reveals that compared to people not living in retirement communities, residents are:

- 15 per cent more physically active.
- 41 per cent happier.
- Five times more socially active.
- Twice as likely to catch up with family or friends.
- Experiencing reduced levels of depression and loneliness, saving governments almost \$5 million in additional healthcare costs.



## Retirement living and aged care – the differences and the opportunity

Choosing where we live is driven by many factors, including lifestyle, affordability, work or family. As we get older, our outlook can be informed by challenges associated with health and ageing, which might require a move into a retirement village or aged care facility.

Understanding the differences between the two is critical because they are not the same thing.

Retirement communities are specifically designed to foster a sense of belonging and connection which brings a host of benefits, such as reducing isolation and improving mental well-being.

By contrast, the primary focus of nursing homes (also known as aged care facilities or residential aged care) is about providing care and keeping residents safe.

There are currently 250,000 people around the country living in one of 2,500 retirement communities, which are suited to older Australians who want to live independently in their own homes for as long as possible – but with the benefits of community living.

Nursing homes, on the other hand, are suited to individuals who can no longer live independently and need care and support around the clock.

Both play a critical role within the housing ecosystem but for very different reasons.

A two-bedroom unit in a retirement community is on average 48 per cent more affordable than the equivalent median house in the same postcode – and most villages are effectively full.

Services, facilities and on-site support vary too. Some retirement communities offer gyms, libraries, golf or bowling greens, theatres, on-site concierge and 24-hour emergency assistance, **funded by residents rather than taxpayers.**

As Australians are living longer and healthier lives, the way care is funded and delivered is evolving – and it needs to.

Governments need to encourage (and facilitate, where required) age-friendly housing that improves mental health and well-being while minimising trips and falls, leading to fewer visits to the doctor and local hospital. The benefits for consumers and governments are compelling, including keeping more people out of taxpayer funded aged facilities for longer.

Retirement communities provide better housing that leads to better health outcomes for older Australians.

Knowing the difference between the two is becoming more critical, especially since there are currently two million Australians aged over 75 – a cohort growing by 70 per cent over the next two decades.

## **Where can government and industry reduce complexity in the retirement income system and provide simpler consumer experiences?**

Many older Australians consider rightsizing as they get older to be more financially stable in their retirement and improve their quality of life relative to their needs. However, multiple disincentives and barriers decrease the financial viability of rightsizing for older Australians.

The *Better Housing for Better Health* report highlights how high costs and government policies are disincentivising older Australians from rightsizing due to inequality of eligibility for retirees accessing key government financial support programs including the **Age Pension**, **Commonwealth Rent Assistance** (CRA), and the **Home Equity Access Scheme** (HEAS).

Older Australians receiving pensions stand to lose some or all of their age pension payments following the sale of their home due to impacts on their asset test. At the same time due to home ownership classifications, currently most retirement community residents are often deemed ineligible for both CRA and the HEAS.

### **1. Address financial disincentives to rightsizing**

As evidenced in *Better Housing for Better Health*, nearly three quarters of people aged 75 and over were living in dwellings where they have one or more bedrooms spare, representing more than 1.4 million older Australians that are residing in dwellings that are oversized for their needs.

This suggests that the majority of older people are not rightsizing, and many are requiring extra support to continue living in their family home. Larger dwellings can also 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.

Research shows that only 26 per cent of people over the age of 55 had rightsized, with the RLC identifying three key enablers to further encourage older Australians to rightsize:

- Access to supply of retirement dwellings in the right areas
- Australians being financially incentivised to make the move, and
- People being emotionally motivated to make the move.

An increasing number of older Australians are experiencing mortgage stress well into their retirement. The *2022 Retirement Living Census* identifies that retirement units are on average 48 per cent cheaper than the median home in the same suburb across Australia. By moving from the family home to a home designed for ageing, many Australians could be relieved of this mortgage stress, as well as having additional funds to assist in their retirement.

Unfortunately, rightsizing can affect age pensioners as surplus funds from the sale process are considered assets, potentially leading to a reduction in their aged pension benefits.

### **Recommendation:**

- Exempt a portion of home sale proceeds from the age pension asset test – or an increase in the asset free threshold for age pensioners who purchase a cheaper home within 12 months of selling their family home to reduce the financial disincentive for those considering rightsizing while ensuring the security of their pension long term.

## **2. Increase eligibility for Commonwealth Rent Assistance**

CRA is a non-taxable income payment for eligible people who rent in the private rental market.

The application of CRA among older Australians differs between housing types. Retirement community residents on a pension are defined as homeowners if the purchase price exceeds a benchmark, making them ineligible for CRA.

Conversely, age pensioners in other housing types – like land lease and manufactured home estates – qualify for CRA, irrespective of the purchase price of their relocatable dwelling.

Removing incoming purchase price benchmarks for retirement community residents with lease or licence agreements or increasing the current threshold eligibility in line with escalating house prices to allow access to CRA would relieve financial stress for older Australians and provide a more equitable playing field.

### **Recommendation:**

- Remove incoming purchase price benchmarks for retirement community residents with lease or licence agreements or increase the current threshold eligibility in line with the median price of a retirement unit (\$516,000) to allow access to CRA to provide a more equitable playing field.

## **3. Amend inconsistencies to the Home Equity Access Scheme**

The HEAS allows pensioners with property ownership to receive a voluntary, non-taxable loan from the government to supplement their retirement income. The scheme allows homeowners to use the equity in their home as security for a loan that will allow them to boost their retirement income.

Retirement community residency is currently classified as homeownership for the purposes of CRA but not for the HEAS, meaning many older people are ineligible because they have a lease or licence over the home rather than freehold title.

### **Recommendation:**

- Amend the inconsistency to allow retirement community residents to access the HEAS.