

13 October 2014

Senate Standing Committees on Economics  
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Dear Committee Secretary

**National Seniors Questions on Notice to the Affordable Housing Inquiry: Comments on the disbanded supporting senior Australians - Housing Help for Seniors - pilot.**

Thank you for inviting National Seniors comment on the previous government's Housing Help for Seniors pilot. This measure was announced in the 2013-2014 federal budget and disbanded in the 2014-2015 federal budget, prior to its commencement scheduled for 1 July 2014.

National Seniors welcomed the announcement of the pilot following the 2013-2014 federal budget, which to some extent recognised the financial disincentives to downsizing and set aside \$112.4 million to fund the pilot. The pilot would have provided an exemption for a maximum of 80 per cent of the excess sale proceeds (capped at \$200,000) of proceeds from the sale of a home from being assessed under the income and assets test for age pension eligibility.

The pilot acknowledged the desire for older Australians to downsize to a more suitable type of housing that would meet their needs as they age. The key element of the pilot was the recognition that proceeds from the sale of the property impact on age pension eligibility, consequently acting as a disincentive to downsizing.

National Seniors advocates for the removal of barriers to downsizing and penalties on age pensioners who wish to downsize. We also acknowledge that many older Australians want to live independently in smaller homes that meet their current and future needs.

A 2012 report on a survey of National Seniors members found that 27 per cent of participants (N=538 of 1,993) do not intend to remain living in their current home. About half (54%) of this group indicated that they wanted to move to a home that was easier to manage. Among all participants, 90 per cent stated that 'losing independence' or 'losing mobility' was a key ageing concern<sup>1</sup>.

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<sup>1</sup> National Seniors. 2012. *Where will I live as I age?* Brisbane

Furthermore, in a 2014 report by National Seniors, 28 per cent of homeowners on the age pension stated that the proposed pilot scheme would have influenced their decision to relocate<sup>2</sup>.

However, National Seniors had concerns regarding restricted access to the 'special account' which would have contained the exempted funds (up to \$200,000) from the proceeds of the sale of a property. National Seniors concerns related to the inability of age pensioners to use the money for essential medical costs, housing repairs and/or modifications to a new home, or emergency bills.

National Seniors would have preferred retirees to be able to withdraw interest from the proceeds without penalty to assist them with daily costs of living or draw on the initial deposit to help pay for costly health care without having their age pension reduced. Therefore, we would have welcomed attempts by the current government to address some of the shortcomings of the pilot rather than disband it completely.

Moreover, National Seniors research also indicates that current state and territory stamp duty charges act as a disincentive to downsizing. This cost was reported as a disincentive by 33 per cent of the participants in a National Seniors survey whose results were included in our previously mentioned 2014 report.

### **Comments on retirement villages as also requested by Senator McLucas**

Retirement villages are often considered an affordable housing option during retirement. However, National Seniors members frequently raise concerns regarding costs of entry and exit into a retirement village, refurbishment costs and ongoing fees and charges. Many retirement village residents have sold their home to fund ongoing contributions to enter a retirement village, often with the age pension as their only source of income.

In some instances, residents have discovered that they are not living in retirement villages and are instead residing in a range of supported residential villages, independent living units or parks with limited security of tenure and obligations to partake and pay for shared catering, laundry and gardening.

Such concerns and misunderstandings point to a lack of transparency in the discussions between providers and prospective or current residents and the promotional materials and contractual documents in use by operators.

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<sup>2</sup> National Seniors Productive Ageing Centre. June 2014. *Downsizing Decisions of Senior Australians: What are the Motivating and Discouraging Factors?* Melbourne.

Other issues regarding affordability of retirement villages include:

- The length of time a former resident must pay fees to the village operator until the unit is sold.
- Uncertainty regarding value of capital gains upon departure from a retirement village.
- Complexities of legal documents and contracts when entering a retirement village can lead to misunderstanding of rights and responsibilities.

National Seniors members also report that the current practice of retirement villages paying residents an exit fee only when the unit has been re-sold results in lengthy delays and significant financial hardship for former residents.

The extensive financial commitment required to enter a retirement village and limited fixed income results in many residents not being financially capable of paying for alternative or other accommodation in addition to continuing to pay ongoing fees and charges on an unsold unit.

In addition, residents who leave retirement villages to move into aged care facilities are significantly disadvantaged by delays in access to their exit entitlement which is required to fund their aged care fees and charges within six months of their entry to the aged care facility.

If you would like to discuss this further please do not hesitate to contact me directly on 0448 125 898 or my assistant, Gail Lawrence on (07) 3233 9189.

Yours faithfully

**Michael O'Neill**  
**Chief Executive**

*QUESTION ON NOTICE FROM ECONOMICS REFERENCES COMMITTEE:*

**Senator McLUCAS:** *The other issue is right-sizing. COTA uses the language right-sizing. The former government had a program called Housing Help for Seniors. Could you provide a little note to us to tell us whether you thought it was a useful thing, and would it have delivered better outcomes for people who are in their own home. That would be helpful for the committee.*