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23 February 2024

To Senate Standing Committees on Economics
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Parliament House
Canberra ACT 2600
economics.sen@aph.gov.au

Dear Committee Members,

RE: Submission to the Senate Economics References Committee Inquiry on Improving Consumer Experiences, Choice, and Outcomes in Australia's Retirement System

Thank you for the invitation to make a submission to the inquiry into improving consumer experiences, choice, and outcomes in Australia's retirement system.

The Aged & Community Care Providers Association (ACCPA) is the national Industry Association for over 1,000 aged care providers offering retirement living, seniors housing, residential care, home care, community care and related services.

The unprecedented demographic shift towards an older population in Australia necessitates a re-evaluation of our retirement income system to ensure it meets the evolving needs of retirees.

ACCPA advocates for policy measures aimed at enhancing choice, flexibility and overall quality of life within the retirement system. These measures should include a broad spectrum of initiatives, ranging from the aged pension, to providing accessible financial advice, to facilitating home ownership and optimising insurance options.

Innovation in Retirement Planning and Insurance

The landscape of retirement planning and insurance in Australia presents a challenging scenario for individuals navigating their options. The current market offering has limited choices that are often entangled in complexity and high costs – deterring many Australians from seeking the appropriate coverage and advice, essential for securing their retirement and aged care needs. This challenge is further emphasised by research suggesting retirees tend to prioritise leisure spending over long-term health and care needs in their planning.¹

Compounding this issue, a Rice Warner survey revealed a significant gap between consumer expectations and the reality of financial planning costs. It found that consumers are willing to pay only \$500 for financial advice,² a figure markedly less than the cost of a comprehensive retirement plan. This highlights a barrier to accessing personalised financial guidance, pointing to the need for a simplified approach to retirement planning and insurance.

¹ Chambers, B., Walker, R., Feng, J. and Gu, Y. (2021). The silver tsunami: an enquiry into the financial needs, preferences and behaviours of retirees. <https://doi.org/10.1111/acfi.12589>

² Rice Warner. (2019). [Financial Advice within Superannuation Funds Report](#)

R1: Implement the development and dissemination of standardised information and tools, designed to simplify the process of making comparisons and decisions within retirement planning and aged care, both enhancing accessibility and understanding.

R2: Utilise data analytics for the creation of personalised insurance options, tailoring premiums and coverage to individual risk profiles and health conditions.

Enhancing Housing Options and Financial Flexibility

Housing is a cornerstone of financial security and quality of life in retirement, with housing wealth often representing the largest component within retirees' portfolio.³

One such financial tool is the reverse mortgage intended for homeowners aged 60 and above. Reverse mortgages are recognised as an important financial tool for retirees who are "asset rich but cash poor", offering them access to an income stream by borrowing against the equity in their homes. Reverse mortgages, gaining popularity in both the US and UK, typically come without the need for mortgage repayments.

The benefits of reverse mortgages extend across economic and personal domains. From the UK, evidence suggests that for every £1 of wealth unlocked via reverse mortgages, an additional £2.34 is generated in the broader economy due to multiplier effects.⁴ In line with these benefits, a 2018 US survey involving 1,088 older adults revealed that those with reverse mortgages experienced significantly higher satisfaction in their financial and housing situations than non-borrowers.⁵

However, this option is not currently available for residents living in retirement villages. This limitation highlights a gap in financial tools accessible to all retirees, emphasising the need for broader policy adaptations or financial product developments to include residents in retirement communities or seniors housing.

R3: Expand the coverage of the reverse mortgage scheme to include residents of retirement villages and other senior housing offerings, offering seniors additional financial flexibility and security as they navigate their retirement years.

Our recommendations aim to increase flexibility and choice in retirement and aged care to accommodate emerging needs of older Australians.

Implementing these measures will create a retirement income framework that supports Australians to optimise their housing, lifestyle and wellbeing choices as they age.

If you have any questions or would like to discuss this submission, please contact Mark Berezdecky, Senior Policy Advisor at mark.berezdecky@accpa.asn.au.

Yours sincerely,

Mark Berezdecky
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³ Howe, A. L., & Spies-Butcher, B. (2022). Integrating the retirement income system and aged care funding in Australia. Australian Journal of Social Issues, <https://doi.org/10.1002/ajis4.179>

⁴ Whait, R. B., Lowies, B., Rossini, P., McGreal, S., & Dimovski, B. (2019). The reverse mortgage conundrum: Perspectives of older households in Australia. UniSA Business School, University of South Australia. <https://doi.org/10.1016/j.habitatint.2019.102073>

⁵ Căzilia Loibl, Donald R Haurin, Julia K Brown, Stephanie Moulton. (2020). The Relationship Between Reverse Mortgage Borrowing, Domain and Life Satisfaction, The Journals of Gerontology: Series B, Volume 75. <https://doi.org/10.1093/geronb/gby096>