

Media release

Australian retirees have inadequate access to their savings

Melbourne, 13 May 2019 – Household Capital, an independent, specialist retirement funding provider, said today that a major issue facing Australian retirees was inadequate access to savings.

Josh Funder, Household Capital's Chief Executive Officer, said retirement funding adequacy was a very real issue facing retired and soon-to-be retired Australians.

Mr Funder was responding to a number of recent news articles, including research by Roy Morgan, that suggests an increasing number of Australians intend to retire despite inadequate retirement savings levels.

"Household Capital believes that's only half the story – the other, critical piece, is inadequate access to savings," said Mr Funder.

Inadequate savings?

According to the Roy Morgan research, the average gross wealth (total assets excluding owner-occupied homes) of intending retirees is \$299,000.

The average debt level for this group is currently \$27,000; while not significant, it reduces average net wealth to \$272,000, a level noted by Roy Morgan that's generally considered inadequate for self-funded retirement.

"Roy Morgan's figures tie in with our research; for many Australians, compulsory super started too late into their working lives," said Mr Funder.

More than 5.5 million so-called Australian baby boomers (those people born between 1946 and 1964) have entered or are about to enter retirement.

"As subsequent waves of baby boomers approach retirement, inadequate funding looms as a major socio economic problem that must be addressed," said Mr Funder

Savings tied up in the family home

For most Australians, the majority of their wealth is tied up in their family home. At retirement, the family home plus superannuation may be worth around \$1 million, but most of this wealth is locked away and largely inaccessible to fund retirement needs.

"Most Australians have done a great job paying off their mortgage and effectively 'saving' in their family home," said Mr Funder.

"In fact, there's nearly \$1 trillion in untapped home equity owned by Australian retirees."

"Given that most retirees wish to stay in their own home as they age, this untapped savings is a valuable resource that could be used to improve retirement funding."

Canada and the U.K. have a similar demographic composition to Australia - an ageing workforce with a large baby boomer cohort entering retirement. In each of these countries, there has been strong growth in home equity release being used to fund long-term retirement income streams.

"This has not been the case in Australia where traditional bank reverse mortgages have failed to meet the long-term needs of retirees for several reasons," said Mr Funder.

"Firstly, home equity funding of retirement was seen as a form of last resort financing for many older Australians and were often used to fund inappropriate spending for potentially distressed borrowers."

“Importantly, access to home equity in Australia was never directly linked to long-term financial planning or financial advice.”

A new approach to retirement funding

Despite this failure, the fact remains that many Australians need to utilise their home equity, albeit in an efficient, responsible and sustainable way if they are to enjoy a comfortable retirement.

“Clearly a new and innovative approach is required to meet this major unmet community need and delivered in the context of financial advice and long-term retirement planning,” said Mr Funder.

“For this model to successfully meet long-term retirement needs, there should be a focus on transferring home equity to appreciating assets, such as superannuation.

“This way, retired Australians will achieve retirement funding adequacy and not be solely reliant on the government’s Age Pension to fund their retirement.”

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About Household Capital

Household Capital is an Australian-owned independent retirement funding provider founded in 2016 with the aim of helping retired Australians ‘Live Well at Home’ by offering retirees a responsible and sustainable financial solution that allows them to bundle their superannuation savings, equity in their home as well as their aged pension to achieve their retirement goals whilst continuing to live at home.
www.householdcapital.com.au

About Josh Funder

Josh Funder is CEO and Managing Director of Household Capital. He has served as chairman and director of US and Australian companies and spent over a decade as a partner at GBS, Australia’s largest venture funds management firm. He worked with the Clinton Foundation HIV/AIDS Initiative, helping to successfully negotiate reduced prices for anti-retrovirals and initiate pharmaceutical supplies across eastern and southern Africa. Josh earned Bachelor of Science and Bachelor of Law degrees at Melbourne University, and an Advanced Law Certification degree at the London School of Economics. He gained a Doctor of Philosophy degree in intellectual property for biotechnology from Oxford University, where he studied as a Rhodes Scholar.

Full biographical details can be found at www.householdcapital.com.au/about/

Roy Morgan’s Single Source survey on retirement intentions can be viewed at:

<https://www.roymorgan.com/findings/7949-retirement-intention-201904260129>

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