

**Housing Wealth and Aged Care
Issues and Options**

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Workshop presentations B, room C1.13

Housing wealth and age care; issues and options

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Population ageing is causing a fall in the aged dependency ratio in all OECD countries; fiscal pressures are exacerbated as government aged care expenditure is expected to soar. These pressures are prompting debate on whether and how the financing of age care could be made a personal responsibility. In this paper we consider policy initiatives that would compel older home owners to draw down their housing wealth to make a greater contribution to the funding of their personal aged care needs. We begin by describing the motivation behind policy initiatives of this kind, before reviewing the policy programmes that a selection of OECD Governments are actively considering, or implementing, including housing wealth contingent loans. While an understandable response to population ageing, these initiatives are representative of the increasing importance of asset based welfare. They pose challenges for intergenerational transfers, and also expose our older citizens to increasing personal risks. The paper argues that these risks are especially severe in an institutional setting in which owners cannot hedge house price risk.

Housing wealth and welfare: cohort effects and future proofing for older age

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It has long been the view that the high housing costs of mortgaged owner-occupiers are balanced across the life course by the cheaper housing outlays of older outright owners. It has equally been accepted that the asset value of owned homes, for the most part, turned over to the next generation. Mortgage free home ownership thus provided older people as they retire with a sense of security and the possibility to maintain living standards above those that their often-reduced incomes might otherwise sustain. In these ways, occupation has, viewed across the life course, had a welfare dimension. Post-war policies supporting home ownership – in an era of rising prices – have more recently fuelled a belief that older people might add to that welfare premium, by reaping the wealth embedded in their homes to secure services and support. The option to achieve this by downsizing now sits in profound tension with the framing of older people's wellbeing as best pursued by 'ageing in place'.

To explore that tension, this paper first looks at the pros, cons and strategies of downsizing among older people, focusing on how they construct their perceptions of welfare and establishing where housing fits into older peoples desires to secure their futures. This analysis is based on a three-year study of downsizing in New Zealand which has generated sizable datasets including a survey of over four hundred older people movers and stayers as well as with over six hundred older people who moved into retirement villages. These data show that pronounced inequalities among older people in New Zealand impact on their ability to release equity; they also expose the vulnerabilities of older households as they are positioned as 'actuarial subjects' managing individual risks and uncertainties armed only with personal competencies and privatised resources.

From this baseline, and setting the New Zealand example into the wider context of the home ownership societies of the English speaking world, this paper considers the