

The Growing Debt Burden of Retiring Australians

Challenges, Solutions and Opportunities

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Supporting older Australians for a better retirement



For over two decades, Homesafe Solutions Pty Ltd has been committed to helping older Australians unlock the wealth in their homes without taking on debt. We have long understood the challenge now confronting millions of Australians: entering retirement with unextinguished housing debt.

The implications are profound. Superannuation balances that should provide income in retirement are instead being diverted to pay down housing loans, leaving many retirees with less financial security than the system intended. This trend has consequences not only for individual households but also for the sustainability of Australia's retirement income system.

That is why Homesafe Solutions Pty Ltd has chosen to support this important research. By surfacing the facts, this paper shines a light on the growing tension between housing debt and retirement adequacy. It also points to practical solutions – including home equity release – that can preserve superannuation balances, strengthen member outcomes, and help trustees meet their obligations under the Retirement Income Covenant (RIC).

Homesafe Solutions Pty Ltd is proud to support this white paper as part of our mission to provide fair, transparent and debt-free access to housing wealth. We believe that only by reframing the role of the family home in retirement planning can Australia deliver better outcomes for retirees today and for generations to come.

Dianne Shepherd
CEO, Homesafe Solutions Pty Ltd

About the authors



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Harry Chemay has almost 30 years of experience across financial planning, wealth management, asset consulting, financial technology and superannuation product design.

He has previously worked for KPMG (Financial Services), Howarth Financial Services, Colonial/State Bank of New South Wales/ CBA and Mercer. Harry was also a co-founder of Clover, a FinTech startup seeking to assist younger Australians in building wealth. His focus is on the decumulation phase and the design of innovative retirement solutions.

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He began his career advising superannuation funds and insurers on investment strategy and portfolio construction and managing fixed-income portfolios at firms including Mercer and AIA.

Sahil later co-founded Clover, a digital advice and investment platform acquired by SuperEd. Today he advises wealth-tech and wealth management firms on product, risk, and distribution. His current work includes research and development of practitioner tools for retirement decision-making, and analysis of emerging digital-assets infrastructure.

Sahil holds an MBA from the University of Melbourne, is a CFA charter holder, and a Financial Risk Manager, certified by the Global Association of Risk Professionals.

Executive Summary

From an individual's perspective, retirement planning today is best conceptualised as trying to solve a 'risky, long-horizon, multi-dimensional problem' with antiquated tools and outdated guidance.

Unlike prior generations, home-owning Australians now face a new, significant challenge, paying off a home loan before retirement. 33 years since the commencement of the superannuation guarantee, housing wealth still dominates household balance sheets, being approximately three times as large as the super sector. The level of outstanding housing debt, in aggregate, is now nearly equivalent to total APRA-regulated super assets.

In essence, lifetime consumption smoothing for working Australians involves running two multi-decade savings programs in parallel, with the aim of zeroing the balance of one while maximising the balance of the other at the point of retirement.

Chronologically, superannuation begins with the first contribution (often in the late teens to mid-twenties) and grows through regular SG contributions and the compounding of investment returns to retirement.

Home ownership entails one or more loans often paid down over two or three-plus decades. The retirement readiness clock starts ticking once the last home loan prior to retirement commences. Thereafter the complexity resides in whether that debt can be discharged through employment-based cashflow (disposable income) prior to retirement, or whether there will be an outstanding amount at the point of retirement.

This white paper will present compelling evidence that, for the median homeowning near-retiree household the odds today are essentially 50-50 on still having a home loan balance as retirement approaches.

These are not matters super funds should take lightly, given that many members approaching retirement appear to be making lump sum withdrawals, with property-based spending (including extinguishing housing debt) a key reason cited. This thereafter clearly diminishes the retirement income generating ability of the residual super, which can be considered that member's Net Pension Generating Super.

This white paper aims to surface all the issues pertinent to later-life housing debt, and the ramifications this growing trend will have for households, superannuation funds and the retirement income system more broadly.

Lifting the levels of understanding, and engagement, of innovative home equity release solutions amongst superannuation funds and financial advisers will allow more Australians access to a wider range of options to optimise their financial wellbeing in retirement.

In that sense, home equity release solutions face the same hurdles to wider consumer uptake (namely consumer awareness and literacy) as do lifetime annuities and lifetime income stream products at present.

Our hope is that, armed with the contents of this white paper, those charged with improving retirement outcomes will have a better toolset from which to build next-generation retirement solutions; incorporating housing wealth into the totality of resources (alongside the Age Pension and innovative lifetime income streams) able to support a dignified retirement.

SECTION 1:

Household Wealth in Australia

1.1 The Australian household balance sheet

According to Australian Bureau of Statistics (ABS) data on Australian household finance and wealth, as at March 2025, aggregate household net wealth was some \$17 trillion.¹

This was composed of \$20.5 trillion in assets, of which almost 57% was held in property ('land and dwellings'), 20% was in superannuation, with the balance spread across direct and managed investments, deposit products, and lesser financial and non-financial assets.

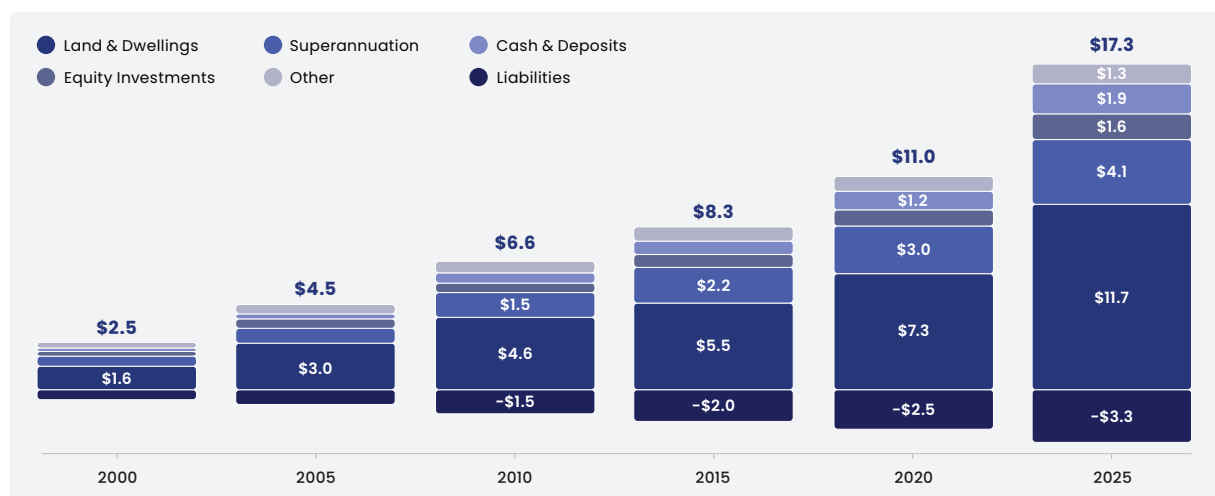
Against this, Australian households owed some \$3.3 trillion in liabilities, of which 95% was in the form of 'long-term loans', dominated by property-related debt.

The aggregate composition of current Australian household wealth is depicted in the chart below (Figure 1).

Household wealth has, in aggregate, increased by nearly 300% over the past 20 years, powered primarily by the significant rise in Australia residential property prices, with the value of the nation's housing stock growing from \$1.6 trillion in 2000 to now sit at close to \$12 trillion.

On a per-capita basis, Australia is among the wealthiest nations. A recent comparative study indicates that real estate makes up 53% of Australians' personal wealth (as at the report date), a materially higher share than in the United Kingdom (42%) or the United States (30%).²

Figure 1: Aggregate household wealth (\$Trillion)



Source: Author's calculations based on ABS.

¹ ABS, National Accounts: Finance and Wealth, March quarter 2025, released 26 June 2025.

² UBS Global Wealth Report 2025.

1.2 Wealth distribution across the population

Care is needed when applying aggregate wealth to all households, as not all own a home or investment property. For starters, homeownership rates have been in general decline over the past four decades.

According to Treasury’s latest Intergenerational Report, for those aged 30 – 34 the home ownership rate slipped 18 percentage points from 1981 to 2021, to around 50%. For those aged 50 – 54, the decline has been from around 80% to some 72%. Only in those over the age of 65 has it consistently held above 80% since 1981.³

This in turn has translated into more Australians renting for longer, with data from the Australian Institute of Health and Welfare revealing that renter households increased from around 24% of all households in 1994–95 to just over 29% by 2019–20.⁴

Those rental properties were held by around 2.3 million individuals, or about 15% of all taxpayers, according to data compiled by the Australian Taxation Office (ATO).⁵

1.3 The primacy of housing in wealth outcomes

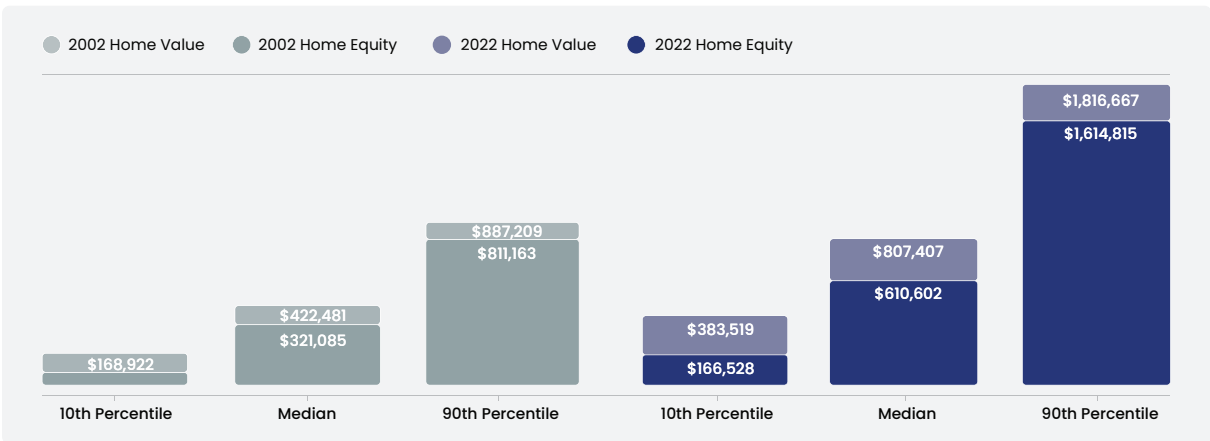
For the median Australian household, the family home is the largest single store of wealth, often by a significant margin.

Numerous data sources confirm that wealth currently held in housing, specifically the principal residence, significantly outweighs that held in superannuation across all age cohorts for the median household.

The latest HILDA survey⁶ estimates that the family home accounted for 44% of the value of household assets in 2022, and that the median home value across all homeowner households then was \$807,407 (a 91% increase since 2002), with the value of home equity being \$610,602, as shown in the chart below (Figure 2).

Those at the 10th percentile had \$166,528 in housing equity in 2022, while those at the 90th percentile had \$1.61 million, a near-doubling in housing equity over their 2002 levels.

Figure 2: Home values and equity
Expressed at December 2022 prices



Source: HILDA 2024.

3 Treasury, Intergenerational Report 2023: Australia's future to 2063.

4 Some households may however elect to rent while owning one or more investment properties, a strategy known as 'rentvesting'.

5 Australian Taxation Office (ATO), Statistics in Taxation statistics 2022–23 (online).

6 Wilkins, R., Botha, F., Laß, I. and Peyton, K (2024) 'The Household, Income and Labour Dynamics in Australia Survey (HILDA): Selected Findings from Waves 1 to 22', Melbourne Institute of Applied Economic and Social Research, The University of Melbourne.

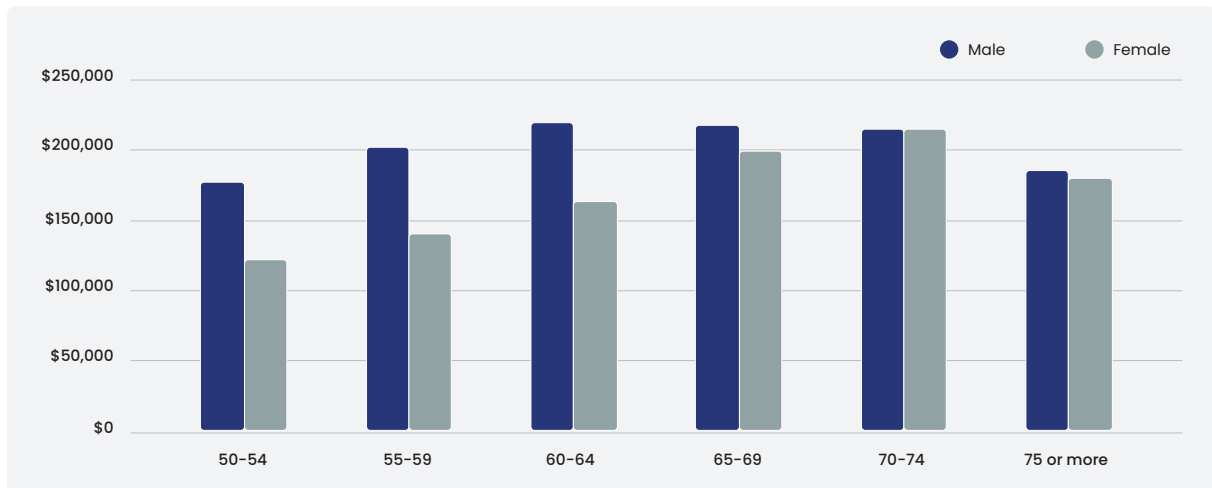
1.4 The growing importance of superannuation

The total superannuation system balance now sits at \$4.13 trillion, broadly made up of just over \$3 trillion in APRA-regulated funds, exempt public sector super scheme assets and the balance of life office statutory fund assets, and \$1 trillion in Self-Managed Superannuation Funds (SMSF).⁷

Balances are positively skewed, insofar as mean superannuation balances are significantly greater than median balances across all age cohorts. According to the Retirement Income Review (RIR), for people approaching retirement during 2017–18, the average superannuation balance for those at the fifth decile of the household wealth distribution was close to \$140,000 compared with more than \$1 million for the top decile.⁸

Because many older Australians did not have SG coverage for a portion of their working lives, the system is still maturing. According to data provided by the ATO, the most current median super balances by gender and older age cohort were as below (Figure 3).

Figure 3: **Median superannuation balances (\$)**
By age group, 2022–23 financial year



Source: ATO.

⁷ Australian Prudential Regulation Authority (APRA), Quarterly superannuation statistics, March quarter 2025.

⁸ Treasury (2020), Retirement Income Review, Final Report, page 83.

1.5 A note on the lifecycle model of consumption smoothing

Retirement systems recognise diminution of human capital over time such that, in modern developed economies, the vast majority of people will outlive their willingness or capacity to earn labour income and eventually ‘retire’.

Underpinning much of retirement income policy is thus a notion of *consumption smoothing*; of individuals under-consuming while working and setting aside earnings, voluntarily or by compulsion, to fund spending in later life.

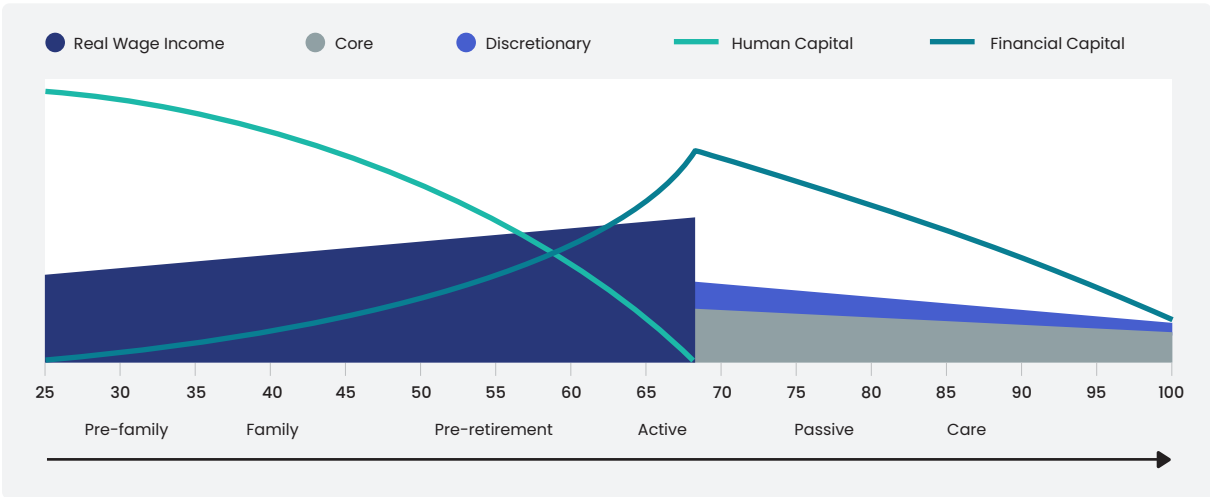
Within this framework, income in retirement should ideally have some relationship to pre-retirement earnings. The RIR assessed retirement adequacy against a 65% to 75% replacement rate for most Australians (i.e. those that are not at the extremes of income distribution pre-retirement).⁹

The idealised model of consumption smoothing converts part of income from personal exertion into financial capital which then funds expenses in retirement, assuming full self-funding and ignoring social security, as below (Figure 4).

This, however, omits the operation of the tax-transfer system and, crucially, housing wealth and its associated debt, substantially weakening its applicability to Australia’s retirement income system.

In this paper we will evolve the lifecycle model, using a household balance sheet approach to demonstrate how it can improve retirement outcomes for more Australians.

Figure 4: The Financial Lifecycle



Source: Milliman.

9 See Treasury (2020), Retirement Income Review, Final Report, discussion on retirement income adequacy, pages 161 – 176.

SECTION 2:

The Growing Tension between Housing Debt and Retirement Security

2.1 The rising levels of housing debt in Australia

The chart below (Figure 5) shows housing debt values between 2002 and 2022, for the median household and those at the 10th and 90th percentiles respectively.

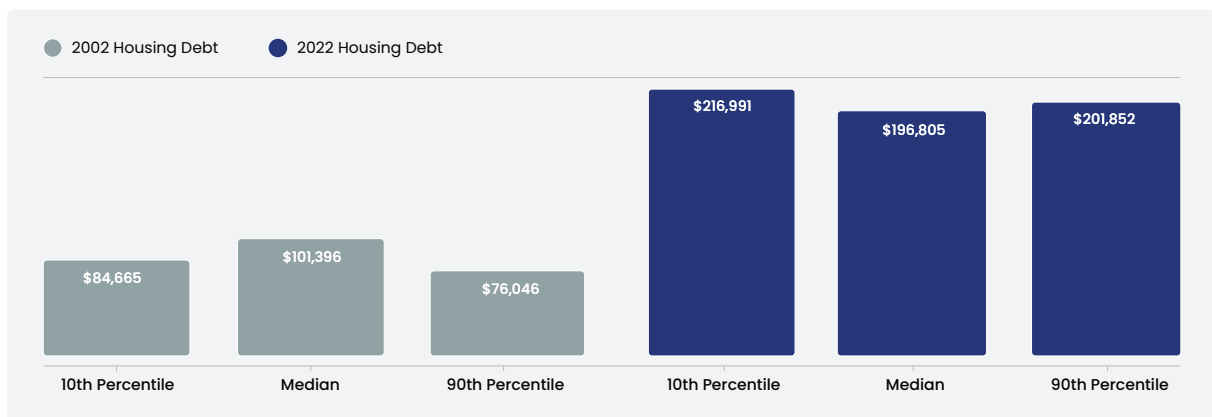
In percentage terms, median housing wealth rose about 91% between 2002 and 2022, while housing debt rose about 94%.

This trend was also noted in Treasury's 2020 Retirement Income Review, which noted that:

"Increasing mortgage commitments have coincided with more owner-occupied households holding a mortgage at older ages."¹⁰

The RIR further noted that the median age for paying off a home loan increased from 52 in 1981 to 62 in 2016.

Figure 5: **Housing debt**
Expressed at December 2022 prices



Source: HILDA 2024.

¹⁰ Department of Treasury, (2020) 'Retirement Income Review' Final Report, Commonwealth of Australia, page 121.

2.2 The prevalence of older indebted households

Work by two prominent housing academics in 2019¹¹ (using SIH 2013-14 data – see notes on data sources and methodology at the end of the report) revealed a general trend of increased indebtedness across all age cohorts and, critically for this paper, a sharp rise among pre-retirees aged 55–64.

As Ong and Wood (2019) show, the proportion of 55–64-year-olds with outstanding housing debt rose from 14% in 1990 to sit at 47% by 2013-14 (Figure 6).

The most recent SIH indicates that 54% of the 55–64 cohort still had home-loan debt in 2019–20, and about 15% of the 65+ cohort did so. For 55–64-year-olds, average outstanding debt was about \$230,000 in that year.

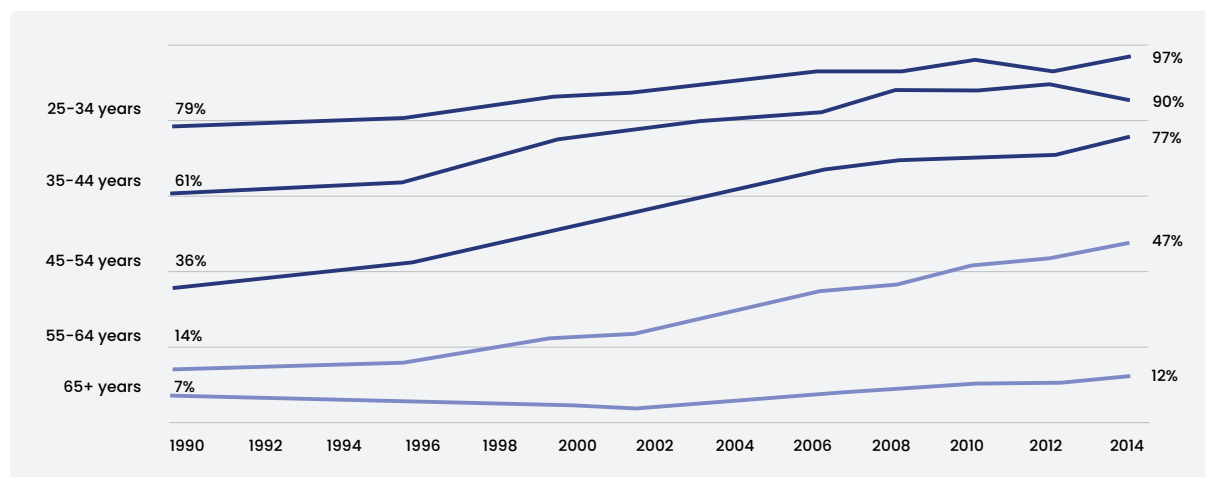
The RIR made broadly the same findings, noting that over 50% of households in the 55–64 age group had a home loan debt during the 2017-18 financial year.¹²

Note that SIH captures all housing debt (primary residences and investment/holiday properties), so care is required in generalising these findings.

Some households may deliberately hold housing debt into their sixties to optimise financial and taxation affairs, **but many others find extinguishing non-deductible main-residence debt before or at retirement increasingly difficult from employment income alone.**

Why might this be so, given many of today's 55-plus homeowners first entered the market in the 1990s or 2000s when house prices (and thus initial debts) were lower than today?

Figure 6: **Proportion of home owners with outstanding [housing debt]**
By age group, 1990–2015



Source: Ong Vitorj, R. and Wood, G. 2019, *The Conversation*.

¹¹ Ong Vitorj, R. and Wood, G. 'More of us are retiring with mortgage debts. The implications are huge.' Published on 12 June 2019 in *The Conversation*: <https://theconversation.com/more-of-us-are-retiring-with-mortgage-debts-the-implications-are-huge-115134>.

¹² Department of Treasury, Retirement Income Review, Final Report, Chart 1D-16 at page 121.

2.3 Factors in rising later-life housing debt levels

A recent survey by a major home-lending bank reported average outstanding home-loan balances as of June 2025 of over \$250,000 for the 50–64 cohort and just over \$100,000 for those 65+.¹³

Many now 65 or older likely bought their first home in the 1980s or 1990s, when the seven-capital-city average price (excluding Darwin) was about \$43,000 in 1980, \$120,000 in 1990 and \$176,000 in 2000.

How do modest entry prices square with today's large debts? Three factors stand out.

RISING HOUSE PRICES

Since the late 1990s, house prices have outpaced real household income growth, so property upgrades have required ever-larger loans.¹⁴

With Australians transacting main residences every 9 to 13 years on average, two or three substantial new loans over a working life are now common, each typically larger than the last.

RISE IN REFINANCING

Refinancing is another driver. Recent ABS lending statistics show average refinancing amounts now exceed \$530,000. Even without moving, households extend debt to fund renovations or other needs. A 2013 study found one in five homeowners aged 45–64 increased housing debt between 2000 and 2009 despite not moving.¹⁵

A further contributor is the 'Bank of Mum & Dad' with parents releasing equity or extending borrowing to help children overcome deposit barriers to first homeownership. While the aggregate quantum is uncertain, it is widely considered consequential.¹⁶

RELATIONSHIP BREAKDOWNS

Later-life relationship breakdowns also matter. The Australian Institute of Family Studies reports steadily rising divorce ages since the 1980s, with median ages of 45.9 for males and 43.0 for females in 2021.¹⁷

Settlements often necessitate purchasing new dwellings with significant housing debt relative to age. With 25–30-year terms now standard, taking on a large loan from the mid-40s onward makes extinguishing it before 65 difficult absent a major real-income uplift or inheritance.

¹³ NAB Australian Wellbeing Survey Q2 – 2025 (excludes investment loan balances outstanding, which were ~\$450,000 and \$235,000 respectively).

¹⁴ See for example, Daley, J and Coates, B (2018) 'Housing Affordability: Re-imagining the Australian Dream', Grattan Institute at page 16.

¹⁵ Ong ViforJ, R., Jefferson, T., Wood, G., Haffner, M. and Austen, S. (2013) 'Housing equity withdrawals: uses, risks, and barriers to alternative mechanisms in later life' AHURI.

¹⁶ According to ABS lending data the average first homebuyer loan is currently some \$555,000, which would suggest deposits of just over \$100,000 on average for an 80% LVR mortgage.

¹⁷ See 'Divorces in Australia' Facts and Figures, Australian Institute of Family Studies at <https://aifs.gov.au/research/facts-and-figures/divorces-australia>.



2.4 Dealing with housing debt as retirement approaches

Having established that today's pre and recent retirees are holding historically unprecedented levels of housing debt, the relevant question becomes: **'how do average households deal with this debt in the face of imminent or recent retirement?'**

Three broad strategies are evident.

RETIRE LATER

One approach is to extend workforce participation and retire after the loan is extinguished. ABS 2022–23 data show the average age of actual retirement (for those who retired within the past 20 years) rose from 57.4 years in 2004–05 to 61.4 years in 2022–23. The intended retirement age averaged between 65 and 66.¹⁸

In 2022, 130,000 people retired at an average age of 65.8. The increase in Age Pension eligibility to 67 (from July 2023) may influence decisions, but many also delay retirement to clear remaining home loan balances.

CONTINUE TO SERVICE IN RETIREMENT

Those unable to delay retirement may resign themselves to servicing a loan into retirement.

As noted earlier, about 15% of households over 65 now do so. While a subset (more likely higher-wealth retirees) services deductible investment-property debt, most appear to hold debt on their main residence.

¹⁸ ABS Survey of Retirement and Retirement Intentions, Australia, Reference period 2022–23, released 22 May 2024.

SEEK TO PAY OFF OR PAY DOWN

The cash-flow strain of a home loan in retirement motivates some to reduce or extinguish debt before or at retirement, often by sourcing capital.

The ABS Survey of Retirement and Retirement Intentions seeks views from those 45+ on sources and uses of capital at retirement, including uses of superannuation lump sums if accessed. The most recent survey responses are provided below (Figure 7).

About 27.5% reported using a lump sum to pay off a home loan, buy a new home or undertake renovations. Together with other forms of debt reduction, these uses account for over half of lump sum withdrawals.

As observed in the Retirement Income Review:

“People who take lump sums have low balances and do not have enough wealth to be affected by Age Pension means testing. These people were most likely to spend their lump sum on their home, including paying down mortgage debt.”¹⁹

2.5 Key insights from this section

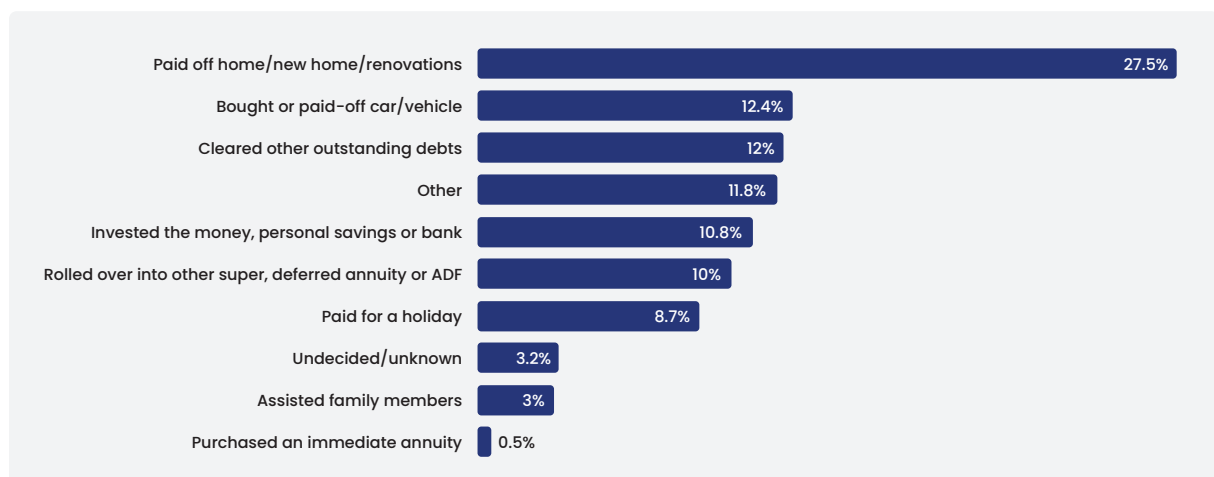
Outstanding housing debt approaching retirement in Australia is no longer unusual in nature or trivial.

Economic and societal shifts have resulted in the median age of extinguishing housing debt converging toward the median age of actual retirement for homeowners.²⁰

Thus, for roughly half of homeowners, carrying housing debt at or into retirement is now a possibility.

On current trends, more Australians will reach retirement with consequential housing debt balances, with implications for the broader retirement income system, including how accumulated superannuation is used at the point of retirement.

Figure 7: Main uses of super lump sums



Source: Author's calculation from ABS Cat 6238.0 (Retirement and Retirement Intentions, 2022–23).

¹⁹ Treasury (2020), Retirement Income Review Final Report at page 427.

²⁰ Noting that the RIR found that only about one third of retirees retire voluntarily at a time and age of their choosing. More often, unforeseen circumstances (such as health events, job loss or carer responsibilities) intervene to accelerate the timing of retirement for very many Australians.

SECTION 3:

The Interplay between Housing, Superannuation and the Age Pension

3.1 The 'three pillars' model of Australia's retirement income system

It is broadly acknowledged in policy circles that Australia's retirement income system is based on three key pillars, these being:

- **Pillar 1:** A means-tested Age Pension;
- **Pillar 2:** Mandated employee superannuation (i.e. the Superannuation Guarantee); and
- **Pillar 3:** Voluntary savings, including additional super contributions, home ownership and other financial assets.

The Retirement Income Review depicted the three pillars model²¹ (see below).

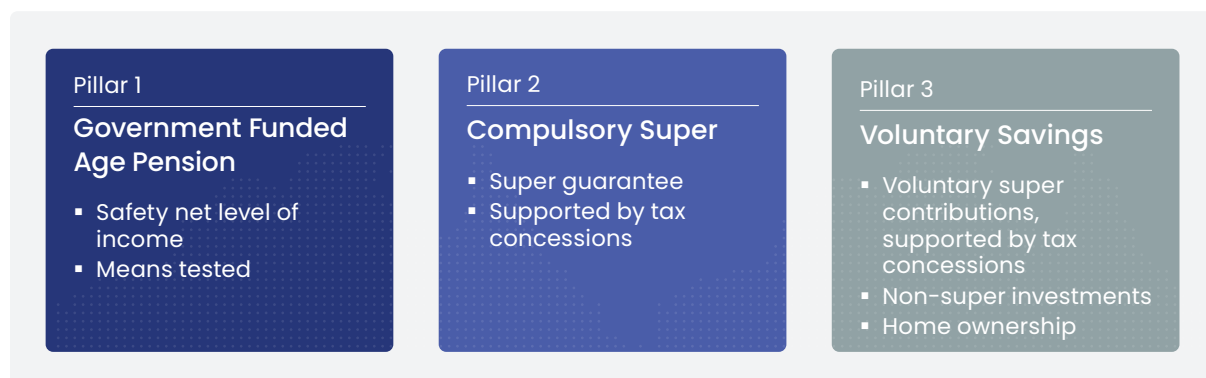
Australia is said to have an 'asset-based welfare system', insofar as the policy presumption is that most Australians will be debt-free homeowners at the point of retirement.²² This assumption is reflected in the relatively modest rate of the full Age Pension, on the presumption that

housing costs will be significantly lowered in retirement due to the 'imputed rent' that comes with debt-free home ownership.

It is also reflected in other policy spheres, most notably in prominent 'retirement budgets' that have until recently assume debt-free home ownership in retirement.²³

While the RIR placed owner-occupier property in the 'other' sub-bucket of Pillar 3, the family home dominates the median older Australian household's balance sheet, both in terms of assets and liabilities.

Consigning it to a bit player in the broader retirement income system is to underplay the important role home ownership has for median retirees across several domains: from psychological wellbeing in retirement to its financial equivalent.²⁴



²¹ Retirement Income Review, Consultation Paper, November 2019.

²² Doling, J. and Ronald, R. (2010) 'Home ownership and asset-based welfare', Journal of Housing and the Built Environment.

²³ The most widely cited, the ASFA Retirement Standard, was first created about 25 years ago by the Association of Superannuation Funds of Australia in collaboration with researchers at the University of NSW, where the two budgets (originally called Comfortably Affluent and Sustainable – now 'Comfortable', and Modest but Adequate – now 'Modest') presumed unencumbered home ownership in retirement.

²⁴ For example, a 2019 AHURI report points to higher stress burdens for retiree mortgagors relative to mortgage-free retirees ['Mortgage stress and precarious home ownership: implications for older Australians'].

3.2 Housing as a distinct fourth pillar of retirement security

Given the dominance of housing on the median near-retiree couple's financial resources relative to superannuation (broadly \$800,000 versus \$400,000 for today's 60 – 64 cohort), it could be argued that housing should be its own distinct pillar of the retirement income system.

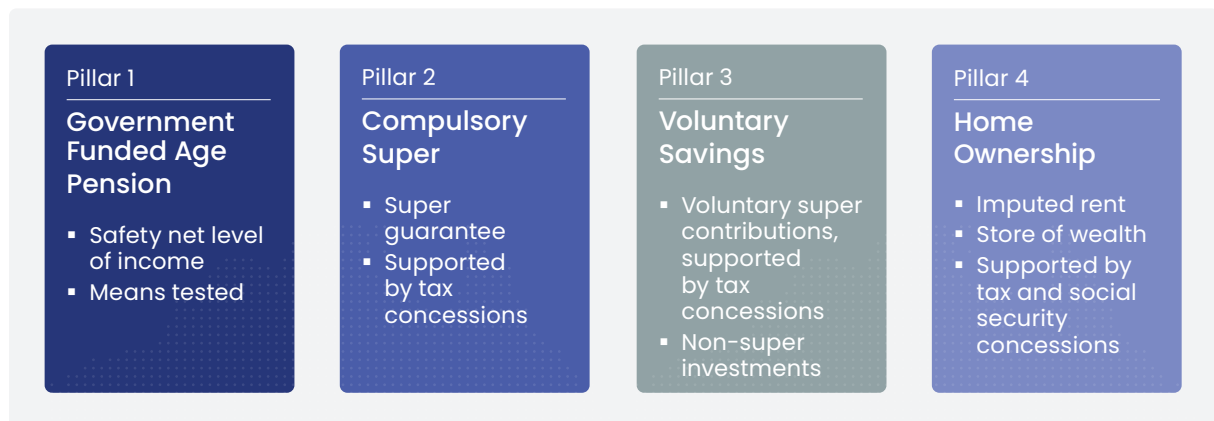
By way of precedent, the National Housing Supply and Affordability Council noted in 2024 that:

“Housing serves as a tradeable asset and a means of accumulating wealth. Housing is the greatest store of intergenerational wealth for a majority of Australians and is considered by some as an unofficial fourth pillar of the retirement income system (alongside the age pension funded by the Australian Government, compulsory superannuation and voluntary savings).”²⁵

Similar observations were made in the Retirement Income Review, with the 2019 consultation paper noting that:

“Most wealth for individuals aged 65 and over is held outside the superannuation system, with owner-occupier dwellings the largest asset for these cohorts. Outright home ownership supports retirement income by reducing ongoing expenses and acts as a store of wealth that can be accessed at retirement.”²⁶

Given these authoritative views, and considered through a lifetime consumption lens, it could be argued that the true pillars of Australia's retirement income system are as depicted below.



²⁵ National Housing Supply and Affordability Council (2024), 'State of the Housing System'.

²⁶ Treasury, Retirement Income Review (2019), 'Consultation Paper – November 2019'.

Super Funds, the Retirement Income Covenant (RIC) and Housing

With the introduction of the RIC in July 2022, Registrable Superannuation Entities now have a legal obligation to assist members who are either approaching or in retirement. Specifically, APRA-regulated super funds are required to help members achieve and balance three retirement objectives:

- maximise their expected retirement income;
- manage expected risks to the sustainability and stability of this retirement income; and
- to have flexible access to expected funds during retirement.

The key requirement for funds under the RIC is to formulate and give effect to a retirement income strategy that balances the three overarching objectives above.

The retirement income strategy itself must be a governance document that details how the trustee intends to balance these objectives, given the particular characteristics of relevant members (those that are approaching or already in their retirement years).

A key part of the RIC obligations is the requirement for RSEs to conduct cohort analysis to determine whether differing retirement income strategies should be applied to 'sub-classes' of beneficiaries.

Amongst examples of factors that trustees can use to determine sub-classes are **"homeownership status, specifically whether the beneficiary's property is owned outright, with a mortgage, or if the beneficiary is likely to be or is renting in retirement."**²⁷

Findings from joint APRA/ASIC reviews of RIC implementation in 2023 and 2024 suggests that RSE licensees are struggling to understand members' financial positions. Of the factors captured by RSE licensees when determining 'retirement income', few capture non-super assets, and where home ownership status was captured, it is not clear whether balances on any corresponding housing debt were similarly captured.²⁸

The latest update from ASIC and APRA suggests a level of divergence in how well RSEs are implementing retirement income strategies, three years on from the commencement of the RIC, with the emergence of retirement income 'leaders and laggards'.²⁹

As to what better practice in RIC adherence might entail, the factors set out on the following page (Table 1) are relevant for RSEs who wish to be amongst the former rather than the latter.

²⁷ Corporate Collective Investment Vehicle Framework and Other Measures Bill, 2021, Explanatory Memorandum – Chapter 17 at 17.31.

²⁸ ASIC/APRA 'Information report – Implementation of the retirement income covenant: Findings from the APRA and ASIC thematic review', Australian Government, July 2023 p 10.

²⁹ Professional Planner, Leaders and laggards in retirement income responses 'a real problem': APRA, ASIC, published 13 August 2025, <https://www.professionalplanner.com.au/2025/08/leaders-and-laggards-in-retirement-income-responses-a-real-problem-regulators/>.

Table 1: Important Factors in the Data Collection Process

Factor (data type)	Reason
Balances held in other super accounts	To gain a more accurate assessment of the member's aggregate super assets at the forecast point of retirement.
Partner status	Combined income earning capacity accelerates the rate of household wealth creation.
Partner's super balance(s)	Allows for modelling of prospective combined superannuation at the forecast point of retirement and therefore forecast household retirement income.
Financial assets held outside of super (household level)	Given ABS data of non-super household financial assets currently circa \$3 trillion in aggregate, understanding the member's household position is relevant.
Home ownership status	Unencumbered home ownership alters retirement income needs (reduces cashflow directed to housing) and creates a store of wealth that can be accessed if required. Conversely, members who are forecast to be renters at the point of, and into, retirement may need differentiated guidance, assistance, and support.
Housing debt outstanding	If "yes" to the above factor, then any housing debt balance is relevant, given the evidence of the quantum of housing debt now being carried into the sixties, and the propensity for members to make lump sum withdrawals at the point of retirement to, inter alia, pay down or extinguish such debt.

Source: Chemay, H (2024) – Submission to Treasury on the retirement phase of superannuation.

The retirement phase of superannuation will continue to grow in importance as the remaining Baby Boomer cohort enter retirement, together with the oldest of Generation X reaching preservation age from 2025 onward.³⁰

APRA-regulated assets in pension phase products currently are under \$600 billion (less than 20% of total system assets in APRA-regulated funds), however that is expected to increase rapidly as more Australians approach retirement with more superannuation wealth.

The prevailing industry view is that most members will reach the point of retirement as unencumbered homeowners, having extinguished their housing debt prior through 'take-home pay'.

The presumption that follows is that retirees face neither housing debt repayments nor rental obligations in retirement. Data presented in sections 1 and 2 suggests this to be a shaky assumption on which to now develop retirement income strategies for demographically diverse memberships.

Trustees who fail to account for these developing dynamics, and to adjust their RIC-informed solutions accordingly, may inadvertently misguide relevant members in respect of their prospective retirement outcomes.

³⁰ Chemay, H (2025), 'Is Gen X ready for retirement?', Firstlinks, 26 February 2025, <https://www.firstlinks.com.au/is-gen-x-ready-for-retirement>.

SECTION 4:

Reframing Housing's Role in Retirement



Given housing's primacy for the median retiree, it is worth assessing its role in smoothing consumption over the lifecycle.

From an asset perspective, should the family home be treated chiefly as an estate asset whose value (net of estate/sale costs) is ideally transferred to beneficiaries?

Research reveals a variety of views, with some evidence pointing to the importance of housing in bequest motives. Other evidence suggests older Australians are more agnostic on the matter, comfortable that heirs receive whatever remains after later-life needs (e.g., residential aged care) are met.³¹

Alternatively, should the home be a social-security-friendly *precautionary savings vehicle*; a low-tax source of capital if needed? Exemptions from capital gains tax and the Age Pension assets test strongly encourage holding later-life wealth in the principal residence, especially for low-to-middle-wealth households.

And finally, there is a nascent but growing view that housing should be considered holistically, alongside superannuation, to smooth consumption for selected cohorts while balancing Age Pension optimisation, aged-care planning and bequests.

We now consider the issues pertinent to developing this third limb further.

³¹ For an overview of evidence for and against bequests, see Box 5A-4, page 436 of the RIR Final Report.

4.1 The problem with housing debt at retirement

The existence of later-life debt impacts on retirement through three main channels:

CASHFLOW STRESS

Home loan repayments divert income from other consumption. ABS data from 2019–20 suggests that while average weekly housing costs for all Australian households was \$317, the costs for owners without a home loan was \$54, while it was ~800% higher at \$493 per week for those still indebted.³²

SUPERANNUATION WITHDRAWALS

Some households make super lump sum withdrawals to extinguish housing debt at retirement, reducing balances available to commence pensions. HILDA data suggests that of male retirees who withdrew at least some of their super (for persons who retired between 2015 and 2019), **\$108,428, or 43%, of the mean super balance was withdrawn**. For women, the relevant figures were \$78,092 and 47% respectively.³³

AGE PENSION INTERACTION:

Home loan discharge funded by super can reduce a household's assessable assets and result in a higher (or full) Age Pension, providing a significant incentive to do so for income-constrained retiree households. One such scenario might be a homeowning surviving spouse facing the prospect of a cut in Age Pension, from couples to single rate, while expenses remain broadly unchanged.

4.2 Expanding the sources of retirement income

Sections 1 and 2 demonstrate how financial resources vary markedly across retiree-age Australians.

In practice, retiree households can generate income from several non-employment sources:

- Age Pension (social security);
- Account-based Pension (from an APRA-regulated fund or a SMSF);
- Investment Income (direct share dividends, managed fund distributions, property rental);
- Lifetime Income (super/non-super annuity or DB lifetime pension); and
- Home Equity Release.

Reliance on each source differs by circumstances and preferences. Many lower-income retirees, and a meaningful share of those who do not own a home at retirement, depend predominantly on the Age Pension. The RIR found that around half of retirees receive at least 80% of their income from the Age Pension, and 62% of age pensioners were on the maximum rate in 2019.

Around the middle of the distribution, the typical retiree household in 2017–18 reported equivalised income of about \$521 per week (roughly \$27,000 a year), mostly from the Age Pension with modest supplements from superannuation and investments.

At higher wealth levels, superannuation pensions and non-super investments play a larger role, while reliance on social transfers diminishes.

For home-owning households, the ability to responsibly access a portion of housing wealth can help meet retirement expenses, smooth consumption, and raise living standards above what would otherwise be feasible without selling the family home.

³² ABS, Housing Occupancy Costs, 2019–20 financial year (released 25/05/2022): <https://www.abs.gov.au/statistics/people/housing/housing-occupancy-and-costs/latest-release#housing-costs> Housing costs are defined as the sum of rent payments, rate payments and housing debt or unsecured loan payments (if the initial purpose of the loan was primarily to buy, add, or alter the dwelling).

³³ HILDA, 2021, Selected Findings from Waves 1 to 19, pages 44 – 45.

4.3 Pathways to unlock home equity

The Retirement Income Review acknowledged the family home as important to retirement outcomes. The OECD likewise concluded that home equity release products can improve retirement outcomes when designed and communicated well.³⁴

RIR modelling shows even small draws on home equity can substantially raise retirement incomes. For example, using the former Pension Loans Scheme (now the Home Equity Access Scheme) to add \$5,000 to annual income increases the replacement rate of the median earner by 10% while retaining about 75% of home value at age 92 for a house worth \$500,000 at retirement.³⁵

Retirees with higher value homes would maintain even higher proportions of home equity while still benefiting from significant improvements in replacement rates.

Under the RIC and APRA's guidance on member outcomes and strategy, trustees should **consider all assets reasonably expected to support retirement**: super balances, Age Pension entitlements, liquid savings, and housing equity.

Integrating these pillars in modelling/advice can materially improve adequacy for middle-wealth households with modest super but substantial home equity. The next section looks at the key methods by which older Australians can access some capital from their homes without selling, downsizing or moving out.

³⁴ OECD (2024), OECD Pensions Outlook 2024: Improving Asset-backed Pensions for Better Retirement Outcomes and More Resilient Pension Systems, page 144.

³⁵ Retirement Income Review (2020), Final Report, Chart 2C-17 at page 183.

Downsizing as a form of equity release

Downsizing is selling one's home at or in retirement to change size, type, location or living arrangement. A survey conducted by the Centre for Excellence in Ageing Research (CEPAR) sought to uncover the motivators for people over 55 in downsizing.³⁶

The top five reasons given by respondents were:

1. The property was too large;
2. The move enabled closer proximity to family;
3. The move was a lifestyle preference;
4. The garden was becoming increasingly difficult to maintain; and
5. To alleviate financial stress.

The top two accounted for some 35% of primary responses. Older people regretted downsizing less than those who moved earlier; half of older women chose to age in place, many living alone. Health concerns often prompted change. A 2014 study by the Australian Housing and Urban Research Institute (AHURI) separately found that those who downsized generally did so from three- and four-bedroom dwellings to two- and three-bedroom dwellings, many into retirement villages.³⁷

Both CEPAR and AHURI concluded that there is a general preference amongst older homeowners in Australia to 'age in place' in retirement, with AHURI noting that:

"The reality is, however, that the majority [of older Australians] are likely to continue to remain living in their larger suburban homes for as long as possible."

The Retirement Income Review noted that limited downsizing reflects economic disincentives: transaction costs (such as stamp duty) and the main-residence asset-test exemption for the Age Pension. The latter can encourage middle-wealth households to hold more wealth in illiquid bricks and mortar to maximise Age Pension eligibility, rather than downsize and allocate freed-up capital to fully means-tested financial products.

To incentivise downsizing, the 'downsizer super contribution' was introduced in July 2018, allowing homeowners aged 65-plus (now reduced to 55-plus) to contribute up to \$300,000 of the sale proceeds of a dwelling, owned for at least 10 continuous years, into superannuation, exempted from normal contribution caps (so up to \$600,000 for a couple).

Take-up has been modest, with ATO data showing 78,600 individuals having made downsizer contributions totalling \$19.9 billion between 2018 and 2024.

These rules tend to work better for wealthier households who can downsize while remaining in (or near) the same locale with access to quality multi-dwelling housing stock, thus retaining social and service provider networks, as well as known local amenities.

³⁶ CEPAR (2019), 'Housing in an ageing Australia: Nest and nest egg?', CEPAR Research Brief.

³⁷ Judd, B., Edgar, L., Easthope, H., Davy, L. and Bridge, C. (2014), 'Downsizing amongst older Australians', AHURI Final Report No. 2014.

SECTION 5:

Home Equity Release for Later-life Consumption Smoothing



Home equity release encompasses solutions that allow older homeowners to access the equity in their home without selling or moving.

These products are increasingly relevant as populations age amid rising property prices and cost-of-living pressures, leaving many retirees **asset-rich but cash-poor**, with significant net wealth tied up in an illiquid, non-cashflow-generating asset.³⁸

Home equity release can supplement retirement income, meet one-off or irregular expenses, or retire debts, enabling access to housing wealth while continuing to live in the dwelling.

The market has evolved beyond the historic options of **downsizing**, doing nothing, or taking out short-term loans with principal and interest repayments.

Today, commercial **Home Equity Release** products (sometimes referred to as 'Equity Release Products') are primarily **debt-free equity release schemes and reverse mortgages**, which allow seniors to borrow against, or sell a share of, their home equity, typically with no regular repayments required.

³⁸ It could be argued that a principal residence is a negative cashflow-generating asset, insofar as ownership results in recurring expenses such as ad valorem council rates, home insurance premiums and water/sewage rates.

5.1 Product types and structuring

Australia's home equity release products come in a few distinct forms, each with different features, structures and implications for homeowners.

HOME EQUITY ACCESS SCHEME (HEAS)

The HEAS is a government-run loan scheme for eligible older Australians.

Previously called the Pension Loans Scheme, the HEAS allows Australians of Age Pension age or older to access a government loan secured against home equity. Eligible applicants can borrow against home equity and receive fortnightly income or a lump sum, within specified limits.

The interest rate is low (3.95% p.a. at present), compounding fortnightly on the loan balance until repaid. Borrowers can choose the amount of pension top-up (capped so that the loan plus pension doesn't exceed 150% of the full pension rate).

The debt is repaid upon sale of the home, permanently vacating the home, or earlier at the borrower's discretion. Changes in 2019 and 2021 broadened eligibility and awareness, with approximately 17,000 HEAS contracts active as of June 2025.

DEBT-FREE EQUITY RELEASE SCHEMES

In a debt-free equity release product, the homeowner **receives an amount upfront (either as a lump sum or periodic payments)** in return for granting the provider a contractual right to a share of the property's eventual sale proceeds.

These schemes are **not loans**; no interest is charged, and no debt compounds. Instead, the provider's contractual right entitles it to a future percentage of the sale proceeds.

Common uses of these facilities include home repairs, extinguishing debts including home loans, covering unforeseen household or medical costs, and assisting family members.

The provider's future share is larger than the initial cash amount advanced. This 'discount' reflects the market risk the provider takes on the unknown future property value, the cost of funding over an unknown term, and the value to the homeowner of retaining a life interest.

For example, a homeowner might receive (hypothetically) 20%–30% of their home's value in cash now, in return for, say, a 40–50% share of the sale price when the home is eventually sold decades later.

The sole established provider of debt-free home equity release in Australia, Homesafe Solutions Pty Ltd, offers Homesafe Wealth Release [insert R symbol] which includes an "early sale rebate" mechanism, if the house is sold in the early years of the contract. The percentage of the sale proceeds received by the provider on sale may be reduced by the operation of a rebate calculation; the earlier the sale the larger the rebate.

With Homesafe Solutions Pty Ltd, the **homeowner remains the full legal owner** (the provider's interest is contractual), and the occupant has a guaranteed right of occupancy in the property for life, including the right, with approval, to lease the property if no longer residing in it, for example moving into aged care.

The Homesafe solution is a **property transaction, not a credit contract**. It is therefore governed by state property law and related consumer protections rather than national credit laws. This model thus may be more suitable to those who **do not want to take on housing debt** in retirement. Homesafe Solutions Pty Ltd requires homeowners to have legal representation in proceedings, to ensure that both parties to the agreement are aware of their rights in respect of the contractual arrangement.

Currently, Homesafe Solutions Pty Ltd is the only significant provider of this form of funding in Australia, making debt-free equity release a niche area of the domestic home equity release market. While some debt-free equity release products in other jurisdictions allow for proceeds to be taken as either a lump sum or a periodic cashflow, the current Homesafe product is lump sum focussed.

REVERSE MORTGAGES

A reverse mortgage is a **loan secured against the home** that does not require regular repayments.

Borrowers must be over a certain age (typically 60). Available loan amounts are capped by age; around 20% of property value at age 60, scaling up to 30%+ for ages 70–80. Funds can be taken as a lump sum, a line of credit or a regular income stream.

Interest accrues (typically at a variable rate, often 2.5 – 3.5 percentage points above standard home loans). The debt is generally repaid when the property is sold, when the borrower permanently vacates the property, or at any earlier time at the borrower's discretion.

Compounding can increase the balance substantially over time, particularly where interest rates rise, due to the lack of repayments accelerating the capitalisation of interest.

All modern Australian reverse mortgages include a No Negative Equity Guarantee (NNEG), limiting liability so borrowers (or their estate) cannot owe more than the home's sale value.

Reverse mortgages are governed by the National Consumer Credit Protection laws. Lenders must request that prospective borrowers seek independent advice on product suitability before contract execution.

5.2 Home equity release market size

The Australian home equity release industry is modest but growing steadily.

As of March 2025, aggregate outstanding **commercial reverse mortgage** loan balances were approximately **\$4 billion**.³⁹

Demand is supported by retirees seeking to improve living standards, meet higher costs and manage unextinguished home loans, as housing wealth has appreciated while providing no corresponding cost-of-living relief.

Market penetration, however, remains low relative to its potential, given that households 60 and over hold some \$3 trillion (or almost 25%) of the near \$12 trillion in Australian housing wealth⁴⁰

This implies significant room to expand, as greater awareness of home equity release offerings could help retirees unlock their housing wealth to increase financial security in retirement.

³⁹ APRA Quarterly ADI Exposures.

⁴⁰ Based on ABS (2019–20) Household estimates, Housing Occupancy and Costs.

5.3 Structural impediments to growth

In the right circumstances, home equity release can materially improve retirement outcomes.

Cameo modelling by the Retirement Income Review suggested that using a relatively small portion of home equity via the (then) Pension Loans Scheme could have improved the annual replacement rate of the median earner by 10 percentage points.⁴¹ It then went on to note that:

“The existence of many ‘asset rich, income poor’ retirees on the Age Pension suggests home equity release has significant potential to help support retirement incomes.”⁴²

So why has Australia’s home equity release sector been through a period of stasis, from which it now appears to be emerging? Some of the key reasons are discussed below.

CONSUMER PREFERENCES

There appears to be a preference by homeownership retirees not to access wealth accumulated in the family home, with a Productivity Commission study in 2015 finding that people tend to deplete their personal savings very slowly in retirement, and in the case of property wealth, may even continue to accumulate wealth well into later-life.⁴³

As discussed in section 4, this may reflect viewing the family home as central to estate distribution or the desire to maintain precautionary savings for as long as possible. There may also be psychological aversion to re-incurring debt via reverse mortgages where a prior housing debt has been extinguished.

However, the Productivity Commission also noted shifting norms: younger retirees are more accepting of debt given higher lifetime mortgages (see section 2) and appear to place less emphasis on bequests. It concluded that:

“although this generational shift will occur slowly, it will likely have a positive effect on demand for ERPs [equity release products] in the long term.”⁴⁴

PRODUCT COMPLEXITY AND LACK OF INFORMATION

The long-term nature of equity release and the varied allocation of risks between provider and homeowner make products hard to understand and compare for older Australians.

The Productivity Commission acknowledged that part of the problem is that consumers rarely have the opportunity to learn about equity release products, because the major banks are no longer involved in the space directly.

The Commission suggested that equity release providers could partially address these barriers through **greater investment in promotion, education of financial planners and other consumer finance channels**, while government could develop a more principles-based approach to regulation for all equity release products.⁴⁵

⁴¹ Treasury, Retirement Income Review, Final Report, Chart 2C-20, at page 183.

⁴² Ibid, at page 436.

⁴³ Productivity Commission (2015), ‘Housing Decisions of Older Australians’, Research Paper, December 2015.

⁴⁴ Ibid, page 154.

⁴⁵ See Productivity Commission (2015), Housing Decisions of Older Australians research paper at page 161.

INTERACTION WITH OTHER POLICY AREAS

Means-testing for the Age Pension motivates retention of wealth within the non-asset-tested family home.

When home equity is converted into means-tested assets or income, entitlements may be reduced. Consequently, many equity-release users draw relatively small amounts to fund non-means-tested spending (e.g., home improvements or living costs).⁴⁶

DIFFERENTIATED RISK SHARING

Understanding how HER products share risk is another barrier.

In reverse mortgages, lenders price for funding over an indeterminate term and house-price risk, leading to higher rates than standard principal-and-interest loans. Borrowers, in turn, face interest-rate risk (compounding balances), longevity risk (balances can grow if they live well beyond expectancy) and house-price risk (in extremis, equity may be eroded to NNEG activation).

Debt-free equity release shifts significant risks (house-price declines, interest-rate rises and longevity) to the provider. The countervailing factor is the upfront discount between the cash advanced and the provider's future share. Outcomes depend on property location, features and capital-gain prospects, which affect both the lump sum received and the end-of-agreement result.

It should also be noted that the only debt-free equity release product in Australia at present is Homesafe Wealth Release, currently available to homeowners in Victoria and New South Wales, where certain exemptions for state-based duties have been negotiated.

⁴⁶ Ibid, page 155.

SECTION 6:

A Household Balance Sheet Approach to Retirement



This white paper has outlined the financial circumstances of older Australians approaching, or in, retirement. As set out in section 1, retirement has shifted markedly over the past four decades; with individuals retiring later and with more superannuation wealth.

Section 2 showed that the household balance sheet at retirement looks very different today than it did twenty years ago. A significant increase in property prices relative to incomes has seen residential property dominate other forms of household wealth, even as superannuation has matured.

For every dollar in superannuation, there are nearly three in residential bricks and mortar. Further, the amount of outstanding home loan debt now nearly matches the entirety of assets held within the APRA-regulated subset of the superannuation system.

Indebted older Australians therefore face a new challenge; optimising their retirement affairs such that the debt component of their household balance sheet does not impinge on their wellbeing in retirement.

6.1 Reframing the mental model of retirement

The dominant retirement model assumes super grows through working life then is converted to one or more income streams in retirement.

Evidence points to the median near-retiree couple (in the 60 to 64-year-old cohort) accruing approximately \$400,000 in super prior to retirement at present. Such a capital pool would not easily support a super pension of \$50,000 per annum, the approximate median disposable household income for those aged 65 to 74, for any extended period.

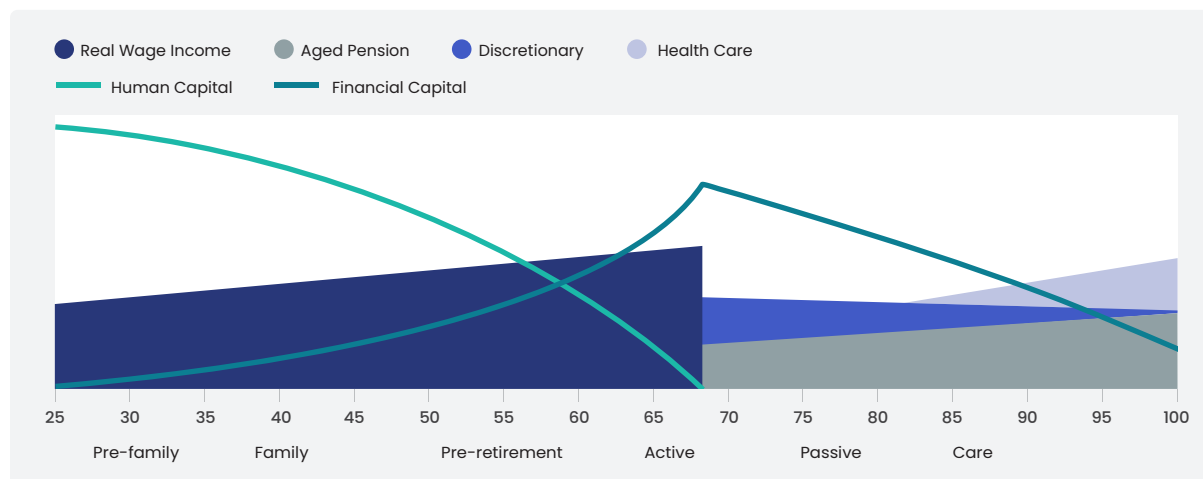
The Age Pension, currently around \$46,200 a year for a couple on the full rate, bridges much of the gap between income-generating assets and disposable income for the median retiree.

The latest Intergenerational Report notes that in 2022–23 about 64% of those over eligibility age received the Age Pension, and that recipient numbers are expected to double to around 9 million by 2062–63, with the share on the full rate falling from 60% to 40%.⁴⁷

Given its importance for median retiree households, Pillar 1 typically covers the core (non-discretionary) elements of the consumption budget (Figure 8). We also highlight later-life healthcare costs (in mauve), which for some can produce a ‘V-shaped’ expenditure pattern.

Alongside the Age Pension, another asset warrants consideration for smoothing retirement consumption but has often been absent from the conversation; home equity.

Figure 8: **The Financial Lifecycle**



Source: Author's adaptation and extension of Milliman.

⁴⁷ Treasury, Intergenerational Report 2023, Australia's future to 2063, page 168.

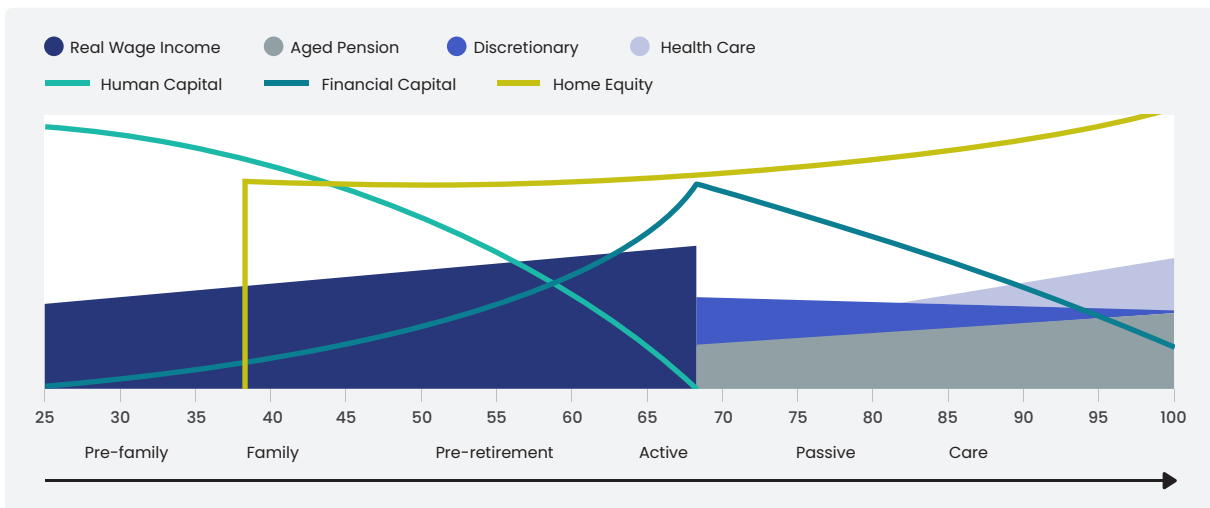
6.2 Bringing the family home into the wealth picture

While a median near-retiree couple might approach retirement with about \$400,000 in super, if they are homeowners their dwelling may be worth between \$750,000 and \$1.2 million.

Including the main residence in the lifecycle discussion clarifies its role on the household balance sheet and its potential to assist financially in retirement.

The chart below (Figure 9) brings the main residence into view, shown as a light green line that joins the lifecycle consumption journey in the mid-to-late 30s and then gradually increases in value.⁴⁸

Figure 9: **The Financial Lifecycle, including Housing**



Source: Author's adaptation and extension of Milliman.

⁴⁸ For ease of communication, it is assumed that only one property is held throughout a lifecycle. It is also acknowledged that the value of said property will be variable in the short term, and that there is no guarantee that it will be worth more (in real terms) at retirement than the price at which it was acquired.

6.3 Dealing with growing debt – a retirement challenge

To reflect the median household today, we must also consider housing debt, its impact on retirement readiness, and likely trends.

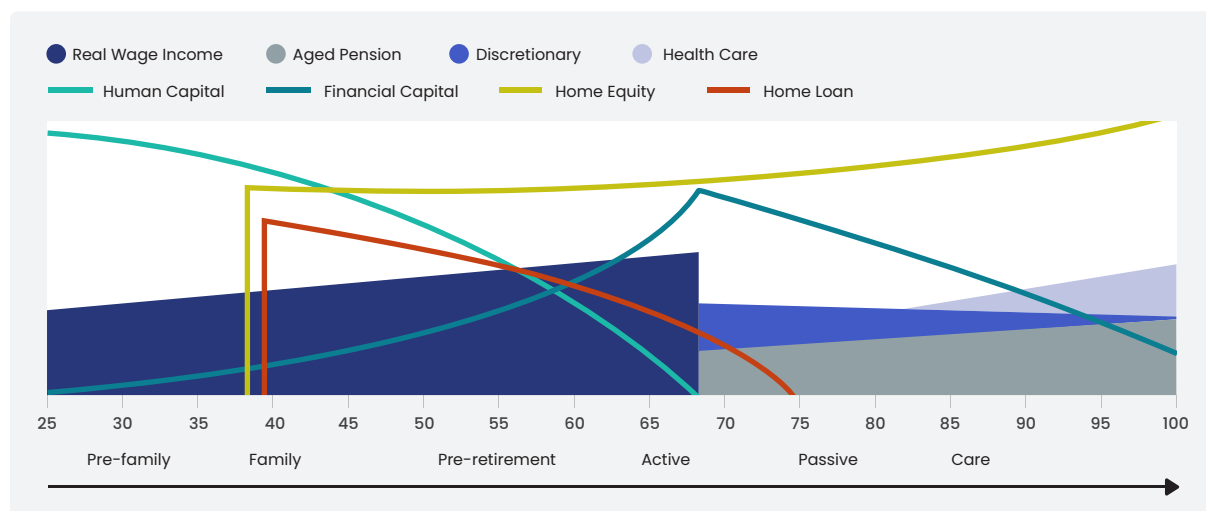
The schematic below (Figure 10) introduces housing debt as a loan taken with the purchase of the main residence. The red element captures this home loan, typically a set proportion of purchase value (often 80%), amortised on principal and interest and extinguished over 25 to 35 years.

The dominant paradigm in retirement income thinking assumes households retire debt-free, having repaid a home loan from employment income. Financial capital can then be directed to replacing wages, producing, alongside part/full Age Pension, an income sufficient to meet consumption preferences.

That model better fits households in higher wealth deciles. For middle deciles, retiring housing debt-free is increasingly difficult. Grattan Institute analysis shows income poverty rates of 11% for outright homeowner retiree households but 25% for retiree households with a home loan.⁴⁹

A better approach would view retirement through a total household balance sheet lens.

Figure 10: **The Financial Lifecycle, including Housing and Housing Debt**



Source: Author's adaptation and extension of Milliman.

⁴⁹ Grattan Institute (2025), Renting in retirement: Why Rent Assistance needs to rise, Figure 1.4 page 10.

6.4 A total balance sheet approach to retirement consumption smoothing

Retirement planning should ideally be envisaged as a balance sheet and cashflow matching exercise. A retiree household has assets and faces liabilities that represent consumption.

There is typically a base cashflow requirement (core, sustainable lifestyle) and a higher, discretionary level of consumption (preferred lifestyle). Various assets support these consumption levels differently.

The Age Pension may cover most or all of a sustainable lifestyle, while income and/or capital drawings from superannuation and investments fund the preferred lifestyle (Figure 11).

Where a gap persists between desired consumption and what financial assets (including the Age Pension) can deliver, homeowning households can either trim consumption or turn to their other major asset, the main residence, via one of the home equity release (HER) solutions discussed in section 5.

OPTIONS FOR HOUSING DEBT CARRIED INTO RETIREMENT

If a home loan remains outstanding in retirement (the grey segment in Figure 11), households have the following options.

They can continue servicing the loan, which may be sensible if the remaining term is short, rates are low, or repayments are manageable within the budget.

Alternatively, they can withdraw capital from financial assets to extinguish the loan, reducing expenses immediately but lowering financial wealth. As section 4 noted, many retirees appear to use lump sum super withdrawals to pay off or pay down housing debt.

A third approach might be to access home equity to reduce or retire the debt while preserving financial assets. Using a home equity release solution to retire debt might allow more wealth to remain in the tax-exempt pension phase of super and continue compounding.

Whether extinguishing debt this way, rather than with super, improves a household's position depends on factors such as:

- each partner's accrued superannuation;
- housing equity versus outstanding debt;
- prospective super (or pension) returns versus current/prospective loan interest rates⁵⁰; and
- the nature of the equity release product considered (for example, who wears the interest rate, longevity and house price risk).

A simple case study illustrates the household cashflow impact of these alternatives.

Figure 11: **An Asset-Liability Approach to Retirement**



Source: Chemay, H (2014).

⁵⁰ Where a credit-style home equity arrangement is used, such as a reverse mortgage.

6.5 A case study of debt management in retirement

John and Joan Citizen, both 67, are about to retire. Together they've saved \$420,000 in superannuation, with modest personal assets of less than \$50,000. Based on their means-tested assets and income, they will qualify for the full Age Pension once they stop working.

Their biggest challenge is their home loan. Fifteen years ago, they bought their current home with a \$350,000 housing loan. After making only the minimum repayments – currently \$2,290 a month – the outstanding balance is still just over \$200,000. While the debt remains, their home is now worth \$1.5 million.

At present, with a combined income of \$154,000 (John works full-time and Joan part-time), the loan absorbs about 22% of their take-home pay. But retirement changes everything. Once they stop working, their Age Pension will provide around \$46,200 a year (\$3,850 a month) tax-free. Even when combined with the minimum drawdown from their super pensions, nearly 40% of their retirement income would be swallowed up by loan repayments.

To secure a better future, John and Joan consider two options:

1. Withdrawing \$200,000 from super to clear the housing debt; or
2. Preserving their super and using a Home Equity Release (HER) product to pay out the loan.

The table below (Table 2) sets out the cashflow consequences.

Using super to clear the debt frees up about \$1,460 a month in discretionary income – a 44% lift. But if they instead keep their full super intact and turn to a HER solution to clear the housing debt, their discretionary income rises by almost 70%.

For John and Joan, the HER option means more income to enjoy their retirement, while keeping their superannuation invested for longer. From a cashflow perspective, it creates a clearly superior retirement outcome.⁵¹

Table 2: Cashflow consequences

		All Super to ABP, Service Loan	\$200,000 Super to Payoff Loan	\$200,000 HER to Payoff Loan
	Combined Age Pension (p.a.)	\$46,200	\$46,200	\$46,200
plus	Combined Account-based Pension (p.a.)	\$21,000	\$11,000	\$21,000
equals	Total Household Income (p.a.)	\$67,200	\$57,200	\$67,200
	Total Household Income (p.m.)	\$5,600	\$4,767	\$5,600
less	Loan Repayments (p.m.)	\$2,290	\$0	\$0
equals	Total Household Discretionary Income (p.m.)	\$3,310	\$4,767	\$5,600
	Uplift in Discretionary Income (%)	—	44%	69%

⁵¹ This case study does not take into account the characteristics of the HER product used, nor of the pricing, discount or risks unique to that particular type of HER scheme over the term of use.

Concluding Comments

Retirement planning is hard. Helping individuals achieve quality outcomes over an indeterminate retirement horizon with multiple variable uncertainty (household-level inflation, changing consumption preferences, asset price movements & correlations) is exceedingly difficult. The risks to retirement are numerous and cannot be fully hedged.⁵²

While longevity risk has dominated the super sector's focus in recent years, another risk is now entering the conversation⁵³; housing tenure risk, **the risk of being a renter or a debt-encumbered homeowner into retirement.**

Recognition of renter retirees has improved, with Commonwealth Rent Assistance increasing 45% since 2022. Further, and after some 25 years of assuming all retirees are debt-free homeowners, the most cited retirement standards have recently introduced a 'modest lifestyle (renters)' budget, an acknowledgment of the 20% of retirees who do not own the roof over their heads.⁵⁴

This 'modest lifestyle (renters)' budget is currently \$66,296 per year for couples, circa 33% higher than the 'modest lifestyle' budget and only about 14% below the 'comfortable lifestyle' standard, both of which presume debt-free homeownership.

But what about the growing proportion of households who do reach retirement as homeowners still carrying some home loan debt? These repayments, like rent, are similarly **a claim on retirement income.**

Australia's changing housing dynamics demand a retirement rethink. Framing it through a household balance sheet and cashflow lens highlights how rising home loan debt impinges on the retirement income system, and why new approaches to consumption smoothing are needed.

Improving member outcomes using a balance sheet approach

Trustees of superannuation funds have been required, since the introduction of the RIC, to balance a myriad of member interests, some of which appear to be at odds with others.

Obligations as between the Sole Purpose Test and the Best Financial Interests Duty on the one hand, and the requirements of the RIC, on the other, create tensions for trustees in executing their fiduciary duties.

Trustees may have traditionally seen their role through the narrow filter of duty limited to the member's beneficial interest in their fund, but the wider remit of the RIC, and clearly expressed regulatory expectations⁵⁵, are causing a rethink in how to assist members into and through retirement.

⁵² For a more detailed discussion on the issue, see Chemay, H (2024), 'What financial risks do retirees face?', Firstlinks, published 28 February 2024 at <https://www.firstlinks.com.au/financial-risks-retirees-face>.

⁵³ See for example Vanguard's latest "How Australia Retires" report, released 18 September 2025.

⁵⁴ ASFA Retirement Standards, effective the March quarter of 2025.

⁵⁵ See for example a recent speech given by the APRA Deputy Chair: <https://www.apra.gov.au/news-and-publications/apra-deputy-chair-margaret-cole-remarks-to-conexus-retirement-conference>.

A **total balance sheet** approach to member retirement readiness might help fund trustees to better deliver on their obligations in respect of the RIC. The following provides some suggested courses of action to do so.

FIT-FOR-PURPOSE TOOLS, CALCULATORS AND SELF-SERVE ASSISTANCE

As APRA and ASIC have noted, fund trustees are *“in control of the ‘choice architecture’, the decision-making environment, and the services, products and processes relevant to retirement income.”*⁵⁶

The co-regulators also noted that factual information, general advice and interactive tools can be beneficial to members who actively seek it, or wish to self-serve by inputting their own information or assumptions to explore future possible outcomes.

To that end, fund trustees might look toward a total balance sheet lens in developing their suite of self-serve tools, upgrading them to consider prospective housing equity and debt alongside superannuation and the Age Pension in member calculators and/or forecasting tools.

At present, few embedded superannuation calculators or retirement income projection tools ask users for their home loan circumstances. Fewer still take such information into account to consider if, at the point of retirement, some amount of accrued super might be withdrawn to pay off (or down) such debt.

Any such withdrawal clearly diminishes the retirement income generating ability of the residual super, which can be considered the Net Pension Generating Super. It is this NPGS which is the metric upon which future estimates of retirement income should ideally be based.

MAKE HOME EQUITY RELEASE PART OF RETIREMENT READINESS MEMBER EDUCATION

Fund trustees can also help members approaching retirement to understand their options for dealing with housing debt beyond merely continuing to service it in retirement or withdrawing their super to pay it off (or down).

For member cohorts that are identifiable as being homeowners, concepts of housing equity, housing debt, the interaction between the two in retirement readiness, and the availability of home equity release solutions should be incorporated into member engagement, communication and education strategies.

In this way relevant members can be armed with, at a minimum, sufficient knowledge to ask the right questions when planning for retirement, including of the potential to use some housing equity to improve their cashflow position in retirement.

COHORT SEGMENTATION FOR INDEBTED MEMBERS (NEAR OR IN RETIREMENT)

Under the RIC requirements, RSE licensees *“need to know enough about their membership profile to formulate an effective strategy”*, as noted by the regulators.⁵⁷

Trustees could use data analytics to identify those members most likely to hold housing debt approaching (or in) retirement, and tailor communications to assist or incorporate their needs into a distinct retirement income strategy as a specific sub-class of members.

In short, there is a lot that forward-thinking trustees can do today to help their members into retirement, even as the sector awaits the delivery of the balance of the *Delivering Better Financial Outcomes* legislative package. Adopting a household balance sheet approach would appear to be consistent with the objectives of the RIC, and very much in alignment with delivering better outcomes for retired members.

⁵⁶ APRA and ASIC (2023), ‘Information report – Implementation of the retirement income covenant: Findings from the joint APRA and ASIC thematic review’, page 14.

⁵⁷ Ibid, page 9.

Some notes on data sources and methodology

The primary source on household housing debt is the ABS Survey of Income and Housing (SIH), which collects data on income, net worth, housing and household characteristics. Earlier ABS income surveys were run in 1979, 1982, 1986 and 1990.

The SIH was annual from 1994–95 to 1997–98, conducted in 1999–2000, 2000–01 and 2002–03, and has been biennial since 2003–04, integrating with the Household Expenditure Survey every six years.

The last full SIH was 2019–20. The 2020–21 and 2021–22 surveys were cancelled due to COVID-19. Although a 2023–24 SIH release was expected, the ABS will not publish a 2025 release due to ‘data collection issues’⁵⁸.

As a result, the latest available SIH remains 2019–20 (released April 2022), with the next SIH (2025–26) expected from mid-2027.

This creates a material data gap on trends in housing debt by cohort. Nonetheless, there is robust research using the latest SIH microdata and evidence back to 1990.

This report therefore draws extensively on other ABS datasets and on the Melbourne Institute’s HILDA longitudinal survey to plug the SIH data gaps.

A detailed explanation of the ABS’s decision in respect of the SIH can be found on their website.⁵⁹

⁵⁸ ABS media release dated 17 July 2025: <https://www.abs.gov.au/media-centre/media-statements/survey-income-and-housing-results-will-not-be-released>.

⁵⁹ ABS, Survey of Income and Housing 2023–24 Review Report (released 12 September 2025) Survey of Income and Housing 2023–24 Review Report | Australian Bureau of Statistics.

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