

'Include home' in pension asset test

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A GOVERNMENT working paper has canvassed the option of including the family home in the age-pension means test.

This follows research which found Australian retirees were asset-rich, but income-poor, compared with those overseas.

The paper, published this month by the federal Families, Housing, Community Services and Indigenous Affairs Department, suggests the current policy of exempting the family home, which allows many more retirees to claim the pension, could distort and limit the choices Australians made with their wealth.

In future, "as superannuation schemes mature and the Australian aged enter retirement with a broader range of wealth holdings, it may be necessary to revisit the question of the special exclusion of their own home from the age pension asset test", the paper's author Bruce Bradbury wrote.

Last year, Treasury head Ken Henry proposed capping the value of homes that qualified for the means-test exemption, only to have the idea quashed by the Rudd government.

But Dr Bradbury, senior research fellow with the University of NSW Social Policy Research Centre, said many retirees ended up passing that housing wealth on to their adult children on their deaths, rather than releasing the funds earlier to improve their own living standards or to help their offspring earlier. "We should try to look at alternatives to that to give people more flexibility," he said. The paper also proposed the states offer concessions on stamp duty to help the elderly trade down to more modest housing and take some profit from their family homes.

It suggested the government take a stronger role in managing the risks of reverse mortgages, which allow retirees to borrow cash against the value of their homes.

The FaHCSIA funded Dr Bradbury's research and jointly agreed on the topic with centre staff. But National Seniors chief executive Michael O'Neill urged the government to flatly reject the paper's option on the pension means test.

"The consequence for people would be of such a magnitude that the campaign in place for the pension, for example, would pale into insignificance if any government were to take up that approach," he said.

Angry retirees won a pay rise of up to \$115 a fortnight after stripping off in the streets in 2008 to protest the inadequacy of the age pension.

A spokeswoman for Families Minister Jenny Macklin yesterday told The Australian the government would "not change longstanding policy that exempts the family home from the pension assets test".