

# Putting Housing Wealth to Work: The role of home equity in decumulation

*Judith A. Davey*

*Senior Associate*

*Institute for Governance and Policy Studies*

*Victoria University of Wellington*

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# Options for the use of housing wealth

Mobilise			Preserve	
<i>Sale</i>	<i>Intensify use</i>	<i>Use of Equity</i>	<i>For a rainy day</i>	<i>Inheritance</i>
Trade down	Share	Mortgage	Residential or home care	
Rent	Convert	Home reversion	Assistance to family	
Share	Build on	Reverse mortgage	Emergency use	
		Other options		

# The History of Equity Release Schemes in New Zealand

- *Helping Hands Loans* - Housing Corporation pilot scheme, November 1990
- Invincible Life Assurance Company RAMs, from 1991
- New schemes in 2000s several new schemes were introduced:
- Mainly reverse mortgage-based providing lump sums, annuities and line-of-credit

# Use of ER Funds

**Potential to provide greater financial security and improve the quality of life of older people through:**

- Supplementing NZS to allow a more comfortable lifestyle and to support social contribution and involvement
- Access to health services – speeding up access to elective surgery
- Housing quality - may be the only way for low-income home-owners to carry out house maintenance, renovation and adaptation
- Funding for services to support ageing in place
- Ability to help family members

**If these advantages are real, then why has take-up of equity release schemes been comparatively low in New Zealand and many other countries?**

# Deeply-held beliefs work against acceptance of equity release

- It is important to be debt-free
- A mortgage-free home is a strong aspiration and part of New Zealand “psyche”
- It is ‘nice’ to leave an inheritance for one’s children
- Older people are entitled to support from society through government - ‘It is my turn now’
- Suspicion of commercial equity release schemes

# Beliefs which may support to use of equity release in decumulation

- Older people should be independent
- they should use their housing wealth to help themselves and the decision is theirs
- Government support cannot be sustained in an ageing population
- There could be a trade-of between family care and inheritance

# Relevance to Policy – present and future

- Payment or part-payment for residential care
- Payment of home care costs
- Direct payment of health costs, especially hospital and surgical costs
- Payment of local authority rates
- Payment of long-term care and health insurance premiums
- Maintenance of national housing stock and adaptation of housing to assist ageing in place.
- Transfers within families and charitable donations

# Conclusions

- The future of home equity release depends on attitudinal factors - towards decumulation and inheritance- and the building of trust
- It is relevant to how responsibility will be shared between individuals, families and the state when numbers of very old people are much increased

*“While equity release can play a precautionary role, representing a store of value what can be drawn on when facing uncertain income and unanticipated expenditure in retirement, it should not be viewed as a substitute for adequate levels of retirement saving.”*