

INDUSTRY SUBMISSION

Australia's Future Tax System
Retirement Income

February, 2009

Disclaimer:

This submission was developed by the Author and is based on discussions with a range of market practitioners and research provided by various parties.

The views expressed in this submission are intended to reflect the collective view of the SEQUAL Membership. However, no representation or warranty is given that either the Author or individual SEQUAL Members subscribe to each of the views herein described.

This submission has been prepared with care. However, neither the Author nor any SEQUAL Member is responsible for the results of any action taken on the basis of the information provided.

Copyright:

© SEQUAL, 2009. All Rights Reserved.

No part of this submission subject to Copyright may be reproduced.

SEQUAL makes every attempt to contact Copyright owners and request permission for the use of Copyright material. If notified, the SEQUAL will ensure full acknowledgement of the use of Copyright material.

Acknowledgements:

SEQUAL gratefully acknowledges the support of the following organisations through the provision of statistical data used in this submission:

The Australian Bureau of Statistics · ASIC · RFI · Datamonitor · Deloitte Actuaries

For further information regarding SEQUAL, please contact:

Kevin Conlon (M.App.Fin)
SEQUAL Chief Executive Officer
e : kevin@sequal.com.au
w: www.sequal.com.au
p: 61.2.9923 1871

Background

Funding Retirement -Equity Release Strategies

There is good reason to explore the options provided through equity release and the family home is now an intrinsic part of the planning process.

The strategies for Equity release through the use of Reverse Mortgages are diverse. For some retirees they are an effective means to supplement income or to provide access to capital. For others, they can be a tool to help manage market volatility. For frail retirees with poor health, it can provide them with choices for accessing the care they need and provides the ability to pay the aged care fees.

When used effectively, Reverse Mortgages can help a retiree to access the significant wealth they have accumulated in an illiquid asset in order to more effectively live the life that they choose.

The availability of Reverse Mortgages may assist Government to develop Retirement Income policies that are fair and which take proper account of the financial capacity of Senior Australians in order that taxpayer support is directed to those who are most in need.

Senior Australian's Equity Release Association of Lenders (SEQUAL)

SEQUAL is comprised of the major financial institutions offering Reverse Mortgages. Since its inception as the peak industry body for the Australian Equity Release market, SEQUAL has worked in the interest of the community by imposing high standards of professionalism on those who design and distribute Equity Release products for Senior Australians.

SEQUAL is committed to the development of an ethical and efficient Seniors Equity Release market in Australia.

The Australian Reverse Mortgage Market

The most recent Deloitte SEQUAL Reverse Mortgage Study found that the Australian Reverse Mortgage market, as at 30 June 2008, consisted of more than 36,600 reverse mortgage loans with total outstanding lending of \$2.3 billion. This represents almost 14% growth over the six months to June 2008 and 27% growth over the 12 months from 30 June 2007.

Whilst demand for Reverse Mortgages is likely to continue to grow due to a number of compelling factors including demographic shift, the supply of Reverse Mortgages has been adversely impacted by the current global financial crisis. This market disruption has constrained the ability of some Reverse Mortgage providers to access funding with the effect that a number of SEQUAL Members have either withdrawn from the market or have significantly scaled-back their participation.

Given the vital public interest issues associated with the existence of a viable Seniors Equity Release market, Government clearly has an important role to perform in encouraging the efficient operation of Australia's financial markets and in particular, ensuring robust competition in the Reverse Mortgage market.