

Downsizing incentive for seniors

Overview

- Older people should be granted an exemption from the assets test for excess sale proceeds to encourage them to downsize into more suitable housing. This will:
 - ensure the delivery of care and support is easier, and
 - keep people out of residential care for as long as practical.
- Eligibility would be restricted to people who were aged 80 and over, were eligible for a Home Care Package and had owned their home for more than 10 years.
- Those choosing to downsize could place excess funds into superannuation using the [Downsizing into superannuation](#) scheme and would then be able to purchase additional care and support.

Benefits

- Reduces the risk of prematurely entering residential care.
- Reduces the overall cost of care to government and the individual.
- Removes the financial disincentive to downsizing.
- Increases the use of the superannuation downsizing scheme.
- Stimulates demand for seniors friendly, accessible housing.
- Frees up housing stock, taking pressure off the housing market.
- Boosts spending, creating jobs and economic development.

Why the program is needed

- A proportion of older Australians live in larger homes that have become unsuitable as they get older – almost 50% of households receiving a pension or government allowance had two or more bedrooms spare.^{xv}
- Older people can lower their risk of entry into care where care is provided – a recent study showed every hour of service received per week was associated with a 6% lower risk of entry into residential care.^{xvi}

Budget implications

- Many older people don't consider downsizing in later life and often continue living in their homes, receiving the same level of pension as they would if they were granted an exemption. As such, providing an exemption late in life would have limited budget impact.
- An exemption would be consistent with residential care where a two-year exemption from the assets test already exists.
- The economy would benefit from increased spending. The residential construction industry for age-friendly housing would get a boost and older people would have more money to spend on care and support.