

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Estimates 22-23 October 2008

**Question: sbt 71**

**Topic: First Home Savers Account - Modelling**

**Hansard Page: E118**

**Senator PAYNE asked:**

Senator PAYNE —So you do not have an idea of how many you expect to be offered and how many you expect to be taken up?

Ms Vroombout —There were estimates of take-up of accounts but of account providers—

Senator PAYNE —What are those?

Mr Gallagher —The modelling of take-up was done on the basis of the number of people that were estimated to be saving for their first home and the number of people who obtained a first home owner's grant in a given year. Because of the lock-in rules, where you had to have an account for four years, we had a very gradual take-up before having a fully mature system. As I recall, it was about 750,000. **I can certainly provide you with an outline of the take-up assumptions as we provided it to the parliament before.** But it was in terms of the number of people and the number of savers, not providers, and it had a gradual take-up rather than an immediate take-up. The costing that is in the budget allows for the deferred start date of 1 October, and there was a particular change put in to reflect that.

**Answer:**

- Take-up of accounts and contributions levels are highly uncertain. There is no savings vehicle similar to FHSAs that existed previously, consequently it is hard to accurately predict individual behaviour.
- After considering existing savings behaviour and the rates of purchasing first homes Treasury estimates 220,000 people will contribute to FHSAs over the first year. This is estimated to grow over the first four years, before reaching a steady state of 730,000 contributors a year.
- Estimates of take-up numbers over the first 4 years of FHSAs commencing:

	Total Savers
<b>2008-09</b>	220,000
<b>2009-10</b>	415,000
<b>2010-11</b>	575,000
<b>2011-12</b>	730,000

- This can be compared to an estimated one million savers for their first home. This estimate is consistent with the estimate in Kelly and Toohey (2002) that 35 per cent of 25-34 year olds are saving for housing.