

## Remove disincentives and provide informational supports for Age Pension homeowners to share their homes if they wish.

### Overview

- The severe housing crisis facing Australia is affecting both young and old. Increased demand for housing is not able to be rapidly matched by supply, given the long lead times required to build new housing.
- Research shows a growing trend for older people to share housing.<sup>34</sup> Sometimes this will take place in the home owned by an older person(s) and sometimes in a fully rented property.
- Older people report home sharing arrangements fulfilling several needs, including: addressing loneliness; providing increased safety; offering stronger social connections; and improving affordability. These benefits are relevant to both the older homeowner and older renter.
- However, house sharing is a relatively new phenomenon among older people and for older homeowners there are several barriers, including financial disincentives, a lack of information and concerns about risk.
- There is a need to address certain financial barriers that discourage older people from sharing their home – these include impacts on the pension and Capital Gains Tax (CGT) liabilities.
- There is also a need to ensure older people have the information they need to consider if this arrangement is right for them.

### WHAT ARE WE CALLING FOR?

- NSA recommends pensioners who do not own additional property (aside from their principal residence) should be able to rent out a room in their home without this affecting their pension. A limit could be placed on the amount that could be exempted.
- To support this change, government should create an education program to ensure older people make informed decisions. This program should:
  - inform Age Pension recipient homeowners of their rights and responsibilities as landlords and the rights and responsibilities of tenants sharing their home.
  - outline some of the potential risks and benefits of house sharing.
  - answer the full range of frequently asked questions regarding the implications of house sharing in someone's own home and the range of decisions and management supports available.
- NSA also recommends government investigate the feasibility of exempting the principal place of residence from CGT liabilities when renting a room/s to a tenant for all homeowners as a means to boost the availability of housing.

## Why is the policy needed?

---

- There is a major social problem with loneliness among many older people, which is increasingly being seen as a priority public health problem and policy issue for older people.<sup>36</sup>
- Older homeowners who receive the full Age Pension are not likely to jeopardise their pension entitlement by increasing their assessable income. A pensioner can earn a maximum of only \$204 per fortnight from any means before their pension is reduced.
- Treating rental income from home sharing in a similar way that employment income is exempt under the Work Bonus scheme could provide a degree of peace of mind to pensioners wishing to share their homes.
- There are potential risks for older homeowners sharing housing with others. It will not be suitable for everyone. Information and guidance must be available to older homeowners to help them judge if this arrangement is suitable.
- While older people who make their homes available for sharing on a rental basis may choose a housemate from the full range of ages, emerging evidence suggests they prefer to share with someone of a similar age and life stage to themselves.
- Partially exempting the principal place of residence from CGT when home sharing could also remove a key disincentive to these arrangements. However, more work is required to understand the implications of this and whether this arrangement should be extended to other age groups.

## Budget Impact

---

- There is likely to be limited budget impact from offering an income test exemption for older people who rent a room in their home.
- The rate at which older people share housing is currently very low. There is significant opportunity to increase sharing given the number of single person households in this age group.
  - According to the ABS only 1.3% of all households, where the reference person was aged 65-74, were classed as non-family group households with only 0.7% of households in the 75+ age group being non-family group households.
  - In comparison, 36.4% of all households, where the reference person was aged 65 to 74 were lone person households with 51.8% of households in the 75+ age group being lone person households.
- The cost of a CGT exemption when renting a room in a home needs to be fully understood, hence the need to investigate this as an option to increase the availability of shared housing among homeowners.