



Serving the needs of older people

SUBMISSION

from: Age Concern New Zealand
He Manaakitanga Kaumātua Aotearoa

to: Commission for Financial Literacy and Retirement
Income

on: 2013 Review of Retirement Income Policy

May 2013

Age Concern is committed to serving the needs of older people, koroua and kuia. Through a national office and a nationwide network of 35 Age Concerns, we provide services, information and support to older people in response to local needs. We are active and vocal on issues affecting older people, taking every opportunity to work towards our vision of an inclusive society where older people are respected, valued, supported and empowered. This submission has been developed in consultation with Age Concerns.

1.0 The big picture – a society where we all live valued lives

Age Concern New Zealand believes that New Zealand's retirement income policy must be a unifying force, engendering social cohesion around a set of basic principles that we can all agree on:

- that we value people of all ages
- that we want everyone to be able to grow old with dignity
- that a healthy society looks after its most vulnerable members

Our submission to the 2013 Review of Retirement Income Policy is compiled with these principles in mind.

We request that the Commission include discussion on the following in its 2013 review:

- Measures to reduce the most serious ongoing sources of financial stress experienced by older people: power and gas bills; the basic ingredients of a healthy diet; GP fees; dental care, eye care, hearing aids. Cost reductions in these areas are essential if current and future retirees are to be assured of the chance to grow old with dignity and in good health.
- Measures to increase our stock of age-friendly rental accommodation and develop other age-friendly tenure options for older people on limited incomes. The right kind of housing can make the retirement dollar go further.
- Measures to assist older homeowners to maintain the value and condition of the housing stock that they own and inhabit. We should aim to create a healthy, well-maintained housing stock for future generations.
- Measures to empower people to deal with scams and with financial elder abuse.
- That if KiwiSaver becomes compulsory, a government guaranteed scheme be established.
- A consideration of whether we have adequate consumer protection and the right financial products to meet future demand for financial services and products.

2.0 Essential to boost the purchasing power of NZ Superannuation

It will be a long time before KiwiSaver provides retirees with significant supplementary income. In the interim, the majority of New Zealanders will continue to enter retirement with limited disposable income, relying on New Zealand Superannuation and a little extra income from other sources.

Current trends in house prices (upward) and in home ownership (downward) mean that we are likely to see an increase in the number of retirees who have ongoing financial commitments in the form of mortgage or rent payments. At the same time, increases in

the cost of essential services and basic necessities continue to erode the value of New Zealand Superannuation.

As a result, we may see growing numbers of older people becoming vulnerable to financial hardship and even to poverty, especially if their health costs are high and they are faced with unexpected one-off expenses. Put another way, there is a risk that the many older people living on New Zealand Superannuation, and that little extra, will be less and less able to afford a healthy lifestyle.

A study carried out by the School of Population Health at the University of Auckland in 2009/2010¹ found that, even for people who are mortgage-free, “NZS [New Zealand Superannuation] alone is not enough to support healthy living”² and that therefore “many older New Zealanders are living on an income which may not be enough to support a healthy life”³ Seven main categories of expenditure were identified as being necessary for basic healthy living: adequate nutrition, physical activity; a healthy home; social connectedness; health care including care of eyes, ears and teeth; transport and personal hygiene.

These findings have serious implications for retirement income policy and for the wellbeing of older New Zealanders. If we are to avoid the long-term health and social costs of older people being unable to live a healthy life, steps must be taken to give New Zealand Superannuation greater purchasing power. Age Concern therefore urges the Commission to recommend that Government give priority to removing the income pressure points that older people experience. These have certainly not diminished in number and gravity since the 2010 Review. The most serious sources of financial stress for older people include:

- power and gas bills
- the cost of the basic ingredients of a healthy diet
- GP fees
- cost of dental care, eye care, hearing aids

Measures that result in significant and sustained cost reductions in all these areas are essential, if current and future retirees are to be assured of the chance to grow old with dignity and in good health.

3.0 Housing – is this the weakest link in our planning for the future?

The right kind of housing can make the retirement dollar go further.

At our national conference in April 2013, we asked a panel of experts to discuss the following questions:

¹ O’Sullivan, J. and Ashton, T. (2012) “A minimum income for healthy living (MIHL) – older New Zealanders” *Ageing and Society* 32, 2012. 747-768.

² *Ibid.* p.761

³ *Ibid.* p.747

- *Where should we be going with age-friendly housing in New Zealand?*
- *Is there a disconnect between the status quo and what will be needed in the future?*

Panel members identified serious gaps between current housing and tenure options and what will be needed in the future. There was a resounding call for New Zealand to begin to build houses, and whole communities, that work for *people* - well-designed houses in well-designed settlements where people of all ages can interact with and support one another.

Safer, better-quality homes would increase our chances of ageing in good health and reduce costs associated with home maintenance and the provision of home support.

A wider range of age-friendly, affordable, housing options would make it easier for older people on limited incomes to be housed safely and with dignity.

3.1 We need to explore other forms of housing and housing tenure

Older people who are looking for housing that provides more support and care are often unable to find anything suitable, especially if they cannot afford (or do not wish) to live in a retirement village. Apart from retirement villages, New Zealand has remarkably little to offer in the way of intermediate supported housing for older people. Yet there is no shortage of innovative models which could be explored:

- housing cooperatives, which are important in other OECD countries
- shared ownership
- shared house arrangements (e.g. Abbeyfield homes)
- supervised units – eg “sheltered” or “very sheltered housing” where older people are able to live independently, but with a resident warden and some communal services
- re-locatable housing units (secondary dwellings formerly known as granny flats)
- intergenerational living projects where residents of different ages are committed to neighbourly support for the benefit of all

There is no one perfect model, but the better ones incorporate community services and community centres with housing, plus opportunities for recreation and social interaction. Many of these approaches are based on partnerships between public, private and voluntary sector groups.

3.2 We need more age-friendly rental housing

With the number of older (low-income) renters expected to increase, New Zealand urgently needs to increase its stock of affordable, age-friendly, rental housing. At present, the rental market is especially ill-equipped to meet the needs of older people, who require comfortable and secure accommodation with easy access to services, facilities and community networks.

3.3 There is a national cost to poorly-maintained housing...

Many older homeowners find themselves in the situation of being 'housing rich and income poor'. This often means that they put off essential repairs and maintenance and allow their housing asset to run down.

This situation is undesirable for a number of reasons. First and foremost because a poorly maintained home is detrimental to the wellbeing of its inhabitants. But also because a poorly maintained home will not serve future occupants well. Our housing stock is a national resource. If this resource is allowed to deteriorate, our communities will cease to thrive.

Strategies must be found to make maintenance more affordable and manageable for vulnerable homeowners. These could include exploring the potential for the establishment in New Zealand of organisations modelled on the UK's Home Improvement Agencies. The Good Homes project has already provided us with a range of tools to facilitate this process.⁴

...and to poorly-insured homes

Since the 2010 Review, insurance companies have moved from 'like-for-like' home insurance policies to 'sum insured' policies where the home will be insured up to a maximum specified amount based on the rebuild cost – which the owner must take responsibility for calculating.

These changes may make it harder for homeowners to protect the value of what is often their biggest retirement asset. Most of us are not equipped to accurately calculate the cost of rebuilding our home, and to update these costs regularly. Is there a danger that we will end up with an under-insured housing stock as a result?

3.4 Downsizing is not a silver bullet

While downsizing is frequently cited as a way of resolving the income and housing needs of older owner-occupiers, this is by no means straight forward. It relies on the presence of a younger cohort who can afford to buy, and on the availability of well-located, well-designed alternative dwellings priced so as to enable the older person to release the equity in the home they are selling.

As we know, neither of these conditions is currently evident in the patterns of home ownership, housing prices and residential building in New Zealand.

⁴ See <http://repairsandmaintenance.goodhomes.co.nz/tools/>

4.0 Protecting private savings

4.1 Scams and financial elder abuse - savings are being lost

New Zealanders are losing many millions of dollars each year to scams. With more and more transactions and communications taking place via the Internet, there is potential for the sums lost to continue to increase. Constant vigilance is required on the part of individuals and organisations if we are to prevent huge amounts from being sucked out of the economy.

Sadly, some older people also lose their savings through the actions of people they ought to be able to trust.⁵ Financial elder abuse can lead to permanent loss of financial security and may in some cases be life-threatening. Older people are unlikely to have the ability or opportunity to recoup income and assets and there are few services which allow victims to reduce risk and recover assets, for example in the form of restitution advocacy, legal assistance and crisis counselling.

We fear that conditions are right for this type of elder abuse to increase: growing numbers of older people affected by dementia; growing economic pressures on families, making assets held by older relatives (such as the mortgage-free home) ever more alluring; increased longevity delaying the transfer of wealth through inheritance.

In response to this threat, a great deal of public education and awareness-raising about financial elder abuse is needed, as are education and information for older people themselves. At the same time, we need a sustained, long-term commitment from Government and the private sector to promoting positive attitudes to ageing and older people. Age Concern's Dignity and Respect Campaign is showing the way nationally. Our Elder Abuse and Neglect Prevention Services work locally to raise awareness of financial abuse, and to support older people who are being abused in this way. We anticipate an increase in referrals in this area - but our ability to respond is constrained by limited resources, both financial and human.

4.2 KiwiSaver investments are not risk-free

KiwiSaver investments are not guaranteed by the Government. If a provider were to fail, individuals could lose all of their KiwiSaver funds. If KiwiSaver becomes compulsory, a government guaranteed scheme must be established. At the same time, a subsidy for low income earners and non-earners would need to be introduced, to avoid further disadvantage to these groups.

⁵ For a detailed exploration of financial elder abuse and possible responses see: *Financial abuse of older people in New Zealand – a working paper*. November 2011. Judith Davey (Institute of Policy Studies, Victoria University of Wellington) and Jayne McKendry (Age Concern New Zealand)

4.3 Investment options and consumer protection – do we have enough?

As KiwiSaver investors begin to withdraw their lump sums, we are likely to see an increase in demand for financial products and services that will enable them to preserve and effectively use these sums in the context of decumulation.

Before this happens, the following questions must be addressed:

Will the market offer a range of suitable products? It has been suggested that New Zealand investors would benefit from the development of an annuities market.

Will potential investors have the level of financial literacy required to understand and assess these products? A single cash payment exposes them to the ravages of decision-making on investment options, and the potential for unwise decisions to be made on the use of a sum of money that many will not previously have had available at any one time.

Will current consumer protection ensure that their investments are not lost?

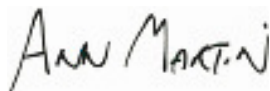
5.0 Age of entitlement to New Zealand Superannuation

On the matter of the age of entitlement to New Zealand Superannuation, opinions within our organisation are divided between the following options:

- retaining the status quo
- increasing the age to 67
- introducing a Flexi-Super scheme

As a result of this difference of opinion, we are unable to make a recommendation on this subject.

Thank you for this opportunity to comment.



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Age Concern New Zealand