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Nest and nest egg?

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How does housing fit with the life course of saving?

Sequenced saving:

1. Invest first in **human capital**, since its payout period will be longer, the earlier you invest
2. Then invest in **housing**, since financial institutions allow major leverage, and early in life is when you can afford to be exposed to this kind of risk.
3. Then **financial saving** through mandatory pension saving (the Superannuation Guarantee), allowing the build-up of diversification
4. Discretionary saving often includes investment **property**: returns in the form of capital gains are prevalent, so a felicitous retirement asset

How does it fit with policy?

- **Policy approach**: Principal residence housing treated favourably everywhere: Governments want you to own a home
- **Major saving channel**: don't let the income tax introduce a price distortion between consumption in working life and consumption in retirement. Tax like pension saving.
- **The nest egg role**: what happens in retirement? Reverse mortgages and bequests
- **Inequality**: Does difficulty of access mean housing will now drive greater inequality for the upcoming generation?
- **The nest role**: Important for family stability, education of children

How does housing fit with an ageing demographic?

- **Delayed home purchase.** Is this consistent with other life course delays?
- **Delaying mortgage repayment:** Is it because they (or their lenders) know they have superannuation assets?
- **Downsizing:** may become a more important transition, and policy impediments may become more important
- **Bequests:** Next generation must wait longer for bequests



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Where does housing fit into social development?

- Housing is a unique commodity and asset
- **Marshall** alluded to the triumph of tea over alcohol consequent upon good housing replacing depressing slums. He also saw its value as an input to education of children
- **Lee Kuan Yew** valued housing highly as a strategy in Singapore's development – the Housing Development Board (HDB) developed housing to the point where 90% of Singaporeans have become owner-occupiers
- **Knibbs** (Australia's first Statistician) saw it as a major device for equalizing the distribution of wealth
- It operates both as a major channel for asset accumulation and as a major form of consumption