The Income and Wealth of Older Australians
Trends and Projections

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Abstract

This paper examines trends in the assets and incomes of older Australians between 1986 and 1998. The average wealth of older Australians almost doubled from $106,000 to $204,000 between 1985-86 and 1996-97. The average picture for older Australians masked major differences among them, as the after-inflation incomes of the bottom 25 per cent of older Australians remained stable over the 11 years, while the incomes of the top 25 per cent rose. Projections suggest that while many older Australians will have insufficient resources to fund a comfortable retirement, others will have substantial assets to fall back on.

Author note

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General caveat

NATSEM research findings are generally based on estimated characteristics of the population. Such estimates are usually derived from the application of microsimulation modelling techniques to microdata based on sample surveys.

These estimates may be different from the actual characteristics of the population because of sampling and nonsampling errors in the microdata and because of the assumptions underlying the modelling techniques.

The microdata do not contain any information that enables identification of the individuals or families to which they refer.
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1 Introduction

This paper examines trends in the wealth and incomes of older Australians over the 11 years from 1985-86 to 1996-97, and briefly canvasses projections of the future accumulated superannuation of Australians. The primary data sources for the trend analysis are the ABS 1986 Income Survey and 1997-98 Survey of Income and Housing Costs confidentialised unit record files. These surveys provide very comprehensive national snapshots of the income, socio-demographic and other characteristics of a representative sample of Australians.

The ABS defines income as ‘cash receipts that are regular and recurring’ and includes income sources such as wages and salaries, profit and loss from own business, property income, government cash transfers and private cash transfers (such as superannuation and child support) are all included. Receipts that are excluded from income because they are not regular and recurring include inheritances, maturity payments on life insurance policies and capital gains and losses. Imputed rent is not calculated for home owners. Annual cash income is the income measure used.

While income is a flow, wealth is a stock. Both are important when considering the economic position of older Australians. Two older Australians with similar incomes might be in very different positions if one owns no assets but the other has substantial assets to draw upon if and when they are in need.

The ABS surveys provide details of only one type of wealth — the respondent’s estimate of the value of their home and the amount of mortgage outstanding on that home. The surveys do not directly provide estimates of the value of other wealth sources, but instead report the income received from such wealth sources (such as interest, rent and dividends). This information has been used by NATSEM to impute estimated wealth holdings for each of the families contained within the survey. For 1986 this utilised the methodology mapped out by Baekgaard (1998) with some later minor adjustments. For 1996-97 the methodology is described in Kelly (2001). The wealth sources included in this study comprise own home, shares, cash, investment properties, own business and accumulated value of superannuation. Other sources, such as consumer durables and cars, are not included. The discounted future value of the government age pension is also not included within our estimates of private wealth holdings.

It must be emphasised that imputing the estimated value of wealth holdings using such capitation methods, whilst a technique frequently employed by researchers in this field (Dilnot, 1990), is nonetheless subject to some degree of uncertainty. In addition, there may be issues of comparability between the 1986 and 1997-98 Income Surveys. For example, in 1986 the definition of dependent children is somewhat narrower than in 1997-98. In 1997-98 negative business and investment incomes were
left untouched by the ABS while, in 1986 they were reset to zero. At this stage we have not amended the data to attempt to standardise for such differences. In addition, some issues have been raised about the comparability of the ABS income surveys over time (given the change in methodology from the mid 1990s surveys onwards), and in a joint project the ABS and the Social Policy Research Centre at the University of NSW are currently examining these issues. It is also important to note that the ABS only surveys those living in private dwellings so that the small proportion of aged persons living, for example, in nursing homes, are not included within the scope of our estimates. Finally, both sampling and non-sampling error affect all sample survey results.

There are a number of possible ways of looking at the economic well-being of older Australians. Here we are looking at families categorised by the age of their head. Our ‘older Australian’ group thus includes a couple where the husband is aged 65 and the wife is aged 60, but may exclude Australians aged over 65 years who live in families where a younger spouse has been categorised as the head. Our families comprise either a single person, a sole parent living with their dependent children, or a couple with or without dependent children. ¹

Section 2 of this paper examines trends in the wealth of Australians categorised by age between 1986 and 1998. Section 3 looks briefly at income trends, while Section 4 examines superannuation projections. Section 5 concludes.

2 Changes in wealth

Our estimates suggest a 62 per cent increase in the real value of total Australian household wealth from the mid 1980s to the late 1990s. Expressed in 1998 dollars, this is an increase from $1058 billion in 1986 rising to $1712 billion by 1997. How much of this wealth is owned by older Australians? Has their share of wealth increased? Has its composition changed, or are the same types of asset as important now as they were in the mid 1980s? Has the pattern of wealth holdings among older Australians changed?

¹ Note that the official terms are the ‘ABS income unit’ rather than the family and the ‘reference person’ rather than the head. We have used more colloquial terms throughout this paper to aid interpretation.
2.1 Shares of total wealth

The increasing share of wealth held by older Australians is clearly evident in figure 1. The distribution of wealth across the population has shifted markedly toward older Australians since the mid 1980s. The share held by those aged 65 or over increased from 17 per cent to 27 per cent between 1986 and 1997. Conversely, younger Australians aged less than 45 years held a declining share of total wealth.

Figure 1 Estimated shares of total net Australian household wealth by age of family reference person: 1985-86 and 1996-97

Now, we know that at the same time the share of the Australian population aged 65 or more has also been increasing. So, how much of this greater share of wealth held...
by older Australians simply reflects higher population numbers in these age groups? Looking at average wealth per adult provides a much clearer picture and this is done in figure 2.

Figure 2 shows a dramatic change in the picture since the mid 1980s. For those living in families with heads under 45 years old, average wealth per adult actually fell over the period. For those aged 45 years and over, average wealth per adult rose. This increase in wealth was particularly marked for older Australians aged 65 years and over. Average wealth for the 65-74 years age group increased by 115 per cent — from an estimated $103,000 in 1986 to $221,000 by 1997. The increase for the 75 and over group was not as high, but still a very substantial 61 per cent — from $112,000 in 1986 to $180,000 by 1997. And remember that these figures are in constant June 1998 dollars, so they reflect real increases in wealth and not just the effects of inflation.

Understanding the sort of changing pattern shown in figure 2 can be quite complicated because it is necessary to disentangle so-called ‘age’, ‘period’ and ‘cohort’ effects. The ‘age’ effects are those where we see a distinctive pattern to wealth accumulation over the life course — increasing wealth with age until retirement when there is typically some running down of wealth. This broad pattern is exhibited in figure 2 — though there is a notable difference between 1986 and 1997 in the apparent degree of running down of assets in older age.

‘Period’ effects are those that reflect different conditions prevailing at different times. For example, the returns on investments, taxation regimes, and the ease of access to home-ownership vary over time. People’s wealth accumulation will clearly be affected by the conditions prevailing over different stages of their life. Finally, ‘cohort’ effects refer to the possibility of cohorts of the population behaving differently. Thus, people aged in their fifties in the 1970s may well have behaved differently to people aged in their fifties in the 1950s. And we know that there are many such differences — in, for example, family formation, labour force activity and so forth.

The importance of period and cohort effects in the picture of the changing wealth of older Australians is very evident in figure 2, which gives the impression of a wave moving through the age profile of wealth holdings. In 1986, the peak wealth holding was for the 55-64 year age group. Eleven years later, the peak is observed for the 65-74 year age group. Similarly, the age at which average wealth starts to decline has advanced 10 years over the 11-year period. There is thus a very strong suggestion of important period and cohort effects in the wealth holdings of older Australians. Really, this simply confirms the common sense view that the wealth of older Australians will be largely determined by their behaviour and fortunes earlier in life.

What figure 2 also shows is that there are significant differences in the behaviour and fortunes of population cohorts. The peak wealth holding is seen for those aged 65-74
years in 1997. This population group was born between 1923 and 1932 and the prime wealth accumulation years of their lifetimes coincided with the long post-WW2 economic boom. In 1997, 76 per cent of this cohort owned their homes outright, with the majority thus benefiting from the boom in house prices over the previous decade (Table 1). The oldest cohort — those aged more than 75 years in 1996 — were born before 1922. The 1930s Depression and World War 2 coincided with their early adult lives, and they show notably lower wealth holdings in older age than the economically more fortunate cohort that followed.

Table 1  Housing tenure rates by age of reference person, 1985-86 and 1997-98

<table>
<thead>
<tr>
<th></th>
<th>Owner</th>
<th>Purchaser</th>
<th>Renter</th>
<th>Other*</th>
</tr>
</thead>
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<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
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<tr>
<td>1986</td>
<td></td>
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<tr>
<td>15-24</td>
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<td>1998</td>
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<td>All</td>
<td>31.2</td>
<td>23.6</td>
<td>34.1</td>
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</tbody>
</table>

Source: ABS 1986 Income Distribution Survey and ABS 1997-98 Survey of Incomes and Housing. ‘Other’ includes boarders, rent-free etc.

The cohorts coming after the ‘peak’ 65-74 year old cohort in 1997 also do not look quite so fortunate, with figure 2 in particular showing real declines over recent years in average wealth for families with heads aged less than 45 years. Further investigation indicated that this was due to falling home ownership rates and the growing value of mortgages for younger cohorts, rather than to declines in the average net price of homes. For example, the proportion of families headed by a 25 to 34 year old who either owned or were purchasing their own home fell from 46 per cent in 1986 to 35 per cent in 1997. For 35 to 44 year olds, the comparable fall was 72 to 62 per cent over the 11 years. Allied with these declining home ownership rates were sharp increases in the real value of mortgages. Together these two factors produced falling real home equity values for under 45 year olds. While families
headed by 25 to 44 year olds did enjoy increases in the average value of their shares and accumulated superannuation entitlements, these increases were not sufficient to offset their declining home equity. In contrast, older cohorts experienced sharp increases in the value of their superannuation, shares and homes — hence their rising wealth holdings relative to younger groups in the population.

2.2 Components of older Australians’ wealth

What type of assets do older Australians own? Figure 3 shows that their own home remains the most important asset of older Australians. The net average value per adult of such homes among all Australians aged 65 years and over has increased substantially since the mid 1980s, from about $64,000 in 1986 to $87,000 in 1997 (in 1998 dollars). But despite the continued popularity of the home, other asset classes have shown much more rapid growth among the aged. In 1986 the average superannuation holdings of older Australians were almost non-existent, at less than $3000 per adult. By 1997 this had grown rapidly to $36,000. Here, it needs to be recognised that the fruits of superannuation appear in different forms in older people’s assets, depending on how people take their superannuation benefit. If taken as a lump sum, it may appear, for example, in equities or in interest-bearing deposits. The apparent massive increase in superannuation assets for older Australians will thus partly reflect growing superannuation coverage over the post WW2 period, but will mainly reflect the growing likelihood of superannuation benefits being taken as superannuation pensions.

Equities also performed strongly, with the estimated net value of shares directly held by each adult aged 65 years and over quadrupling from about $7000 to $28,000. Interest on cash deposits also rose. The figures below suggest that older Australians may have become more adventurous about investing in the stock market.
Figure 3 **Estimated net average value of various assets, per adult aged 65 years and over, 1985-86 and 1996-97**

![Diagram showing the estimated net average value of various assets, per adult aged 65 years and over, 1985-86 and 1996-97.](image)


Figure 4 **Various asset classes as a proportion of total net wealth, per adult aged 65 years and over, 1985-86 and 1996-97**

![Diagram showing various asset classes as a proportion of total net wealth, per adult aged 65 years and over, 1985-86 and 1996-97.](image)


Figure 4 shows the effects of these differential growth rates in the various asset classes on the composition of older Australians’ wealth holdings. Direct superannuation assets are now a far more significant component of the total net wealth of older Australians. While superannuation made up only an estimated two per cent of their total wealth in 1986, by 1997 this had risen to almost one-fifth. Equities also became more significant, rising from about 7 to 14 per cent of total wealth over the same period. Despite rising house prices, their own home made up a shrinking proportion of the wealth of older Australians, falling from an estimated 60 per cent of total wealth in 1986 to only 43 per cent by 1997.
2.3 Distribution of older Australians’ wealth

So far, we have looked at average wealth for older Australians with some distinction only between two age groups — those aged 65-74 years and those aged 75 years and over. How does the picture vary for single males, single females and couples among the population of older Australians? The broad pattern of markedly higher wealth for couples than for singles, and somewhat higher wealth for single males than for single females, has remained consistent over the period. The average wealth level for all three groups grew strongly over the period from 1986 to 1997.

Figure 5  Estimated net average wealth per unit by type of income unit: units with reference person aged 65 years and over, 1985-86 and 1996-97

Data source: NATSEM estimates. See text.
There was, though, some change in the relativities between the wealth levels of couples and single males and females. As a proportion of average wealth for couples, single males’ wealth declined from 64 per cent to 59 per cent over the period from 1986 to 1997. The corresponding figures for single females were 53 per cent falling to 47 per cent. This pattern of changing wealth relativities is partly related to the changing population structure among the population of older Australians — for example, the extent to which the different groups include people aged 75 years and over. Another important factor, however, is differences in the composition of the asset holdings of couples, single males and single females (figure 6). The most marked difference in the composition of wealth holdings is the far higher importance of housing wealth in the assets of older single females, compared to single males and couples.

Another way of looking at wealth distribution is to rank all older Australians by their wealth and then divide them into four equally sized groups — quartiles. Figure 7 suggests that the most profound movement over the 11 years was the strong increase in the share of all older Australians’ wealth received by the top 25 per cent — up from about 67 to 71 per cent. The middle half of older Australians suffered a fall in their share of wealth, while the least wealthy one-quarter saw a slight increase in their wealth share.
3 Changes in income

The previous analysis has concentrated upon changes in the net wealth holdings of older Australians. While wealth is an important basis for the economic well-being of older Australians, it only provides part of the story. Government benefits — notably the Age Pension and Veterans’ pensions — play a particularly important role, and labour market activity continues to make a contribution for a few. We turn now to a look at the changing incomes of older Australians, which provides a different perspective upon changes in their economic well-being over time.

In the following analysis we have looked at annual disposable income (which is gross income minus income tax). Clearly a single older Australian with an income of $20,000 enjoys a different standard of living to an older couple with an income of $20,000. To facilitate more accurate comparison between older Australians living in different types of families, we have used the new OECD equivalence scale to calculate ‘equivalent incomes’. This scale gives a single adult a value of 1, a second adult a value of 0.5 and any dependent children a value of 0.3 each. This scale thus assumes that a couple require 50 per cent more income than a single person to reach the same standard of living. (The amount is not double because of ‘economies of scale’ such as the ability to share housing and heating costs.) The new OECD scale is the scale adopted by Eurostat in its cross-European comparisons.

The equivalent incomes are based on real after-tax incomes — so the effect of inflation between 1986 and 1997 has been taken into account. With equivalent
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incomes being a relative rather than absolute measure of income, they need some form of benchmark. Here, we express the equivalent incomes as an index where the average equivalent income of all those in the 65 years and over age group is set at 1.0.

3.1 Overall incomes

To look at changes in the fortunes of older Australians we have compared them with families with heads in the ‘prime working age groups’ — that is, 35 to 54 years. This age group has been chosen because it avoids complications in the comparison that can arise from changes in the behaviour of young people and those in the immediate pre-retirement years. The average incomes of older Australians appear to have increased between 1986 and 1997 by slightly more than for those in the peak working years. For older Australians there was an estimated four percent increase in equivalent after-tax annual incomes while, for working age Australians, there was an estimated 1.6 percent increase. (Note that these estimates are after taking out the impact of inflation.) On average in 1986 the equivalent family incomes of older Australians amounted to 54 per cent of the comparable incomes of families headed by a prime working age Australian. By 1997, this had risen slightly to 55 per cent. This suggests that, on average, older Australians appear to have slightly more than kept pace with rising community incomes.

3.2 Changes by type of unit

Have single older Australians fared better or worse than those living in couples over the 11 years? As Figure 8 shows, even after adjusting for needs, older couples on average enjoy higher equivalent incomes than single older Australians. This partly reflects the younger average age of older couples than older singles, and perhaps a different capacity to invest earlier in their lifetime relative to single people.

As expected, older women have lower average incomes than older men — about 10 percent lower in 1997 for women than for men. The gap between the economic fortunes of single older men and women has also increased over the 11 years, with the average difference in equivalent disposable incomes rising from 10 percent in 1986 to 12 percent in 1997. The faster growth in single male incomes may reflect a preference for growth assets, as well as more rapidly improving superannuation coverage.
Figure 8  **Estimated mean equivalent disposable incomes of older Australians by type of income unit: 1985-86 and 1996-97**


Figure 9 shows changes in average equivalent incomes of older Australians subdivided by both age and family type. Incomes are generally slightly lower for those aged 75 years and over than for the 65-74 year age group. The difference according to age was much more marked for single males in 1986, but has since been much reduced by a strong increase in the average incomes of single males aged 75 years and over.

Figure 9  **Equivalent disposable incomes of older Australians by type of income unit and age of reference person: 1985-86 and 1996-97**

3.3 Distribution of older Australians’ incomes

To look at whether higher or lower income older Australians had fared better, we ranked all Australian families headed by an older Australian by their equivalent disposable income and then divided them into four equally sized groups called quartiles. Figure 10 shows the shares of equivalent disposable income received by each quartile of older Australians. The income share of the bottom quartile of Australians fell slightly over the 11 years, while the shares of the top three quartiles increased or remained constant. The increase was particularly strong for the top quartile. As a result, looking just at these older Australian families, the share of all equivalent disposable income received by the bottom quartile fell from 14.1 to 13.1 per cent over the 11 years, while the share received by the top quartile rose from 44.1 to 45.0 per cent. As with the Australian income distribution more generally (Harding and Greenwell, 2002), we have thus seen rising inequality of incomes over this decade among older Australians.

Figure 10 Proportion of total income received by older Australians, by quartile of income: units with reference person aged 65 years and over, 1985-86 and 1996-97


3.4 Contribution of government pensions to the incomes of older Australians

In 1986, government benefits — mainly the Age Pension — accounted for 62 per cent of the after-tax incomes of older Australians (Figure 11). By 1997, this proportion had fallen to 57 per cent. This does not reflect a reduction in the levels of pension payments, which have been effectively indexed in line with earnings, but rather the growing importance of private retirement incomes. As private retirement incomes
have increased, the corresponding fall in the contribution of government benefits is compounded by the impact of means-testing of the pension.

Comparing different family types, single females among the population of older Australians have a notably higher dependence on government benefits than the other groups. In 1997, government benefits accounted for 68 per cent of their incomes, compared to the figures of 55 per cent for single males and 49 per cent for couples. This is a direct reflection of the considerably lesser opportunity that these females had to save for private retirement incomes.

The decrease in the role of government benefits in the incomes of older Australians is evident for all three family types, falling from 61 to 55 per cent over the 11 years for single males, from 72 to 68 per cent for single females and from 54 to 49 per cent for older couples. It is, however, particularly marked for couples and single males aged 65-74 years (Harding et al, 2001). These two latter groups are those that have most enjoyed the benefits of post-war increases in superannuation coverage.

Figure 11 Share of government benefits in the disposable incomes of older Australians by type of income unit: 1985-86 and 1996-97

Data source: ABS 1986 and 1997-98 Income Surveys, confidentialised unit record files
4 Superannuation projections

NATSEM has developed a dynamic microsimulation model to show the implications of policy outcomes on individuals while being able to provide aggregate and average results. The dynamic model, DYNAMOD, begins with the 1986 Australian Bureau of Statistics (ABS) one per cent Census sample file. Onto the individuals on this file are imputed additional characteristics (such as more detail on the level and type of education being undertaken, the state in which the person lives, the value of the family home, etc). The result is a base population of 150,000 synthetic individuals with over 80 characteristics each. The model takes this base population and simulates their lives from 1986 onwards, by stepping month-by-month through time until the middle of the 21st century. As the individuals step through life, they experience a range of life events, in line with Australian data about the probabilities of those events happening to real Australians. The life events include death; fertility; couple formation and dissolution; emigration and immigration; primary, secondary and tertiary education; labour force changes (full and part-time employment, unemployment and NILF), disability onset and recovery, and the earning of income.

These individuals are the “micro” part of the simulation. Analysis of any aspect of their lives can be done at this micro level. Additionally, individuals in the model are linked to simulate couple formation and the links broken to simulate couple dissolution. Links are maintained between parents and their children and between current and ex-spouses. In this manner, the model maintains the diversity in the population, copes very well with couple formation and dissolution, and, importantly, allows generation of a longitudinal history (or future) for individual cases in the model. This longitudinal element is essential in order to capture the accumulation processes that underlie growth in superannuation and financial assets. Alternative futures can be simulated by varying particular probabilities, such as the chance of becoming full-time employed or of having a first child, given certain characteristics. The model also contains a capacity to make the summed outcomes for all individuals within the model fit some exogenously imposed total. For example, the proportion of all women of a certain age range that are to be employed full-time in 2010 can be set by the user.

A wide range of technical papers provides detail of the processes used in DYNAMOD (detailed overviews are provided in Antcliff, 1993 and King, Baekgaard and Robinson 2000). The latest version of the dynamic microsimulation software is DYNAMOD-3. This version adds life events relating to paying income tax, accumulating and diluting personal and family wealth assets and contributing to superannuation. It is this version and its outcomes that are discussed throughout the remainder of the paper.
Superannuation is a recent addition to DYNAMOD and this module promises to provide very detailed estimates of those who have superannuation and the amounts that are held. The accuracy of the modelling, naturally, depends on the availability of good quality data. For dynamic microsimulation there is an additional need and that is for very detailed and preferably longitudinal or panel data. Unfortunately the data available on superannuation holdings in Australia are limited. At the present time, the major source of superannuation asset data is a survey of major private superannuation funds conducted by the Treasury Retirement Income Modelling Task Force (RIM) in the early 1990s (Brown, 1994). This data collection, combined with ABS survey data, provides the foundation of superannuation asset modelling in DYNAMOD.

Superannuation is simulated from 1993 onwards. There is both RIM and ABS data available for that year. RIM, through its data collection and research, has estimated the average amounts held in superannuation in 1993 while ABS undertook a survey of superannuation coverage in that same year. The ABS data shows who had a superannuation account in 1993, while the RIM data indicates the balance of the account at that time. The simulation uses this coverage and account balance information to impute an initial superannuation amount onto individuals.

From 1993 onwards, a variety of transactions take place:

Contributions equivalent to employer contributions are deposited into a person’s account as income is earned;

A person may choose to make voluntary contributions into their superannuation account;

Interest is paid on the account balance; and

Accounts can be closed and the balance transferred into another type of account on retirement.

For reasons of practicality, the full complexity of superannuation could not be modelled and some areas were simplified (see Kelly et al, 2001 for details). Contributions to superannuation are made throughout the simulated working life of a person and interest is earned annually on funds invested in superannuation until retirement is reached, when the funds are transferred to the person’s cash account. The decision of a person to retire is done randomly but is based on probabilities derived from ABS data.

In the event of a divorce, the model currently includes superannuation in the division of family assets. After the division, the respective amounts are deposited
back into each individual’s superannuation fund. In effect, DYNAMOD is enacting (a simplified version of) the legislation that is currently before the parliament.

With the spread of post-war superannuation and the introduction of the Superannuation Guarantee in the late 1980s, average superannuation balances are expected to increase sharply over the next few decades, as shown in Table 2. For example, the average superannuation assets of males aged 55 to 59 years are expected to increase from just under $56,000 in 1993 to $353,000 in 2030. Women’s average superannuation assets are expected to remain below those of men, as their different labour force participation patterns continue to impact upon their accumulation of superannuation. However, due to both the rapid increase in the labour force participation rates of married women in recent years and the introduction of compulsory superannuation, the gap between the accumulated superannuation of men and women is expected to be smaller by 2030 than in the early 1990s. The average woman’s superannuation assets increase from 45% of the average man’s in 1993 to 70% in 2030.

Table 2  Average Superannuation Assets July 1993 and 2030 (in 1999 dollars)

<table>
<thead>
<tr>
<th>Age Group</th>
<th>1993 Males</th>
<th>1993 Females</th>
<th>2030 Males</th>
<th>2030 Females</th>
<th>% change 1993-2030 Males</th>
<th>% change 1993-2030 Females</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-19</td>
<td>2,237</td>
<td>1,488</td>
<td>2,046</td>
<td>1,422</td>
<td>-9%</td>
<td>-4%</td>
</tr>
<tr>
<td>20-24</td>
<td>3,911</td>
<td>2,767</td>
<td>8,030</td>
<td>5,319</td>
<td>105%</td>
<td>92%</td>
</tr>
<tr>
<td>25-29</td>
<td>7,798</td>
<td>4,739</td>
<td>25,220</td>
<td>15,987</td>
<td>223%</td>
<td>237%</td>
</tr>
<tr>
<td>30-34</td>
<td>12,930</td>
<td>6,093</td>
<td>52,149</td>
<td>30,064</td>
<td>303%</td>
<td>393%</td>
</tr>
<tr>
<td>35-39</td>
<td>19,588</td>
<td>7,792</td>
<td>91,403</td>
<td>48,877</td>
<td>367%</td>
<td>527%</td>
</tr>
<tr>
<td>40-44</td>
<td>26,606</td>
<td>9,761</td>
<td>139,752</td>
<td>74,269</td>
<td>425%</td>
<td>661%</td>
</tr>
<tr>
<td>45-49</td>
<td>35,646</td>
<td>12,709</td>
<td>201,778</td>
<td>109,832</td>
<td>466%</td>
<td>764%</td>
</tr>
<tr>
<td>50-54</td>
<td>44,712</td>
<td>16,905</td>
<td>281,115</td>
<td>155,452</td>
<td>529%</td>
<td>820%</td>
</tr>
<tr>
<td>55-59</td>
<td>55,688</td>
<td>23,993</td>
<td>352,794</td>
<td>196,930</td>
<td>534%</td>
<td>721%</td>
</tr>
<tr>
<td>60-64</td>
<td>71,731</td>
<td>35,194</td>
<td>389,926</td>
<td>193,374</td>
<td>444%</td>
<td>449%</td>
</tr>
<tr>
<td>65 &amp; over</td>
<td>75,424</td>
<td>25,976</td>
<td>397,204</td>
<td>194,837</td>
<td>427%</td>
<td>650%</td>
</tr>
<tr>
<td>All Ages</td>
<td>21,419</td>
<td>9,647</td>
<td>128,235</td>
<td>89,591</td>
<td>499%</td>
<td>829%</td>
</tr>
</tbody>
</table>

Source: Kelly et al, 2001
Table 3  Superannuation Balances for Females with Superannuation Aged 55-64, 2000–30

<table>
<thead>
<tr>
<th>Percentile</th>
<th>2000 ($)</th>
<th>2010 ($)</th>
<th>2020 ($)</th>
<th>2030 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>90%</td>
<td>47,042</td>
<td>103,110</td>
<td>179,705</td>
<td>290,632</td>
</tr>
<tr>
<td>Median</td>
<td>29,459</td>
<td>61,674</td>
<td>109,600</td>
<td>183,638</td>
</tr>
<tr>
<td>10%</td>
<td>3,850</td>
<td>27,226</td>
<td>55,032</td>
<td>93,414</td>
</tr>
</tbody>
</table>

It is also possible using DYNAMOD to examine the dispersion of superannuation balances around the mean. Table 3 suggests that an estimated 10 per cent of women aged 55 to 64 years will have less than $94,000 in accumulated superannuation in 2030, while 10 per cent will have more than $291,000 in accumulated superannuation. Half will have more than about $184,000, while the remaining half will have less than this.

5 Conclusions

After taking out the impact of inflation, the estimated average wealth of Australians aged 65 years and over rose from $106,000 in 1986 to $204,000 in 1998 — about a 90 per cent increase. Older Australians have particularly high home ownership rates, and were thus major beneficiaries of the doubling in house prices over this period. Despite their sharp increase in home equity, even stronger growth was experienced in the net value of shares owned and accumulated superannuation benefits. As a result, their own home made up a shrinking proportion of the wealth of older Australians, falling from an estimated 60 per cent of total wealth in 1986 to only 43 per cent by 1998.

The substantial increase in average wealth among older Australians masked varying outcomes for the most and least wealthy within this group. The share of total older Australians wealth held by the top 25 per cent of older Australians rose from about 67 to 71 per cent.

Moving away from wealth to look at incomes, on average the incomes of older Australians slightly more than kept pace with those of working age Australians over these 12 years. However, the incomes of the most affluent quartile of older Australians increased more quickly than those of the remaining three quartiles. Government cash benefits declined as a share of the after-tax incomes of older Australians, from 62 per cent in 1986 to 57 per cent in 1998, reflecting the growing significance of non-pension income sources.
Our simulations suggested that average superannuation assets will increase rapidly in future decades, reflecting the introduction of compulsory superannuation in the late 1980s and changing labour force participation patterns. The rise in average superannuation assets will be particularly pronounced for females. Despite this, it is already clear that a substantial proportion of older Australians will be retiring without sufficient assets to ensure a comfortable retirement. However, another group will possess substantial assets, which could be used to help fund their care and health needs in old age.

References*


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