Baby Boomers – **doing it for themselves**

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Foreword

History, some might say, has been kind to the baby boomers. They have enjoyed affordable housing, access to free education, often generous welfare benefits and frequently favourable employment markets.

Now the baby boomers – those people aged between about 45 and 61 years – will have to respond in a very real way to the challenges of an aging population, where the consequences of their actions now and throughout their lives will have ramifications for the generations to follow.

Their response to the issue of Australia's rapidly ageing population – in the context of the progressive public policy changes that have occurred over the past two decades – will in many ways determine how our nation copes with changing demographic forces and could set a template for how future generations handle their own transition into retirement.

But will history continue to favour the boomers? This edition of the AMP.NATSEM Income and Wealth Report takes stock of the baby boomers' situation – their family structures, their work patterns, their wealth and their spending – to ask: how well placed are they financially to answer the challenges of their march to retirement?

The wealthiest generation

This edition of the AMP.NATSEM Income and Wealth Report reveals that baby boomers are our wealthiest generation, thanks in part to the strong growth in asset values, including residential property.

Previous AMP.NATSEM Reports (May 2002 and March 2004) commented that the baby boomer generation has had alarmingly low superannuation balances, particularly given their lifestyle expectations in retirement. This has been due to a combination of factors such as the introduction of a comprehensive superannuation regime relatively late in their working lives and, for some, because retirement saving might not have fit within their "live for now" world view.

However, people who are aged between 45-64 years, who make up one quarter of the population, hold half of the nation's total household wealth. Each baby boomer has on average accumulated net wealth of $381,000, compared with average net wealth of $292,500 for all Australians.

Keeping it in-house

Much of this wealth is stored up in the housing that most baby boomers have bought. Four out of five baby boomers are home owners, which is high not only by international standards, but also when compared with other past and present generational groups.

These Australians' average equity in their homes of $161,000 each represents around 42 per cent of their total net wealth. Compare this with the baby boomers' average super balance of $65,100 per person, which is just 17 per cent of their net wealth.

The issue here is that a large proportion of older Australians' net wealth is bound up in illiquid assets – namely, their family homes. As previous AMP.NATSEM Income and Wealth Reports have observed, you can't eat bricks and mortar.

The boomers need only look at the generation before them – those who are aged 65 years or more – for a vision of life in retirement.

The average weekly household expenditure of an Australian aged 65 or more is half that of 45-64 year old: they spend half as much on entertainment and recreation as a typical baby boomer and less than half as much on transport. They manage this on about 43 per cent of the baby boomers' average household income.

Super benefits

The good news is that people in this generation are aware that they have only a limited time to save for their retirement. Baby boomers put twice as much each week into their superannuation as those who are aged under 45, although this is still less than one-third of the weekly amount baby boomers currently spend on entertainment and recreation.

Some might argue that the events of history continue to favour the baby boomers. A new retirement income regime comes into place on 1 July 2007 following the Simpler Super reforms announced in the 2006 Federal Budget.

The first beneficiaries of this sweeping reform agenda are older baby boomers, who are either close to retirement age or have already decided to retire from the work force.

The reforms provide a timely fillip for many in this large and influential group. One of the main features of this reform is the ability for Australians aged 60 or more to draw tax-free income from their superannuation from 1 July 2007[1].

1 Income and ETP tax exemptions will apply where end benefits are received from 1 July 2007 either in lump sum or pension form. The end benefits must be from a taxed superannuation fund and the member must be 60 or over at the time benefits are received.

More participation

More and more baby boomers are planning to stay at work or are looking for opportunities to re-enter the workforce. The report shows some significant increases in work force participation rates over the past 10 years, particularly for older Australians aged 60-64.

Boomer women generally have also shown their willingness to go back to work, with large increases in participation rates across the whole age group. For instance, the proportion of unmarried women aged 60-64 who are seeking employment increased by more than 20 percentage points between 1996 and 2006.

While for some this is a scenario driven by economic necessity, for many others it represents a new wave of opportunity and flexibility. Many baby boomers continue to pursue the kind of lifestyle they have enjoyed throughout their lives but know they need income to support it and, for many, that means extending their working lives.

Red ink

Debt also continues to be an issue for this generation. Almost three-quarters of people in the 45-64 years age group carry a combined total of around $150 billion in debt and an average debt of $59,000 per household.

While one-third of 45-64 year olds are still managing their mortgages, almost nine in every 10 baby boomers aged between 60-64 years generally have managed to pay off their home loan.

And while total debt of $150 billion, at average per person debt of $59,000, may seem like a lot, it is unlikely to be a major issue for most people when compared with the value of their total assets.

However, debt and savings are two sides of the same coin and, at some point in time, inappropriately managed debt will draw on a person's savings – a point discussed in the 9th AMP.NATSEM Income and Wealth Report on household debt in Australia (November 2004).

Choices

In the relatively brief period before many baby boomers must begin to make concrete decisions about their retirement, most will have a series of choices to make about how they can maximise their retirement nest eggs.

These choices include working longer, saving more for retirement (by spending less now and managing their debt to lower levels), earning more on their savings by taking more – but acceptable – investment risks, taking advantage of Government concessions and structuring their financial affairs to pay less tax, drawing down on their non-financial assets (for example, by down sizing their family homes), or by combining any or all of these options to generally improve their financial situation.

As *Baby boomers – doing it for themselves* shows, this generation does appear to be exercising many of these options: participation rates among Australians aged 45-64 are increasing, boomers are putting more into their super and mostly paying down their home loans before they turn 64, and they have a new retirement incomes system about to take effect that allows them to draw tax-free income from their superannuation once they turn 60.

But it is those boomers that take full advantage of the range of options available to them who are likely to be better off. Invariably, to get this right, people will need to access good financial advice.

Having it all

The baby boomer generation remains a powerful force within the Australian community. After enjoying the benefits of Australia's prosperity for much of the past few decades, many of this generation are set to retire into a favourable environment – albeit too many of them will be asset rich and cash poor.

While the events of history continue to change to suit the baby boomers, they still have many important decisions to make and, with the benefit of good information and advice, can give themselves the best possible chance to keep on "having it all", right into retirement.

Craig Dunn

Managing Director, AMP Financial Services

1. Introduction

Population ageing is a major issue in Australia. The sharp fall in fertility allied with lengthening life spans will result in sharp increases in the number of older Australians in coming years. Population ageing is expected to have profound consequences for government, due to the higher health, aged care and pension costs and slower economic growth associated with an ageing population (Treasury, 2002; Productivity Commission, 2005). During the past few years the Federal Government has been encouraging the baby boomers to save harder and work longer, so that they can help finance a comfortable living standard in retirement. But have these messages been heeded?

In previous issues of the AMP.NATSEM Income and Wealth Report, we have looked at those approaching retirement – but changing labour force behaviour, changes to government benefits and dramatic changes to superannuation all make it timely to reconsider this pre- and early-retirement group. The release in 2006 of new ABS data on the circumstances, spending and savings behaviour of Australians also provides new insights into this crucial cohort (ABS, 2006a).

2. Baby boomers and their families

While the age ranges for different generations are somewhat arbitrary, according to demographer Bernard Salt the baby boomers are currently aged around 46-61 years, Generation X are around 31-45 years and Generation Y are around 16-30 years old (2001). In the 2004 data from the Australian Bureau of Statistics, upon which this report relies heavily, the boomers are aged about 45 to 59 years – while today, and in some of the later ABS data that we use, some of them have edged into their sixties. In the remainder of this report we are particularly interested in the outcomes just before retirement, so we have also examined outcomes for 60 to 64 year olds (which also accords with the five year age categories used by the Australian Bureau of Statistics). We have also broken down the information into age groups of 45-54, 55-59, and 60-64 as the behaviour of differing age groups can vary greatly.

There are currently 5.25 million Australians aged 45-64 or one-quarter of the Australian population. Four out of five of the men in this age group are living as a member of a couple (80%), while three-quarters of the women are a member of a couple (76%) (Table 1). These values are reasonably consistent across the different baby boomer age groups. However, while most of the baby boomers are married[1], most have recently seen the children leave home or are about experience this "joyous" empty-nest occasion. As shown in Figure 1, for males aged less than 50, more than half (57%) are living with children but this proportion drops quickly during their 50s, with only one-in-twelve (8%) living with a child in their early 60s.

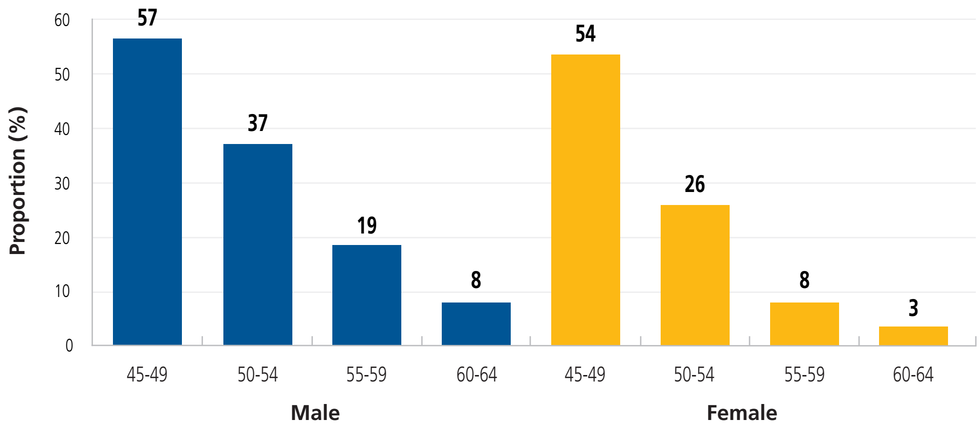
Women in these age groups are even less likely to have dependent children than their male counterparts. However, as Table 1 shows, the proportion living as a sole parent is much higher than for males.

Table 1 Distribution of people aged 45-64 by family type, 2004

	Member of a couple with dependent children	Member of a couple only	A sole parent with dependent children	A single person
	%	%	%	%
Male				
45-49	55.1	23.8	1.7	19.5
50-54	35.4	43.4	1.8	19.4
55-59	17.7	63.9	0.8	17.6
60-64	7.6	73.3	0.2	19.0
Overall	31.5	48.4	1.2	18.9
Female				
45-54	44.6	31.9	9.2	14.2
50-54	22.3	54.1	3.7	19.9
55-59	6.9	69.6	1.1	22.4
60-64	2.2	70.6	1.2	26.1
Overall	21.5	54.3	4.3	20.0

Source: ABS 2003-04 Survey of Income and Housing unit record data

Figure 1 Proportions of baby boomers living with dependent children, by gender, 2004



Note: "Baby boomers" is defined colloquially here as persons aged 45 to 64 years.
Data source: ABS 2003-04 Survey of Income and Housing unit record data

There are striking changes in employment which will help the boomers to fund their forthcoming retirement.

3. Baby boomers and the labour force

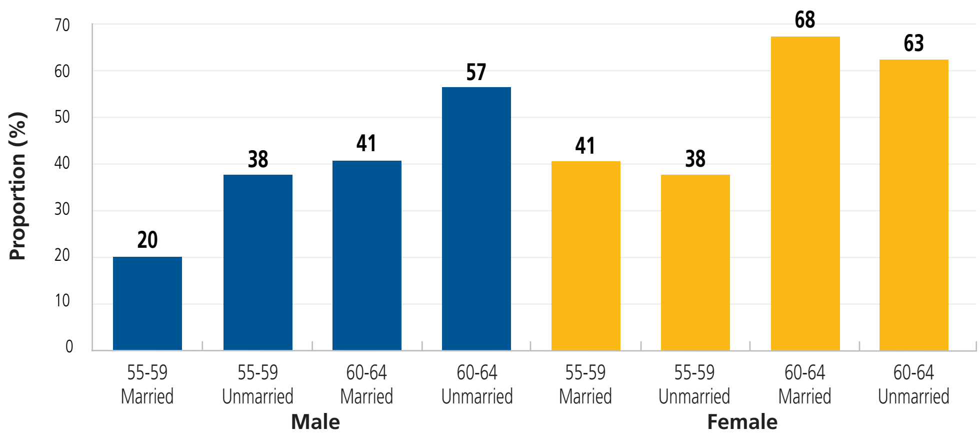
A critical issue is the proportion of baby boomers that have a job or would like one. International research has suggested that the size of the future fiscal burden that population ageing will create for governments will be greatly reduced if people delay their retirement by even a few years (Cotis, 2003; Fredriksen et al., 2007). As a result, government is keenly watching the labour force participation rates of the baby boomers.

More boomers in jobs

This has been a good news story over the past five years, with strong economic growth helping more baby boomers to find and keep jobs. By November 2006, about six in every 10 married males aged 60 to 64 years were in the labour force, up from five in every 10 only five years earlier (Table 2). Similarly, for married females also aged 60 to 64, about three in every 10 were in the labour force by 2006, up from about two in every 10 back in 2001. Strong growth is also apparent in the labour force participation rates of unmarried 60 to 64 year olds and in the participation rates of 55 to 59 year old boomers over the past five years. These are striking changes in employment which will help the boomers to fund their forthcoming retirement.

Yet, despite these positive trends, it is still apparent that many baby boomers are retiring early. For example, by age 55 to 59 years, one in every five married and two in every five unmarried baby boomer males have already quit the labour force (Figure 2). By age 60 to 64, the proportions are up to two in every five married and three in every five unmarried males. For baby boomer women, two in every five are out of the labour force by age 55 to 59 and about two in every three by age 60 to 64. So, in summary, by age 60 to 64, the majority of both married and unmarried women and of unmarried men have retired.

Figure 2 Proportions of baby boomers who have retired, by age, gender and marital status, 2004



Note: "Baby boomers" is colloquially defined here as persons aged 45 to 64 years. "Retired" is defined here as those who are not in the labour force.
Data source: ABS 2003-04 Survey of Income and Housing unit record data

Returning to those still in the labour force, Table 2 shows that the highest participation rate is for married men aged 45-54 (92%), with little change for these men over the last decade (up 1.1 percentage points[2]). Strikingly, however, married men of this age are much more likely to be participating in the labour force than unmarried men. The participation rate of married men aged 45-54 is around 15 percentage points higher than the rate of unmarried men in this age group. A similar pattern is apparent for all men aged 45-64.

The participation rates for women are lower than for men, as expected. However, the sharp growth in the proportion of women in their late 40s, 50s and early 60s holding down jobs has been one of the factors helping our economy during the past 10 years. The participation rate for both married and unmarried women has grown by around 5 to 20 percentage points over the past decade.

While some growth might have been expected in the 60-64 age group due to changes in the eligibility for the Age Pension[3], the increases in the likelihood of 55 to 59 year old women participating in the labour force have been equally remarkable (up around 18 percentage points for married women and 16 percentage points for unmarried 55 to 59 year old women).

These changes have been so profound that today some types of baby boomer women are as likely as their male counterparts to hold or want jobs. For example, today 73.5 per cent of unmarried baby boomer women aged 45 to 54 years old are in the labour force, very close to the 76.1 per cent rate notched up by unmarried baby boomer men of the same age. Similarly, 61.7 per cent of unmarried 55 to 59 year old women are in the labour force – and this rate may well outpace that for unmarried males of the same age in the near future (currently standing at 62.2 per cent).

Table 2 Labour force participation rates by gender, age and marital status, 1996-2006

Gender and Age	Marital Status	Participation Rate				
		Nov 1996	Nov 2001	Nov 2006	10-yr change	5-yr change
		%	%	%	% points	% points
Male						
45-54	Married	90.9	90.7	91.9	1.1	1.2
	Not married	75.9	75.3	76.1	0.2	0.8
55-59	Married	76.9	75.6	79.6	2.7	4.0
	Not married	66.2	58.8	62.2	-4.0	3.5
60-64	Married	46.6	48.9	58.5	11.9	9.6
	Not married	33.9	37.7	42.6	8.7	4.9
65+	Married	10.3	11.7	14.8	4.5	3.1
	Not married	6.7	6.5	7.6	0.9	1.1
All ages (15+)	Married	75.2	74.5	74.9	-0.3	0.4
	Not married	69.5	67.1	66.5	-3.0	-0.6
Female						
45-54	Married	68.4	71.9	77.4	8.9	5.4
	Not married	69.7	68.6	73.5	3.8	4.9
55-59	Married	40.9	49.2	58.7	17.8	9.5
	Not married	46.0	49.8	61.7	15.7	11.8
60-64	Married	18.2	22.6	31.8	13.6	9.2
	Not married	16.2	27.6	36.6	20.4	8.9
65+	Married	3.7	4.9	6.9	3.2	2.0
	Not married	2.5	2.0	2.8	0.3	0.8
All ages (15+)	Married	54.9	57.6	60.2	5.2	2.6
	Not married	51.9	51.3	53.4	1.5	2.2

Source: ABS, 2006b.

The higher participation rates of married men apparent in the Table 2 male data are not evident in the female data. In fact the reverse is true if anything – married women of all ages are slightly less likely to be in the labour force. This presumably reflects the traditional child raising roles of married women.

The Part-Time Divide

Employed baby boomer women are about three to four times as likely as employed baby boomer men to work part-time, as shown in Table 3. These differences do not seem to have narrowed very much during the past 10 years, although a shift is evident away from part-time and towards full-time work for baby boomer women in the past five years (shown in the final right-hand column of Table 3).

Another of the interesting trends revealed in Table 3 is the growing preference for part-time work as one ages. About one in every four 60 to 64 year old males who has a job works part-time. This is about four times higher, for example, than the proportion recorded by employed married male boomers aged 45 to 54 years (of 7.4 per cent).

The impact of marital status is also again starkly apparent. The proportion of unmarried men aged 45 to 54 working part-time is around double the rate for married men. However for baby boomer women the pattern is again reversed, with married female baby boomers being more likely to work part-time than unmarried female boomers.

Table 3 Proportion of those employed that are working part-time by gender, age and marital status, 1996-2006

Gender and Age	Marital Status	Proportion working part-time				
		Nov 1996	Nov 2001	Nov 2006	10-yr change	5-yr change
		%	%	%	% points	% points
Male						
45-54	Married	4.7	6.6	7.4	2.7	0.8
	Not married	10.6	10.1	14.0	3.4	3.9
55-59	Married	10.3	12.8	12.2	1.9	-0.6
	Not married	14.7	15.6	17.0	2.4	1.4
60-64	Married	18.8	22.2	24.5	5.7	2.4
	Not married	17.1	22.8	26.0	9.0	3.2
65+	Married	45.8	41.4	41.8	-4.0	0.4
	Not married	36.9	48.2	42.6	5.7	-5.6
All ages (15+)	Married	6.7	8.6	9.7	3.0	1.1
	Not married	20.5	24.4	25.1	4.6	0.7
Female						
45-54	Married	45.6	46.2	42.3	-3.3	-3.9
	Not married	28.5	32.8	30.5	2.1	-2.3
55-59	Married	53.8	53.4	49.7	-4.1	-3.7
	Not married	40.3	34.0	30.6	-9.6	-3.3
60-64	Married	65.4	62.3	58.0	-7.4	-4.3
	Not married	36.6	53.6	38.8	2.2	-14.8
65+	Married	71.8	73.1	69.0	-2.8	-4.1
	Not married	71.7	65.6	57.1	-14.6	-8.5
All ages (15+)	Married	46.3	46.7	45.9	-0.4	-0.8
	Not married	38.2	42.9	42.2	4.0	-0.7

Source: ABS 2006b.

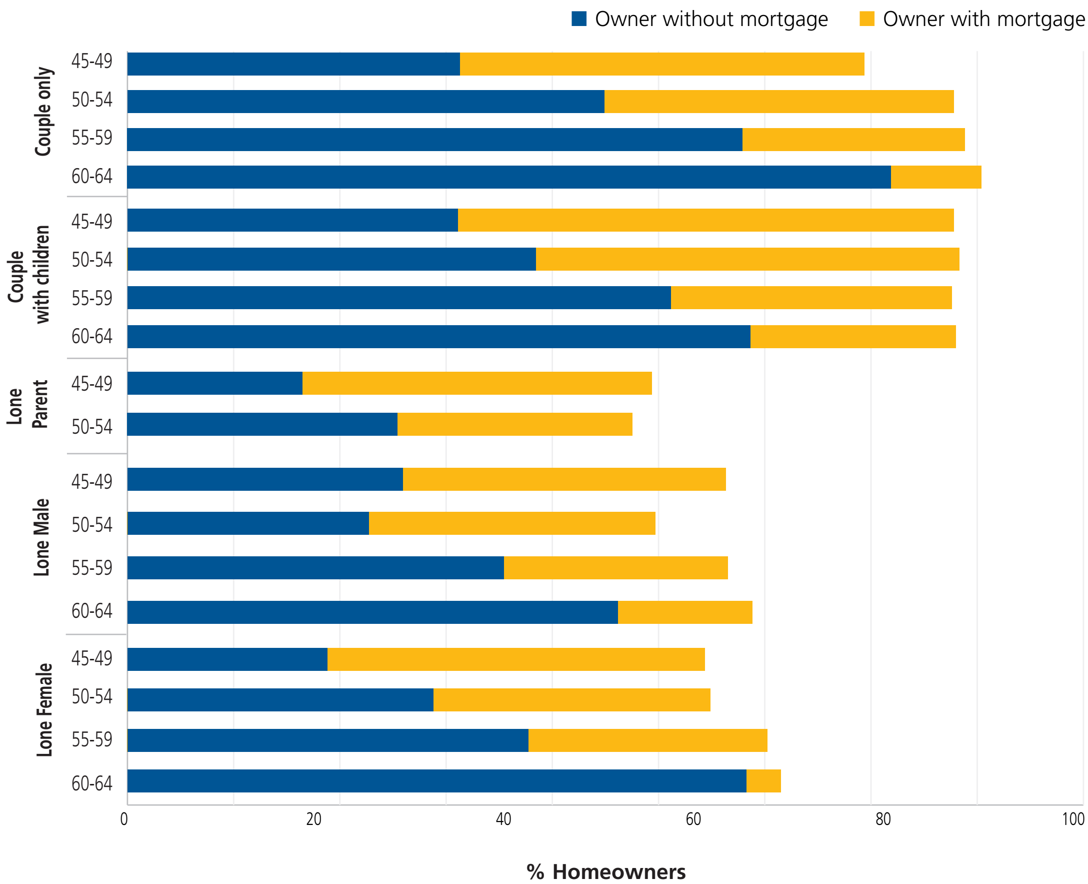
95 per cent of single baby boomer women aged 60-64 who are owner occupiers are outright owners.

4. Baby boomers and their homes

Home ownership has traditionally been the clear favourite preferred tenure in Australian society. With four in every five households headed by a baby boomer owning their own home (with or without a mortgage) it is clear that this preference continues with the baby boomers. It is the major or only savings vehicle for many baby boomer households.

The proportions that are buying or own their own home varies with type of household and age. Figure 3 shows that couples are the most likely to have leapt the home purchase hurdle. Around 90 per cent of couples are living in their own home by age 65. Two-thirds of couples with children and four out of five couples without children own their home outright before age 65.

Figure 3 Proportions of baby boomer home-owning households, by age of household head and household type, 2004



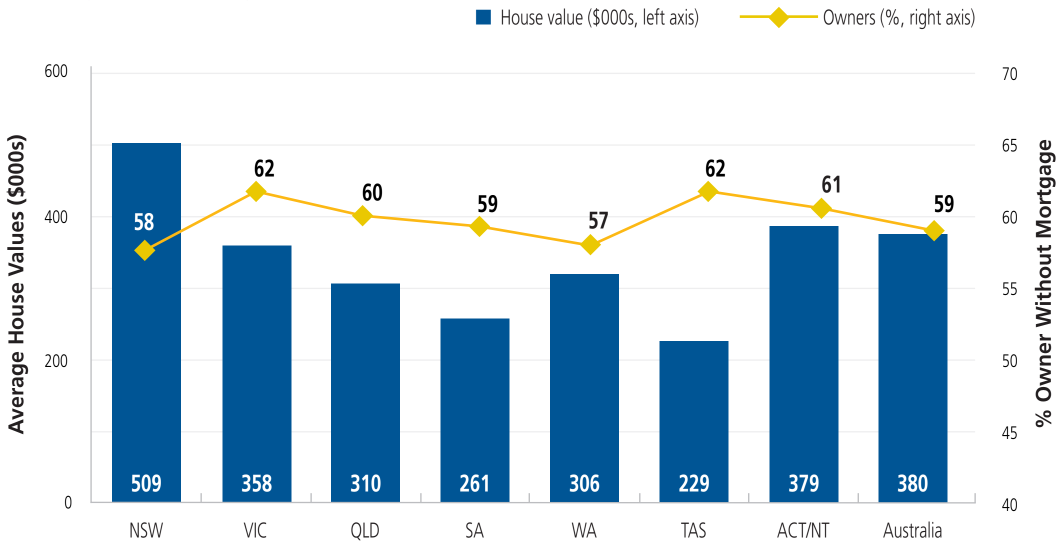
Notes: Mixed households (for example two-family or group households) are excluded from the data above.
The sample sizes were too small to provide reliable estimates for one parent households with the reference person aged 55+ and this group has been excluded from the table above. "Baby boomer" households is colloquially defined here as those with a reference person aged 45 to 64 years.
Data source: ABS 2003-04 Survey of Income and Housing unit record data (reproduced in Table A1)

In contrast, single baby boomers and those who are sole parents are less likely to have been able to buy the roof over their heads and are thus much more likely to rent (see Table A1 in the appendix). For example, only about 62 per cent of single female baby boomers and 64 per cent of single male baby boomers have managed to purchase their own home by ages 45 to 49, compared with 88 per cent of baby boomer parents with children still at home at the same age. For single baby boomers and couples without children it is clear that, with advancing age, the proportion who manage to buy their own home gradually increases (Figure 3). For example, while 62 per cent of single female baby boomers aged 45 to 49 own their own home, this has crept up to 70 per cent by ages 60 to 64.

And Figure 3 also provides further evidence of the importance that Australians place on paying off the mortgage, with substantial increases with rising age in the proportion who own their home outright. Interestingly, 95 per cent of single baby boomer women aged 60 to 64 years old who are owner occupiers are outright owners – higher than the proportion in any of the other household categories. For example, this compares with only 75 per cent of all couples with children home owners aged 60 to 64 years who are outright owners. This presumably reflects the greater financial burdens faced by those who still have dependent children at home when they are in their 60s. But, as Table A2 in the appendix shows, the financial stake that they have in their home is also more important for single females aged 60 to 64 than for any of the other groups examined and amounts to 60 per cent of their total wealth. While we have not been able to examine this directly in the ABS data, this suggests that many of these single females are widows, who used to be part of a couple but are now soldiering on by themselves in the former marital home.

The proportions with and without mortgages do not seem to be strongly correlated with the value of the homes. As Figure 4 shows, the most expensive houses are in New South Wales, and the level of outright ownership there is 58 per cent, a similar value to many other states and territories where average house prices are much lower. In Tasmania, lower house prices result in a higher proportion of home owners having paid off their mortgage.

Figure 4 Proportions of baby boomer home-owning households that own their home without a mortgage and house values by state/territory, 2004



Notes: Mixed households (for example two-family or group) are excluded. "Baby boomer households" is colloquially defined here as those with a head aged 45 to 64 years. Average house values are for all baby boomer home owners, not just those who own their home outright.
Data source: ABS 2003-04 Survey of Income and Housing unit record data

The total debt of baby boomer households is estimated at around $150 billion.

5. Baby boomers and debt

Baby boomers are renowned for their comfort with debt. The total debt of baby boomer households is estimated at around a hefty $150 billion.

As Table 4 shows, the majority of baby boomer households carry some form of debt. By age 55 to 59–when, as shown above, up to two in five baby boomers have already retired – a substantial minority are still wrestling with their home mortgage debt. At age 55 to 59, about one-quarter of single baby boomers and of those living with just their partner still have a mortgage to pay. For baby boomers in this age range who still have dependent children at home, the proportion is somewhat higher at 30.1 per cent (Table 4).

The proportion of boomers in this 55 to 59 year age range who have a credit card debt ranges from a relatively austere 40 per cent for single male boomers to a maximum 64 per cent for boomer couples without children (Table 4). Boomer couples in this age range are more likely to have some form of debt than single boomers, with about half of all male single boomers aged 55 to 59 having some form of debt, about 60 per cent of female single boomers, and around three-quarters of all couple boomer households aged 55 to 59 having some form of debt.

As the lifecycle continues more manage to pay off their debts so that, at age 60 to 64, a majority of singles report that they do not have any debt. This is, of course, a crucial age group, as most are unlikely to earn much in the future and thus will have a reduced capacity to pay off debt as they enter old age. Again focusing on this 60 to 64 year age group, about two-thirds of couple households and about three-quarters of couple households with dependent children still at home report that they still have some debt.

Only in a minority of cases is this still due to the struggle to pay off the mortgage on the family home, as only one-tenth of couples without children aged 60 to 64, one-fifth of couples with children and about one-sixth of single males are still paying off the family castle. Single females in their early 60s are even more likely to have paid off the mortgage, with only four per cent still logging mortgage repayments (Table 4).

Relatively few in their early 60s are paying off rental property or investment loans, with credit card debt being the most common form of debt for all baby boomers at all ages. The figures on HECS debts for some boomers might initially appear surprising, but the relatively high percentages recorded for couples with children and sole parents are clearly largely due to the debts of their children, rather than to their own HECS debts. Still, it is interesting that one in every 13 single baby boomer women aged 45 to 49 years old are still paying off their HECS debt, compared with only one in every 100 single baby boomer men of the same age. At ages 50 to 54 years, about two or three in every 100 baby boomer households without dependent children record a HECS debt repayment (Table 4).

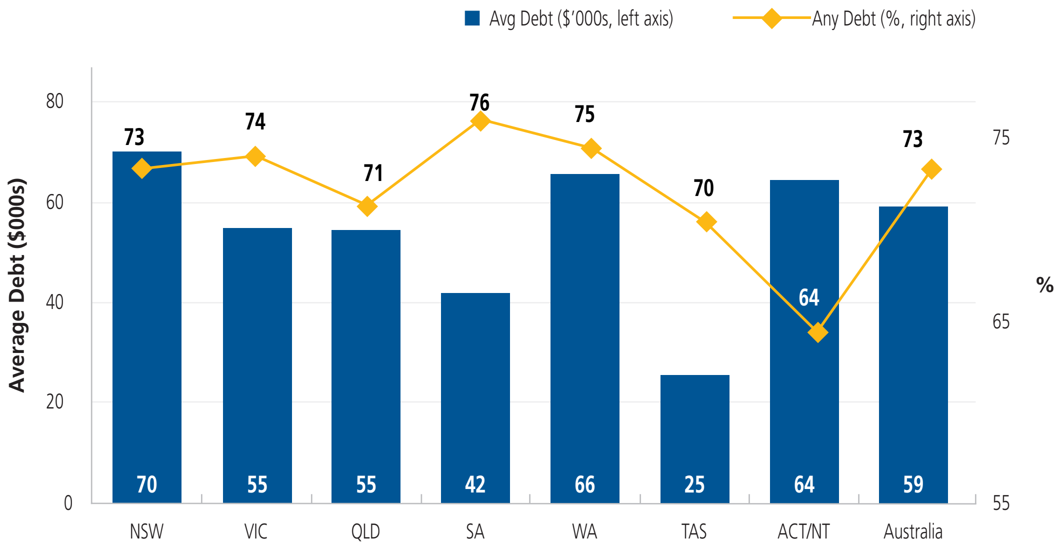
Table 4 Proportions of baby boomer households having debt by age of household head and household type, 2004

Age Group	Household Type	Any debt	Credit card debt	Rental property loans	Investment loans	Home mortgage	HECS debt
		%	%	%	%	%	%
45-49	Couple only	83.9	66.6	13.7	3.7	43.3	1.9
	Couple with children	89.0	76.8	14.5	5.5	53.2	16.7
	One Parent with children	70.7	50.7	2.2	0.8	38.1	12.4
	Lone Male	64.0	49.8	5.7	1.8	34.5	1.1
	Lone Female	64.2	55.7	6.5	0.8	40.4	7.6
	All 45-49	81.6	68.1	11.5	4.0	47.3	11.8
50-54	Couple only	79.3	66.0	11.5	3.4	37.6	1.7
	Couple with children	84.2	68.4	14.5	5.8	45.5	22.7
	One Parent with children	64.9	51.3	4.3	–	25.1	17.6
	Lone Male	57.4	39.3	2.5	1.6	30.7	2.1
	Lone Female	66.0	56.7	5.2	1.8	29.5	3.0
	All 50-54	76.6	62.0	10.7	3.9	38.7	12.0
55-59	Couple only	72.6	63.9	7.7	3.3	23.7	1.0
	Couple with children	77.7	62.9	9.7	4.9	30.1	24.8
	Lone Male	48.4	39.6	1.1	2.3	23.8	1.1
	Lone Female	60.4	50.3	4.8	2.3	25.6	1.0
	All 55-59	69.4	58.8	7.1	3.5	25.8	7.8
60-64	Couple only	63.7	59.2	3.9	1.5	10.2	0.1
	Couple with children	74.6	59.4	8.9	3.8	21.9	22.6
	Lone Male	47.9	41.3	1.4	0.6	15.8	–
	Lone Female	40.6	38.4	0.9	–	4.2	1.3
	All 60-64	59.4	53.2	3.9	1.5	11.9	4.1
All	Couple only	72.8	63.3	8.2	2.8	25.2	1.0
	Couple with children	84.4	70.4	13.3	5.4	44.4	20.4
	One Parent with children	68.9	50.9	2.9	0.5	33.9	14.1
	Lone Male	55.3	42.8	2.9	1.6	27.2	1.2
	Lone Female	57.1	49.7	4.2	1.2	23.6	2.8
All 45-64		73.2	61.4	8.8	3.4	33.2	9.5

Note: The percentages represent the proportion of that group that have that form of debt. For example, 66.6% of Couple Only households with a reference person aged 45-59 have a credit card debt.
"Any debt" indicates that debt related to credit cards, rental property loans, investment loans, a mortgage or HECS is greater than zero. "Baby boomer" households are colloquially defined here as those with a reference person aged 45 to 64 years.
Source: ABS 2003-04 Survey of Income and Housing unit record data

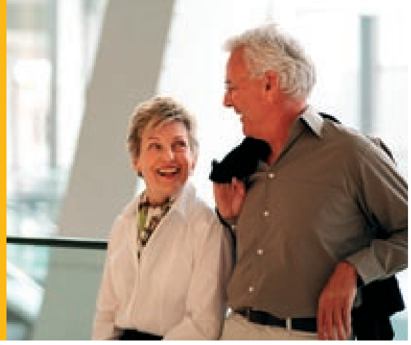
The average debt for all baby boomer households is an estimated $59,000 in 2004, with 73 per cent of the entire group recording some debt (Figure 5). South Australia stands out as the state or territory where the highest proportion of baby boomers have any form of debt (76%) – yet average debt levels are relatively low in SA, at only $42,000 per boomer household. On the other hand, the combined results for the ACT and Northern Territory show the lowest proportion of households reporting debt (64%) – but the one of highest average debts of $64,000 per household. This high average debt reflects the higher than average incomes of ACT residents. Sydney house prices are one of the factors driving the NSW results, with 73 per cent of NSW boomer households paying off debts and the average debt of all boomer households reaching $70,000.

Figure 5 Proportions of baby boomer households that have any form of debt and average amount of debt, by state/territory, 2004



Notes: Mixed households (for example two-family or group households) are excluded. "Baby boomer" households are colloquially defined here as those with a reference person aged 45 to 64 years.
Data source: ABS 2003-04 Survey of Income and Housing unit record data

Recreation and entertainment account for about $12 in every $100 spent by the baby boomers.



6. Baby boomers and spending

In addition to being comfortable with debt, the baby boomers are also famous for their spending and self-indulgence. But is this reputation accurate? In the next table we compare the baby boomers' weekly spending with those of younger and older generations.

Incomes typically increase over the first half of the lifecycle, as individuals finish studying and start notching up more experience and promotions. But, as Table 5 shows us, the average incomes of households headed by 45 to 64 year olds are only very slightly higher than those of households with a head aged less than 45 years. This means that the average income results for the boomers are a mix of the relatively high incomes earned by those who are still working combined with the much lower incomes experienced by the early retirees among them.

After paying income tax, the total spending of boomer households and those headed by younger Australians aged less than 45 years is relatively similar – about $1120 a week for boomer households and $1165 a week for younger households (Table 5). The spending of older households, with a head aged 65 years and over, is roughly half that of working age households, at only $535.

The boomer households spend more each week than either younger or older households on food, alcohol, transport, personal care and miscellaneous goods and services (which include such items as rates, insurance, child and spouse maintenance payments and accountant fees). They spend about 50 per cent more than either older or younger households on medical care and health expenses, reflecting their poorer health status relative to younger households allied with their inability to access the more generous government health subsidies offered to those of age pension age. The $60 a week spent by boomer households on health products and services represents 5.4 per cent of their total after-tax spending, compared with only 3.3 per cent for younger households with heads aged less than 45 years.

As they "sea-change" and "tree-change", the boomers are spending more on recreation than either younger or older households – $132 a week for boomer households compared with $120 a week for younger households and $71 a week for households with heads aged 65 years and over. Recreation and entertainment thus account for about $12 in every $100 spent by the boomers.

Superannuation is another area of major difference between the generations, as the boomers save hard for the imminent retirement that awaits them. The boomers total spending on superannuation and life insurance of $38 a week is double that put away by younger households (Table 5) – but it is still less than one-third of their weekly spending on recreation and entertainment.

Other major lifecycle effects are also apparent. Younger households are spending far more on housing costs than either boomer or older households. In 2004, younger households were spending almost $200 a week in rent or mortgage interest and another $59 a week in paying off the mortgage principal on their home. These two items together chewed up more than one-fifth of the discretionary (after-tax) spending of households with heads aged less than 45 years. In contrast, boomer households were paying $122 a week in rent and mortgage interest and another $34 a week in chipping away at any remaining mortgage principal, with these two items together making up only 14 per cent of total boomer discretionary spending. Older households with heads aged 65 plus are spending only $71 a week on housing costs – and, as noted in the last AMP.NATSEM report on the characteristics of consumers in 2020, this and other differences mean that population ageing will have profound effects on the types of goods and services demanded by consumers in the future.

Table 5 Average weekly household expenditure by age of the reference person and type of expenditure, 2004

	Age of household reference person			
	<45 years	45-64 years	65+ years	**All ages**
	$ per week	$ per week	$ per week	$ per week
Housing costs	198	122	69	144
Domestic fuel & power	24	26	18	24
Food & non-alcoholic beverages	160	171	101	152
Alcoholic beverages	23	27	11	22
Tobacco products	12	13	4	11
Clothing & footwear	39	40	17	35
Household furnishings & equipment	62	56	29	53
Household services and operation	62	55	35	54
Medical care & health expenses	38	60	41	47
Transport	147	164	70	137
Recreation	120	132	71	114
Personal care	17	21	11	17
Miscellaneous goods & services	87	92	35	78
Mortgage repayments-principal	59	34	2	38
Other capital housing costs	94	66	16	68
Superannuation & life insurance	19	38	7	23
Total expenditure	**1,163**	**1,117**	**535**	**1,016**
Total household Income from all sources	1,253	1,270	540	1,111

Note: Total Expenditure includes selected other minor payments and may not be the sum of the items above. Income tax paid is not included within total expenditure. "Baby boomer" households are colloquially defined as those with a reference person aged 45 to 64 years.
Source: ABS 2003-04 Household Expenditure Survey unit record data

Moving now from the picture between the generations to exploring how different types of baby boomer households spend their money, Table 6 shows that couples with children in boomer households spend many more dollars each week on housing, food, clothing, transport and recreation than other boomer households. In most cases, however, this simply reflects their greater purchasing power, as their incomes are 50 per cent higher than those of boomer couples and roughly three times as much as those of single boomers.

Boomer couples with children spend markedly less on superannuation than boomer couples without children. Many of these boomer couples without children are now in the "empty nest" phase of the lifecycle, where they finally have the children off their hands and can afford to save harder for their retirement. Indeed, boomer couples without children are the standout performers in the superannuation saving stakes, devoting 4.7 per cent of their total spending to superannuation, compared with around 2 to 2½ per cent for couples with children and single boomers and only 1.2 per cent for boomer sole parents.

Single male boomer households confess to spending three times as much on alcohol and twice as much on tobacco as their female counterparts – although all these figures are no doubt affected by the well-known tendency to understate spending on "sin" goods. However, the female single boomers spend four times more on personal care, three times as much on clothing and double on household furnishings.

Table 6 Average weekly household expenditure by baby boomer households by family type and type of expenditure, 2004

	Couple Only	Couple with Dependent Children	One Parent with Children	Lone Male	Lone Female	All
	$ per week	$ per week	$ per week	$ per week	$ per week	$ per week
Housing costs	101	149	124	104	110	122
Domestic fuel & power	26	33	26	17	17	26
Food & non-alcoholic beverages	156	246	156	72	71	171
Alcoholic beverages	28	36	11	23	7	27
Tobacco products	11	16	10	15	7	13
Clothing & footwear	34	62	50	6	18	40
Household furnishings & equipment	61	64	38	25	48	56
Household services and operation	51	73	52	26	36	55
Medical care & health expenses	70	72	39	31	29	60
Transport	155	233	123	71	77	164
Recreation	123	183	129	58	60	132
Personal care	20	30	15	3	13	21
Miscellaneous goods & services	72	142	84	42	36	92
Mortgage repayments – principal	23	52	21	26	22	34
Other capital housing costs	18	120	53	26	63	66
Superannuation & life insurance	57	38	13	18	17	38
Total expenditure	**1,004**	**1,549**	**943**	**563**	**631**	**1,117**
Total household income from all sources	1,101	1,837	992	683	555	**1,270**
Number of households ('000)	788	979	95	298	303	**2,463**

Note: "Total Expenditure" includes selected other payments and may not be the sum of the items above. Income tax paid is not included within total expenditure. "Baby boomer" households are colloquially defined here as those with a reference person aged 45 to 64 years. Note that we believe that there may be a sampling error in the data for spending by female lone persons on capital housing costs (which includes extensions and renovations and the purchase of other investment properties). There are four outlying observations in the sample data for this group who spend between $2110 and $4251 a week on such capital housing costs: in contrast, there are no values over $2000 a week for single males. The estimates for "other capital housing costs" should thus be treated with some caution, as should the total expenditure for single female households.
Source: ABS 2003-04 Household Expenditure Survey unit record data

Each baby boomer has on average accumulated a net wealth of $381,100.

7. Baby boomers and wealth

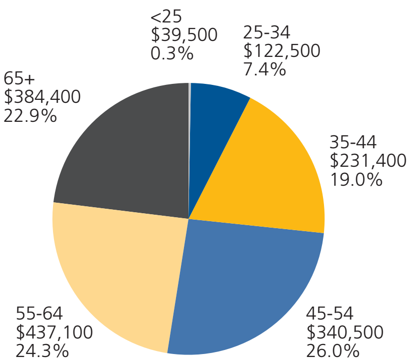
Of the estimated 11.6 million Australian adults living either as one of the partners in a couple or as a single adult household, 4.3 million are living in a household headed by a baby boomer. Despite the debt discussed above, these baby boomer households are estimated to be the wealthiest households in Australia. The average household headed by a baby boomer in 2004 had a net worth of $650,000. "Net worth" is defined here as being the sum of the value of their assets – the family home and its contents, other property, money invested with financial institutions, shares, superannuation, vehicles, own incorporated business (net), and other assets – minus any debts (as discussed in the previous section).

The total wealth of different households can be misleading, however, as couple households typically have more wealth than single persons – but the likelihood of being part of a couple can vary systematically by age and the wealth of the couple potentially has to support two people in retirement rather than just one. Accordingly, we have calculated *wealth per person*, by dividing total household wealth in two when it is a couple household and leaving it untouched when it is a single person household.

Using this definition, each baby boomer has on average accumulated a net wealth of $381,100 (Table 7). This average level of net worth for baby boomers compares with an average net wealth for all Australians of about $292,500 per person. Table 7 paints a clear picture of Australians accumulating wealth as they age, with per capita wealth increasing steadily as age increases up to retirement age. For example, average wealth is just $122,500 per person for those adults living in households headed by a 25 to 34 year old (Table 7).

The final right hand column of Table 7 shows the results when we add up the wealth of all the adults in Australian households (excluding mixed households and not counting any older dependent children still living in the parental home as "adults"). This shows that baby boomer

Figure 6 Average per adult net worth and share of total household net wealth held, by age of household head, 2004



Notes: Mixed households (for example two-family or group households) are excluded from this analysis. A definition of "net worth" is provided in the technical notes. The percentages in the figure are shares of total wealth. Looking at *population shares* rather than wealth shares, 3% of adults (excluding dependent children) live in a household headed by a person under 25 years of age, 17% in a household headed by a 25-34 year old, 23% by a 35-44 year old, 22% by a 45-54 year old, 15% by a 55 to 64 year old, and 19% by a 65+ year old.
Data source: ABS 2003-04 Survey of Income and Housing unit record data

households possess half of total household wealth (50.3%), even though such households contain only 37 per cent of all adults considered in our analysis. Households headed by an older Australian aged 65 years and over hold almost another quarter (22.9%) of the total household wealth in our society (Figure 6). Similarly, those headed by a 35 to 44 year old hold about one-fifth of total household wealth.

Table 7 also looks at the average wealth held in the form of the family home, by quartile. It shows that, on average, baby boomers have accumulated $161,000 per person through home ownership. Thus 42 per cent of the wealth held by baby boomer households is held in the form of their family home. For baby boomers in the middle of the net worth spectrum, the proportion is even higher (Quartile 2: 56%; Quartile 3: 53%). Another 17 per cent of the net wealth of baby boomers is held in superannuation, with an average super nest-egg of $65,100 per person.

Table 7 Average per adult net worth, by age of the household reference person, Australia, 2004

Age Group of Household Reference Person	Average Per Adult Net Worth					Share of total household net worth
	1st Quartile (Poorest 25%)	2nd Quartile	3rd Quartile	4th Quartile (Richest 25%)	Average within age group	
	$	$	$	$	$	%
<25	2,200	12,600	31,100	111,600	39,500	0.3
25-34	15,400	62,700	125,900	285,900	122,500	7.4
35-44	37,400	127,300	219,100	540,800	231,400	19.0
45-54	61,800	191,000	323,500	784,600	340,500	26.0
55-64	78,400	219,000	371,800	1,077,700	437,100	24.3
65+	60,700	189,100	328,600	958,600	384,400	22.9
All Households	48,800	153,000	265,400	701,900	292,500	100.0
All Baby Boomer Households	68,300	202,300	342,500	910,400	381,100	50.3
	Selected Components of Baby Boomer Net Worth					
	Equity in Home (Value Per Adult)					
	29,400	114,100	179,700	320,300	161,000	
	Superannuation (Value Per Adult)					
	10,900	31,700	68,100	149,400	65,100	

Note: The definition of net worth is based on the ABS definition. This definition includes more assets than were included in previous AMP.NATSEM Income and Wealth Reports. For example, the value of vehicles, contents of the home and collectibles were all previously excluded but are now part of the estimated net worth value. Mixed family households (for example two-family or group households) are excluded. "Baby boomer" households are colloquially defined here as those with a reference person aged 45 to 64 years. Each single person or partner within a couple household within each age range is ranked by their per adult net worth and then assigned to an age-specific wealth quartile. The poorest 25% of adults within an age band are assigned to Quartile 1 and the richest 25% to Quartile 4. The technical notes contain more details. The quartiles are within the specified age groups. All estimates rounded to the nearest one hundred dollars.

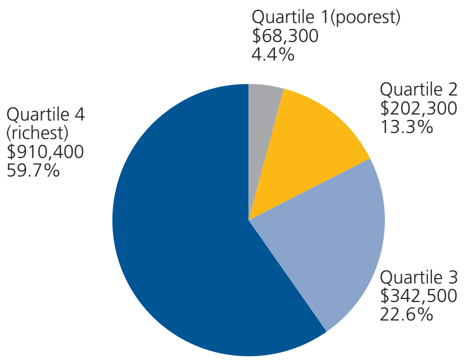
Source: ABS 2003-04 Survey of Income and Housing unit record data

Wealth, however, is far more unequally distributed than income – so looking at the average wealth of particular age groups can be very misleading. In the case of boomers, for example, the least wealthy one-quarter of baby boomers (called Quartile 1) have an average per adult wealth of only $68,300 (Figure 7 and Table 7). In contrast, the average personal net worth of the wealthiest one-quarter of boomers is over $900,000. This is 13 times the average of the poorest quartile. It means that the poorest one-quarter of baby boomers possess 4.4 per cent of the group's net worth while the wealthiest one-quarter enjoy 60 per cent of the boomers' $1,648 billion net worth.

The spread of wealth across Australian society is also very wide, ranging from around $49,000 per adult for the poorest one-quarter of adults to just over $700,000 for the wealthiest one-quarter (Table 7).

Another view of the wealth of baby boomers is by the type of household that they live in. As above, all those adults living in boomer households were assigned to a boomer wealth quartile, and then the type of household that they live in was examined. Table 8 shows, for example, that four in ten (41.2%) of all "One Parent" baby boomers are in the poorest wealth quartile. "Lone Male" and "Lone Female" are also over-represented in the poorest quartile.

Figure 7 Share of wealth held by baby boomers and average per adult net worth, by baby boomer wealth quartile, 2004



Notes: Mixed households (for example two-family or group households) are excluded. Only baby boomer households are considered in scope, with "baby boomer" households here being colloquially defined as those with a reference person aged 45 to 64 years. Each single person or partner within a couple household within this "baby boomer" age range is ranked by their per adult net worth and then assigned to a baby boomer wealth quartile. The poorest 25% of adults are assigned to Quartile 1 and the richest 25% to Quartile 4.
Data source: ABS 2003-04 Survey of Income and Housing unit record data

More than 92 per cent of the wealth of the boomer group is controlled by couple households.

Conversely, Table 8 shows that couples are over-represented in the rich quartiles and under represented in the poorest one-quarter. The effect of this distribution towards people in couple households being wealthier than people in single parent households, allied with the large number of couples in this age group, sees more than 92 per cent of the wealth of the boomer group being controlled by couple households.

Another important question is whether the wealth of the boomers will provide them with enough income in retirement or is it all held in cars, their own home and castle, and plasma TVs? In previous AMP.NATSEM reports, we have examined the potential difficulties created when wealth is disproportionately held in the family home, which can be traumatic to tap into when money is needed to fund day-to-day living expenses in retirement.

Table 8 Distribution of baby boomers, by wealth quartile and type of household, Australia, 2004

Household Type	Average Net Worth Quartile				Share of Adults	Share of Net Worth
	1st Quartile (Poorest 25%)	2nd Quartile	3rd Quartile	4th Quartile (Richest 25%)		
	%	%	%	%	%	%
Couple only	22.2	25.8	24.9	27.1	37.1	44.1
Couple with children	22.7	26.5	27.0	23.9	46.1	48.3
One Parent with children	41.2	18.3	18.3	22.1	2.5	1.1
Lone Male	36.7	18.7	20.0	24.6	7.1	3.4
Lone Female	36.6	19.3	21.1	23.0	7.2	3.2
All	25.0	25.0	25.0	25.0	100.0	100.0

Notes: Mixed households (for example two-family or group households) are excluded. "Baby boomers" are defined here as those adults living in a household with a reference person aged 45-64 (with older dependent children still living in the parental home being excluded from this definition of "adults"). Each single person or partner within a couple household within this "baby boomer" age range is ranked by their per adult net worth and then assigned to a baby boomer wealth quartile. The poorest 25% of adults are assigned to Quartile 1 and the richest 25% to Quartile 4.
Source: ABS 2003-04 Survey of Income and Housing unit record data

To examine this we need to look at the financial assets of the household[4]. These financial assets either provide a source of income or can be readily drawn-down to provide a more comfortable standard of living in retirement. Table 9 suggests that such "actually or potentially liquid assets" on average increase across the working years, rising from $7,800 per adult for those living in households headed by an Australian aged less than 25 years to $136,900 for older baby boomers living in households headed by a person aged 55 to 64 years. Again, there is a wide gulf between the poorest and the richest. For example, concentrating again on adults living in households headed by a 55 to 64 year old, the poorest one-quarter have average financial assets of $16,800 each, while the most affluent one-quarter have financial assets of just under $373,600 per adult.

Table 9 Average financial assets per adult, by age of the household reference person, Australia, 2004

Age Group of H'hold Ref Person	Average net worth per person quartile				Average within age group	Share of total household financial assets
	1st Quartile (Poorest 25%)	2nd Quartile	3rd Quartile	4th Quartile (Richest 25%)		
	$	$	$	$	$	%
<25	1,300	4,400	8,100	17,400	7,800	0.3
25-34	7,200	18,500	25,200	55,600	26,600	5.8
35-44	11,000	29,700	45,100	118,000	51,000	15.3
45-54	14,800	44,900	86,100	235,200	95,300	26.6
55-64	16,800	45,100	111,600	373,600	136,900	28.0
65+	10,200	31,300	67,600	328,500	109,500	24.0
All	11,700	33,100	64,300	210,200	79,900	100.0

Notes: Mixed households (for example two-family or group households) are excluded. The quartiles are based on per person net worth within each age group (that is, the quartiles are the same as those used in Table 7). Each single person or partner within a couple household within each age range is ranked by their per adult net worth and then assigned to an age-specific quartile. The poorest 25% of adults within an age band are assigned to Quartile 1 and the richest 25% to Quartile 4. Older dependent children still living in the parental home are not counted as "adults" under this definition (and this also applies in Table 7, Figures 6 and 7, and Table 8).
Source: ABS 2003-04 Survey of Income and Housing unit record data

8. Conclusions

Five years of strong economic growth and extensive publicity about the need to "work longer, save harder" have resulted in more baby boomers finding and keeping jobs. There have been some striking increases in labour force participation rates by older baby boomers – and these will help the boomers to fund their forthcoming retirement.

Yet, despite these positive trends, it is still apparent that many baby boomers are retiring early. For example, by age 55 to 59 years, one in every five married and two in every five unmarried baby boomer males have already quit the labour force. For baby boomer women, two in every five are out of the labour force by age 55 to 59. By age 60 to 64, the majority of both married and unmarried women and of unmarried men have retired.

Many baby boomers are entering early retirement while still having debt hanging over their heads. The total debt of baby boomer households is estimated at a hefty $150 billion. The average debt for all baby boomer households is an estimated $59,000 in 2004, with 73 per cent of the entire group recording some debt.

The good news is that boomers are managing to reduce their debt levels as they approach the official retirement age. At age 60 to 64, less than half of all single boomers, about two-thirds of couple households and about three-quarters of couple households with dependent children still at home report that they still have some debt. Only in a minority of cases is this still due to the struggle to pay off the mortgage on the family home; looking just at 60 to 64 year olds, only about one-tenth of singles and couples without children and one-fifth of couples with children are still paying off the mortgage.

Roughly four in every five baby boomer households have leapt the home purchase hurdle, giving most a comfy base for their forthcoming decades of retirement. The boomers are also socking away superannuation, with their average spending on superannuation and life insurance of $38 a week being double the amount put away by younger households – although it is still less than one-third of their weekly spending on recreation and entertainment!

The baby boomer households control one half of all household wealth. On average, they have accumulated a net worth of $381,100 per person. However, just under half of this is through home ownership, with this resource perhaps being more difficult to tap into to fund a comfortable retirement. The least wealthy one-quarter of baby boomers have each amassed only a relatively modest $68,000 in net worth – while the wealthiest one-quarter are sitting on personal nest eggs worth just over $900,000 on average.

A. Detailed Tables

Table A1 Housing tenure of baby boomers by type of household, Australia, 2004

Household type and age group of reference person	Tenure				Total homeowners	Outright owners as proportion of homeowners
	Owner without mortgage	Owner with mortgage	Renter	Other		
	%	%	%	%	%	%
Couple Only						
45-49	35.5	43.3	21.2	-	78.8	45.1
50-54	50.8	37.4	11.1	0.8	88.2	57.6
55-59	65.7	23.7	9.3	1.3	89.4	73.5
60-64	81.5	9.6	6.5	2.3	91.1	89.5
Couple with children						
45-49	35.3	52.9	10.1	1.8	88.2	40.0
50-54	43.5	45.4	10.1	1.0	88.9	48.9
55-59	57.9	30.1	11.2	0.8	88.0	65.8
60-64	66.6	21.9	10.5	1.1	88.5	75.3
One Parent						
45-49	18.7	37.2	39.8	4.3	55.9	33.5
50-54	28.8	25.1	41.5	4.6	53.9	53.4
Lone Male						
45-49	29.3	34.5	34.8	1.3	63.8	45.9
50-54	25.7	30.7	43.1	0.5	56.4	45.6
55-59	40.2	23.8	32.1	3.9	64.0	62.8
60-64	52.3	14.4	28.4	4.8	66.7	78.4
Lone Female						
45-49	21.3	40.4	36.9	1.4	61.7	34.5
50-54	32.7	29.5	35.2	2.6	62.2	52.6
55-59	42.7	25.6	29.8	1.9	68.3	62.5
60-64	66.2	3.5	28.2	2.1	69.7	95.0
ALL						
45-49	31.9	47.0	19.5	1.7	78.9	40.4
50-54	41.4	38.7	18.7	1.3	80.1	51.7
55-59	57.1	25.8	15.5	1.6	82.9	68.9
60-64	72.4	11.2	13.9	2.4	83.6	86.6
All Baby boomers	48.1	33.0	17.3	1.7	81.1	59.3

Notes:
Mixed households (for example two-family or group households) are excluded from the data above.
The sample sizes were too small to provide reliable estimates for one parent households with the reference person aged 55+ and this group has been excluded from the table above.
"Baby boomer" households are colloquially defined here as those with a reference person aged 45 to 64 years. All of the results are for households.
Source: ABS 2003-04 Survey of Income and Housing unit record data

Table A2 Average net worth per baby boomer, by type of asset, 2004

Household type and age group of reference person	Average Net Worth Per Person					Home equity as % of total wealth
	Home equity	Super-annuation	Other financial assets	Other wealth	Total net worth	
Couple Only						
45-49	115,100	57,200	67,300	103,400	343,000	34%
50-54	139,200	70,400	40,800	136,300	386,700	36%
55-59	151,800	81,400	51,800	105,400	390,300	39%
60-64	189,200	87,000	67,600	163,400	507,200	37%
Couple with children						
45-49	151,300	50,000	36,700	92,700	330,800	46%
50-54	168,800	57,400	38,100	90,600	354,800	48%
55-59	215,900	87,200	68,400	125,500	497,100	43%
60-64	161,100	64,000	58,600	102,400	386,100	42%
One Parent with children						
45-49	151,900	36,600	18,000	94,800	301,300	50%
50-54	113,600	41,500	18,000	100,100	273,200	42%
Lone Male						
45-49	113,200	43,600	39,700	77,900	274,300	41%
50-54	111,500	92,100	50,300	78,900	332,800	34%
55-59	148,200	63,400	61,400	90,800	363,700	41%
60-64	174,800	88,000	52,900	111,800	427,500	41%
Lone Female						
45-49	131,500	39,500	12,600	54,500	238,200	55%
50-54	157,000	48,800	37,500	78,100	321,300	49%
55-59	202,300	43,400	37,000	80,200	363,000	56%
60-64	189,300	24,900	49,500	51,900	315,600	60%
ALL						
45-49	142,400	49,400	39,300	91,700	322,800	44%
50-54	153,000	63,000	39,200	103,700	358,800	43%
55-59	177,000	78,900	56,600	108,900	421,300	42%
60-64	182,500	76,000	62,700	135,500	456,700	40%
All	161,000	65,100	47,700	107,300	381,100	42%

Notes:
"Other financial assets" comprises the value of accounts held with financial institutions, the value of other property, trusts, shares, debentures and bonds, and own incorporated business (net). "Other wealth" comprises contents of the family home, vehicles and other assets not included earlier.

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1 Married is defined as living as a member of a couple with or without dependent children

2 The labour force participation of people between the ages of 45 and 54 does not vary significantly and these two age groups have been amalgamated in the following discussion.

3 The minimum female eligibility age for the Age Pension was 60 years in 1986, 60.5 years in 1996 and 63 years in 2006. The male eligibility age is 65 years.

4 Financial assets are the sum of the accounts held with financial institutions, the value of other property, trusts, shares, superannuation, debentures and bonds, and own incorporated business (net).

Technical notes and definitions

ABS data

Much of the data used in this report is drawn from the Household Expenditure Survey and Survey of Income and Housing for 2003-04. The Australian Bureau of Statistics releases this data to academics in a confidentialised format, which ensures that individuals cannot be identified. About 22,000 people in 11,000 households took part in the survey.

Household reference person

The ABS select the reference person for each household by applying the selection criteria below to all household members aged 15 years and over in the order listed until a single appropriate reference person is identified:

- one of the partners in a registered or de facto marriage, with dependent children
- one of the partners in a registered or de facto marriage, without dependent children
- a lone parent with dependent children
- the person with the highest income
- the eldest person.

For example, in a household containing a two non-related people, the one with the higher income will become the reference person. However, if both individuals have the same income, the elder will become the reference person.

Net worth per adult

To present a picture of net worth and financial assets that is not biased towards couple households, the value of net worth and financial assets has been divided by the number of adults present in the household. The effect of this is to halve the assets of couples. Multiple family households and group households have been excluded from the calculation. Where there are adult dependent children still living at home, they have not been assigned any of the household assets. That is, for single person households their net worth is the same as their household net worth while, for couple households, the total household net worth has been split equally between the two partners in the couple.

Net worth

The definition of net worth is broader than the definition of wealth used in earlier AMP.NATSEM reports. While it is still defined as the difference between assets less liabilities, it is defined on a household basis (including children's assets) and there are a greater range of assets and liabilities.

Assets

The assets are the value of accounts held with financial institutions, owner occupied dwelling, other property, trusts, shares, superannuation, debentures and bonds, own incorporated business (net), contents of dwelling, vehicles and other assets. It should be noted that comparison with other benchmark industry does suggest that households often under-estimate the value of their accumulated superannuation.

Liabilities

The liabilities are the principal outstanding on loans for owner occupied dwelling, other property, investment loans, loans for vehicle purchases, loans other purposes, amount owing on credit cards, debt outstanding on study loans.

The net worth in this report differs from published ABS figures as a number of household groups have been removed from the data used in some sections this report. For example, single parent households aged 55 and over were removed and multi-family households were removed.

In many cases per capita net worth is shown in the tables, so that a more accurate comparison can be made between the circumstances of couples and singles. In these cases, the net worth of couples has been split equally between the two of them.

Financial assets

Financial assets have been used to show the household value of assets that either produce income or can be easily converted to cash. Essentially it removes the family home, vehicles, and the value of the contents of the home from net worth. This means the definition of "financial assets" is the sum of the value of accounts held with financial institutions, the value of other property, trusts, shares, superannuation, debentures and bonds, and own incorporated business (net).

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