

Title: *Elderly Prosperity and Homeownership in the European Union: New Evidence From the Share Data*

Author(s): Stijn Lefebure, Joris Mangeleer and Karel Van den Bosch

Institution/Country: Centre for Social Policy, University of Antwerp, Belgium

Strictly monetary income measurement of old-age welfare shows high rates of old-age poverty. Survey findings show that a substantial amount of the elderly population combines very low household income with home ownership. When adding a notional property return to the income of old-age home owners the poverty rate reduces significantly, especially in Southern and Central European countries. As housing is an asset that is often undividable as well as subject to regulation, the “cash poor / house rich” elderly face problems making profit of their redundant housing capacity. We take home equity into account by simulating a reverse mortgage, moving to a smaller dwelling and adding imputed rent to income. In the SHARE dataset, imputed rent is calculated straightforwardly as a fixed percentage of home value. We prefer the calculation method for imputed rent to reflect real-life opportunities, as our simulations do. This way, the value of imputed rent comes closer to the economic reality of the elderly household. We find that the impact of home equity conversion is related to welfare state typologies. On the one hand, poverty declines the most in the Southern welfare states, where about 80% of the population is home owner. Also in Nordic and Continental states we find important poverty reductions, but to a much smaller extent. Our results show that also inequality among the elderly in Europe decreases significantly if elderly home-owners would convert parts of their home equity to support consumption. Both the within group and between group inequality lowers after simulation. Controlling for relevant socio-economic determinants of poverty, we find that the intragenerational inequality remains stable after home equity conversion.

Home equity conversion has a sizable potential for poverty reduction and consumption support for the elderly. The reason why such operations are not more frequent is unclear. It suggests that there is a low demand for additional consumption among the elderly as most retired households prefer low disposable income above dissaving. Additionally, many elderly are probably more reluctant to support consumption with converted home equity than more liquid forms of equity.