

Budget 2021 – Social Services

Pensioner Loan Scheme (PLS) Overview

Women are over-represented in reduced employment outcomes, levels of poverty, and reliance on income support payments.

The Pensioner Loan Scheme (PLS) is a small initiative aimed at allowing retirees to borrow against their home to augment their income, for people on the Aged Pension or self-funded retirees. The existing scheme has been used by over 2000 full-rate pensioners. While women are the majority of Aged Pensioners, there are more male homeowners than women.

Pensioner Loan Scheme

The Budget

Increasing the Flexibility of the Pension Loans Scheme

Payments (\$m)

	2020-21	2021-22	2022-23	2023-24	2024-25
Services Australia	-	9.0	4.7	3.1	2.2
Department of Veterans' Affairs	-	1.6
Department of Social Services	-	1.0	0.1	-	-
Total — Payments	-	11.6	4.8	3.1	2.3
<i>Related receipts (\$m)</i>					
<i>Department of Social Services</i>	<i>-</i>	<i>..</i>	<i>0.1</i>	<i>0.2</i>	<i>0.3</i>

Source: [2021 Budget Paper No 2](#), p. 192.

The Government will provide \$21.2 million over four years from 2021-22 to improve the uptake of the Pension Loans Scheme by:

- allowing participants to access up to two lump sum advances in any 12 month period, up to a total value of 50 per cent of the maximum annual rate of the Age Pension
- introducing a No Negative Equity Guarantee so borrowers will not have to repay more than the market value of their property
- raising awareness of the Pension Loans Scheme through improved public messaging and branding.

Gender Implications

Why is this an issue for women?

Nearly 56 per cent of Aged Pensioners are women. Seventy-four per cent of female Aged Pensioners are homeowners, compared to 77 per cent of men. The changes to the PLS mean that eligible singles and couples could have access to almost \$20,000 per year in addition to their pension. The scheme is available to pensioners and self-funded retirees. The changes to the scheme improve its flexibility and provide funding to improve take-up. As at December 2020 only 3771 people had accessed the scheme. More than half were full-rate pensioners. Pensioners' homes are typically their largest asset and using the PLS is partly to allow them to "age in place". The Retirement Income Review highlighted the lack of knowledge and understanding of retirement financial products.

What are the 2021 Budget impacts on women?

The take-up of the PLS is low considering there are well over three million retiree homeowners. The impact on women is small, however it does contribute to improved living standards. Improving awareness is supported.

Recommendations

The 4.5 per cent rate of interest is considered too high and should better reflect home mortgage rates.