

Three charts on: the great Australian wealth gap

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Young Australians still remain locked out of the housing market as the wealth disparity grows across generations

It's a tale of two Australias: older Australians are getting much wealthier, and the young are being left behind.

It's a story only too familiar to Australians under 45 who have struggled to save enough money to access the housing market in Australian cities. They are a generation for whom the great Australian dream of home ownership has become largely elusive.

[Data](#) from the Australian Bureau of Statistics (ABS) shows that older Australians are capturing an increasing share of the nation's wealth, and the house-price boom is a major cause of the growing divide between the generations.

As you can see in the following chart, households headed by 65-74-year-olds were on average A\$480,000 wealthier in 2015-16 than households in the same age group 12 years ago. And that's after taking inflation into account and despite the damage caused by the global financial crisis. Households headed by 45-54-year-olds are A\$400,000 richer.

In contrast, households headed by 35-44-year-olds are on average only A\$120,000 wealthier – and for 25-34-year-olds the figure is just A\$40,000.

Property is a key factor for wealth disparity

Soaring property prices are a major factor behind the rapidly growing wealth of older Australians. According to the [ABS](#), house prices grew by 37% on average across all the capital cities between 2003-04 and 2015-16 (and by more than 50% in Melbourne alone). The boom was not limited to the capitals; prices also grew strongly in [r](#)

Regional areas

The next chart shows that for households headed by someone aged 75 or over, greater property wealth contributed about three-quarters of the increase in their total net wealth. For households headed by 65-74-year-olds and 55-64-year-olds, property contributed about half of the total increase in wealth.

But for younger Australians, again it is a different story.

Bigger mortgages largely offset the increase in property wealth for households headed by 25-34-year-olds and 35-44-year-olds. Baby Boomers have also used the superannuation system to build their wealth. They took advantage of the [generous super tax breaks](#) on offer for people nearing retirement, such as the ability to put large, concessional sums into their super funds just before retirement.

Average superannuation wealth over the same 12-year period increased by A\$230,000 in real terms for households headed by 65-74-year-olds, and by more than A\$150,000 for households headed by 55-64-year-olds. Strong [share market returns](#) have further boosted superannuation balances and other financial wealth.

Young people locked out

As property prices have boomed, more young Australians have been locked out of home ownership.

As this last chart shows, home ownership rates among households headed by 25-34-year-olds fell between 1981 and 2016, from more than 60% to 45%. For households headed by 35-44-year-olds the fall was from 75% to around 62%. Home ownership rates are also falling for households headed by 45-54-year-olds.

Some of these falls are also partly the result of social changes: Australians are waiting until later

in life before starting work, forming long-term partnerships, and having children. But most Australians still *want* to own a home, so it is reasonable to conclude that higher property prices are the [biggest cause](#) of lower ownership rates.

Two-thirds of 25-34-year-olds responding to a 2017 [Australian National University survey](#) thought owning a home was an important “part of the Australian way of life”, and more than half were “very concerned” that younger generations won’t be able to afford a house.

The bank of mum and dad

The wealth divide between generations can easily lead to a more profound divide within generations. For many younger people, the only way that they can afford to buy a house is with help from “the bank of mum and dad”.

As house prices have increased, [more first home buyers are receiving assistance](#) from family and friends to enter the property market. The strong growth in the wealth of today’s older generations, combined with the steady shrinking of the family size from 1960 to 2000, will lead to more and larger inheritances.

Inheritances tend to transmit wealth to children who are [already well-off](#), and home ownership is [more likely](#) among those who receive an inheritance, and more likely still among those who receive larger inheritances.

Australia is becoming wealthier, but much of the increase is concentrated in the hands of older generations. The trend is unmistakable: unless something changes, the young will fall further behind and inequality will get worse.

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