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Caring Costs Us: The economic impact on lifetime income and retirement savings of informal carers

The Caring Costs Us report was completed in 2022 and illustrated the substantial cost of informal caring for many Australians. Since then, there have been significant changes in interest rates, wages, and superannuation.

The analysis contained in the report indicated that on a year-by-year basis, informal carers were experiencing financial loss...

INCOME SUPPORT
through the Carer Allowance is equal to only:

10% of the basic Age Pension for a couple

6% of the basic care subsidy for a person in an approved care home, or

1.5% of the average amount payable to a person with disability in shared accommodation.

FOR EVERY YEAR
someone is a primary carer, on average they will lose:

$17,700
in superannuation and

$39,600
in lifetime earnings.

INCOME SUPPORT
through the Carer Payment is equal to only:

28%
of weekly ordinary time earnings for singles in Australia, or

21%
of weekly ordinary time earnings for couples in Australia.

...and the cumulative effects are substantial, with carers at a major financial disadvantage and significantly more likely to have long-term reliance on government payments.

The Caring Costs Us analysis estimated that, by age 67;

- On average, primary carers will lose **$175,000** in superannuation, and **$392,500** in lifetime earnings
- The most affected 10% of primary carers will lose on average **$444,500** in superannuation and **$940,000** in lifetime earnings

This analysis was completed prior to recent increases in the superannuation contribution guarantee and changes to cost of living, average wages, and carer payments. It is likely the net costs are now higher for informal carers.

Carers Australia

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Solutions

This situation is not sustainable for informal carers, and unchecked, will result in increased demand for, and reliance upon, government funded services for both carers and the people they care for at the very time governments are grappling to meet growing demand.

There are, however, sensible policy solutions identified in the Caring Costs Us report that, if implemented in the short term, will deliver significant benefits to both carers and the economy longer term. **An investment in informal carers now is an investment in future system sustainability.**

Policy Option 1: Government pays Superannuation Guarantee Contribution on the Carer Payment and delivers a net saving to the federal budget

By making a superannuation guarantee contribution on the Carer Payment, the superannuation balances of over 300,000 Australians would grow, reducing their future reliance on the Aged Pension to the point that, on a lifetime cost basis, this measure would deliver a saving.

Costed estimate: The report indicated it would cost over $700 million in the first year to increase payments for over 300,000 carers. The average superannuation balance for this group would increase by $52,500 – reducing Age Pension costs by up to $84,000.

Policy Option 2: Increase the Carer Allowance

The value of the Carer Allowance has significantly decreased over time, creating a financial disincentive to people taking up or remaining in informal care roles.

Increasing the Carer Allowance would offset some of the financial losses currently incurred by informal carers, and potentially expand the number of people willing to take up such a role into the future.

This represents a valuable strategy to contribute to longer term sustainability as demand for health and social care escalates.

Costed estimates: The Caring Costs Us report modeled two scenarios:

1. *The Carer Allowance was restored to 25% of the Aged Pension for those carers not in receipt of the Carer Payment at an estimated cost of $1.9 billion in the first year;*
2. *Increase the Carer Allowance to return it to one third of the average basic care subsidy for residential aged care, which, when the anticipated benefit of growth in carer numbers was taken into account, would cost $5.4 billion.*

An increase in the value of the Carer Allowance would offset over 30% of the lifetime income currently lost to primary carers, and for one in four, offset over 50% of those losses.