

Understanding the buying power of money and inflation



FACT SHEET

Why the value of money changes over time?

When thinking about your finances - whether it's savings, investments, or the value stored in your home - it's easy to focus on the dollar amount.

But the number itself doesn't tell the full story.

What really matters is **what that money can actually buy** - both today and in the future.

This is known as your **buying power**.

What is buying power?

Buying power refers to the amount of goods and services your money can purchase.

For example, if you have \$100 today, you can buy a certain amount of groceries, fuel, or everyday items. But in the future, that same \$100 may buy less.

This change happens because of **inflation**.

What is inflation?

Inflation is the gradual increase in the cost of goods and services over time.

As prices rise:

- Everyday items become more expensive
- Your money doesn't stretch as far
- The buying power of your money declines

Even modest inflation, over time, can have a meaningful impact.



Why this matters?

Understanding inflation helps you look beyond raw dollar figures and focus on real value.

Two key ideas to keep in mind:

- **Nominal value:** The dollar amount you see
- **Real value:** What that money can actually buy

Over time, it's common for nominal values to remain steady—or even grow—while real value declines.

A simple way to make this real

Rather than thinking in dollars, it can be helpful to think in terms of **what your money can actually buy**.

Let's use something simple and familiar: a can of Coke.

The "Cans of Coke" example

Let's imagine:

- A can of Coke costs **\$1.00 today**
And that you have **\$100,000 of cash**

That means today, your money is equivalent to buying:

100,000 cans of Coke

Now let's assume inflation averages **3% per year**, compounding year upon year (as inflation does).

As prices increase, the cost of a can of Coke rises—and your money buys fewer of them.



What happens over time?

Years from now	Dollar value	Cost per can	No. of cans
0 (Today)	\$100,000	\$1.00	100,000
5	\$100,000	\$1.16	86,261
10	\$100,000	\$1.34	74,409
15	\$100,000	\$1.56	64,186

What this shows

At first glance, the dollar value appears relatively stable over time.

But when you look at **buying power**, a different picture emerges:

- After 5 years → your money buys **~14% less**
- After 10 years → your money buys **~26% less**
- After 15 years → your money buys **~36% less**

Even though the dollar amount is still **\$100,000**, what that money can actually do for you has changed significantly.

The key takeaway

It's not just about how much money you have—it's about **what that money can do for you when you need it**.

Inflation quietly reduces purchasing power over time, which is why it's important to consider **both present value and future value** when making financial decisions.

How reverse mortgages work

A reverse mortgage is a unique type of loan designed specifically for Australians aged 55 and above, enabling you to access the equity in your home without the need to sell or make regular repayments.

The loan is typically repaid when you sell your home, move into aged care, or when the last surviving borrower passes away.

Reverse mortgages can also provide the funds needed to secure your new property before your current home sells.

This flexibility ensures that you can purchase a new home, cover costs like moving expenses and stamp duty, and move forward with confidence, even if your old home hasn't yet sold.

Example: A homeowner looking to downsize may need \$50,000 to prepare their existing home for sale and to cover moving costs. A reverse mortgage allows them to cover these costs without financial strain.

With a reverse mortgage:

- **You retain ownership of your home.** There are no monthly repayments required, meaning you can free up cash flow to cover living expenses, healthcare, and do more in your retirement.
- **The amount you can borrow** depends on your age, the value of your home, and how much equity you have. The older you are, the more you can borrow with borrowing capped at 55% by age 90.
- **You can access funds** in a way that suits you—either as a lump sum, a regular income, a line of credit, or a combination of these options.

Interest is added to the loan over time and compounds, meaning the total loan balance increases as time goes on. However, you are not required to make any repayments unless you choose to, and you can remain in your home for as long as you wish.

Protections for borrowers

Reverse mortgages in Australia are strictly regulated by the government to protect borrowers and ensure transparency. Some key protections include:

- **No Negative Equity Guarantee (NNEG):** This legal safeguard ensures that you can never owe more than the value of your home. Even if property prices fall, you or your estate will not be liable for any shortfall when the home is sold.
- **Ownership rights:** You retain full ownership of your home. The lender does not take over the property, and the title deed remains in your name. You are free to sell your home at any time and repay the loan without penalties (though settlement and mortgage discharge fees may apply).
- **Clear terms and conditions:** All reverse mortgages come with clear terms, including transparency around interest rates, fees, and potential risks, so you know exactly what you're agreeing to.

These protections are designed to ensure that reverse mortgages are a safe and viable option for older Australians looking to access their home equity.



Independent legal advice

Before taking out a reverse mortgage, it's essential to seek **independent legal advice**. This is a mandatory requirement for all reverse mortgage lenders, and helps ensure that you fully understand the terms and conditions of the loan.

A solicitor will review the loan agreement, explain how the reverse mortgage contract works, and discuss any potential implications, such as how it may affect your inheritance or future financial plans.

At Your Home Equity, we always encourage clients to take their time with this decision and to seek comprehensive legal and professional advice.

We believe in empowering our clients with the knowledge they need to make the best choice for their financial future.

Your Home Equity - Reverse Mortgage Brokers

At Your Home Equity, we specialise in reverse mortgage broking for Australians over 55.

This is our sole focus, and we have more than 35 years' combined experience in banking, financial advice, mortgage lending, and helping clients navigate their financial options in retirement.

What sets us apart:

- **We work for you, not the lenders:** As specialist brokers, our role is to find the best reverse mortgage product for your unique situation. We're accredited with Australia's leading reverse mortgage lenders, which gives us access to a wide range of options tailored to your needs.

- **Expertise and compassion:** We understand that the decision to take out a reverse mortgage is a significant one, and we're here to provide guidance without pressure. Our process is client-focused, ensuring that you feel comfortable, informed, and supported every step of the way.

- **No obligation consultations:** We offer no-obligation consultations, so you can explore your options and ask questions without feeling pressured to commit.

We're here to make sure you have all the information you need to make a confident, informed decision.

Our mission is simple: to help older Australians live well in their retirement by accessing the wealth they've built in their homes.

Whether you're looking to refinance, consolidate debt, top up your income, or fund home improvements, we're here to guide you through the process.



General Disclaimer

The information provided is correct to the best of our knowledge, but no warranty as to accuracy is given and each person or organisation should not act on the basis of its contents without taking appropriate advice.

The information in this guide is general in nature and has been prepared without taking into account the needs, objectives, or financial situation of any particular individual. Individuals should consider their own circumstances and, if necessary, seek professional advice.

All reverse mortgage products are subject to the terms, conditions and approval of the providers and fees and charges apply.

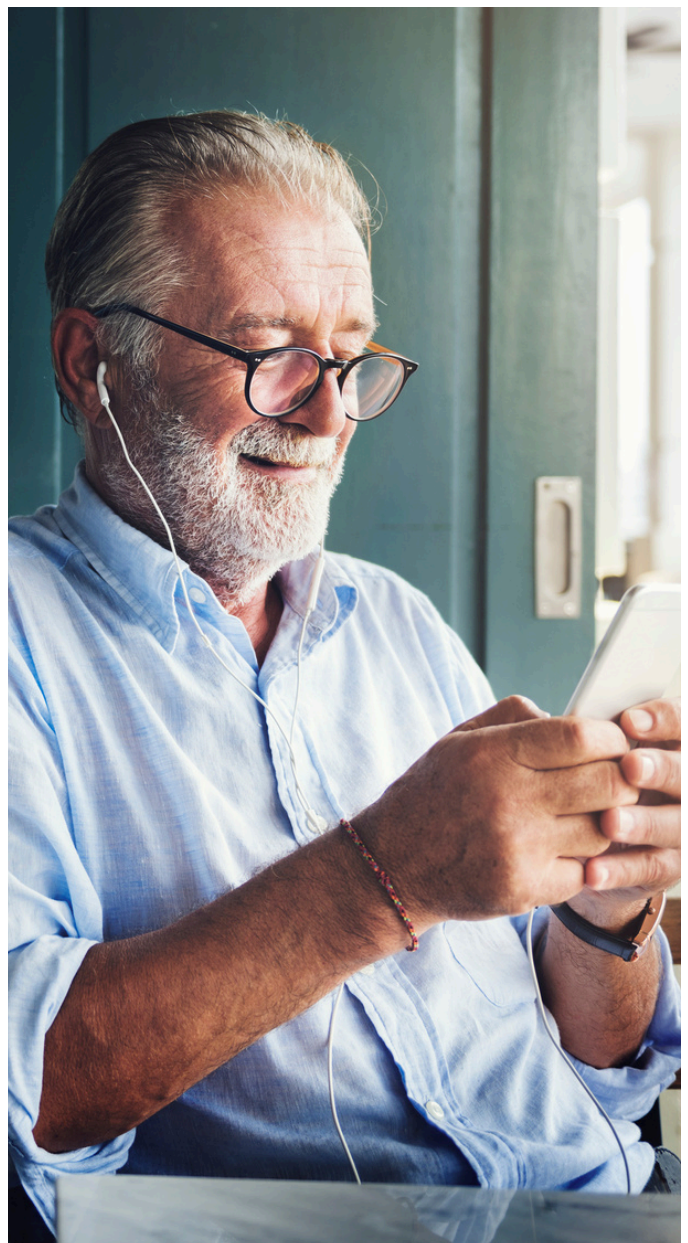
Please note that while the information set out in this guide is considered to be true and correct at the date of publication (25/03/2026), changes in circumstances after the time of publication may impact on the accuracy of information.

Contact Us

If you'd like any further information or would like to discuss your situation, we'd be delighted to help.

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Alternatively, you can check your eligibility in minutes using our [online reverse mortgage calculator](#).



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