The Current State of Canadian Family Finances

2012-2013 REPORT | BY ROGER SAUVÉ AND NATHAN BATTAMS

A Vanier Institute of the Family Publication

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Aussi disponible en français
L'état actuel du budget de la famille canadienne : Rapport 2012-2013

Acknowledgements
Thank you to Dr. Janet Fast for reviewing this report. Dr. Fast is a family economist and a professor in the Department of Human Ecology at the University of Alberta.

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Highlights

Average disposable income is up slightly since the pre-recession peak
Average disposable income per household has increased slightly since 2008, from $67,787 (constant 2011 dollars) to $69,662 in 4Q2012 – a modest but positive change.

The income gap in Canada has widened over the past two decades
There is a disparity in *average* and *median* income measures, which is the result of a widening income gap. In 1990, the richest 20% of households took in 41% of all disposable income generated that year; in 2011, this rose to 44.3%.

Water supply, sanitation and pension fund fees are the fastest growing expenditures
Water supply and sanitation services ranked number one for household expenditure growth (+34%) from 3Q2008 to 4Q2012, while the second fastest growth was on expenditures to service trusteed pension funds. Spending growth on undertaking and other funeral services was also in the top 15.

Over 40% of Canadians aged 55+ believe they have not saved enough for retirement
Many Canadians have grown concerned about their financial preparedness for retirement, with 4 in 10 reporting that they will likely be paying off their debt/mortgage after they turn 65 and the same proportion believing that they will still have to work to make ends meet.

The average debt load reached a new high of $113,470 per household in late 2012 as the debt-to-income ratio remains high
The average debt load in Canada reached $113,470 per household in 4Q2012 (constant 2011 dollars), up 116% since 1990. Total debt per household has increased by 16% in real terms between 2008 and 4Q2012.

Approximately 3 to 4 million Canadians live with low incomes
Using both LICO and MBM low-income measures, the estimated number of Canadians living with low incomes in 2011 ranged from 2,959,000 (LICO) to 4,032,000 (MBM).

Stock market investments were the greatest creator of household wealth since 1990
The real value of equity and investment fund shares per household increased by 641% from 1990 to the end of 2012. These volatile investments comprised about one-quarter (24%) of total net worth in late 2012 compared with only 6.2% in 1990. Real estate now represents half of total net worth.

Contents

Preface

This is the 14th annual report on the current state of Canadian family finances. Once again, the report examines three broad areas of family finances across family and household type: income and expenses, savings and debt, and wealth and net worth.

Much of the analysis in this report relates to the period from 1990 to 2012 and into 2013. The year 1990 was chosen as the starting point in order to highlight long-term trends. In addition, a special emphasis in the report is placed on the period since the last peak in the economy (October 2008 or 3Q2008 or the year 2008 as a whole).

As always, families are the main focus of this report. The most up-to-date and detailed Statistics Canada data on family income indicators is available up to 2011 (see Appendix A and Appendix B). More timely information covering the total household sector is used to provide many of the estimates for all households up to the year 2012 and early 2013.

Households include both families and unattached individuals. About two-thirds of households are family households of two or more persons, making recent income trends for all households a good "directional" guide to what is happening for families.

For ease of understanding and to make the results more relevant, most measures have been converted to a per-household or per-family basis. Household numbers for the years 1990 to 2011 are sourced from Statistics Canada, *Income of Canadians*. Estimated household numbers for the fourth quarter of 2012 (4Q2012) (14,900,000) are assumed to have increased at the same percentage rate as in 2011.

Statistics Canada has revised and improved the *National Balance Sheet Accounts* to incorporate revised international standards, new methodologies and even new data. The revisions go back to the year 1990. This report uses the new data series. The most important change is that the household sector now excludes non-profit institutions serving households.

In this report, most dollar estimates are in constant 2011 dollars to coincide with the detailed data in Appendix A and Appendix B. Variations over several years represent changes in real purchasing power after inflation. The term "real" indicates what would have happened if there had been no inflation. Inflation is measured using the Consumer Price Index (CPI) unless otherwise indicated. All measures incorporate updates and any recent revisions released by Statistics Canada.

The report is based on timely and accurate data from Statistics Canada and other reputable sources. Many of the calculations and interpretations presented in the report were developed by Roger Sauvé of People Patterns Consulting.

Foreword

Family finances is a story of complexity. Anybody who has ever drafted a household budget, invested capital, embarked on a savings plan, bought a house or faced bankruptcy will likely agree that the multifaceted nature of finances can make this topic a difficult one to fully comprehend, let alone analyze in detail. This 14th annual report of Vanier Institute's *The Current State of Canadian Family Finances* has been prepared to help readers better comprehend the large volume of available data, allowing them to understand these facts in the context of long-term economic trends.

In part, the complexity of family finances is due to the sheer number of variables that can be used to measure it. This report focuses on three broad groups of financial measurement categories: income and expenses, savings and debt, and wealth and net worth. It is important to note that none of these measures exists in isolation, and that all groups are interconnected: if income is too low, then it may be impossible to build savings; if expenses are too high, debt may be just around the corner; if debt is too high, it can reduce a person's net worth – and so on.

Added to this is the *diversity* of Canadian families, and the resulting diversity of their financial situations. Shifting patterns in living arrangements pose challenges for those adjusting to the change, but also provide new opportunities for closer intergenerational ties. New networks of care and dependency are being formed as living arrangements become more diverse: many parents are now parenting for longer while also providing caregiving to *their* parents; faced with lower-than-expected savings, many seniors are now working past normal retirement age while providing a greater amount of child care for their grandchildren than in the past; meanwhile, many young Canadians are tackling large student debts and a tough labour market, while some are also giving a helping hand to older generations while living in the parental home.

These arrangements often result in a pooling of income, sharing of expenses, providing or receiving assistance with savings or debt payments and impacting their wealth and net worth. In short, Canadians are facing new challenges and opportunities on a number of fronts, all of which impact others. The cost of these intergenerational transfers of resources are sometimes high, but so too are the rewards.

This report is meant to serve as an accessible guide to available data on the economic circumstances of Canadian families, designed to help researchers, students, teachers, policy-makers and anyone with an interest in family life in Canada to better navigate the current state of Canadian family finances. This timely and accurate snapshot of family finances, contextualized within long-term social and economic trends, will contribute to the ongoing conversations about family life in Canada.

Family Income and Expenses

INCOME

Average disposable income is up slightly above the pre-recession peak

As a whole, revised *average* disposable income[1] per household in Canada in 2008 stood at an estimated $67,787 (in constant 2011 dollars) and increased to about $69,662 by 4Q2012 (see Charts 1 and 4).[2] Based on this measure, average disposable income increased by $817 in 2011 and by another $1,059 in 2012. The overall increase of $1,876 (2.8%) is relatively weak, but still positive.

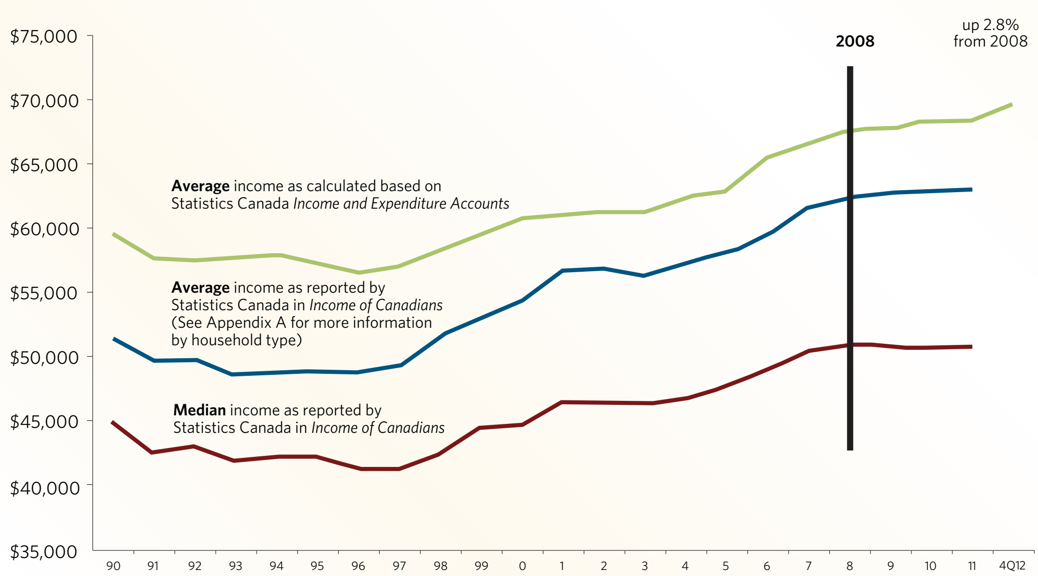
Statistics Canada also uses another measure of average disposable income in their *Income of Canadians* series, estimating the average disposable income per household at $62,700 in 2008. Using this measure, the average increased by only $300 by 2011 leaving the average disposable income in Canada at $63,000 per household in 2011 (see Appendix A).

Income of the "middle-class household" has now shrunk for three consecutive years

Statistics Canada's *Income of Canadians* series also reports *median* income, which is the level of income for which half of all households in Canada have a higher disposable income and half have a lower disposable income. Statistically, this is the "middle-class household." In 2008, this median income stood at $51,000, but then fell during each of the next three years. By 2011, the *median* income was down to $50,700. This $300 decline for the "middle-class household" compares with increases for both *average* measures (either $300 or $817) over the same 2008 to 2011 period.

Over the entire 1990 to 2011 period (using the *Income of Canadians* series in both cases), the *median* income of all households increased by 12.4% compared with 22.1% for the *average* household income. The difference has to do with distribution: the income gap is widening.

CHART 1 **Disposable income per household using three income measures in constant 2011 dollars 1990 to 4Q2012**



Source: Statistics Canada, CANSIM tables 380-0072, 202-0603, 202-0605 and 326-0022.

Family Income and Expenses

Inequality is growing

The growing gap between the *median* and the *average* incomes reflects the reality that more and more of the disposable income generated in the economy is going to households with above average incomes, and mostly to those with the largest incomes.

In the long term and taking *all* households (families of two or more as well as unattached individuals) into consideration, the richest 20% of Canadian households took in 41% of all disposable income generated in 1990, and this rose to 44.3% in 2011. *Each* of the other four 20% income groups experienced a decline over the same time period.

Looking *only* at families of two or more persons, the share of the total disposable income pie that has gone to the richest 20% of these families increased from 37.1% in 1990 to 39.7% in 2011. *All* of the other four 20% income groups saw a decrease in their share of total disposable income.

Statistics Canada has another measure for inequality, an index called the Gini coefficient. This measure is defined as "a number between zero and one that measures the relative degree of inequality in the distribution of income." In a hypothetical population in which *each* family (or unattached individual) received *exactly* the same income, the coefficient would register zero (minimum inequality). Conversely, if *one* family (or unattached individual) received all the income and the rest received none, the Gini coefficient would have a value of one (maximum inequality). While a single Gini coefficient value has no simple interpretation, comparisons of the level *over time or between populations* are fairly simple: the higher the coefficient, the higher the inequality of the distribution.[3]

In both 2010 and 2011, the Gini coefficient for all households stood at .395 for after-income tax income before adjustment for household size. This is the highest value for this coefficient over the entire period since 1976. Statistically, this means *the latest distribution of incomes is more unequal than it has ever been over the 35 years for which this measure is available.*

A look at the richest 1% of tax filers

Statistics Canada has produced an updated study that looked at income trends of the top 1% of Canadian tax filers. It found that "the income gap between the top 1% and the rest of filers has widened over time. In 1982, the median income of the top 1% of filers was $191,600. This was seven times higher than the median income of $28,000 for the other 99% of filers. By 2010, the median income of the top 1% of filers increased to $283,400, about 10 times higher than the median income of $28,400 for the rest."[4]

The same study also found that those living "at the top" are increasingly likely to stay in this high-income bracket than in the past. Of those who were in the top 1% of tax filers in 1983, 67% were also in the top 1% in 1982. By 2010, this one-year measure of high income persistence reached 72%.

Approximately 3 to 4 million Canadians live with low incomes

For many years, Statistics Canada has produced estimates of low-income after taxes, commonly called the LICO measure. Since there is no official poverty rate in Canada, most analysts have used this as an acceptable and consistent measure of the level and trend regarding poverty levels. A new estimate of low incomes, Market Basket Measure (MBM), was developed in recent years.[5]

During both 2008 and 2009, the two low-income measures both increased, with the LICO measure rising to 9.5% and the MBM measure to 12.2% in 2009.

But there has been a major difference since then. The LICO measure improved in both 2010 and 2011 and was at its lowest rate (8.8%) covering the last decade. In contrast, the MBM measure reveals that in 2011 the low-income rate (12%) remains significantly above pre-recession levels (10.2% in 2007).

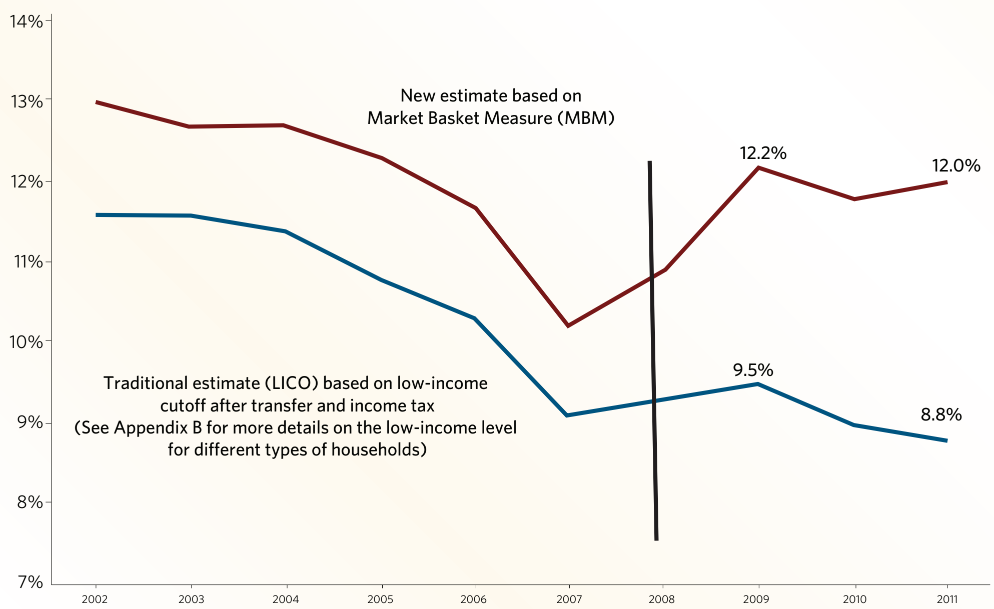
The estimated number of Canadians living with low incomes in 2011 ranged from 2,959,000 (LICO) and 4,032,000 (MBM), while the number of youth under the age of 18 living with low incomes in 2011 ranged from 571,000 (LICO) to 922,000 (MBM).

The low-income rate among female lone-parents is now less than half of what it was in 1990 (48.2%).

Appendix B provides detailed low-income rates based on LICO. The biggest percentage point improvement in low-income rates from 2008 to 2011 was for non-senior couples with no children or earners (-9.8 percentage points). Even so, their low-income rate was 23.3% in 2011.

In 2011, the highest low-income rates were among non-senior couples with children and no earners (75.7%), non-senior unattached women (36%), households where the major earner was under the age of 25 (30.3%), couples without children without an earner (23.3%, as noted above) and female lone-parents (21.2%). The low-income rate among female lone-parents is now less than half of what it was in 1990 (48.2%).

CHART 2 Two estimates of low incomes – % of persons living in low-income 2002 to 2011



Source: Statistics Canada, CANSIM table 202-0802.

Family Income and Expenses

OTHER INCOME

According to the 2011 National Household Survey (NHS),[6] nearly 7 in 10 Canadians aged 15 and older reported earning income from employment. However, this is only one source of market income – surveyed Canadians also reported receiving income from investments (29% of respondents), private retirement income (13.2% of respondents) and other private income sources such as child support payments and severance pay (14.5% of respondents). Together, these non-employment income sources accounted for 12.9% of all income reported by Canadians in 2010.[7]

Most investment income was received by high-income Canadians and Canadians aged 65 and older. Canadians in the top decile[8] received 56.7% of investment income in 2010, while another 11.3% went to those in the second-highest decile. Over half (51.8%) of seniors received investment income that year (compared to 29% of the general population), and this comprised over 10% of their income overall.[9]

Government transfers were the sole income source for nearly 13% of the population. However, in 2010, approximately 7 in 10 Canadians aged 15 and older received some form of government transfer such as Canada/Quebec Pension Plans (CPP/QPP), Old Age Security pensions (OAS), Guaranteed Income Supplement (GIS), Employment Insurance (EI) and child benefits, including the Universal Child Care Benefit (UCCB).

Child benefits were received by 92.4% of couple families with children under the age of 6. Over 9 in 10 Canadian seniors received OAS/GIS or CPP/QPP in 2010, and these income sources comprised 37.6% of their total income.[10]

EMPLOYMENT-RELATED INCOME

Employment rates have recovered for some but not all Canadians

For most Canadians, employment is key to financial well-being. In October 2008, about 17.2 million Canadians held a job of some sort. One month later, job totals began a sharp dive that lasted until July 2009. Over 431,000 jobs disappeared during this nine-month period. It then took about a year and half (to January 2011) for job totals to return to their pre-recession level.

Job levels have continued to trend upwards since then, albeit with some significant fluctuations. In July 2013, job numbers were 534,500 above the pre-recession peak of October 2008. In percentage terms, job totals are now up 3.1% from October 2008.

The unemployment rate has reflected the swings in the job totals. In October 2008, the unemployment rate was 6.1%, but then climbed to 8.7% by August 2009 in the depths of the recession, and then improved to 7.2% by July 2013. There were about 1.4 million people unemployed in July 2013, up 266,500 from the pre-recession level in October 2008.

Data from Statistics Canada reveals that the employment rate of women with a husband present actually *increased* from the pre-recession peak (October 2008) to October 2012 for families in which the youngest child was under six years of age, whether their husbands were employed (+2.0 percentage points) or not (+2.9 percentage points).[11]

In contrast, the employment rate *fell* for married women over the same period when their youngest children were older (6–15 years of age), whether the husband was employed (-1.4 percentage points) or unemployed (-1.8 percentage points).

Employment rates were much higher for women with an employed partner (72% in October 2012) than for women whose partners were not employed (56.4% in October 2012).[12]

The employment rate for female lone-parents declined regardless of the age of their children. Rates fell by 4.8 percentage points from October 2008 to October 2012 if the youngest child was under 6 years of age, and by 4.4 percentage points if the youngest child was aged 6–15.

The employment rate for male lone-parents also fell for both age groups, but to a lesser degree.

TABLE 1 EMPLOYMENT RATE
% EMPLOYED FOR STUDENTS AND NON-STUDENTS AGED 15-24
(NOT SEASONALLY ADJUSTED)[13]

Shaded cells indicate a decrease in the employment rate from the pre-recession peaks

	%	%	change in percentage points
During summer months	July-08	July-13	
All youth aged 15–24	68.1	57.1	-11.0 pp
All returning students	59.7	42.6	-17.1 pp
Non-students	79.0	77.7	-1.3 pp
During fall school term	Oct-08	Oct-12	
All youth aged 15–24	58.1	52.5	-5.6 pp
All students	44.3	38.3	-6.0 pp
Non-students	78.5	76.2	-2.3 pp

Source: Statistics Canada, CANSIM tables 282-0005 and 282-0006. Calculations by People Patterns Consulting.

The 55+ age group got almost all the net new jobs in the post-recession period

In October 2008, 63.5% of the total population aged 15 and over were employed. In July 2013, fewer people (61.7%) were employed. So, even though new jobs were created during the recovery, there were not enough to return the employment rate to pre-recession highs.[14]

Only 22% of the 55+ age group had jobs in the mid-1990s.

Older Canadians (aged 55+) saw their employment rate *rise* from 32.7% in October 2008 to 34.8% in July 2013. It is noteworthy that only 22% of the 55+ age group had jobs in the mid-1990s.

The employment rate (seasonally adjusted) for those aged 15–24 declined sharply from 59.9% in October 2008 to 54.8% in July 2013. The employment rate for the core aged group (25–54 year olds) fell slightly from 82.4% to 81.5% over the same period.

The increase in jobs *held by the 55+ group was 1.5 times more rapid than the increase in the population size of this age group.*

Post-recession job recovery has benefited older Canadian workers, with the number of 55+ year olds working in July 2013 about 25% higher than in October 2008. This compares with an increase of only 1% for the core aged group and a significant decrease of 8% among those aged 15–24. Overall, the increase in *jobs* held by the 55+ group was 1.5 times more rapid than the increase in the population *size* of this age group (17%). The population of the core age group has grown only slightly faster than their job numbers since October 2008, while the population of the youth group has been flat over the same period.

The recession has created the greatest barriers for students

The employment rate for all youth aged 15–24 declined by 11.0 percentage points from July 2008 (just before the peak in the economy) to July 2013. Youth who were planning to return to school in the fall had a significant decline of 17.1 percentage points, compared with non-students, for whom the employment rate shrank by only 1.3 percentage points (see Table 1).

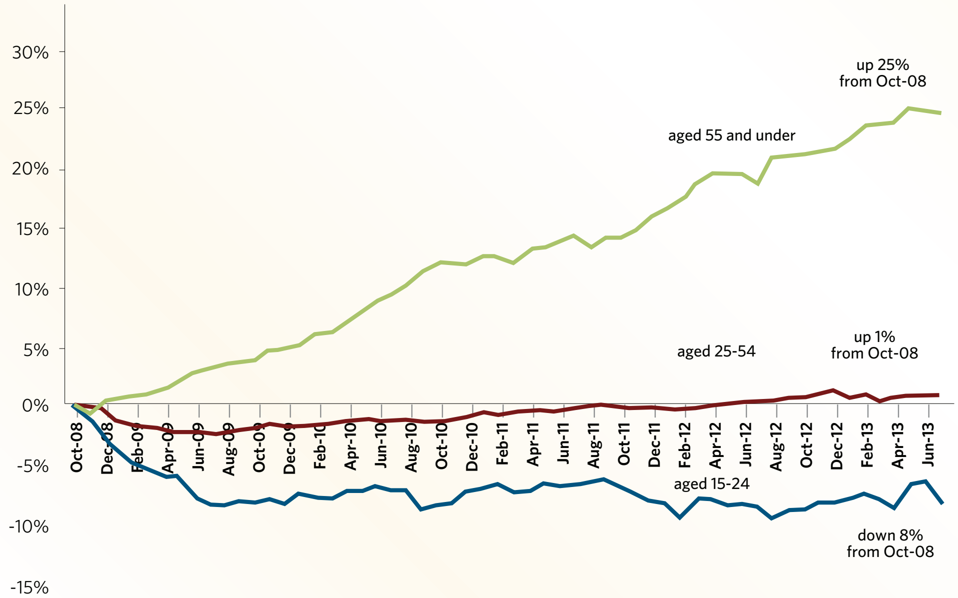
Family Income and Expenses

In October 2008, some 44.3% of students had jobs while attending school full-time. This fell by 6.0 percentage points to 38.3% by October 2012. Non-students also experienced a drop in their employment rates, of 2.3 percentage points, but, as was the case during the summer, the decline was much less than the decline among students.

The recession has been very hard on youth, and the recovery has not helped them either. Many youth are working in jobs that do not match their education, and many are underemployed – a state of employment that can have long-term consequences for an individual's future earnings. Neil Sandell, who spent a year writing and researching the issue of youth unemployment as part of the Atkinson Fellowship in Public Policy, has expressed concern over this trend: "…as time passes, employers stigmatize [underemployed university grads]. When a decent job does come up, the freshly minted graduate has the edge. There is ample evidence that the underemployed suffer long-term reduced earnings. In the meantime, jobs in some sections of the economy go begging because of a shortage of people with the right skills."[15]

A TD Economics report, *Assessing the Long-Term Cost of Youth Unemployment*, echoed similar concerns: "…being unemployed at a young age can have a long-lasting impact on an individual's career prospects. Economic research indicates that a period of unemployment at the time of entry into the labour market is associated with persistently lower wages many years thereafter. This stylized fact, known in the literature as 'scarring,' has been documented in studies using data from different countries."[16]

CHART 3 Employment by age group – % change from pre-recession peak in October 2008 to July 2013 Seasonally adjusted



Source: Statistics Canada, CANSIM table 282-0087. Calculations by People Patterns Consulting.

EXPENSES

Spending on water supply, sanitation and pension fund fees is up the most since the pre-recession period

Total expenditures[17] in Canada in current prices increased by 13.7% from the pre-recession period to 4Q2012, while the average price of these items advanced by 4.2% (see Table 2). This suggests that about one-third of the growth in total spending was due to price increases and two-thirds due to real spending increases on goods and services.

The fastest growth in spending has been for water supply and sanitation services (+34%) with price advances responsible for most (+31%) of this growth. The second fastest growth was on expenditure to service trusteed pension funds (+31%), with the prices of these services up about 13% over the period. Two of the top 15 spending increases were health-related, with in-hospital services (+28%) and outpatient health services (+27%), both up significantly.

Rising prices are responsible for several expenditure increases

Rising prices were responsible for a significant amount of some expenditure increases. For example, over three-quarters of the 31% growth in spending on cable and satellite was due to rising prices (which increased by 24%).

With regard to transportation expenditures, the growth in spending on new trucks, vans and sport utility vehicles (+28%) far outpaced the negative growth in spending on new passenger cars (-6%). Prices of both of these goods declined from 3Q2008 to 4Q2012. Expenditures on parking (+29%), urban transit (+27%) and air transport (+23%) grew rapidly.

Expenditures on child care services outside the home increased by 22% (see Table 2) compared with a smaller 12% increase for child care services in the home (not shown). Expenditures on undertaking and other funeral services grew by 23%, likely a reflection of Canada's aging population.

Technology and home-related expenditures are declining

There were some declines in current dollar expenditures from 3Q2008 to 4Q2012. The two biggest declines were for technology-related items, with both audiovisual and photographic equipment (-27%) and recording media (-26%) spending down significantly. The prices for both of these categories were also sharply lower.

Several of the major declines were in home-related expenditures, such as carpets and other floor coverings (-5%) and furniture and furnishings (-4%). Property insurance spending also declined (-9%), but this was entirely due to falling prices (-23%). Spending on games, toys and hobbies dropped (-4%), while spending on games of chance did not change even as prices increased.

There was a significant 28% growth in expenditures by Canadians outside Canada. Expenditures by non-residents in Canada were up by a smaller 8% (not shown) over the period.

TABLE 2 **Biggest increases and decreases/smallest increases in detailed household spending from the pre-recession peak in 3Q2008 to 4Q2012 in *current* dollars and related price changes for each item**

Expenditure item	% change in spending	% change in spending
Total household expenditure	13.7	4.2*
Top 15 biggest % increases		
Water supply and sanitation services for dwellings	34	31
Trusteed pension fund services	31	13
Cable, satellite and other program distribution services	31	24
Pets and pet food	30	20
Parking	29	24
Education	29	18
Cinemas	29	14
New trucks, vans and sport utility vehicles	28	-7
In-hospital services	28	14
Expenditure by Canadians outside Canada	28	-3
Outpatient health services	27	15
Urban transit	27	15
Air transport	23	-2
Undertaking and other funeral services	23	10
Child care services outside the home	22	16
Bottom 15 biggest % declines or smallest increases		
Audiovisual and photographic equipment	-27	-34
Recording media	-26	-14
Property insurance	-9	-23
New passenger cars	-6	-3
Interurban bus	-5	8
Carpets and other floor coverings	-5	0
Games, toys and hobbies	-4	3
Furniture and furnishings	-4	-5
Railway transport	-3	13
Musical instruments/durables for indoor recreation	-3	-15
Games of chance	0	4
Major household appliances	1	-2
Major durables for outdoor recreation	2	-1
Small tools and miscellaneous accessories	2	10
Newspapers and periodicals	2	17

***NOTE:** This price change is based on a price deflator with a changing basket of goods and services, while the more widely used Consumer Price Index (CPI) is based on a fixed basket. The CPI increased by 5.3% 3Q2008 to 4Q2012. Source: Statistics Canada, CANSIM table 380-0085. Calculations by People Patterns Consulting.

Food price inflation exceeds the all-items CPI inflation

Between January 2007 and December 2012, food price inflation was typically higher than the all-items Consumer Price Index (CPI) inflation, with a cumulative 19% increase in food prices during this period (compared with a 10.7% increase for the all-items CPI excluding food).[18] Overall, food prices in Canada increased faster than any other major component of the CPI since 2007. The January 2008 to January 2009 period saw the fastest growth, with prices rising by 7.4% despite an overall *decrease* in the all-items CPI between October 2008 and January 2009.

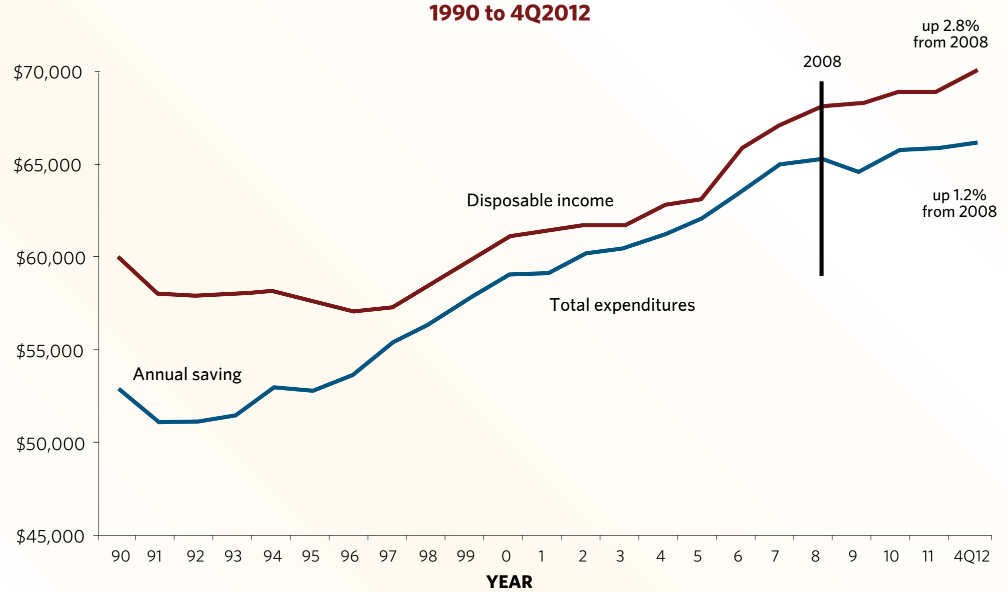
The highest price increases between 2007 and 2012 were for nuts (+33%), fats and oils (+29%), bakery and cereal products (excluding infant food) (+27%), coffee and tea (+27%), eggs (+26%) and fresh or frozen meat (excluding poultry) (+22%).[19] Overall, prices increased by 18% for food purchased from stores and by 15% for food purchased from restaurants.

Income outpaces spending since the pre-recession period and saving rises

Based on the *National Income and Expenditure Accounts*, disposable income per household in constant dollars advanced 2.8% from 2008 to 4Q2012. Household expenditures in constant dollars per household grew by a much slower 1.2% over the same period. This led to an increase in the annual savings rate from 4.0% to 5.4%. At the same time, total debt per household ($113,470 in 2011 dollars in 4Q2012) increased by 16% since 2008 (see Appendix C).

Cautious households held back on spending in 2009 (-1%), but spent more in 2010 (+1.8%), with spending relatively flat to 4Q2012.

CHART 4 Disposable income, total expenditures and annual saving in constant 2011 dollars 1990 to 4Q2012



Source: Statistics Canada, CANSIM table 380-0072. Calculations by People Patterns Consulting.

One-quarter of households exceed the threshold for household affordability
Measurements of housing affordability in Canada are based on whether a household spends 30% or more of its average monthly total income on shelter costs. According to the 2011 NHS,[20] one-quarter of surveyed households in Canada exceeded the threshold for household affordability.

Approximately 52% of this group owned their dwelling, while 48% were renters. Since there are a greater number of homeowners than renters, a larger proportion of tenant households (40.1%) exceeded the affordability threshold than homeowners (18.5%).[21]

Nearly 6 in 10 (58.6%) Canadian owner households in 2011 had a mortgage, and they represented 83.2% of owner households that exceeded the threshold for household affordability.

Family Savings and Debt

SAVINGS

The dollar value of household annual savings was higher in 4Q2012 ($3,775) than it was on average in 2008 ($2,700). In addition, Canadian households are putting a bit more money away than they did in the decade before the recession (1997–2007), when annual savings averaged $1,775. Even so, households are still saving much less than during the 1990–1993 period, when their annual savings averaged $6,750, or 1.8 times more than today.

Four in 10 Canadians say there is a "serious risk" they will outlive their retirement savings

Many individuals view their homes as a financial nest egg in retirement. There is some risk to this assumption since the value of real estate is likely to decline in the near future.

A 2012 survey conducted by Ipsos showed that many Canadians are not adequately prepared for retirement, with 42% of 30–65 year olds reporting that they are "very dissatisfied" or "somewhat dissatisfied" with their level of retirement savings so far. Average expected length of retirement among respondents was 20 years, which survey respondents estimated would require $46,000 per year, totalling $920,000. However, when asked what they expected to have saved by this time given their current income, the average response was $385,000 (not including the equity held in their home or other property). Furthermore, 59% said they would have less than $250,000 and 38% said they would have less than $100,000.[22] Canadians with fewer savings will in turn have to rely on other sources of income to support themselves, such as investments, government transfers and interfamilial transfers.

In the Canadian Institute of Chartered Accountants' *Canadian Finance Study 2012*, four in 10 survey respondents believed they will be paying off their debt/mortgage after they turn 65. The same percentage believed that they will have to work past the age of 65 in order to make ends meet.[23]

It is therefore not surprising that over one-quarter (26%) of respondents to the Ipsos survey expect to be working full-time at age 66 – an increase of 10 percentage points since 2008. Of this group, fully one-quarter (25%) said the number one reason they will be doing so is "to earn enough money to cover basic living expenses." This is more than double the proportion who said so in 2008 (11%). Nearly 4 in 10 (38%) survey respondents said there is a "serious risk" that they will outlive their retirement savings, which means they may have to turn to other sources of income.

In this context, it is therefore not surprising that 56% of surveyed Canadians say that they would like advice on saving for retirement.[24]

Fewer Canadians have a pension and many RPPs are underfunded

Statistics Canada's *Pension Plans in Canada Survey* reveals a decline in pension coverage with fewer defined benefits and high underfunding of the funds themselves.[25] The pension coverage rate – that is, the proportion of all employees covered by a Registered Pension Plan (RPP) – was 38.8% in 2010, down from 40.8% in 2000 (RPPs are established by employers or unions for employees). In 2010, 74% of these RPP-covered employees were in a defined RPP,[26] compared with 84% a decade earlier.

On a solvency basis,[27] close to 3,550 RPPs reported actuarial information for the three-year period ending January 1, 2011. More than 84% of these RPPs were underfunded, compared with 81% of the RPPs that reported so in the three-year period ending January 1, 2010. The median solvency funded ratio (the ratio of the market value of plan assets to liabilities) was estimated at 85% for the period ending January 1, 2011.

According to Statistics Canada, the percentage of tax filers who made a contribution to a Registered Retirement Savings Plan (RRSP) slipped further to 24% in 2011 from 29.1% in 2000. In constant 2011 dollars, the median contribution was $3,385 in 2000 and $2,820 in 2011.[28] There are now both fewer and smaller contributions. This downward trend started before the introduction of the Tax-Free Savings Account (TFSA).

The trends in pension coverage, *together* with the trends in retirement savings, are of concern. However, this is offset somewhat by the increase in employment rates and, presumably, employment income.

HOUSEHOLD AND STUDENT DEBT

Average debt load reaches $113,470 per household

The average debt load in Canada reached $113,470 per household in 4Q2012 (as measured in constant 2011 dollars), up 116.9% from $52,308 in 1990. This average includes households with debt and those without debt.

Total debt in real dollar terms has increased every year since 1990, with 1991 being the sole exception. Since the pre-recession period (2008) to 4Q2012, total debt per household has increased by 16% in real terms. This occurred as disposable income rose by 2.8% and spending by 1.2%, which was accompanied by an increase in annual savings.

Household debt loads are a concern for economists as well as Canadian households. The Bank of Canada says, "Domestically, the primary financial stability concern relates to the high level of household indebtedness and elevated valuations in some segments of the housing market. These household imbalances could themselves be a trigger for financial system stress or they could amplify adverse economic shocks originating elsewhere."[29]

Craig Alexander, senior vice-president and chief economist of TD Bank, also put household debt into focus, seeing Canada's economy as being "in transition" this year. He notes that while housing and debt accumulation had fuelled GDP expansion in recent years, Canada will now have to improve exports as households cut back on borrowing and the housing market slows.[30]

Family Savings and Debt

In 1995, personal secured lines of credit represented 11% of consumer credit; by the end of 2011, this was close to 50%.

Big earners and Albertans have the most debt

A 2009 Statistics Canada study estimated the average total debt per household (of those who responded to the survey) at $114,400 for those with debt of any kind. Based on geography, the average debt ranged from a low of $69,300 in the Atlantic region to $78,900 in Quebec, $84,900 in Manitoba and Saskatchewan, $124,700 in Ontario, $155,700 in British Columbia and $157,700 in Alberta.

Based on demographics, the least indebted households were renters ($36,200), households with incomes under $50,000 ($57,700), unattached individuals ($63,000), owners without a mortgage ($64,000) and those aged 65 and over ($66,000). The most indebted were households with incomes of $100,000 or above ($172,000), homeowners with a mortgage ($161,000) and married couples with children ($144,600).[31]

Lines of credit are the key factor in soaring debt

According to Bank of Canada researchers, a number of factors have contributed to debt load increases. For starters, increases in real household income and low interest rates have contributed to the increase in homeownership rates and higher mortgage debt. The rising importance of consumer credit has coincided with a strong increase in non-mortgage borrowing secured by housing assets. In 1995, personal secured lines of credit represented 11% of consumer credit; by the end of 2011, this was close to 50%.[32]

The Bank of Canada also found that in 2009, net draws on home equity lines of credit (HELOCs) represented almost one-quarter of the total increase in household debt. From 1999 to 2010, about 40% of home-equity extraction funds, either through lines of credit or larger mortgages, were used to finance consumption or home renovations, 34% of the funds were for financial and non-financial investments with the remaining 26% used to repay debt.[33]

Student debt: a generational impact

Increasing debt loads are creating serious financial challenges for students, with many turning to family for help. For the 59% of students who had debt in 2012, the average debt was $24,579. In 2006, only 55% of students had any debt.[34]

In 2012, 59% of students reported that they received financial help from their parents, family and/or spouses to pay for the current expenses. This too was up from 56% in 2006.

This bigger load on families is also having an impact on the retirement outlook for parents. In a CIBC poll conducted by Léger Marketing, 36% of Canadian parents with children under the age of 25 reported that they will need to delay their retirement because they've used some of their savings to help fund their child's education.[35]

Canadians are becoming less optimistic.

More students claim that they are paying off their cards each month

The good news is that students seem to be using their high-interest credit cards more cautiously than in the past. The typical student had 1.6 credit cards in 2012, down from 1.9 cards in 2006. Even better, some 87% of the cardholders claim they pay off the balance on their credit cards each month, up sharply from 75% six years earlier. The negative news is that those who do carry a balance have an average balance of $3,444, up 22% from six years earlier.

Concern about debt and caution about the future are rising

The Conference Board of Canada found that "after two consecutive months of significant increases, the Index of Consumer Confidence slid marginally in July [2013] to 82.6 (2002 = 100), a decrease of 0.9 points. This month's survey results indicate that Canadians are more negative about their financial situation, but slightly more positive with respect to future job creation and spending on big items."[36] Canadians are becoming less optimistic.

A Nanos research survey conducted in late February 2013 found that a "pocketbook" index, which captures views related to job security and how a consumer's personal financial situation has changed in the past year, was at its second-lowest level covering the entire period since 2Q2008.[37] It had been edging down during most of 2012, a trend that continued into 2013.

A CIBC poll found that "Canadians have named paying down debt as their top financial priority entering 2013 – the third year in a row that debt has topped the list of financial priorities across the nation. The annual poll conducted for CIBC by Harris/Decima also shows that retirement planning has fallen out of the top three priorities nationally, as age groups traditionally focused on retirement planning have turned their focus to debt repayment and other priorities in 2013."[38]

An RBC survey in early April 2013 found that "more Canadians believe the economy will worsen over the next year (30%) rather than improve (26%)."[39] A November 2012 RBC Canadian Consumer Outlook survey found that "looking ahead, one in three Canadians (31%) are planning to focus on reducing their debt, 26% on spending less, 25% on saving or investing more, and another 20% intend to take all of these actions in 2013. Canadians are also sending out a strong signal that less money will be going toward major purchases in 2013, with 44% reporting they will spend less on big ticket items such as cars, household appliances or vacations."[40]

The debt-to-income ratio is at record levels but may be easing

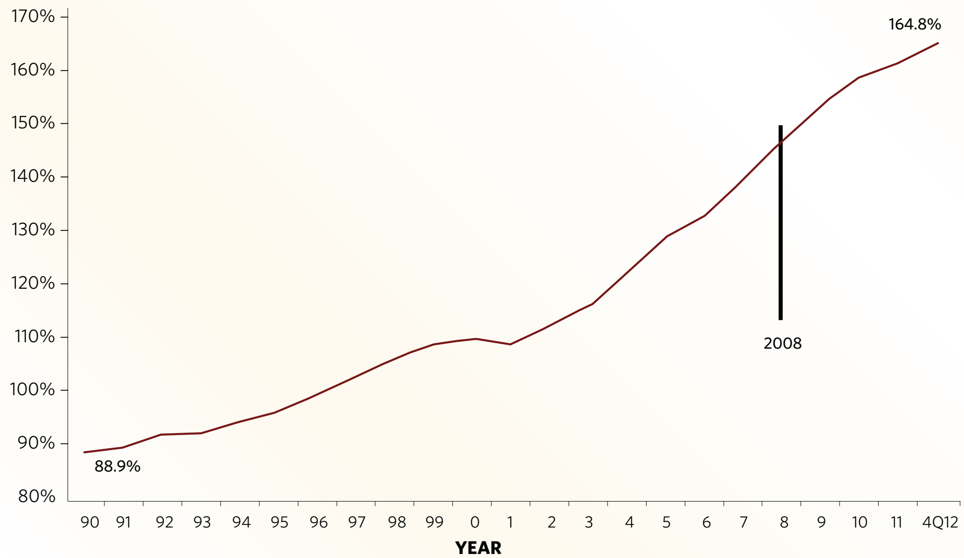
The debt-to-income ratio suggests that the higher the ratio, the more difficult it is to manage debt through current income. This debt-to-income ratio continued to climb since the previous peak in the economy (2008) and stood at 164.8% in 4Q2012. Using compatible measures,[41] the debt-to-income ratio in Canada is now higher than it is in the U.S. The U.S. ratio has been declining since the beginning of 2008, while the Canadian ratio continued to rise. The Canadian ratio is also higher than in the U.K.

CGA-Canada reports that "the continuation of the upward trend observed in the debt-to-income ratio suggests a further increase in the short-term vulnerability of households and exposure to the risk of default that would lead to depletion of wealth, particularly given the fact that asset portfolios became skewed towards assets having elevated price volatility."[42] The latter refers to the reality that volatile stock market assets (equity and investment fund shares) now represent 24% of net worth (see Appendix C).

In its latest *Monetary Policy Report* (April 2013), the Bank of Canada still sees rising household debt as a downward risk to the economy. "Continuing high household debt levels in Canada could lead to weaker household spending. In addition, if there were a sudden weakening in the Canadian housing sector, it could have sizable spillover effects on other areas of the economy."[43]

The Canadian Association of Accredited Mortgage Professionals (CAAMP) predicts that "by mid-2015, national home construction will fall to about 150,000 units annually, or about 25%–30% less than the 205,000 average for 2011–2012. That will result in about 150,000 fewer construction and indirect jobs, such as in the real estate sector and support industries."[44]

CHART 5 Total debt-to-income ratio 1990 to 4Q2012



Source: Statistics Canada, CANSIM table 378-0123.

Debt-service ratio may rise sharply if interest rates increase

The debt-to-income ratio noted above refers to all accumulated debt and all disposable income generated in one year. Its purpose is to measure overall stress for the household sector as a whole, but not at the individual level.

While the distribution of debt and income is an important consideration, economists also use the debt-service ratio (DSR) to examine how a particular household is doing.[45] The DSR, used by the Bank of Canada, includes principal and interest payments on all loans (mortgages, personal lines of credit, other personal loans, car loans and credit card debt) and is expressed as a percentage of individual household disposable income. Households with a DSR above 40% are considered the most vulnerable to shocks and are at high risk of failing to meet their obligations.

In 2011, about 12% of household sector debt was held by households with a DSR of 40% or above. Under a *hypothetical* scenario, modelled by Bank of Canada analysts, the policy interest rate is assumed to rise by 325 basis points by mid-2015 and households do not proactively manage their exposures to interest rate variability. What might happen? In this scenario, about 20% of the debt would be held by the highly stressed households by 2017. This would heighten the sensitivity of the sector to adverse shocks to income.[46]

Owner's equity ratio approaches record lows as mortgage debt rises

Another important metric is owner's equity as a percentage of real estate values. In 4Q2012, homeowners had a near record low equity ratio of 69% down from 71.5% in 2008. From 2008 to 4Q2012, real estate prices (in constant 2011 dollars) have risen by 10.8% while outstanding mortgages increased by 19.8%, or by almost double the increase in real estate values (see Appendix C).

Real estate sales and prices have already begun to weaken in some markets due to high prices and to stricter mortgage insurance rules initiated over the recent past. The latter includes shortening the amortization period for Canada Mortgage and Housing Corporation (CMHC) insured mortgages from 30 to 25 years. Another key measure implemented in April 2011 is that CMHC no longer insures non-amortizing home-equity lines of credit and no longer insures mortgages for homes that have a purchase price of more than $1 million.

The *9th Annual Demographia International Housing Affordability Survey: 2013* found that of the 35 housing markets examined in Canada, 10 markets were classified as being either *seriously* unaffordable or *severely* unaffordable (29% of the total) with another 17 (49%) being *moderately* unaffordable.[47] Only eight of the Canadian markets are classified as *being affordable*. The survey uses a ratio of the median house price divided by gross before-tax annual median household income.

A BMO survey from early 2013 suggests Canadians are not yet convinced that house prices are about to drop, with 7% expecting that house prices will fall over the next year, 32% said they will stay the same and 53% said they expect them to rise.[48] The remainder said they did not know.

TD Economics "suspects that a gradual slowdown is in the cards for 2014–15, with sales and prices each falling by about 10%."[49] And a Reuters poll of 15 forecasters, including most of the major Canadian banks, predicted Canadian house prices will fall just 7.5% in the next few years.[50]

Few believe the correction will result in the devastation seen in the United States five years ago.

Family Wealth and Net Worth

The Certified General Accountants Association of Canada (CGA-Canada) defines household wealth as "the difference between the value of household total assets which consist of financial and non-financial assets and household total debt which consists of mortgage credit and consumer credit."[51]

In their 2013 report, *Money Talks: Emphasizing Wealth in Household Finances*, CGA-Canada calculates the wealth of the average Canadian adult (aged 18 and older) at $248,700 at the end of 2012. While this is the highest level attained over the past 20 years, the report notes that overall debt levels and the climbing debt-to-income ratio in Canada (164.8% in 4Q2012) are increasing the risk of wealth depletion.

When surveyed, 29% of Canadians reported that they have "no wealth."[52] Among this group, nearly half (48%) said that their lack of wealth was the result of difficulties in saving due to their current level of income.

Stock market investments were the greatest creator of household wealth since 1990

Several long-term trends have been taking place from 1990 to 4Q2012. Total assets per household increased by 96.8% to $578,537, debt grew by a larger 116.9% to $113,470 and as such net worth advanced by 92.5% to $465,067. The debt-to-disposable income ratio rose to 164.8%, up from 88.9% in 1990 (see Appendix C).

On the surface, it may seem counterintuitive that net worth (assets minus debts) increased given that debt grew substantially more than assets. The reason is that the average household has more assets ($578,537) than it has debt ($113,470). Even if the debt increases faster in percentage terms, it increases more slowly in dollar terms than the asset base does. What is intuitive is that the fact the fast percentage growth in debt causes the net worth to increase more slowly (92.5%) than the growth in assets (96.8%).

The largest increase in assets was among equity/investment fund shares (+641.2%). These volatile assets now comprise 24% of net worth, compared with only 6.2% in 1990. This was followed by increases in the real value of real estate (+108.9%). Real estate is now responsible for over half of all net worth.

Advances in the value of life insurance and pensions also grew rapidly (+99.1%). The biggest decline was for investments in debt securities (-53%), due to low interest rates.

On the liability side, consumer credit increased by 143.5% and outstanding mortgages by 118.3% since 1990.

A number of shorter-term trends occurred between 2008 and 4Q2012. Since 2008, mortgage growth (+19.8%) per household was almost double the growth in consumer credit (+10.9%). In the latest year, mortgage growth has slowed a little (+5.3%), while growth in consumer credit has been relatively flat (+0.5%). This is all in real terms after removing the impact of inflation.

The real average value of real estate assets increased by 10.8% from 2008 to 4Q2012 and 4.5% during the latest year to 4Q2012.

Debt-to-net worth ratio is above any 1990–2008 annual averages

The debt-to-net worth ratio provides a measure of leverage of the household sector. The 24.3% ratio in 4Q2012 (see Appendix C) was near record high levels and is above any annual average from 1990 to 2008.

Conclusion

Family finances reveals the complexity of family life in Canada, just as examining family life reveals the complexity of finances. The two intersect and influence each other, reacting to (and interacting with) changing social and economic conditions. And changed it has – the 2008 recession has been a major shaping force over the past few years, but it has not affected all Canadians equally. Students have been particularly hard hit, with the post-recession "recovery" having largely passed them by. The 55+ age group, on the other hand, has actually seen their employment numbers *increase* since the recession.

But family finances isn't about "winners" and "losers"; rather, the economic turbulence has increased pre-existing intergenerational dependencies and has underlined the supportive role that families play in Canada. Over four in 10 Canadians in their twenties (42%) are now living in the parental home – up from 27% in 1981.[53] In addition, many who don't live in the parental home, such as those living in college or university residences, are also receiving financial help from their families. While parents are quick to provide support to their children, this is sometimes at the expense of their own retirement savings. Many seniors/elders receive care and/or financial assistance from their adult children. Occasionally, all generations live under one roof.

But regardless of their age, the recession – coupled with long-term economic changes – has pushed most Canadians to further explore *all* of the financial resources available to them, including (but not limited to) employment/self-employment income, investments, savings, pensions, interfamilial/intergenerational transfers and government transfers. While a single-earner may have provided sufficient household income in the 1950s, even two earners are sometimes not enough today.

Accordingly, *The Current State of Canadian Family Finances: 2012–2013 Report* has focused on three broad areas of family finances: income and expenses, savings and debt, and wealth and net worth. As already mentioned, the variables used to measure these aspects of family finances are deeply intertwined: if income is too low, then it may be impossible to build savings; if expenses are too high, debt can occur; and if debt is too high, it can reduce a person's net worth.

By examining family finances with this holistic perspective and through the family lens, readers can gain a thorough understanding not only of the complexity of family finances, but also of its inherent connection to family. Families, after all, are our primary unit of care and support, a caring force that shapes us at the individual, community and societal levels.

Appendix A

Average Incomes of Families and Unattached Individuals

AVERAGE INCOMES OF FAMILIES AND UNATTACHED INDIVIDUALS, AND SHARE OF INCOMES AFTER TRANSFERS AND INCOME TAXES						
				% change over selected periods		
	Constant 2011$			Entire period	Since 2008	Latest year available
	1990	2008	2011	*2011/1990*	*2011/2008*	*2011/2010*
All households	51,600	62,700	63,000	*22.1*	*0.5*	*0.0*
All families of two persons or more	62,400	78,500	79,600	*27.6*	*1.4*	*1.0*
Senior families of two persons or more (65 and over)						
Senior couples	46,100	56,100	56,500	*22.6*	*0.7*	*-1.7*
Other senior families (relatives, etc.)	60,900	67,200	62,300	*2.3*	*-7.3*	*5.4*
Non-senior families of two persons or more (under 65)						
Couples without children	59,200	75,600	76,100	*28.5*	*0.7*	*1.1*
one earner	50,500	59,900	64,100	*26.9*	*7.0*	*5.3*
two earners	65,900	84,800	83,300	*26.4*	*-1.8*	*0.6*
Couples with children	68,400	89,000	93,700	*37.0*	*5.3*	*2.5*
one earner	31,800	29,600	36,700	*15.4*	*24.0*	*-30.6*
two earners	50,000	62,900	71,100	*42.2*	*13.0*	*11.4*
Female lone parent	30,400	43,500	43,000	*41.4*	*-1.1*	*-6.7*
Male lone parent	46,800	56,900	55,100	*17.7*	*-3.2*	*-6.0*
All families of two persons or more by province						
Newfoundland	51,200	67,000	72,800	*42.2*	*8.7*	*4.1*
Prince Edward Island	53,100	65,400	67,200	*26.6*	*2.8*	*2.6*
Nova Scotia	55,500	64,900	68,700	*23.8*	*5.9*	*1.9*
New Brunswick	52,800	63,100	67,300	*27.5*	*6.7*	*1.1*
Quebec	55,600	67,900	69,600	*25.5*	*2.5*	*1.2*
Ontario	69,700	82,900	82,400	*18.2*	*-0.6*	*-0.5*
Manitoba	57,600	73,200	73,700	*28.0*	*0.7*	*-0.3*
Saskatchewan	54,400	77,400	82,700	*52.0*	*6.8*	*3.8*
Alberta	64,100	94,100	99,700	*55.5*	*6.0*	*6.9*
British Columbia	63,700	81,400	79,200	*24.3*	*-2.7*	*-1.6*
Unattached individuals (living alone or with someone who is not related)						
Total	27,500	32,500	31,400	*14.2*	*-3.4*	*-4.8*
Senior males (65 and over)	26,300	34,500	34,400	*30.8*	*-0.3*	*-1.1*
Senior females (65 and over)	23,000	28,200	29,700	*29.1*	*5.3*	*1.4*
Non-senior males (under 65)	31,100	36,100	33,500	*7.7*	*-7.2*	*-7.7*
Non-senior females (under 65)	26,000	29,600	28,600	*10.0*	*-3.4*	*-5.3*
% share of after transfer and income tax incomes – all families of two people or more by income groups				**Percentage point change (pp)**		
Poorest fifth of families	7.5	7.1	7.3	-0.2	+0.2	-0.0
Lower-middle fifth of families	13.4	12.4	12.5	-0.9	+0.1	+0.1
Middle fifth of families	18.2	17.2	17.2	-1.0	0.0	-0.0
Upper-middle fifth of families	23.8	23.1	23.3	-0.5	+0.2	0.0
Richest fifth of families	37.1	40.1	39.7	+2.6	-0.4	-0.3

Source: People Patterns Consulting based on Statistics Canada, CAMSIM 202-0603 and 202-0604, *Income in Canada*, 2010.

Appendix B
Families and Unattached Individuals with Low Incomes

FAMILIES AND UNATTACHED INDIVIDUALS WITH LOW INCOMES AFTER TRANSFERS AND INCOME TAXES							
				Percentage point change (pp)		
	% of persons with low incomes			Entire period	Since 2008	Latest year available
	1990	2008	2011	2011/1990	2011/2008	2011/2010
All households	11.8	9.3	8.8	-3.0	-0.5	-0.2
All families of two persons or more	9.0	6.2	5.5	-3.6	-0.7	-0.4
Senior families (65 and over)						
Senior couples	2.7	0.9	1.9	-1.8	+1.0	+0.8
Other senior families (relatives, etc)	3.0	6.9	3.9	+0.9	-3.0	-5.1
Non-senior families (under 65)						
Couples without children – no earner	28.8	33.1	23.3	-5.5	-9.8	-1.1
one earner	9.5	7.3	7.1	-2.4	-0.2	-1.0
two earners	2.7	2.1	1.2	-1.5	-0.9	-1.0
Couples with children – no earner	75.3	70.7	75.7	+0.4	-5.0	+9.3
one earner	17.1	17.5	14.0	-3.1	-3.5	-0.2
two earners	4.9	3.2	2.1	-2.8	-1.1	-0.9
Female lone parent	48.2	20.8	21.2	-27.0	+0.4	+0.7
Male lone parent	18.4	6.8	12.4	-6.0	+5.6	+3.8
All households by age of major income earner						
Under 25	42.2	35.2	30.3	-12.9	-4.9	-3.0
25–34	13.8	10.7	10.7	-3.1	0.0	-0.8
35–44	10.4	8.3	7.4	-3.0	-0.9	+0.4
45–54	6.7	5.5	7.0	+0.7	+1.5	+0.3
55–64	11.2	11.2	9.5	-1.5	-1.7	-0.2
65 and over	10.0	6.4	5.9	-4.1	-0.5	-0.4
Children 0–17 by province						
Canada	14.0	9.0	8.5	-5.5	-0.5	+0.3
Newfoundland	18.1	8.9	6.0	-12.1	-2.9	-3.0
Prince Edward Island	6.7	4.5	4.6	-2.1	+0.1	+2.3
Nova Scotia	11.7	7.8	8.0	-3.7	+0.2	-0.9
New Brunswick	13.7	4.9	6.7	-7.0	+1.8	+3.7
Quebec	14.6	9.9	7.3	-7.3	-2.6	-0.9
Ontario	12.0	9.1	8.9	-3.1	-0.2	+0.9
Manitoba	19.4	8.7	11.3	-8.1	+2.6	+0.2
Saskatchewan	17.2	9.1	6.2	-11.0	-2.9	-1.7
Alberta	15.3	6.9	6.8	-8.5	-0.1	+0.7
British Columbia	14.9	10.1	11.3	-3.6	+1.2	+0.8
Unattached individuals						
Total	31.3	27.3	27.7	-4.4	+0.4	+0.8
Senior men (65 and over)	20.7	12.3	12.2	-9.2	-0.1	+0.7
Senior women (65 and over)	30.5	17.0	16.1	-14.9	-0.9	+0.5
Non-senior men (under 65)	29.4	28.0	29.9	-0.6	+1.9	+1.1
Non-senior women (under 65)	36.8	36.7	36.0	-2.1	-0.7	+1.3

Note: A four-person family living in a city of 500,000 or more with less than $36,504 ($9,126 per person) and a four-person rural family with less than $23,879 ($5,969 per person) annually are classified as being low-income.

Source: People Patterns Consulting based on Statistics Canada, CANSIM tables 202-0802, 202-0803 and 202-0806, *Income in Canada,* 2010.

Appendix C
Average Family Net Worth

MAJOR COMPONENTS OF AVERAGE NET WORTH PER HOUSEHOLD BASED ON MARKET VALUE IN CONSTANT 2011$

	Constant 2011$			% change over selected periods		
	1990	2008	2012(4Q)	Entire period 2012(4Q)/1990	Since 2008 2012(4Q)/2008	Latest year available* 2012(4Q)/2011
Total assets	**293,943**	**527,687**	**578,537**	**96.8**	**9.5**	**3.9**
Total financial assets	148,369	280,497	308,644	108	10	3.8
of which currency and deposits	57,013	66,555	77,501	35.9	16.4	3.6
of which debt securities	12,800	8,362	6,012	-53	-28.1	-8.6
of which equity/investment fund shares	15,032	96,563	111,422	641.2	15.4	3
of which life insurance and pensions	54,185	100,714	107,891	99.1	7.1	6.9
of which all other financial assets	9,339	8,304	5,818	-37.7	-29.9	-12
Total non-financial assets	145,573	247,189	269,893	85.4	9.2	3.9
of which real estate	111,610	210,420	233,119	108.9	10.8	4.5
of which consumer durables	31,116	34,693	34,786	11.8	0.3	0.4
of which all other assets	2,847	2,077	1,989	-30.2	-4.2	-3.5
Total debt outstanding	**52,308**	**97,833**	**113,470**	**116.9**	**16**	**3.9**
of which mortgages	32,917	60,012	71,873	118.3	19.8	5.3
of which consumer credit	13,414	29,455	32,657	143.5	10.9	0.5
of which non-mortgage loans	5,008	7,555	8,295	65.6	9.8	7.6
of which all other debt**	1,281	1,391	1,526	19.2	9.7	-0.4
Net worth (assets minus debt)	**241,635**	**429,854**	**465,067**	**92.5**	**8.2**	**3.9**
Selected ratios				**Percentage point (pp) change over selected periods**		
Ratios as calculated by Statistics Canada						
Saving rate as % of disposable income	11.7	4	5.4	-6.3	+1.4	+1.0
Total debt as % of disposable income	88.9	147	164.8	+75.8	+17.8	+3.4
Total interest as % of disposable income	10.4	8.4	6.9	-3.5	-1.5	-0.4
Real estate assets as % of disposable income	189.8	316.2	337.4	+147.6	+21.2	+7.9
Total debt as % of net worth	21.7	22.8	24.3	+3.2	+1.5	-0.2
Owner's equity as % of real estate	70.5	71.5	69	-1.5	-2.5	-0.4
Ratios as calculated by People Patterns Consulting						
Real estate as % of net worth	46.2	49	50.1	+3.9	+1.1	+0.3
Equity/investment fund shares as % of net worth	6.2	22.5	24	+17.7	+1.5	-0.2
Non-mortgage debt as % of consumer durables	58.2	105	115.2	+57	+10.2	+1.4

* The changes for the latest period (4Q2012) are from the average for 2011.
** Accounts payable

Source: Statistics Canada, CANSIM tables 380-0072, 380-0073, 378-0121 and 378-0123. Calculations by People Patterns Consulting.

Endnotes

[1] Disposable income consists of all sources of current income, which includes government transfers minus income tax. What is left can be used to either spend or save.

[2] This estimate is calculated using Statistics Canada's *National Income and Expenditure Accounts*.

[3] Statistics Canada. CANSIM table 202-0705. http://bit.ly/18DxOc9

[4] Statistics Canada (2013). *High-Income Trends Among Canadian Taxfilers, 1982 to 2010*. http://bit.ly/X8b0I9

[5] The LICOs represent income thresholds below which a family would likely devote a larger share of its income to necessities (food, clothing and shelter) than an average family would. The MBM is an estimate of the cost of a specific basket of goods and services representing a modest, basic standard of living defined at a subprovincial level. This cost is then compared with disposable income to determine if families are in low income. See Statistics Canada (2012) for a detailed description of how these lines are defined. Brian Murphy, Xuelin Zhang and Claude Dionne (2012), "Low Income in Canada: a Multi-line and Multi-index Perspective," Income Research Paper Series, 75F0002MIE. http://bit.ly/12BPYUM

[6] Statistics Canada has taken steps to mitigate against the potential effects of non-response rates due to the voluntary nature of the NHS. For more details about NHS data quality, visit the Statistics Canada website: http://bit.ly/19YhIHT

[7] Statistics Canada (2013). "2011 National Household Survey: Income of Canadians," *The Daily* (September 11, 2013). Accessed September 11, 2013. http://bit.ly/1fZrE5k

[8] Statistics Canada classifies Canadians into 10 "deciles" – equal income groups based on adjusted after-tax income of their economic family.

[9] Statistics Canada, "2011 National Household Survey: Income of Canadians."

[10] Ibid.

[11] Statistics Canada. CANSIM table 282-0210. http://bit.ly/19R1Ase

[12] Partners may be married or common-law.

[13] Table 1 shows the employment rates for youth before the recession and the same months of 2012. (These numbers are not available on a seasonally adjusted basis. As such, the comparisons should and are made for the same months in both years.)

[14] Employment rate: A ratio of those employed in an age group divided by those that are in that age group.

[15] Neil Sandell (2012, November 30). "How Did We Create Such Bleak Job Prospects for Canada's Youth?" *The Toronto Star.* http://bit.ly/TyV8Ps

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[17] Household total expenditure consists of the expenditure, including expenditure whose value must be estimated indirectly, incurred by resident households on individual consumption goods and services, including those sold at prices that are not economically significant and including consumption goods and services acquired abroad.

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[18] Statistics Canada (2013). *The Increase in Food Prices Between 2007 and 2012*. http://bit.ly/18ikNox

[19] Statistics Canada (2013). *Percent Cumulative Increase in Canadian Consumer Food Prices Between 2007 and 2012 for All Categories, Groups, and Subgroups Under the Consumer Price Index (CPI) Major Component "Food."* http://bit.ly/125H81g

[20] Statistics Canada has taken steps to mitigate against the potential effects of non-response rates due to the voluntary nature of the NHS. For more details about NHS data quality, visit the Statistics Canada website: http://bit.ly/19YhIHT

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[23] Certified General Accountants Association of Canada (2012). *Canadian Finance Study 2012: Summary Report*. http://bit.ly/14c8xjc

[24] Ibid.

[25] Statistics Canada (2012). *Pension Plans in Canada, as of January 1, 2011.* http://bit.ly/KGIrJR

[26] A defined RPP is benefit plan where the benefits payable to an employee on retirement are determined by the use of a formula, either alone or as a minimum amount payable.

[27] Being solvent means that the employer has enough assets to support the liabilities that are actuarially owed by the employer. If there are not enough assets the plan is classified as not solvent and the employer has to present a medium-term plan to get back to solvency.

[28] Statistics Canada, CANSIM table 111-0039, calculations by People Patterns Consulting.

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About the Institute
The Vanier Institute of the Family was established in 1965 under the patronage of Their Excellencies Governor General Georges P. Vanier and Madame Pauline Vanier. The Institute is a national non-profit organization creating awareness and providing leadership on the importance and strengths of families in Canada in all of their diversity. Through a rigorous program of knowledge mobilization and public engagement, the Institute partners with businesses, legislators, policy-makers and program specialists, researchers, educators, family service professionals, the media and members of the general public to advance the well-being of Canada's families.

The Current State of Canadian Family Finances is an annual report prepared to provide an overview of family income and expenses, savings and debt, and wealth and net worth as they contribute to social and economic dialogue across Canada.

About Roger Sauvé
President of People Patterns Consulting, Roger Sauvé brings more than 35 years of research, writing and leadership experience to his analysis of economic, demographic and social trends as they relate to family finances. Roger has worked with the Institute for 15 years as an independent researcher developing the much anticipated annual report *The Current State of Canadian Family Finances.*

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