



FACTUM

Fewer Canadians Have Significant Non-Mortgage Debt than a Year Ago, but One in Three (33%) Say Spending Growth is Outpacing Income Growth

Fifteen percent (15%) report being unable to save any money, after taxes

Toronto, Ontario, July 25, 2019 — A new Ipsos poll conducted on behalf of Manulife Bank reveals that the incidence of Canadians who report having considerable non-mortgage related debts is in decline, as less than half (46%; -4 pts vs. Fall '18 & -11 pts vs. Spring '18) now claim to carry at least some non-mortgage related debt. While promising, it will be difficult to sustain if the spending to income ratio continues trending in the wrong direction as just half (50%) of Canadians report that both income and spending are moving at the *same rate*. One in three (33%) say that spending growth is outpacing income growth, while 18% say that income growth is outpacing their growth in spending.

Even if a majority (61%) of indebted Canadians perceive their debt as being the result of *good decision(s)*, a strikingly high proportion (39%) feel the situation was caused by *regrettable decision(s)*. Canadians with *a lot of debt* are twice as likely (at 68%) to report that their debt was caused by *regrettable decision(s)* compared to those with some, or less, debt (33%). Excessive living (38%), bad financial habits (19%), and too many costly outings with family and friends (12%) are the most common reasons why Canadians say they regret going into debt. Further, when asked to rate their debt reduction progress as many as one in four (26%) indebted Canadians say they are doing *poorly* (19%) or *terribly* (7%).

It is particularly intriguing that statistically fewer (48%; -8 pts vs. Fall '18, -7 vs. Spring '18) indebted Canadians report being saddled with credit cards that carry a balance, with this decrease having coincided with a large uptick in the proportion with home equity lines of credit (22%; +5 vs. Spring '18) and other forms of debt (4%; +2 vs. Fall '18), suggesting that Canadians might be playing the debt-shuffle game.

There are many ways that debt negatively effects people, such as limiting what they can do with family and friends (22%), making it impossible to spend money on entertainment (18%), and negatively impacting their mental health (17%), to name a few. Many indebted Canadians would even go as far as to say their debts make them feel stressed. Women (35% vs. 25% of men), adults under 55 (34% vs. 23% 55-69), and those with a lot of debt (51% vs. 25% with some, or less) are among the most likely to feel *stressed* about the situation.

Millennials (18-34) are having more trouble handling their current debt situation on their own (13% vs. 5% 35-69). Boomers feel less affected by debts (31% vs. 17% under 55), and more specifically, that debt impacts their mental health (7% vs. 21%) or limits what they can do with family and friends (13% vs. 27%).



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In addition to the debt-related problems many Canadians are facing, there is a sense that financial apathy is alive and well in Canada as fewer than half (48%) report awareness of every dollar and cent that goes in-and-out of their bank account and as many as one in ten (9%) are totally clueless about their monthly spending. Not surprisingly, debt-free Canadians (60% vs. 43% with at least some debt) are among the most likely to report knowledge of every dollar and cent that goes in-and-out of their bank account.

On average, Canadians are saving just under fifteen percent of their monthly after-tax income, and a whopping two-thirds (63%) are only able to divert ten percent, or less, of their after-tax income to savings, including as many as fifteen percent (15%) who report saving zero percent (0%) of their after-tax income. Not surprisingly, debt-free Canadians save the highest proportion of their after-tax monthly income (22.8%), on average.

Fewer Canadians Feel Comfortable About Their Mortgage Payments

Given that funding a new home purchase (30%) and home renovations (22%) are most commonly cited as reasons why going into debt was a *good decision(s)*, among those who feel this way, it is concerning that Canadians are beginning to feel less comfortable about “good debts” such as mortgages.

Among those who have mortgages, there has been a significant year-over-year decline in the proportion who say they are at least *somewhat comfortable* with their mortgage payments (85%; -5 vs. Spring '18). More specifically, there has been a sharp drop in the proportion who claim to feel *very comfortable* about both their mortgage payments (28%; -8) and the amount owing (21%; -9) on their mortgage, over the same period.

The Good News

Clearly, there are plenty of reasons why the debt situation in Canada is concerning. But it is far from bleak. For starters, as many as three in ten (28%) who say their debt impacts them feel as though it is already under control, meaning they don't need any help to effectively reduce it. In fact, as many as two in ten (21%) actually feel confident about the situation. Of those who could use help, more effective ways to keep track of debt (24%) and more information on ways to curb spending (24%) top the list as the most frequently mentioned helpful methods of debt control.

Additionally, the perceived joy Canadians receive from paying down debts exceeds all other financial achievements, by a considerable margin, and this counts for a lot. Two-thirds (68%) place escaping debt first (44%) or second (25%) overall, followed at a distance by having a sufficient nest egg for retirement (51%; 21% 1st; 30% 2nd), when asked to rank the joy they would derive from various financial accomplishments.



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Finally, the vast majority (90%) of indebted Canadians are willing to make sacrifices, of which one in four would eliminate dining out (25%) or shopping for non-essential items (23%), in order to reduce debts. Millennials (18-34) are much more willing to sacrifice dining out (33% vs. 22% 35-69), specifically.

About the Study

These are some of the findings of an Ipsos poll conducted between April 17th and 22nd, 2019, on behalf of Manulife Bank. For this survey, a sample of 2,003 Canadians between the ages of 20 and 69, earning \$40k+ were interviewed. Weighting was then employed to balance demographics to ensure that the sample's composition reflects that of the adult population according to Census data and to provide results intended to approximate the sample universe. The precision of Ipsos online polls is measured using a credibility interval. In this case, the poll is accurate to within ± 2.5 percentage points, 19 times out of 20, had all Canadians between the ages of 20 and 69, earning \$40k+ been polled. The credibility interval will be wider among subsets of the population. All sample surveys and polls may be subject to other sources of error, including, but not limited to coverage error, and measurement error.

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