Factum

Nearly Half of Canadians (48%) Are $200 or Less Away from Financial Insolvency

On Average Have $557 Left Each Month After Paying Bills (-$142); Lowest Since 2016

Toronto, ON, October 28, 2019 — With the dust settling after last week's federal election and the economy having been often-discussed issue during the campaign, the most recent wave of the MNP Debt Index, carried out by Ipsos on behalf of MNP Ltd., reveals that Canadians will most likely still have money on their minds in the post-election aftermath. After paying all their bills and debt obligations, Canadians are, on average, left with $557 at the end of the month, a drop of $142 from last wave in June and its lowest level since 2016. Nationally, men (down $211 to $662) and those aged 18-34 (down $278 to $508) have seen the biggest decreases in terms of absolute dollar terms. On top of that nearly half (48%) of Canadians are $200 or less away from financial insolvency (+4), a proportion that already includes 29% who already cannot meet their debt obligations and are insolvent at month-end (+4).

Pinched, But Still Smiling

Even with the financial strain that Canadian households find themselves under, the MNP Debt Index has risen to 101, an increase of 4 points from June. This is because the index taps into how Canadians *feel* about their finances and their ability to financially cope with what life has in store for them; as it turns out, Canadians are still generally positive about their personal financial situations. For example, 40% of Canadians would rate their personal debt situation as 'excellent' (+1) and only 16% would rate it as 'terrible'(+1).

One reason behind this continued positivity is that many still feel that their current debt situation is better than it was in the past. 27% say that their debt situation is better than it was a year ago (+3) and 35% say that it is better than five years ago (+2). In addition to being buoyant about how things look for them now, a even greater proportion believe that it will get even better, with 4 in 10 (39%) expecting that their debt situation a year from now will be better (+3), and half (50%) believing that it will be better five years from now (+3).

This does not mean that households are not feeling some pinch from having less money left over at month-end or from being a little bit closer to insolvency. Their ability to cope with unexpected expenses has been shaken, as shown by their confidence in their ability to cope with various life events having either remained stagnant or declined slightly. Canadians are most confident in their ability to financially weather a major change in their relationship status, such as a divorce or a separation (31%), though this is the measure that has decreased the most from June (-3). After that, Canadians seem to be most confident in their ability to shoulder the burden of unexpected auto repairs (29%) and having an illness and being unable to work for three months (29%), though the former indicator has declined slightly (-1) and the latter has increased slightly (+1). Other aspects of their lives in which Canadians feel confident to take on expenses include:

- Loss of employment or change in wage or seasonable work: 27% (unchanged)
- Death of immediate family member: 26% (unchanged)
- Paying for your own or someone else's education: 24% (-1)

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No one knows what the future holds for them and it seems that while Canadians may seem generally hopeful that their financial future will be better than the present, there are cracks around the edges that could lead to a bigger problem if left unaddressed. On the job front, things seem promising; 3 in 10 (29%) agree that they are worried that they or someone in their household could lose their job, a four-point drop from last June. This is perhaps not surprising with unemployment in Canada at a low and some areas talking about labour shortages. Furthermore, 6 in 10 (60%) *disagree* with the statement that they regret the debt they've taken on in their lives (+2). While some may have gone into debt to finance discretionary spending, others may have taken on debt in order to buy a home, make a necessary car repair, or fund their own education -- all kinds of debt that can potentially pay off later in life. This may help explain why Canadians may be anxious about their debt load and have less to spend after paying their monthly bills, but still think that their situation is better and will continue to improve.

However, two important indicators have slipped since June. Currently, just over half (53%) agree that they will be able to cover all their living and family expenses for the next 12 months without going further into debt, a two-point drop. Conversely, just under half (48%) agree that they are confident they won't have any debt in retirement, a three-point drop.

Stable Interest Rates, But Canadians Still Concerned

Although the Bank of Canada has stated that it will keep interest rates stable until next year, this may come as cold comfort to those in precarious financial situations who are already having a difficult time making their debt payments at the current interest rate. It is understandable then that many remain worried, even considering the central bank's announcement. These concerns have a real impact on everyday Canadians' lives; 8 in 10 (80%) agree (30% strongly/50% somewhat) that they will be more careful with how they spend their money (unchanged from June) and half (47%) of Canadians agree that they are concerned about how rising interest rates will impact their financial situation. Although down two points from June, this nonetheless represents a significant proportion of Canadian adults.

What does this mean for the average household? Over half (54%) agree (18% strongly/36% somewhat) that they are more concerned about their ability to repay their debts than they used to be (-2), something that affects younger Canadians more than older ones. Furthermore, 45% agree (16% strongly/29% somewhat) that if interest rates go up much more, they are afraid they will be in financial trouble (-4). Finally, a third (34%) are still concerned (12% strongly/22% somewhat) that rising interest rates could move them towards bankruptcy (-2). For all these statements, young Canadians (aged 18-34 and 35-54 years) are more likely to agree with these statements than those over 55 years.

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About the Study

These are some of the findings of an Ipsos poll conducted between September 4-9, 2019, on behalf of MNP LTD. For this survey, a sample of 2,002 Canadians aged 18 years and over was 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 Canadian adults 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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Ipsos has been listed on the Paris Stock Exchange since 1999 and generated global revenues of €1,782.7 million in 2016.

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