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### Over Half (53%) of Canadians Engage in Risky Financial Behaviours That Could Saddle Them with Further Debt

2 in 10 (18%) Say They Will Never Be Out of Debt; Just Under 7 Years Average Time to Be Debt-Free

**Toronto, ON, March 2, 2020** — While many Canadians worry about their own personal financial situation, how many are engaging in risky financial behaviours that are either keeping them in debt or leading them into debt? A recent poll by Ipsos carried out on behalf of MNP LTD has found that over half (53%) of Canadians have engaged in some sort of financially risky behavior during the past year. Although down 2 points compared to last year, the fact remains that the other half (47%) may be setting themselves up for a rude surprise over their household finances later down the road.

These results are some of the findings from the most recent wave of the MNP Debt Index, which has recently matched the lowest levels since its inception in June 2017. A composite index measuring Canadians' confidence in their financial future and ability to cope with unforeseen life events, the Debt Index stands at 96, a five-point decline since September. The index has also found that after paying their bills and meeting their debt obligations for the month, half (50%) of Canadians are \$200 or less away from financial insolvency (up 2 points from last wave). This proportion includes 3 in 10 (29%) who are already insolvent and cannot pay all their bills (unchanged from last wave).

#### *Naughty out of Necessity?*

Canadians have been engaging in financially risky behavior over the past year, sometimes out of impulse and sometimes out of necessity. The fact that over half have engaged in these risky behaviours this year does not necessarily mean that they are all acting recklessly; the reality is that families across the country are having a difficult time and must find a way to make ends meet.

The most common way Canadians have been financially naughty is paying only the minimum balance on their credit card (21%, unchanged from December 2018), something that those in Saskatchewan/Manitoba (28%) and Alberta (26%) are the most susceptible of doing, though Canadians from all regions are guilty of doing this to some degree. Furthermore, those with kids in the household (33%) are more likely to be only making the minimum payment on their credit card. The second most common risky financial behavior that Canadians have engaged in has been being lured in by deals on shopping bonanza days such as Boxing Day or Black Friday (15%, -1). Those aged 18-34 years are the most likely to be seduced (25%), as well as those in households with kids (20%). Other behaviours that Canadians confess to engaging in over the past year include:



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Behaviour	%	v. Dec 2018
Paid only the minimum balance on my credit card	21%	-
Was lured in by deals or offers by companies on days such as Boxing Day	15%	-1
Paid only the minimum balance on my line of credit	14%	-1
Borrowed money that I can't afford to pay back quickly	12%	-2
Made a major purchase on credit without paying it off right away	11%	-1
Spent money I shouldn't have in order to 'keep up with the Jones'	11%	+1
Bought something on credit that requires no payments for a while	8%	-1
Got an auto loan or purchase-financed an auto for a term > 5 years	6%	-3
Extended the repayment terms on a debt to lower my monthly payments	5%	-3
Added to the value of my mortgage	3%	-3
Used my home-equity line of credit to buy things I want but don't need	3%	-3
Got a mortgage for larger than I can afford	2%	-1
Used a reverse mortgage to access the equity in my home	1%	-3
None of the above	47%	+2

### *Waiting to Live Debt-Free*

After getting into debt, how long do Canadians think it will take for them to be debt-free? For 3 in 10 (32%), they are fortunate enough to say that they are currently living without debt obligations. This is more common among Canadians aged 55 years and older (41%) and 18-34 years (33%), no doubt in large part because the former group having time to have paid off their debts and the latter not having incurred a significant amount debt yet. Those aged 35-54 years are the least likely to say that they are currently living debt-free (21%), most likely owing to the financial obligations many in this age group have in terms of making mortgage payments, raising young children, and saving for the future. No doubt that raising kids is expensive; this is further highlighted by those in households with no children being more likely to say they are living debt-free than those who are (35% v. 18%).

On the other hand, it seems that 2 in 10 (18%) have lost hope; they say that they will *never* be debt-free. Understandably, this attitude is more common among those who are already insolvent (36%) and struggling to keep their heads above water. Regionally speaking, those in the Atlantic provinces are most likely to have this pessimistic view of their finances (25%), followed by Ontarians (20%). Those in British Columbia (13%) and Quebec (12%) are the least likely to think they will never be debt-free. As with those who say they are living debt-free, there is a generational dimension to those who say they will never get out of debt. Canadians aged 18-34 years are least likely to say that they will never be debt-free (12%), compared with older Canadians (20%). While these young Millennials may optimistic about their finances due to their young age and feel they will have a long time to get themselves out of debt when they do incur it, many Canadians of the Gen X and Baby Boomer generations are already saddled with debt and feel time may be running out for them.



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As for the remaining 50% who neither feel that they are debt-free nor that they'll never get out of debt, they estimate on average that it will take approximately 6 years and 10 months to be debt-free. Gen Xers tend to have the highest estimates of how long it will take them to be debt-free (8 years, 2 months), followed by Boomers (5 years, 7 months), and Millennials (6 years, 2 months). There are no significant differences between gender or region, meaning that Canadians across the country will no doubt be looking to be better with their money this year.





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### About the Study

These are some of the findings of an Ipsos poll conducted between December 4 and 9, 2019, on behalf of MNP LLP. For this survey, a sample of 2,000 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  $\pm 2.5$  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. For more information about the MNP Consumer Debt Index, please visit [mnpdebt.ca/CDI](http://mnpdebt.ca/CDI).

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### About Ipsos

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ISIN code FR0000073298, Reuters ISOS.PA, Bloomberg IPS:FP [www.ipsos.com](http://www.ipsos.com)

