DEBT LOADS ARE GROWING FASTER THAN ASSETS: IS FINANCIAL STRESS ON THE RISE FOR CANADIAN HOUSEHOLDS?

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However, Four-In-Ten (42%) Are Optimistic That Their Own Financial Situation Will Improve In The Upcoming Year

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Toronto, ONTARIO (May 29th, 2003) – According to a new Ipsos-Reid poll released today, almost one-third (31%) of Canadian adults are concerned about managing their current debt levels (11% "very concerned" and 20% "somewhat concerned"). Is the degree of financial stress for Canadians on the rise?

Debt-to-equity ratio is a general indicator of Canadians' ability to cover their debt. The higher the ratio the more difficult it would likely be for Canadians to cover their current debt with their current financial assets. According to the Ipsos-Reid Canadian Financial Monitor, the debt-to-equity ratio for Canadian households has increased from 0.73 in 2000 to 0.94 in 2002. This increase is largely due to growing levels of debt and a declining value of financial assets.

However, four-in-ten (42%) Canadians polled are optimistic that their own financial situation will improve in the short-term.

These are the findings of an Ipsos-Reid poll conducted by telephone between April 30th and May 4th, 2003. The poll is based on a randomly selected sample of 1,000 adult Canadians. With a sample of this size, the results are considered accurate to within ± 3.1 percentage points, 19 times out of 20, of what *they would have been had the entire adult Canadian population been polled. The margin of error will be larger within regions and for other sub-groupings of the survey population. These data were statistically weighted to ensure the sample's regional and age/sex composition reflects that of the actual Canadian population according to 2001 Census data.*

Almost One-Third (31%) Of Canadians Are Concerned About Managing Their Current Debt Load

The poll asked Canadians how concerned they are about being able to manage their current level of debt. Debt was defined for respondents as being any credit card balances, lines of credit, loans or mortgages. One-third (31%) of Canadian adults say they are concerned about managing their current debt levels (11% "very concerned" and 20% "somewhat concerned").

- Residents of Saskatchewan and Manitoba are the most likely to be concerned (46%) followed by residents of the Atlantic Provinces (41%), while Quebec residents are the least likely to say they are concerned (15%).
- Those under the age of 55 are the most likely to be concerned (18-34 year olds – 36% and 35-54 year olds – 34%), while only 22 per cent of those aged 55 and older are concerned. Thirteen per cent of those aged 55 and older state that they have no debt.
- Concern over debt load decreases with accumulation of financial assets. Four-in-ten (40%) Canadians with less than $50K in assets say they are concerned about managing their debt load, dropping to 33 per cent of those with between $50K and $99K in assets and 22 per cent of those with $100K or more in assets.

But for who is the debt load the highest? And for whom is it increasing the most? As expected, Canadians between the ages of 18 and 34 have the highest debt-to-equity ratio (3.72 in 2002), followed by 35 to 54 year olds (1.14 in 2002) and those 55 and older (0.28 in 2002).

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However, debt loads appear to increasing the fastest among the older groups. Canadians aged 55 and over have seen an increase of 31% to their debt loads since the year 2000, while those between 35 and 54 years old have seen an increase of 25%. The 18 to 34 year old group has seen an increase of 18% since the year 2000.

Despite Increased Debt Loads, Optimism In Personal Financial Outlook Continues To Rise

Over four-in-ten (42%) Canadian adults feel their own financial situation will improve in the upcoming year. That is an increase from 36% in July 2002 and 29% in April 2001. Twelve per cent expect their own financial situation to get worse, while 45 per cent are expecting status quo.

- The most optimistic Canadians reside in Alberta (47%) and Ontario (47%), while British Columbians are the most likely to expect their financial situation to get worse in the upcoming year (17%).
- Optimism appears to decrease with age (58% of 18-34 years olds expecting improvement, 42% of 35-54 year olds and 27% of those 55 or older).
- Women are more likely to feel things will stay the same compared to men (51% vs. 39%), while men are more likely than women to either expect improvement (45% vs. 39%) or expect things to get worse (15% vs. 9%).

Debt load appears to be a major concern for those who expect their own financial situation to get worse. One half (50%) of those who expect their financial situation will get worse in the upcoming year are concerned about managing their debt (19% very concerned and 31% somewhat concerned).

Few Canadians Have Taken Action As A Result Of Recent Market Volatility Or Economic Uncertainty

Only one-in-nine (12%) Canadians say they have made lifestyle or retirement planning changes due to recent market volatility or economic uncertainty.

- By age, it is the middle-age group, that is the 35 to 54 year olds, who are most likely to have made changes (15%), along with those who reside in British Columbia (14%), those that have over $100K in financial assets (14%) and those with financial investments (13%) as opposed to those with no financial investments (7%).

Even those who are expecting things to get worse are not taking immediate action. Only 17 per cent of those who expect their financial situation will get worse in the upcoming year say they have made lifestyle or retirement planning changes due to market volatility or economic uncertainty.

Spending On Big-Ticket Items Is On Hold For Some

Those who have made lifestyle or retirement planning changes due to recent market volatility or economic uncertainty were asked what changes they have made. Forty-one per cent of Canadian adults who have made changes (5% overall) say they are making no major purchases for the time being. Other changes include delaying retirement (13%, 2% overall), employment changes (10%, 1% overall) and buying a house (8%, 1% overall).

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Ipsos-Reid's Canadian Financial Monitor (CFM) is a large sample, continuous tracking syndicated study of Canadian households. The CFM has been tracking market share, financial industry trends and product usage information in a competitive context for over four years. For more information about CFM, please contact Ray Kong, Vice-President at (416) 324-2900.

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