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

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

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Calgary, AB, October 28, 2019 — With a federal election looming and the economy an often-discussed issue during any campaign, the most recent wave of the MNP Debt Index — carried out by Ipsos on behalf of MNP Ltd. — reveals Canadians most likely headed to the polls with money on their minds. 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 absolute dollar terms. On top of that, nearly half (48%) of Canadians are $200 or less from financial insolvency (+4%), a proportion that includes 29 percent who already cannot meet their debt obligations and are insolvent at month-end (+4%). The current state of Canadians' pocketbooks will certainly be an issue all federal party leaders will have to contend with while crisscrossing the country in search of votes.

Pinched, But Still Smiling

Even with the financial strain on Canadian households, the MNP Consumer Debt Index has risen to 101, an increase of four 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 percent of Canadians would rate their personal debt situation as 'excellent' (+1%) and only 16 percent would rate it as 'terrible' (+1%).

One reason behind this continued positivity is many still feel their current debt situation is better than it was in the past, with 27 percent saying that their debt situation is better than it was a year ago (+3%) and 35 percent saying it is better than 5 years ago (+2%). In addition to being buoyant about how things look for them now, an even greater proportion believe it will get even better, with 4 in 10 (39%) expecting their debt situation will be better a year from now (+3%) and half (50%) believing it will be better 5 years from now (+3%).

This does not mean households are not feeling some pinch from having less money left over at month-end or being a little bit closer to insolvency. Their ability to cope with unexpected expenses has been shaken, as shown by stagnant or slightly declining confidence for various life events. 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 measure 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 Canadians' lives in which they feel confident to take on expenses include:

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

No one knows what the future holds; and while it seems Canadians are generally hopeful their financial future will improve, cracks around the edges could lead to a bigger problem if not addressed. On the job front, things seem promising; a 3-in-10 minority (29%) are worried they or someone in their household could lose their job, a 4-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 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 they can potentially pay off later in life. This could explain why Canadians may be anxious about their debt load and have less to spend after paying their monthly bills, yet still believe their situation is better and will continue to improve.

However, two important indicators have slipped since June. Currently, slightly more than half (53%) agree 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%) 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 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 therefore understandable 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) they will be more careful with how they spend their money (unchanged from June). And half (47%) of Canadians agree 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? More than half (54%) agree (18% strongly / 36% somewhat) 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 percent agree (16% strongly / 29% somewhat) they're afraid they will be in financial trouble if interest rates go up much more (-4%). Finally, a third (34%) are still concerned (12% strongly / 22% somewhat) rising interest rates could move them towards bankruptcy (-2%). For all these statements, young Canadians (aged 18-34) and Canadians aged 35-54 are more likely to agree with these statements than those over 55.

About the Study

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