

# PRESS RELEASE



## Over Half (55%) of Canadians Admit to Having Practiced Some Bad Financial Behaviours Over the Past Year

Many Only Paying Minimum Balance on Credit Card, Line of Credit, and Borrowing Money They Can't Afford to Pay Back Quickly, All While Concern Over Interest Rates Continue to Rise



**MNP**<sup>LTD</sup>

Toll Free 310-DEBT



**Toronto, Ontario, December 20, 2018** — As personal spending ramps up for this holiday season, Canadian's financial future may not be so bright, as many have not practiced good financial habits throughout the year, possibly putting them in financial jeopardy this holiday season.

According to a new Ipsos poll conducted on behalf of MNP LTD, in the last year, over half (55%) of Canadians admit to partaking in various poor financial habits. This includes only paying the minimum balance on their credit card (21%) or line of credit (15%) and borrowing money that they cannot afford to pay back quickly (14%). Nearly two in ten (16%) admit that they have been lured in by deals or offers by companies on big spending days such as Boxing Day. In fact, others even admit to taking on even more debt as a result of over spending, including 12% who made a major purchase on credit, such as a vacation, without paying it off right away. One in ten (9%) bought something on credit that requires no payments for a while, and 6% used their home equity line of credit to buy things they want but don't need. One in ten (10%) even admit to spending money they shouldn't have just to 'keep up with the Joneses'. For others, poor financial decision-making resulted in extending or revising current loans or mortgages:

- Got an auto loan or purchase-financed an auto for a term of longer than five years (9%)
- Extended the repayment terms on an outstanding debt to lower my monthly payments (8%)
- Added to the value of my mortgage (6%)
- Used a reverse mortgage to access the equity in my home (4%)
- Got a mortgage for larger than I can afford (3%)

Only a minority (45%) of Canadians claim that in the last year, none of the poor financial habits outlined above were practiced by them.

Across the country, Albertans, British Columbians and residents of Saskatchewan and Manitoba are most likely to admit to these poor financial decisions compared to the rest of the provinces. Conversely, British Columbians, Ontarians, Quebecers and Atlantic Canadians are most likely to say that none of these options are applicable to their financial habits last year.

---

	Total	Region					
		B.C.	AB	SK/MB	Ontario	Quebec	Atlantic
Paid only the minimum balance on my credit card	21%	22%	27%	26%	20%	16%	24%
Was lured in by deals or offers by companies on days such as Boxing Day	16%	16%	20%	14%	16%	18%	13%
Paid only the minimum balance on my line of credit	15%	15%	20%	12%	18%	9%	17%
Borrowed money that I can't afford to pay back quickly	14%	18%	16%	15%	15%	10%	15%
Made a major purchase on credit, such as a vacation, without paying it off right away	12%	15%	14%	16%	13%	10%	11%
Spent money I shouldn't have in order to 'keep up with the Joneses	10%	13%	13%	15%	10%	7%	11%
Got an auto loan or purchase-financed an auto for a term of longer than five years	9%	11%	8%	9%	10%	8%	7%
Bought something on credit that requires no payments for a while	9%	10%	12%	10%	8%	9%	7%
Extended the repayment terms on a debt to lower my monthly payments	8%	9%	6%	6%	9%	7%	2%
Added to the value of my mortgage	6%	6%	8%	4%	8%	4%	5%
Used my home equity line of credit to buy things I want but don't need	6%	7%	9%	8%	7%	2%	4%
Used a reverse mortgage to access the equity in my home	4%	5%	5%	3%	4%	3%	1%
Got a mortgage for larger than I can afford	3%	4%	6%	2%	4%	1%	3%
None of the above	45%	47%	36%	44%	44%	48%	46%

Many Canadians are already in financial turmoil, as the proportion of Canadians who are \$200 or less away from financial insolvency at month-end has now risen a significant 6 points over the last 3 months, from 40% to 46%. In fact, 31% of Canadians indicate that they have nothing left at month-end, increasing 7 points since September. Once Canadians have paid their bills, on average, they are left with a total of \$641, a \$121 decrease since last quarter.

Demographically, more Canadians across the country, with the exception of Atlantic Canadians, have seen an increase in the proportion of residents who are within \$200 or less of financial insolvency. In particular, residents of Saskatchewan and Manitoba (56%; +8pts) are the most likely to be financially insolvent, followed by Alberta (48%; +8pts), Ontario (46%; +5pts), Quebec (46%; +5pts), Atlantic Canada (45%; -4pts) and British Columbia (41%; +6pts).

While Canadians' outlook on their current debt remains relatively unchanged, as 27% (-1pt) say their debt situation has become better compared to a year ago and 33% (-2pts) say their debt situation has improved when compared to five years ago, it is the future that is worrying many. A year from now, less than four in ten (36%) expect their debt situation to improve, down 3 points, and less than half (47%) expect their debt situation to improve in 5 years, decreasing another 3 points since September. Fewer Canadians believe they will be able to cover all living and family expenses in the next 12 months without going into further debt (down from 58% to 55%).

Even when thinking about retirement, less than half (47%; -3pts) are confident enough to say that they won't have any debt when comes time to retire.

Though Canadians cannot always plan for the future, confidence in their ability to handle unexpected life-changing events wavers. Less than four in ten Canadians say they are confident in their ability to cope financially if an unexpected life-changing event were to occur, including: a change in relationship status (36%), having an illness and being unable to work for three months (33%), an unexpected auto repair (31%), loss of employment (30%), a death of an immediate family member (30%) or paying for own or someone else's education (29%).

### Spending, and Debt May Have Many Canadians Singin' the Blues After the Holidays

The third Monday of January – sometimes called “Blue Monday” – has often been referred as the most depressing day of the year, and while the weather plays a role, it also appears the aftermath of holiday spending could send many into the debt blues. Many Canadians agree that around Blue Monday in the past they have felt anxious over the arrival of holiday-spending bills (43%), regret how much they spent over the holidays (41%) and 30% said they even lost sleep because of over spending. Three in ten (32%) admitted they lost their better judgement and increased their debt load on leisure and entertainment to combat the boredom around this time of year. Nearly half (47%) of Canadians have at some point made it their New Year's resolution last year to get their finances back on track. While many Canadians have previously sung the debt blues around this time of year, with the gradual increases in interest rates, the chorus could grow even louder this year.

Regionally, Albertans are the most likely to have felt anxiety and regret over holiday spending around this time of year in the past, whereas Quebecers are the least likely to have these feelings.

	Region						
	Total	B.C.	AB	SK/MB	Ontario	Quebec	Atlantic
Felt depressed because of the weather/darkness	59%	58%	61%	60%	63%	51%	62%
Made New Year's resolutions to get your finances back on track.	47%	45%	49%	44%	44%	57%	37%
Felt anxiety over the arrival of your holiday-spending bills (i.e. credit cards)	43%	43%	50%	47%	46%	34%	38%
Felt regret over how much you spent over the holidays.	41%	38%	49%	41%	46%	30%	37%
Increased your debt load on leisure or entertainment to combat boredom.	32%	33%	36%	31%	35%	27%	28%
Lost sleep because of over spending on the holidays	30%	30%	33%	32%	35%	21%	28%



## Concern Over Rising Interest Rates Deepen Among Canadians

Though the Bank of Canada took to the side lines at the beginning of December and decided not to hike interest rates further, the unpredictability of interest rate increases continues to bring about unease. Concern over rising interest rates continues to deepen, as significantly more Canadians are worried about their ability to repay debts (57%; +5pts), believe they could be in financial trouble (50%; +5pts) if rates continue to rise, or even move towards bankruptcy (39%; +5pts) if the rate climbs. On trend, a majority (51%) now say they are already feeling the effects of the interest rate increase, up a significant 5 points since the last wave of the MNP Consumer Debt Index.

Generationally, it is older Canadians who say they have a solid understanding of how interest rate increases impact their financial situation (82% boomers vs. 77% Gen X'ers and 71% millennials). On balance, it is younger Canadians aged 18-34 who express the most concern with rising interest rates, reporting higher concern towards ability to repay debts (70% vs. 58% Gen X'ers and 46% boomers), fear of going into financial trouble (64% vs. 52% Gen X'ers and 38% boomers), and moving towards bankruptcy (54% vs. 41% Gen X'ers and 27% boomers). With that said, it is unsurprising that it is also the younger generation that are already beginning to feel the effects of interest rate increases (63% vs. 52% Gen X'ers and 42% boomers).

Regionally, Albertans express the most concern towards rising interest rates, as they are most likely to be concerned about their ability to repay debts, go into financial trouble or move towards bankruptcy if interest rates continue to increase. However, along with Atlantic Canada, Albertans are also the most likely to say they will be more careful with how they spend their money with the potential of an interest rate hike.

	Region						
	Total	B.C.	AB	SK/MB	Ontario	Quebec	Atlantic
With interest rates rising, I will be more careful with how I spend my money.	79%	79%	84%	73%	80%	75%	84%
I have a solid understanding of how interest rate increases impact my financial situation	77%	73%	77%	73%	78%	79%	78%
As interest rates rise, I'm more concerned about my ability to repay my debts than I used to be	57%	58%	63%	51%	59%	52%	57%
I'm already beginning to feel the effects of interest rate increases	51%	51%	64%	51%	55%	40%	50%
If interest rates go up much more, I'm afraid that I will be in financial trouble	50%	50%	57%	50%	51%	45%	48%
I am concerned that rising interest rates could move me towards bankruptcy	39%	33%	48%	35%	44%	33%	33%

While eight in ten (79%; unchanged) claim they will be more careful with how they spend their money with interest rates rising, fewer Canadians are confident in their ability to absorb an interest rate increase of one percentage point, or an additional \$100 in interest payments, as the gap between those who say their ability to do so is becoming better than worse is narrowing. Less than three in ten (28%) say their ability to absorb an interest rate increase of one percentage point is improving, 51% say it is neither better nor worse, and 21% say it getting worse. When it comes to Canadian's perceived ability of absorbing an additional \$100 in interest rate payments on debt, a quarter (25%) say it is getting better, while 46% say it has stayed the same and 30% indicate that their ability to do so is getting worse.

---

## About the Study

These are some of the findings of an Ipsos poll conducted between December 7 and December 12, on behalf of MNP LTD. For this survey, a sample of 2,154 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  $\pm 2.4$  percentage points, 19 times out of 20, had all Canadian 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 on this news release, please contact:**

Sean Simpson  
Vice President, Canada  
Ipsos Public Affairs  
T: +1 416 324-2002  
E: sean.simpson@ipsos.com



**MNP**  
LTD

Toll Free 310-DEBT