



7% of Canadians are Potential Candidates for a Consumer Proposal or Bankruptcy – Representing ~2.5 million Canadians

More Than 1 in 3 Owe More Than They're Worth



MNP^{LTD}

Toll Free 310-DEBT

Toronto, ON, April 22, 2019 — A new wave of research conducted on behalf of MNP Ltd. reveals that nearly 1 in 10 (7%) Canadians can be considered potential candidates for a consumer proposal or bankruptcy, putting roughly 2.5 million Canadians in this category, based on their stated debt situation.

Respondents were asked a series of yes or no questions regarding their current debt situation. A specific composition of responses determined whether the individual respondent could be considered a candidate for a consumer proposal or bankruptcy. As such, a respondent would have to fit the following profile:

- a. Owe \$1,000 or more in debt
- b. Not be able to pay all their debt payments on time as they become due
- c. Not have enough cash to pay all of their debt payments when they come due
- d. Owe more in debt than what they are worth (their assets)
- e. Not have already legally filed for bankruptcy

Of the 7% of Canadians who fall into this profile, Atlantic Canadians (12%) are most likely to be candidates, followed by residents of Alberta (8%), Saskatchewan and Manitoba (7%), British Columbia (6%), Ontario (6%) and Quebec (6%).

In fact, there are an overwhelming number of Canadians who could find themselves in the same position if not careful. Moreover, three in four (74%) admit to owing \$1,000 or more in debt, and nearly 1 in 3 admit to not paying all of their debt payments on time as they become due. For four in ten (41%), not being able to pay their debt payments when due is a result of a lack of cash flow, whereas 35% of Canadians are just in too deep, saying they owe more in debt than what their assets are worth.

Evaluating Consumer Debt

With such large numbers of Canadians struggling to stay out of consumer debt, it is perhaps unsurprising that nearly half (48%; +2pts) of Canadians are \$200 or less each month away from financial insolvency, including 26% (down 5 pts since December) who say they have zero funds leftover at month-end as they already don't make enough to cover their bills and debt obligations. On average, after the bills have been paid, Canadians are left with a total of \$699 in comparison to the \$641 reported in December, although the increase in leftover wiggle room in March may be attributed to cautious spending following the holiday season.

Women (53%; +2pts) are significantly more likely than men (42%; unchanged) to be within \$200 or less of financial insolvency, although levels of financial insolvency reported has remain stable for both cohorts since December. However, there is much more discrepancy of insolvency across the region, as 55% of Atlantic Canadians report being at risk, up 10 points, followed by Quebec (51%; +5pts), and Ontario (48% +2pts). The proportion of financially insolvent Albertans has remained unchanged at 48%, while fewer residents of Saskatchewan and Manitoba (46%; -10pts), and British Columbia (39%; -2pts) are likely to be within \$200 or less away from financial insolvency.

The slight gain in average after-tax income is coupled with stalled concern towards personal debt. Four in ten (39%; unchanged) rate their personal debt situation as excellent, 2 in 5 give their situation a neutral rating and 17% (unchanged) rate their personal debt situation as terrible. However, in comparison to previous years, Canadians do perceive their current debt situation as slightly worse. When reflecting on the past year, only a quarter (24%) of Canadians believe their current debt situation to be better, down 3 points, while nearly 2 in 10 say it has worsen and directionally fewer (31%; down 2 pts) say their debt situation has improved when compared to 5 years ago.

Many Canadians continue to hold out hope for the future, as a year from now, more than a third (35%; -1pt) expect their debt situation to improve, with only a minority believing it will worsen (13%), and 5 years from now, nearly half (45%) believe their situation will improve, with only 12% stating the opposite.

However, seeing improvements in debt in just five years could be out of reach, as slightly more Canadians report taking on consumer debt this March. In detail, two in three (66%) Canadians say they have taken on some consumer debt, up 2 points since this time last year. Many (41%; -2pts) have feelings of guilt for the amount of debt they have taken on in their life, and are not only concerned about their current level of debt (37%; -4pts), but are also unsure they will be able to cover all living and family expenses in the next 12 months without going into further debt (44%; -1pt).

When asked who they blame for the amount of consumer debt (non-mortgage) they have taken on, fewer Canadians are blaming themselves (41%; down 4 points), while more are pointing the finger at government taxation (17%; +4tps). Moreover, a quarter (27%) of Canadians place the blame on everyday living cost. Canadians can play the blame game all day, but on average, those who have taken on consumer debt believe they will need a 39% increase in household income in order to live without consumer debt – an increase of 2 points since last year. One in ten (13%) are even farther away from being debt free, saying they would on average need between a 51%-100% increase.

Consumer debt varies across the region, with Albertans and Atlantic Canadians reporting the highest proportions.

Region	Consumer Debt	Average Increase Needed to get out of Consumer Debt
Alberta	77%	45%
Atlantic Canada	74%	39%
Ontario	68%	40%
Saskatchewan and Manitoba	66%	34%
British Columbia	66%	38%
Quebec	62%	37%

Given the amount of debt that Canadians hold, it is perhaps unsurprising there is a decreasing lack of confidence in one's financial abilities to cope with unexpected life changing events. Particularly, Canadians are significantly more negative than positive towards their ability to handle a change in their relationship status (-6pts), a death of an immediate family member (-6pts), and being able to pay for their own or someone else's education (-7pts). In fact, more Canadians admit to lacking confidence in their ability to financially cope with a loss of employment (-4pts), coupled with 32% who say they are worried "me or someone in my household" could lose their job.



Interest Rates Hold Steady, But an Unexpected Hike Could Cause Financial Trouble for Many

With the Bank of Canada announced that they're likely to hold off interest-rate increases through 2020, Canadians appear more relaxed in their attitudes towards interest rates. Fewer Canadians are worried about their ability to repay debts (54%; -3pts), believe they could be in financial trouble (47%; -3pts) if rates continue to rise, or even move towards bankruptcy (35%; -4pts) if the rate climbs. On trend, less than half (46%) say they are already feeling the effects of the interest rate increase, down 5 points since December. Though similar proportions (78%; -1pt) when compared to December do say they will be more careful with how they spend their money with interest rates rising.

However, if the Bank of Canada would decide to increase rates, many Canadians lack confidence in their financial ability to cope. Canadians are continuing to lose confidence in their current financial ability to be able to absorb an interest rate increase of 1 percentage point (down 2 points) or an additional \$100 in interest payments on debt (down 3 points). Interestingly, each scenario does usually translate into the same additional payment, but when put into a dollar amount, Canadians seem to believe it will have a larger impact on their ability to pay their debts – continuing to demonstrate a knowledge gap among Canadians. Regardless of the amount of increase they would need to absorb, nearly half (47%) of Canadians say they are concerned about the impact rising interest rates can have on their financial situation.

About the Study

These are some of the findings of an Ipsos poll conducted between March 13 and March 24, on behalf of MNP LTD. For this survey, a sample of 2,070 was interviewed. Weighting was then employed to balance demographics to ensure 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 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**