

# PRESS RELEASE



## MNP Debt Index Rises to Highest Point as Canadians Say Their Debt Situation is Improving

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Canadians Reduced Variable Expenses, Fixed Expenses,  
and Set a Budget to Improve Debt Situation.



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**Toronto, ON, July, 2018** — Canadians are gaining optimism when it comes to their personal debt situation. As a new Ipsos poll conducted on behalf of MNP LTD finds the MNP Debt Index has reached an all-time high since its inception last year, driven by gains in the last three months. Since March 2018, the index has risen a significant 10 points, with the increase being attributed to an uptick in confidence in both current optimism and future outlook:

- More Canadians are confident in their ability to cope with potential life-changing events such as:
  - A change in relationship status (36%; +4pts)
  - Unexpected auto repairs or purchase (35%; +7pts)
  - Having an illness and being unable to work for three months (31%; +3pts)
  - A death of a family member (29%; +3pts)
  - Loss of employment (29%; +3pts)
  - Paying for their own or someone else's education (28%; +4pts)
- Canadians are feeling more in control of their current debt situation, including 27 percent (+3pts) who say their debt situation is better compared to a year ago and 35 percent (+3pts) who say their debt has improved compared to five years ago.
- Looking to the future, 38 percent (+5pts) of Canadians expect their debt situation will improve a year from now, and 50 percent (+3pts) say their debt situation will improve five years from now.

Overall, Canadians are taking a more positive tone to their current personal debt situation, as four in ten (41%) rate their debt situation as excellent (either 8, 9 or 10 on a 10-point scale), up five points since March. Conversely, fewer (14%, -2pts) Canadians rate their debt situation as terrible (either 1, 2, or 3 on a 10-point scale).

The boost in confidence could also be a function of the fact that fewer (44%; -2 points) Canadians are \$200 or less away from financial insolvency after paying their bills and debt obligations each month. In fact, after the bills are paid, on average, Canadians are left with \$724 – an increase of \$84 compared to three months ago, suggesting more Canadians are improving their financial situation.

Regionally, British Columbians (47%) are most likely to rate their personal debt situation as excellent, followed by Atlantic Canada (46%), Quebec (44%), Ontario (41%), Alberta (36%) and Saskatchewan and Manitoba (30%). There is also a generational divide, as baby boomers (49%) are more likely to rate their debt situation as excellent compared to 37% of millennials and gen X'ers. However, at the end of the month, millennials are left with the most after paying their bills (\$869 vs. \$636 gen X'ers and \$698 baby boomers).



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## Improving Debt Situation Comes with a Price

Although more Canadians are taking control of their debt, measures had to be taken to improve their financial situation, and in some cases, this meant giving up the little things. In fact, of the 61 percent of Canadians who said they have improved their debt situation, half (52%) say they had to reduce their variable expenses, such as giving up a night at the movies or that daily coffee purchase. For others, updating and sticking to their budget (43%) was a factor in their success, while more than four in ten (28%) found ways to reduce their fixed expenses such as rent, mortgage payments, car payments, etc. Some decided to take on side gigs, either selling items (23%) or taking on another job (11%). Other approaches included: inheriting money (12%), borrowing money from family or friend (9%), seeking debt help (8%), having debt forgiven (6%), participating in the sharing economy (by driving or renting their home, etc. [5%]), speaking with a Licensed Insolvency Trustee (4%) and 15% mentioned other approaches to improve their debt situation.

## Standstill in Recent Bank of Canada Rate Hikes Settles Canadians' Nerves

As the Bank of Canada has held interest rates steady recently, Canadian's concerns over rates have seen some relief since March. Fewer (38%; -5pts) Canadians say they are already beginning to feel the effects of an interest rate increase, and less than half (47%; +1pt) of Canadians express concern toward the impacts of rising interest rates could have on their financial situation. Moreover, there has been a decline in the proportion of Canadians who believe an interest rate hike will move them towards bankruptcy (28%; -5pts), or financial trouble (42%; -2pts).

Overall, when it comes to interest rate increases, fewer (49%; -2pts) Canadians are concerned with their ability to repay their debts than they used to be. Canadians are also feeling more confident in their ability to absorb an interest rate hike, whether that be a one percentage point increase (30%; +3pts) or an additional \$100 in interest payments on debt (26%; +4pts).

While concern over interest rates have softened, a majority (77%) continue to brace themselves for the possibility of an increase and agree that they will be more careful with how they spend their money. If the Bank of Canada does happen to increase rates, an increasing number of Canadians (78%; +4pts) claim they have a solid understanding of how the increase will impact their financial situation.

## Many Canadians Are Still in Need of Help

Though things may be looking up for some, many Canadians remain haunted by concern and regret toward their current and future debt situation. Half (50%) are not confident that they will not have any debt in retirement, while 44 percent are not confident they will be able to cover all living and family expenses in the next 12 months without going into further debt. Four in ten regret the amount of debt they have taken on in their life (41%) or are concerned with their current level of debt (37%). Three in ten (31%) are worried that they or someone in their household could lose their job.

When Canadians were asked to name their biggest consumer debt regrets (two thirds have regrets), making random purchases on their credit cards (33%) and daily purchasing habits (i.e. coffee) (18%) were on the top of their list. One in ten regret the purchase of cars (12%), things for their homes (12%), clothing (11%), electronics (10%) and alcohol (9%). Some (9%) even go as far to say they regret their spouse or partner. Vacation / travel (8%), borrowing money for bad investments (8%), student debt (8%) and gambling (6%) also make the list. Only one in three (33%) Canadians say they do not have any consumer debt regrets.

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## About the Study

These are some of the findings of an Ipsos poll conducted between June 15 and June 19, 2018 on behalf of MNP LTD. For this survey, a sample of 2,001 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 Canadians 18+ 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.

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