PRESS RELEASE

Personal Finances Getting Worse: Nearly Half of Canadians (48%) Within $200 of Insolvency Every Month (+6 pts)

More Canadians (38%, +3 pts) say They're Already Feeling the Impact of Interest-Rate Rises

Ipsos

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Toronto, ON, January 9, 2018 — Canadians are feeling worse about their personal debt situation than was the case just a few months ago, a new Ipsos poll for MNP LTD has found. In the third wave of the MNP Debt Index poll, the Index has fallen by two points since September, returning to its starting point of 100. It's a slight downturn created by a cooling of attitudes on a number of issues related to personal finances, including:

- **More Canadians are hovering close to financial insolvency at the end of the month:** Nearly half (48%) of Canadians, up 6 points since September, are now within $200 of not being able to pay their bills and debt obligations, including one in three (33%) who say they have no money left at the end of the month and are unable to cover their payments (up 8 points).
- **Less money left over at month-end:** Once their monthly bills and debt obligations are paid, Canadians are left with an average of $631, down by $112 or 15% from September.
- **Less confidence about ability to cover expenses without incurring more debt:** only one half of Canadians (54%) agree they'll be able to cover all living and family expenses in the next 12 months without going further into debt, marking a 3-point drop since September.
- **Less confidence about a debt-free retirement:** Less than half of Canadians (45%) are confident they won't have any debt in retirement (-3 pts).
- **Lower perceived ability to absorb higher interest payments:** Fewer Canadians now think they have the ability to absorb an interest rate increase of 1 percentage point or an additional $130 in interest payments on debt. While Canadians are more optimistic about absorbing a 1 percentage point increase (8% net score, subtracting pessimism from optimism), they are more likely to say their ability to absorb $130 in payments is worse (-6% net score). In both cases, scores are down 4 points since September.

Overall, Canadians' view of their personal debt situation has not changed significantly since September: four in ten (41%) see it as good, and 16% see it as bad, resulting in a net rating of 25% (-2 pts). That being said, more Canadians are saying their current debt situation is worse than it was. One in four (25%) say it has gotten better since a year ago, while 14% say it has worsened, resulting in a net score of 11% (-4 pts). Similarly, when comparing personal debts to those of five years ago, one in three (32%) say their situation has gotten better and 21% say it's worse, also resulting in a net score of 11% (-3 pts).

Looking to the future, Canadians are more pessimistic: one year from now, 35% of Canadians expect their debt situation to be better, while 12% expect it to be worse, giving a net 25% score that is down 3 points since September. Five years from now, 44% of Canadians think their personal debt situation will be better and 12% think it will be worse, resulting in a 32% net score that has dropped 6 points since September.

With less financial wiggle room and a bleaker outlook on personal debt, it's unsurprising that few Canadians are confident about their ability to cope with unexpected life situations without increasing their debt. Fewer than half of Canadians are confident in their ability to cope with:

- Unexpected auto repairs or purchase: 31%
- A change in relationship status (i.e. divorce or separation): 31%
- Having an illness and being unable to work for three months: 29%
- Loss of employment / change in wage or seasonal work: 27%
- The death of an immediate family member: 26%
- Paying for their or someone else's education: 25%

Impact of Rising Interest Rates Already Being Felt

The second half of 2017 saw the Bank of Canada raise its key interest rate more than once and more increases are expected as 2018 gets underway. More Canadians are feeling the pinch, and concern is growing. Nearly four in ten (38%) say (9% strongly / 29% somewhat) they're already beginning to feel the effects of interest rate increases – an increase of 3 points since September. For others, the concern is more about what lies ahead. Four in ten (42%, +2 pts) agree (13% strongly/29% somewhat) that if interest rates go up much more, they're afraid of getting into financial trouble.

Concerns range from a potential inability to pay down debt to potentially losing it all: half of Canadians (49%, +3 pts) agree (14% strongly / 35% somewhat) that as interest rates rise, they are more concerned than they used to be about their ability to repay their debts. Meanwhile, one in three (32%, +4 pts) say (10% strongly/22% somewhat) are concerned that rising interest rates could even move them towards bankruptcy.

Despite these concerns, a majority of Canadians (74%, +1 pt) still think (27% strongly / 48% somewhat) they have a solid understanding of how interest rate increases impact their financial situation. More than three in four (77%, +5 pts) say (24% strongly/53% somewhat) they plan to be more careful with how they spend their money.

January Debt Blues

By mid-January, most Canadians will have received their December credit card bills, often swollen with holiday spending from the month. Add to that the fact that the days are still short, it's freezing out and the summer is still months away, and it can start to seem gloomy. In fact, the third Monday in January – sometimes called "Blue Monday" – has often been referred to as the most depressing day of the year. More than half of Canadians (55%) say they've felt depressed because of the weather or darkness.

Besides feeling down about the weather, it's also a time of year that three in ten Canadians (31%) agree they've not only felt regret at how much they spent over the holidays (7% strongly / 24% somewhat), but anxiety over the arrival of their holiday spending bills (7% strongly / 24% somewhat). For two in ten (22%), the anxiety is such that they've lost sleep because of over-spending on the holidays (6% strongly / 16% somewhat).

Many are keen to dig themselves out of the hole, or at least prevent it from getting any bigger: four in ten Canadians (40%) say (10% strongly / 31% somewhat) they've made New Year's resolutions to get their finances back on track. Yet some will go on to increase their debt load even more. Two in ten (22%) agree (4% strongly / 18% somewhat) that they've increased their debt load on leisure or entertainment at this time of year to combat boredom.

Most Canadians with debt (85%) say they're willing to make some form of personal sacrifice to make it go away. Eat at home for a year instead of going out for dinner? Nearly half (45%) of those with debt say they're in. About one in four say they'd be willing to work ten hours of overtime per week for a year (27%), forego three years of vacation (26%), or cut up their credit cards with no ability to get another for five years (24%), all in the name of making their debt disappear. When it comes to seeking professional debt help from a licensed insolvency trustee, only two in ten (18%) say they'd be willing to give it a try.

Other personal sacrifices Canadians with debt are willing to make include:

- Giving up their right to vote for the next 8 years: 21%
- Never taking another sip of coffee: 18%
- Giving up their mobile phone for a year: 16%
- Listing online all the debts that they owe and how they accumulated them: 13%
- Taking one year off their life expectancy: 10%
- Selling their house and renting instead: 9%
- Moving in with their parents or adult children for a year: 7%
- Selling an organ: 5%

Millennials are the most likely to be prepared to work overtime (37%), list their debts online (23%), give up voting (28%), and give up coffee (26%). Gen X Canadians, aged 35-54, are the most willing to eat at home (48%) and seek professional help (20%). By contrast, baby boomers (24%) are the most likely to say they wouldn't be willing to do any of these things to eliminate their debt – well ahead of Gen X'ers (13%) or millennials (8%).

About the Study

These are some of the findings of an Ipsos poll conducted between December 8th - December 13th, 2017 on behalf of MNP LTD. For this survey, a sample of 2,001 Canadians aged 18+ 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, results are accurate to within ±2.5 percentage points, 19 times out of 20, had all Canadian adults 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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