

THE HOME STRETCH

A Review of Debt and Home Ownership
Among Canadian Seniors



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The importance of property ownership is deeply ingrained in Canadian society, economy and politics.

The drive to own a home is unabated, even as labour markets have become increasingly global and mobile, even in the aftermath of the financial crisis of 2008. Despite tougher lending rules and a 10.7 per cent year-over-year increase in prices, a record 536,118 residential properties changed hands in Canada last year, a 6.3-per-cent increase from 2015. First-time homebuyers benefit from a number of federal and provincial policies and programs.

The idea of home ownership is at once emotional and practical. There is a widespread sentimental

attachment to the concept of “home” and the security that comes from owning it—all the more in a time of constant change and geopolitical turbulence.

Many economists contend that home ownership is the single most important way for families to accumulate wealth because mortgage repayment represents a beneficial form of “default saving.”

New data suggests, however, that as Canada’s population ages, the ability to retain and maintain a home is increasingly compromised

by record household debt levels, modest long-term savings, the decline of defined-benefit pensions and extended life expectancies.

This points to a pressing need for a candid national dialogue about seniors, finance and the options and tools for addressing these challenges. Such an undertaking is all the more urgent given that one in six Canadians is now over 65 and the millennials who shoulder the economic burden of senior support are facing wage growth and employment hurdles of their own.



HOMEQUITY BANK RESEARCH

Research conducted by HomEquity Bank, a schedule 1 bank and the only provider of reverse mortgages in Canada, indicates that 91 per cent of Canadians over 65 say that staying in their home throughout retirement is important. At the same time, however, only 78 per cent have savings and investments, and 40 per cent of those have less than \$100,000 set aside.

For most (77 per cent), the Canada Pension Plan (CPP) is the primary expected source of income, followed closely (73 per cent) by the Old Age

Security pension (OAS). Only 57 per cent have RRSPs to draw upon, 48 per cent have a work pension and 48 per cent have savings.

Data sourced from Equifax Canada Co. and analyzed by HomEquity Bank shows that 15 per cent of Canadian seniors have a mortgage (compared with 34 per cent of non-seniors) and 17 per cent have car loans (compared with 34 per cent of non-seniors). But when it comes to unsecured lines of credit (LOC) that gap narrows: 30 per cent of seniors carry this form of

debt compared with 33 per cent of non-seniors, and 10 per cent of Canadian seniors have a home equity line of credit (HELOC) compared with 9 per cent of non-seniors.

The average total debt balance for Canadians is \$64,720 – this figure is a per person metric of total average debt balance*. Consumer debt for Canadians (excluding mortgages) is \$21,452 per person.

For seniors, the average total debt balance is \$29,973. Consumer debt for seniors (excluding mortgages) is \$15,493 per person.

For seniors, the \$29,973 average total debt balance includes:

\$14,480 from mortgages



48 %

\$7,013 from HELOCs



23 %

\$1,661 from unsecured LOCs



6 %

\$3,438 from auto loans



11 %

\$2,487 from credit cards



8 %

\$894 from other debt



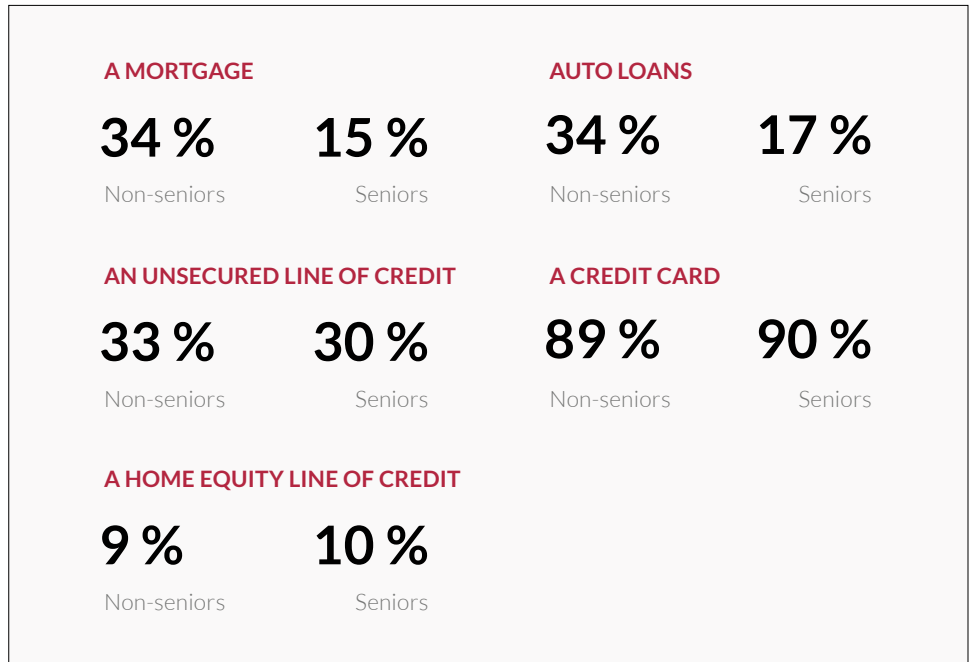
4 %

*The average total debt balance is calculated as the total debt balance divided by the total population in analyzed credit files.

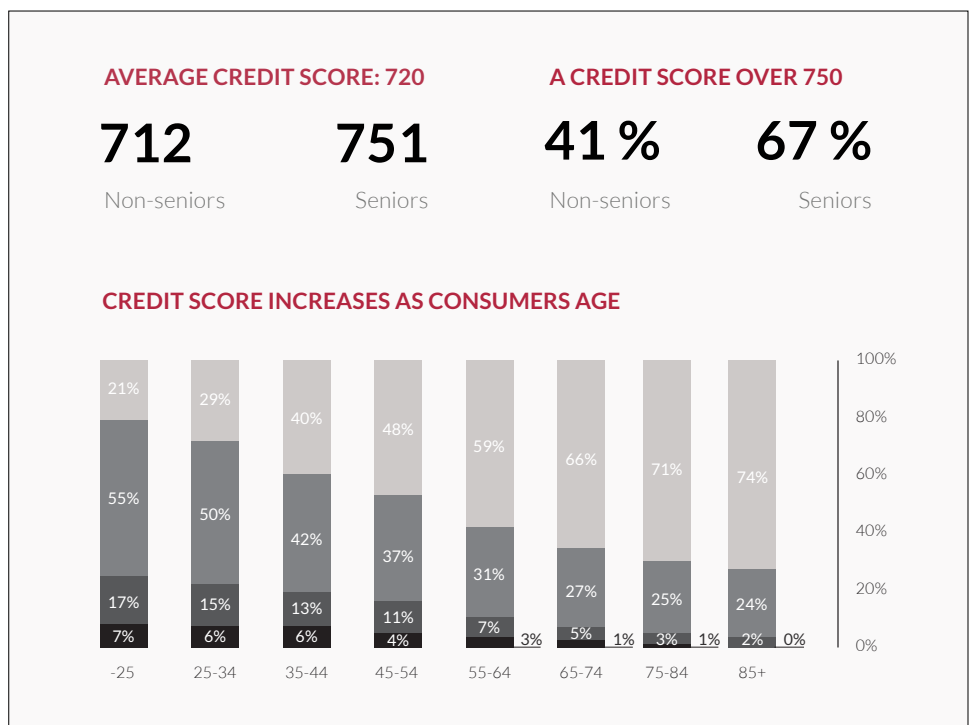
DATA SNAPSHOT

National

DEBT INCIDENCE

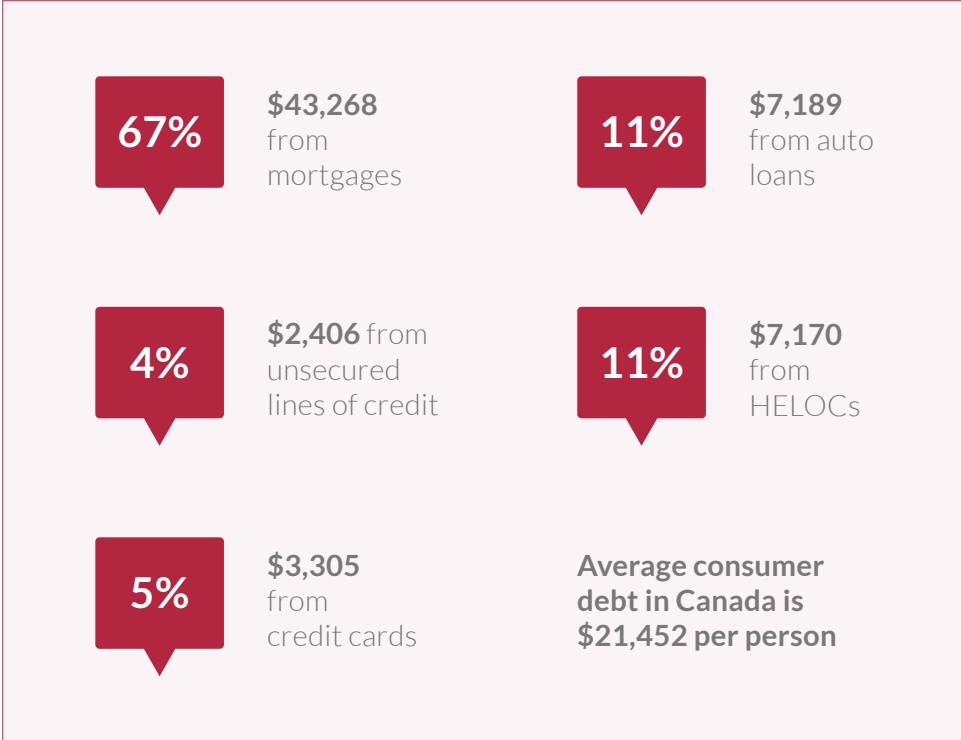


CREDIT SCORES

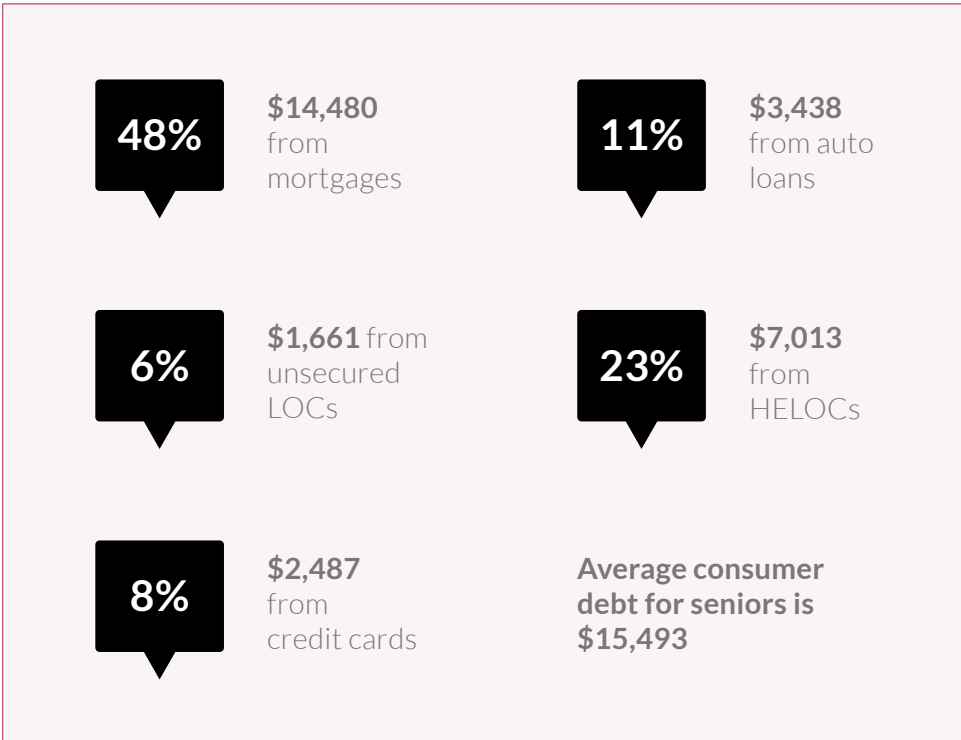


AVERAGE DEBT BALANCE

**AVERAGE TOTAL DEBT
BALANCE IN CANADA IS
\$64,720**



**SENIORS: TOTAL DEBT
AVERAGE IS \$29,973**



CANADIAN HIGHLIGHTS

Regional analysis provides a more detailed perspective on the debt levels of Canadian seniors.



1. British Columbia has the highest total debt balance for seniors of any province at an average of \$41,054 per person, compared to the national average of \$29,973. The lowest is Manitoba with \$20,384 per person.
2. This is driven by higher mortgage debt on average: the average mortgage debt per senior mortgage holder in B.C. is \$128,338 compared with \$95,707 nationally. Nationally, Saskatchewan has the lowest incidence of mortgages among seniors at 11 per cent of the senior population, while British Columbia has the highest at 17.7 per cent.
3. Meanwhile, seniors in Alberta, Ontario, and B.C. are more likely to have a home equity line of credit (HELOC) (12.3 per cent, 11.7 per cent, and 11.7 per cent, respectively) than seniors in other provinces.
4. Quebec has the lowest average balance on unsecured lines of credit for seniors at \$3,627 compared with the national average for seniors of \$5,576.

PROVINCIAL DATA SEGMENTATION

DEBT BALANCE OF SENIORS

	POPULATION	TOTAL DEBT BALANCE	AVERAGE BALANCE
Alberta	457,998	\$16,795,000,478	\$36,670
British Columbia	777,762	\$31,930,433,335	\$41,054
Manitoba	172,911	\$3,524,567,552	\$20,384
New Brunswick	126,571	\$2,710,656,021	\$21,416
Newfoundland and Labrador	85,133	\$1,948,375,826	\$22,886
No Info	4,348	\$127,061,416	\$29,223
Northwest Territories	3,154	\$120,301,267	\$38,142
Nova Scotia	166,169	\$4,021,588,434	\$24,202
Nunavut	1,117	\$29,306,667	\$26,237
Ontario	2,032,666	\$62,812,471,577	\$30,906
Prince Edward Island	23,981	\$520,173,058	\$21,691
Quebec	1,236,362	\$28,870,895,596	\$23,351
Saskatchewan	140,557	\$3,282,541,743	\$23,354
Yukon	4,335	\$149,860,434	\$34,570
GRAND TOTAL	5,233,064	\$156,852,233,403	\$29,973

AVERAGE MORTGAGE DEBT PER SENIOR

	POPULATION	TOTAL DEBT BALANCE	AVERAGE BALANCE
Alberta	70,787	\$7,892,104,485	\$111,491
British Columbia	137,471	\$17,642,751,509	\$128,338
Manitoba	20,651	\$1,496,262,826	\$72,455
New Brunswick	19,140	\$934,132,634	\$48,805
Newfoundland and Labrador	12,275	\$785,136,228	\$63,962
No Info	681	\$60,464,996	\$88,789
Northwest Territories	557	\$55,467,412	\$99,582
Nova Scotia	24,888	\$1,573,315,115	\$63,216
Nunavut	138	\$14,571,141	\$105,197
Ontario	302,764	\$30,053,564,663	\$99,264
Prince Edward Island	3,349	\$184,120,055	\$54,978
Quebec	182,775	\$13,676,152,935	\$74,825
Saskatchewan	15,593	\$1,338,851,197	\$85,862
Yukon	669	\$68,409,126	\$102,256
GRAND TOTAL	791,738	\$75,775,250,321	\$95,707

INCIDENCE OF MORTGAGES AMONG SENIORS

	POPULATION	MORTGAGE CONSUMERS	% OF POPULATION
Alberta	457,998	70,787	15.5%
British Columbia	777,762	137,471	17.7%
Manitoba	172,911	20,651	11.9%
New Brunswick	126,571	19,140	15.1%
Newfoundland and Labrador	85,133	12,275	14.4%
No Info	4,348	681	15.7%
Northwest Territories	3,154	557	17.7%
Nova Scotia	166,169	24,888	15.0%
Nunavut	1,117	138	12.4%
Ontario	2,032,666	302,764	14.9%
Prince Edward Island	23,981	3,349	14.0%
Quebec	1,236,362	182,775	14.8%
Saskatchewan	140,557	15,593	11.1%
Yukon	4,335	669	15.4%
GRAND TOTAL	5,233,064	791,738	15.1%

HOME EQUITY LINE OF CREDIT

	POPULATION	HELOC CONSUMERS	% OF POPULATION
Alberta	457,998	56,553	12.3%
British Columbia	777,762	91,222	11.7%
Manitoba	172,911	10,701	6.2%
New Brunswick	126,571	7,887	6.2%
Newfoundland and Labrador	85,133	3,784	4.4%
No Info	4,348	365	8.4%
Northwest Territories	3,154	242	7.7%
Nova Scotia	166,169	12,233	7.4%
Nunavut	1,117	58	5.2%
Ontario	2,032,666	237,284	11.7%
Prince Edward Island	23,981	1,668	7.0%
Quebec	1,236,362	87,463	7.1%
Saskatchewan	140,557	10,010	7.1%
Yukon	4,335	464	10.7%
GRAND TOTAL	5,233,064	519,934	9.9%

UNSECURED LINES OF CREDIT

	UNSECURED LOC CONSUMERS	UNSECURED LOC TOTAL BALANCE	AVERAGE BALANCE
Alberta	120,008	\$782,225,461	\$6,518
British Columbia	242,162	\$1,271,084,941	\$5,249
Manitoba	44,687	\$277,755,553	\$6,216
New Brunswick	43,276	\$299,004,469	\$6,909
Newfoundland and Labrador	29,091	\$191,801,480	\$6,593
No Info	1,100	\$6,856,199	\$6,233
Northwest Territories	922	\$8,884,847	\$9,636
Nova Scotia	56,007	\$435,391,419	\$7,774
Nunavut	245	\$2,094,380	\$8,548
Ontario	576,850	\$3,668,082,698	\$6,359
Prince Edward Island	7,626	\$55,766,492	\$7,313
Quebec	398,800	\$1,446,597,497	\$3,627
Saskatchewan	37,018	\$237,761,539	\$6,423
Yukon	1,433	\$10,630,560	\$7,418
GRAND TOTAL	1,559,225	\$8,693,937,535	\$5,576

PLANNING FOR THE FUTURE

What does all of this data mean for the future of debt and home ownership among Canadian seniors? There are a number of troubling statistics embedded in the Equifax data and there is good reason why the government and economists speak about Canada's aging population with increasing concern.

The concerning numbers and stats are not the end of the story; rather, they should serve as a call to action for governments and financial institutions to increase

their engagement with Canadian seniors and present to them the broad selection of other products and solutions that can help them to properly manage their finances in retirement. The Equifax data clearly indicates that Canadians are charting new territory, and this means that seniors are going to have to manage and think about their finances in increasingly untraditional ways.

A status quo approach may not be the appropriate remedy and solution.

Realizing the value of other assets, like one's home for example, and taking advantage of the equity in these assets will increasingly become a critical component of seniors' financial planning.

The proprietary Equifax and HomeEquity Bank data reinforces the need for new thinking when it comes to how aging seniors manage their finances, plan for a stable financial future and ensure they enjoy their deserved and worry-free retirement.

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