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Canada's household balance sheets

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**Policy Research Symposium.
Growing household financial
instability: Is income volatility the
culprit?**

March 9, 2018



I belong to a secret society and I am looking for new recruits

THE WEEKEND AUSTRALIAN MAGAZINE, OCTOBER 15-18, 2016
SOCIETY: BERNARD SALT

If you are under 40 and starting to read this, I politely suggest that you turn the page. There isn't anything here that will interest you. Just me rabbiting on about the old days. Bit of a yawn-fest, really ... Have they gone? Is it just you and me now? Shhh ... act natural and read this column without making

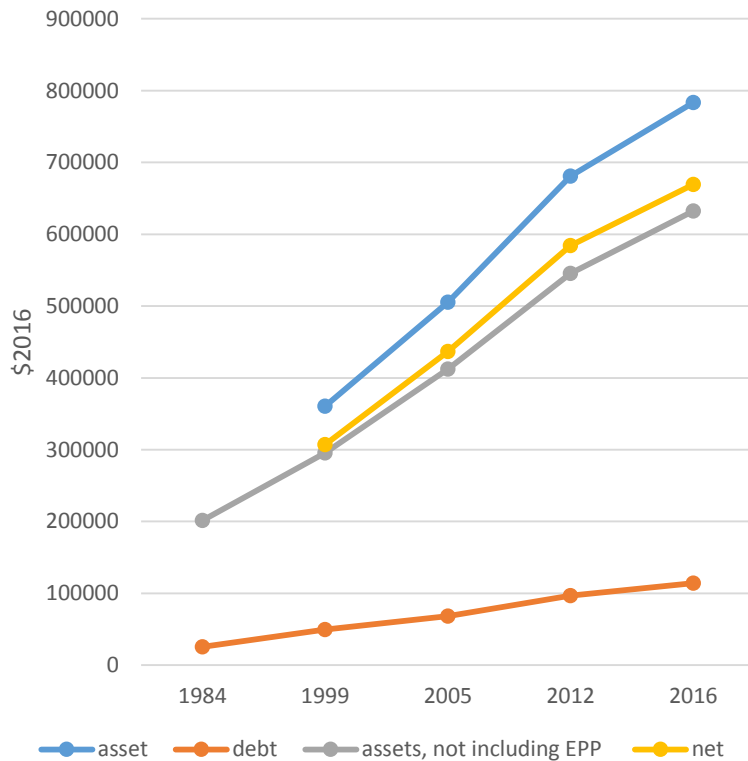
“I have seen young people order smashed avocado with crumbled feta on five-grain toasted bread at \$22 a pop and more. I can afford to eat this for lunch because I am middle-aged and have raised my family. But how can young people afford to eat like this? Shouldn't they be economising by eating at home? How often are they eating out? Twenty-two dollars several times a week could go towards a deposit on a house.”
Bernard Salt

<https://www.theaustralian.com.au/life/weekend-australian-magazine/moralisers-we-need-you/news-story/6bdb24f77572be68330bd306c14ee8a3>

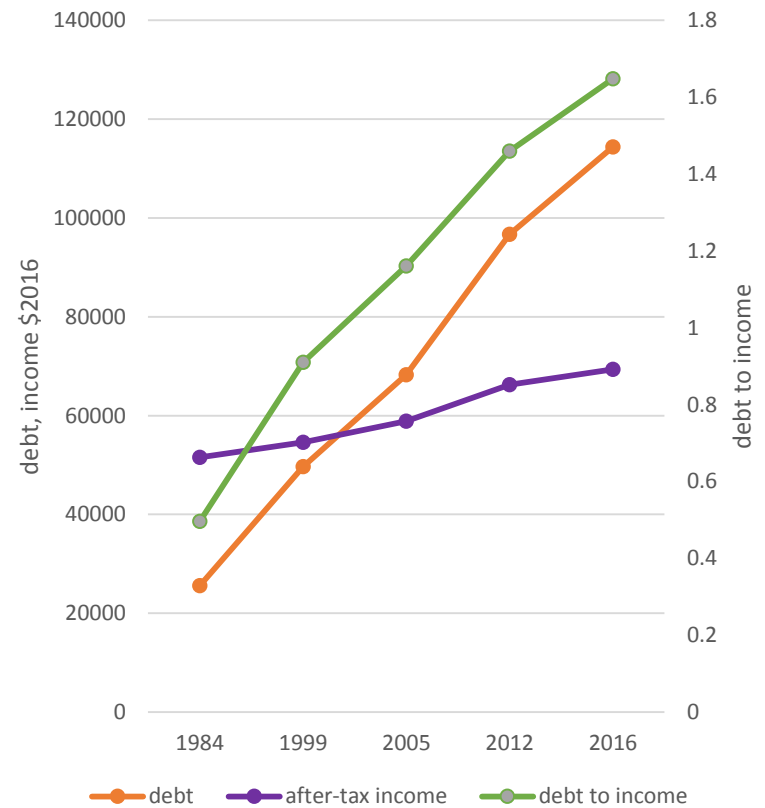


Assets, debts and income of Canadian households

Average household assets and debts, 1984-2016



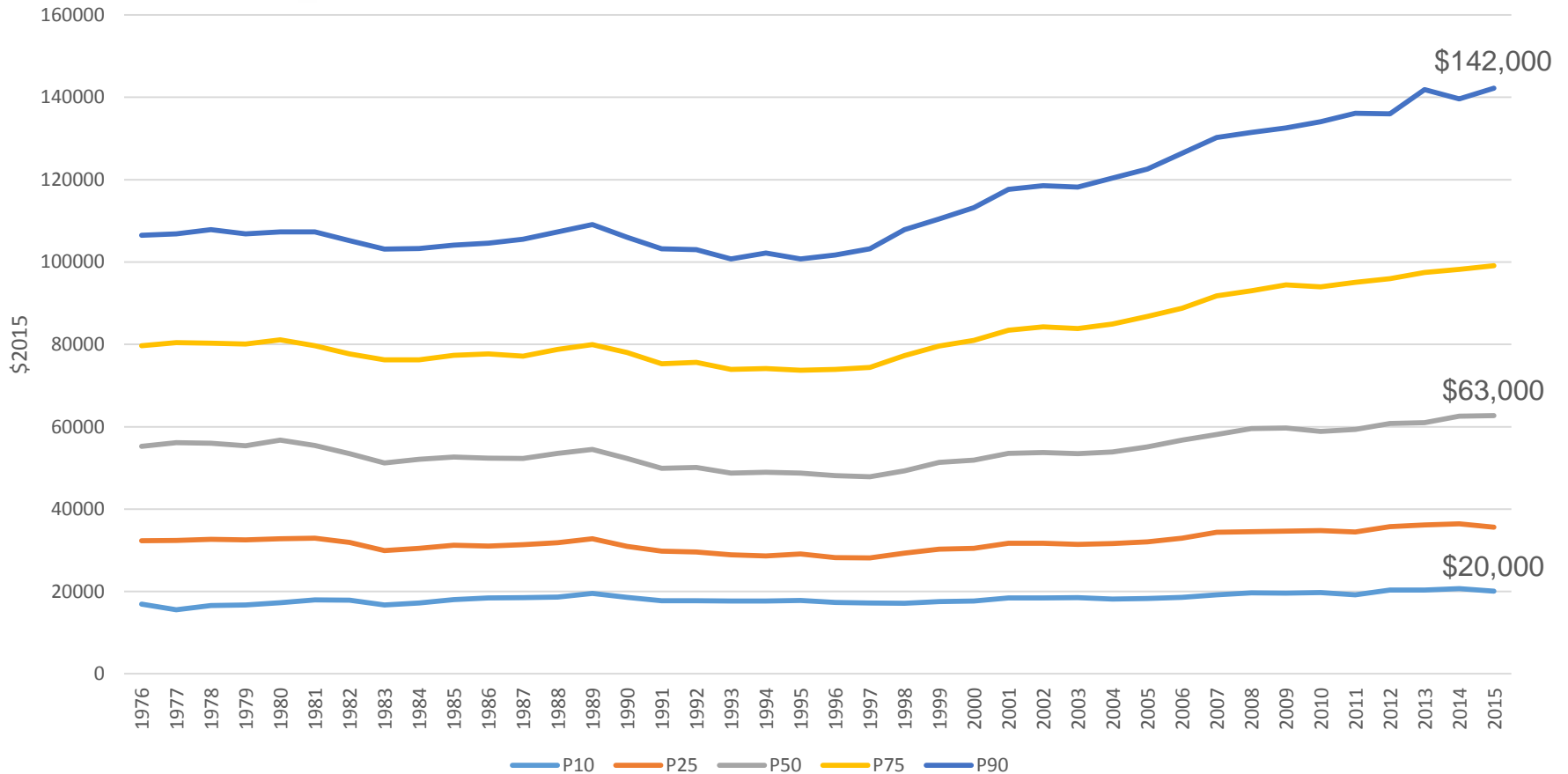
Debt, income and debt to income





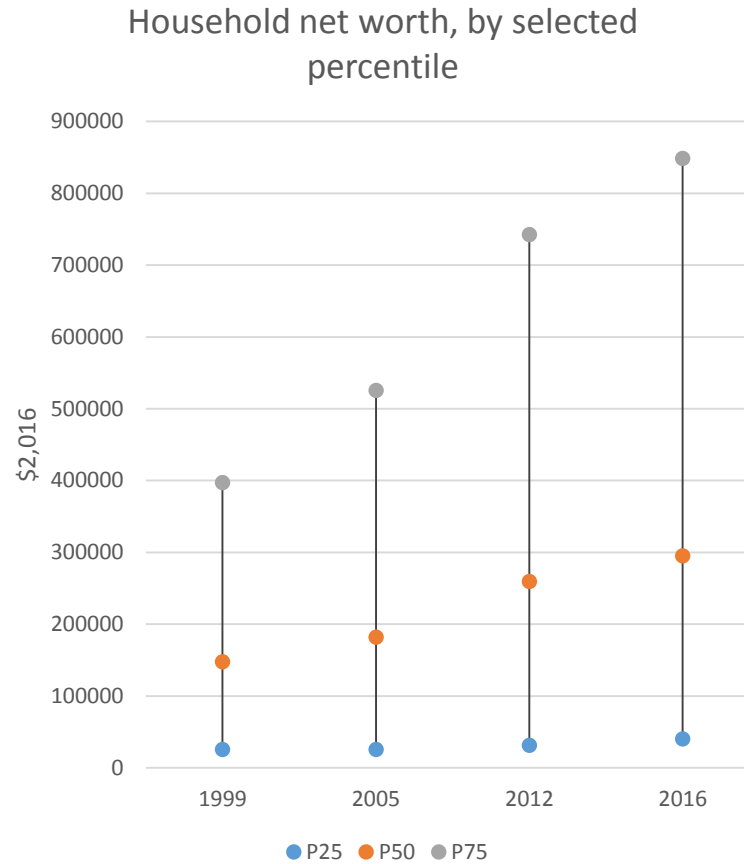
Widening household incomes suggest different potentials for savings and investment

Household after-tax income by percentile



Source: Canadian Income Survey 2012-2015, Survey of Labour and Income Dynamics 1993-2011 and Survey of Consumer Finances 1976-1997

Beyond the averages: large variations in individual household experiences





27% of the population
24% of households

20% of the population
28% of households

26% of the population
33% of households

9% of the population
14% of households



Millennials

Generation X

Baby Boomers

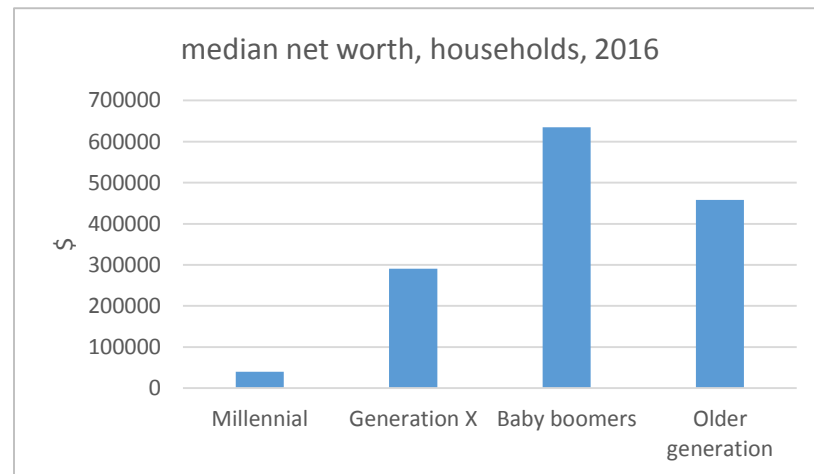
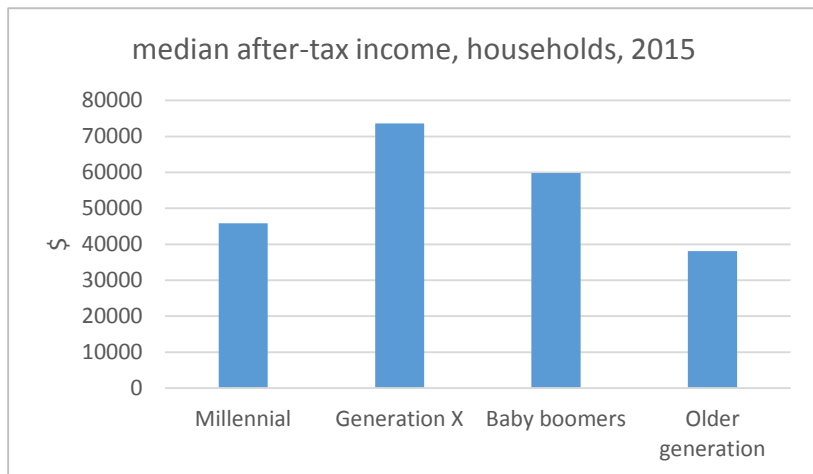
Older Generation

Born 1981-2000
Aged 16 to 35 in 2016

Born 1965-1980
Aged 36 to 51 in 2016

Born 1946-1964
Aged 52 to 70 in 2016

Born 1925-1945
Aged 71 to 91 in 2016

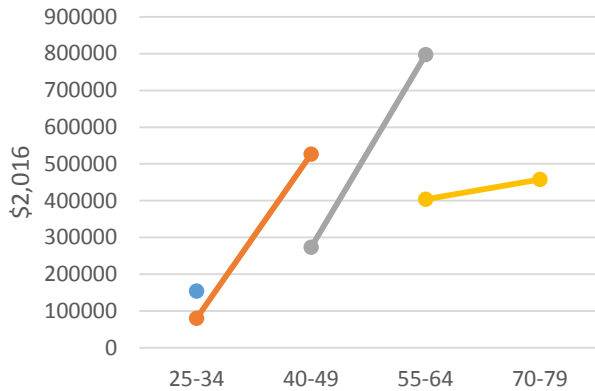


Source: the Survey of Financial Security, 2016

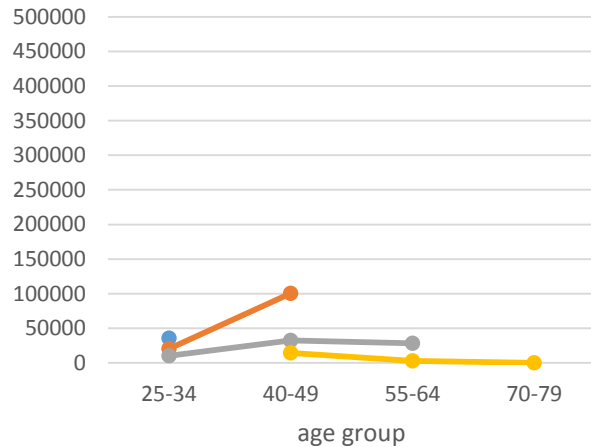


What are the experiences of these generations – measured at the same point in their life course?

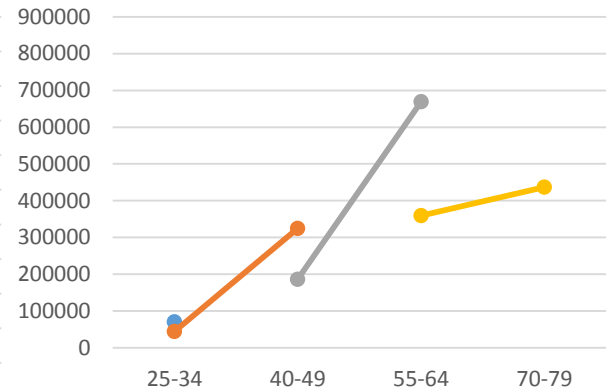
median assets



median debt

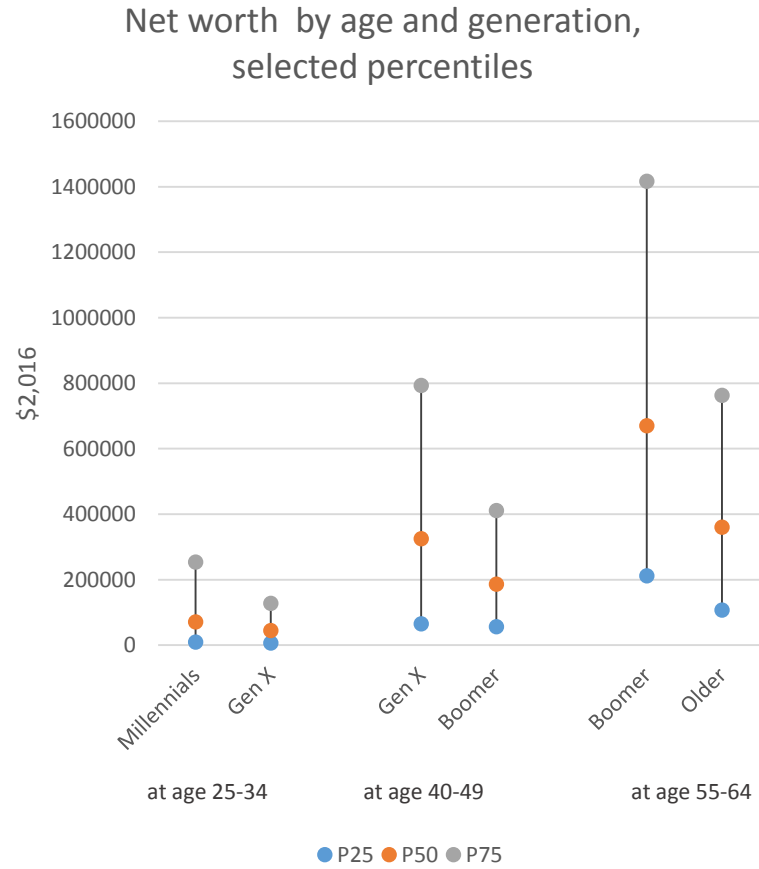


median net worth



- Millennial
- Generation X
- Baby boomers
- Older generation

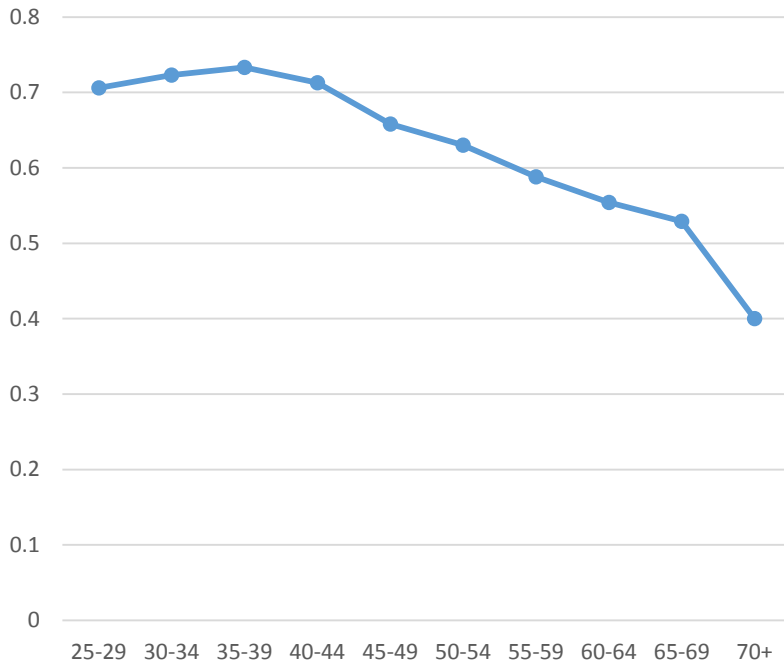
There are large differences in outcomes both across generations and within generations



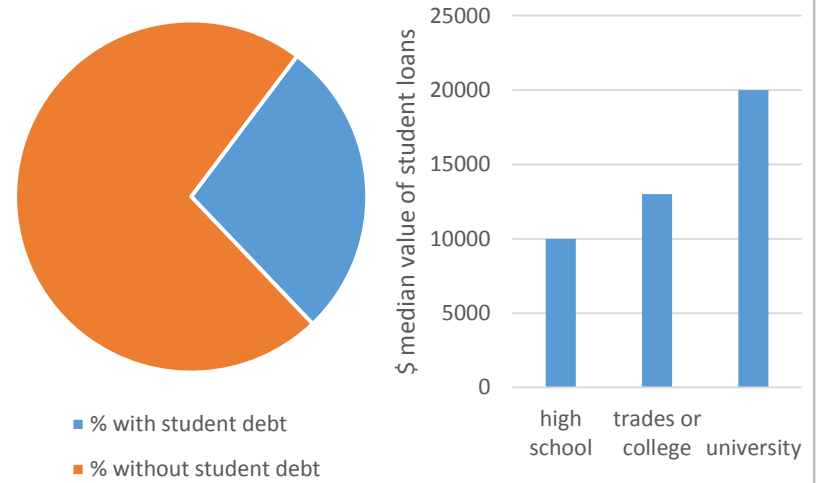


Millennials: investing in human capital

Share with a post-secondary certificate, diploma or degree



Among Millennials aged 25-34, 26% had student debt. Among student debt holders, the largest debts were for university grads

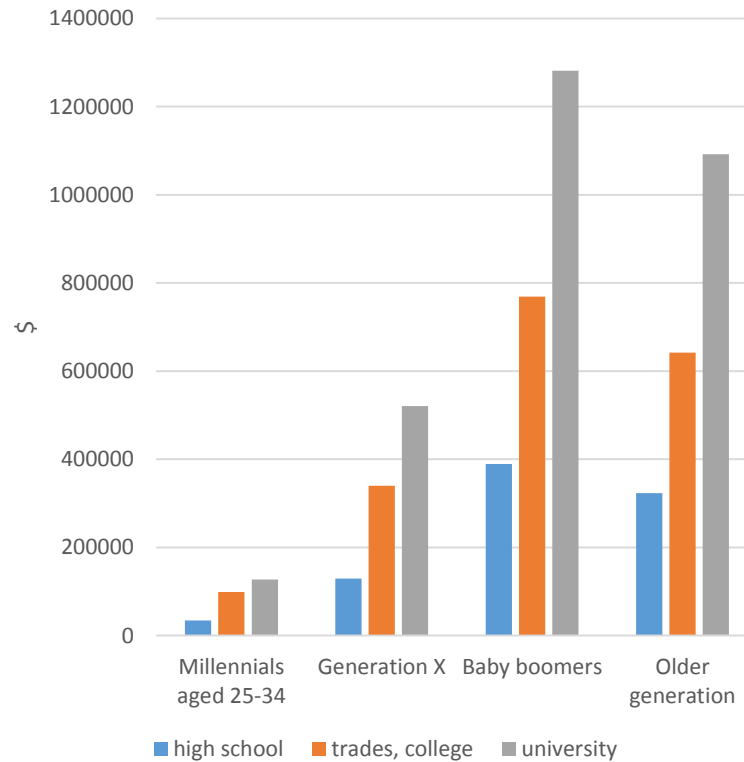


Source: the Survey of Financial Security, 2016, Canadian Income Survey 2015



Significant net worth premium associated with higher education

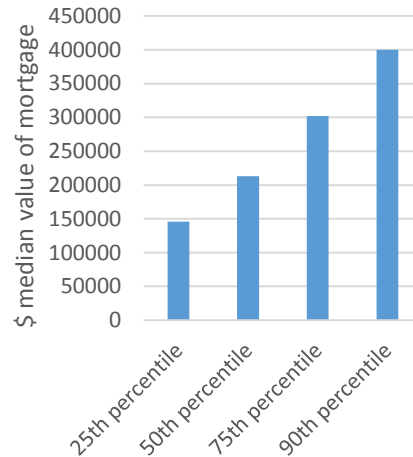
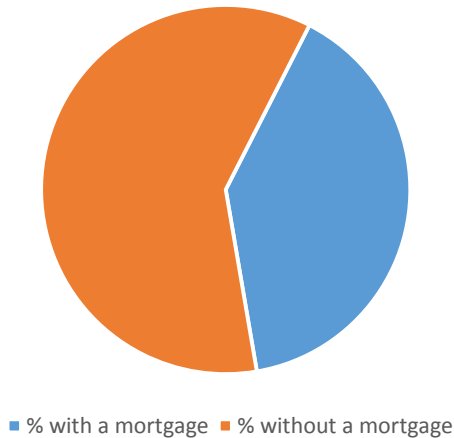
Median net worth by generation and educational attainment, 2016





Millennials: investing in housing assets

Among Millennials aged 25-34, 40% had a mortgage. Among mortgage holders, the median was \$206,000



From the Census:

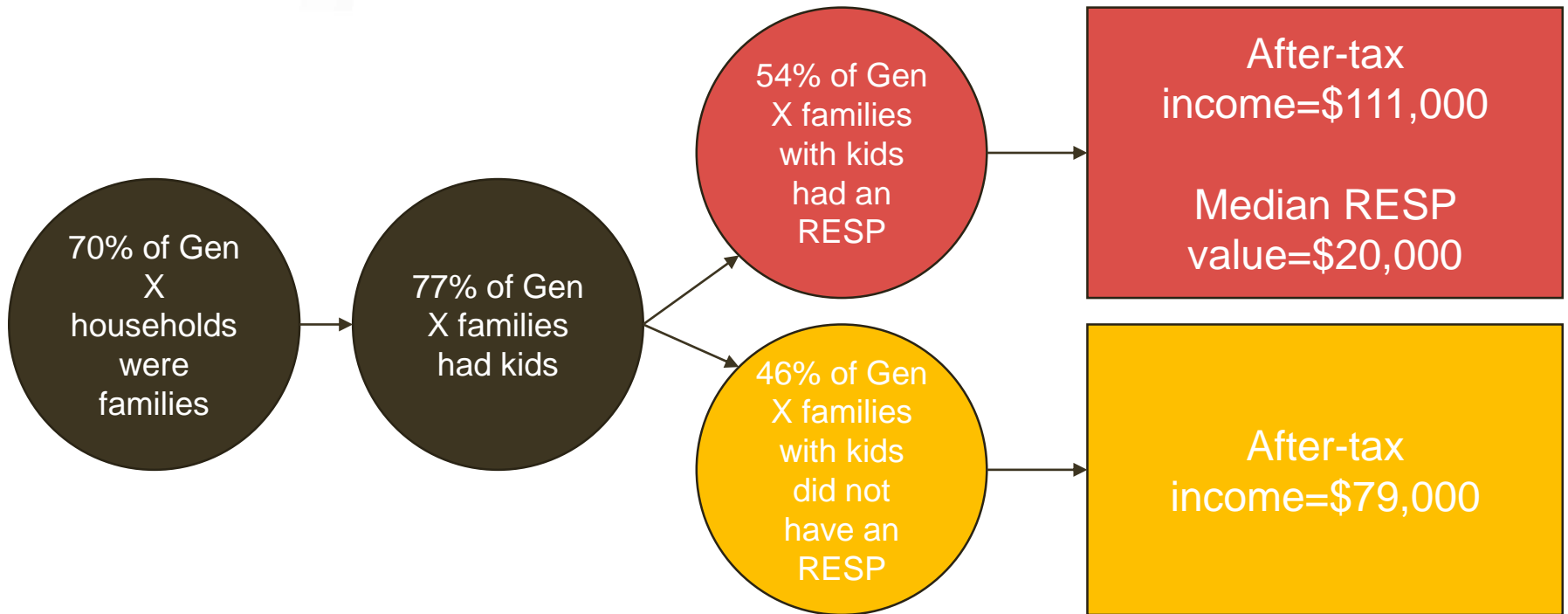
- Millennials are slower to get into the housing market than was the case for the baby boomers at that age
- To demonstrate this, one can compare homeownership rates of baby boomers at age 30 in 1981, with millennials aged 30 in 2016.
- At the age of 30, among millennials who lived in their own home, just over half (50.2%) were owners in 2016, compared with 55.5% of boomers in 1981

From the SFS:

- Median home equity for millennial home owners was \$100,000 in 2016
- Measured at the same age, millennials have much larger mortgages than previous generations – median mortgage debt for a generation X mortgage holder was \$114,000



Gen X: investing in their kids

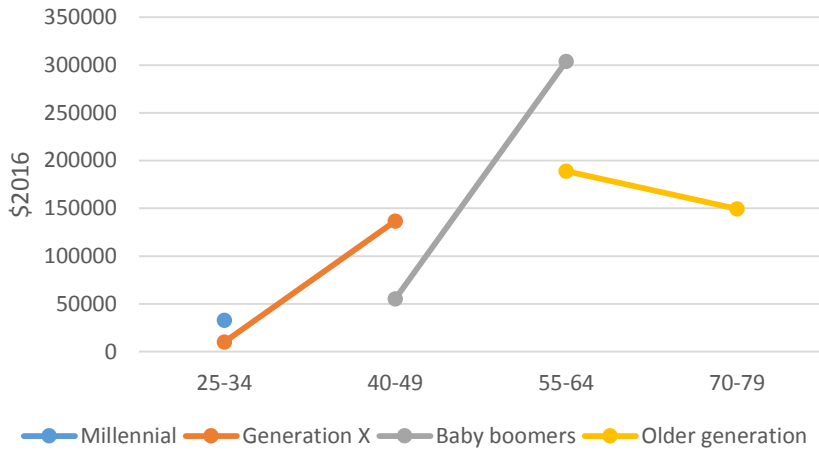


- RESP investment varies by income, educational attainment and family type

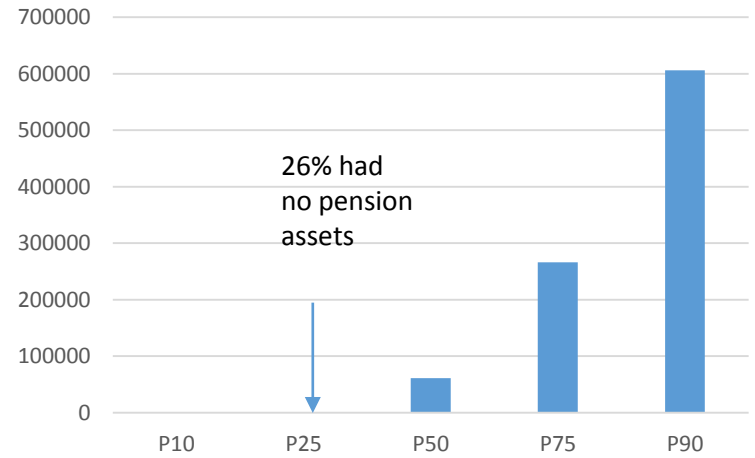


Gen X: investing in their retirement

Average pension assets



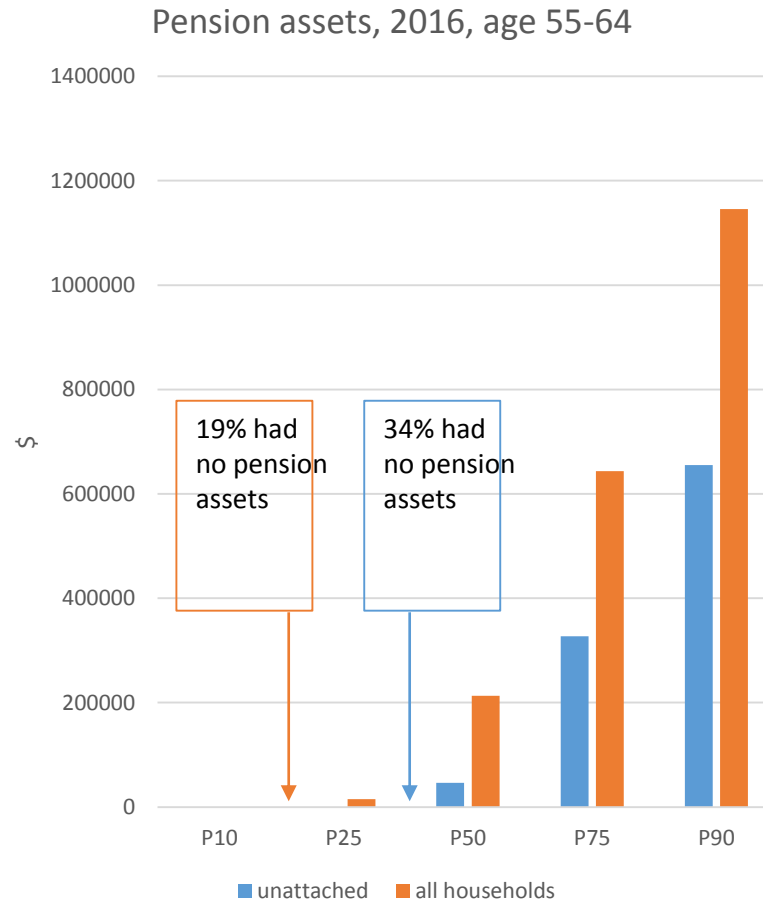
Pension assets, 40-49 year olds, 2016



- Pension assets vary by income, educational attainment and family type



Boomers: unequal distribution of wealth suggests different standards of living in retirement



Conclusion

- How are the balance sheets of Canadians? It depends...
- Assets, debts and net worth rising over time and across generations
- Main message? A lot of inequality between **and** within generations.
- **Millennials** - building up housing assets and human capital
 - Those who cannot invest in their futures risk being left behind.
- **Generation X** – investing in their children and their retirement
 - But there are some families who are unable to make these investments – no RESP, no retirement savings
- **Baby boomers** – a wealthy generation, but, also with unequal outcomes
 - unattached boomers are an example of a group at risk of having less retirement savings