



Neighbourhood Financial Health Index

Making the Invisible Visible

Growing Household Financial Instability
Symposium – March 9, 2018



Canadian Council on
Social Development
Conseil canadien de
développement social



Prosper Canada

Making the invisible visible

Significant gaps in our evidence base with respect to:

- **Publicly available information** on wealth and debt, notably at the community and neighbourhood levels
- **Guidance to community sector** working to deliver meaningful and responsive supports and services

Goals of NFHI to:

- Focus attention on the **combination of factors, beyond income alone**, that contribute to financial health, and
- Highlight the **importance of “place”** in understanding current trends and developing policies and programs

Neighbourhood Financial Health Index

What?

A new national composite measure of household financial health at the neighbourhood level

Why?

- **More accurate measure** of financial health than income data alone
 - **Enables users to see spatial distribution** of financial health/vulnerability across communities
 - **Local data** communities can use
-

Who?

- **Canadian Council on Social Development (CCSD)**
- **Prosper Canada**
- **Environics Analytics**

Building the NFHI



NFHI Indicators

Concept	Indicator
Income	HOUSEHOLD INCOME Average total income, including employment income, income from government programs, pension income, investment income, and any other money income
	LIQUID ASSETS Average per household value of financial assets, including registered and non-registered savings and financial investments
Assets	REAL ESTATE ASSETS Average per household value of primary and other real estate holdings
	CONSUMER DEBT Average value of all household consumer debt, including from credit cards, personal loans, and lines of credit
Debt	MORTGAGE DEBT Average per household value of all mortgage debt
	NEIGHBOURHOOD POVERTY Percentage of low-income households, defined as the proportion of households in a community with total incomes below \$30,000/year
Financial Distress	

Data Source

Wealthscapes (Environics Analytics)

- A comprehensive database based on **advanced estimation techniques** with information on assets, liabilities and income of Canadian households
- Small area data available for **178 variables** created to match the best available control totals in Canada
- Provides **average incidence** and **average dollar value** per household
- Most recent “vintage”: 2017 release

Creating the Index

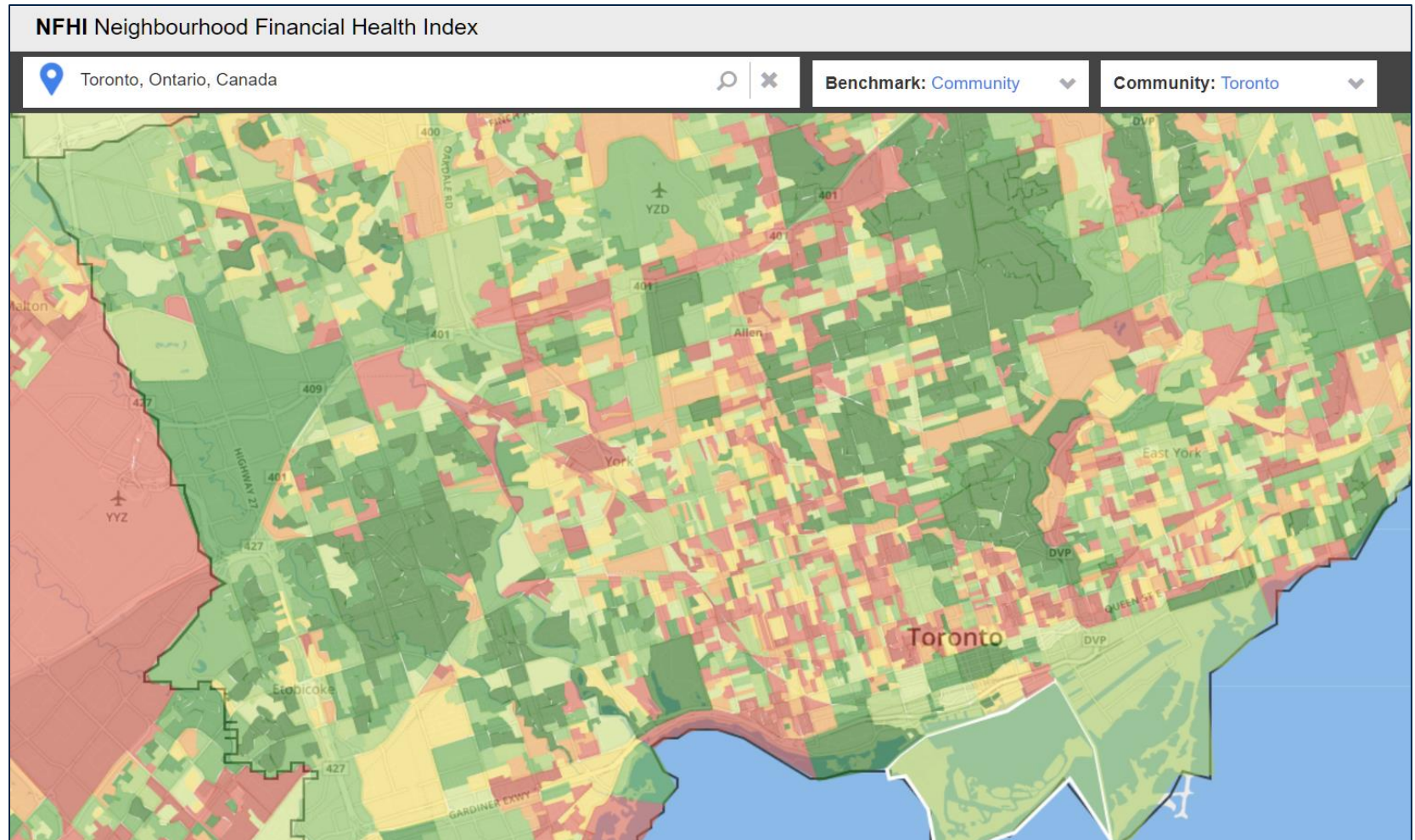
NFHI scores

- **Generated for each neighbourhood, based on performance of 6 indicators**, as measured against community or national benchmark
- **Neighbourhoods can be compared via benchmarks** against others in same community or nationally
- **Index places greatest weight on the impact of low income** in determining financial vulnerability

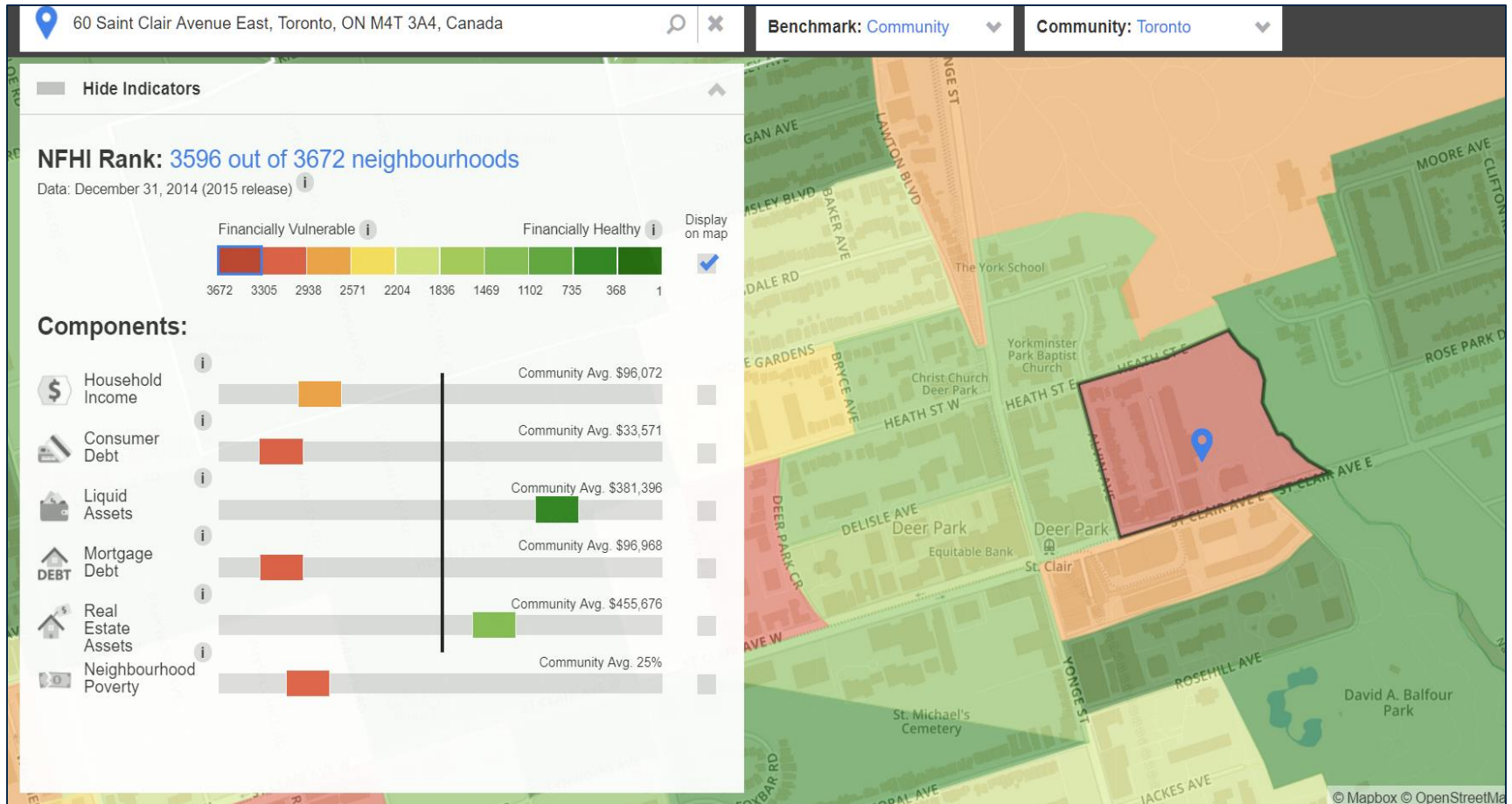
Visual ranking by colour

- **Red shades**: Poor financial health (bottom 20% of neighbourhoods)
- **Orange and yellow shades**: Moderate financial health (20-39% range)
- **Green shades**: High financial health (top 60% of neighbourhoods)

NFHI Prototype



NFHI Prototype



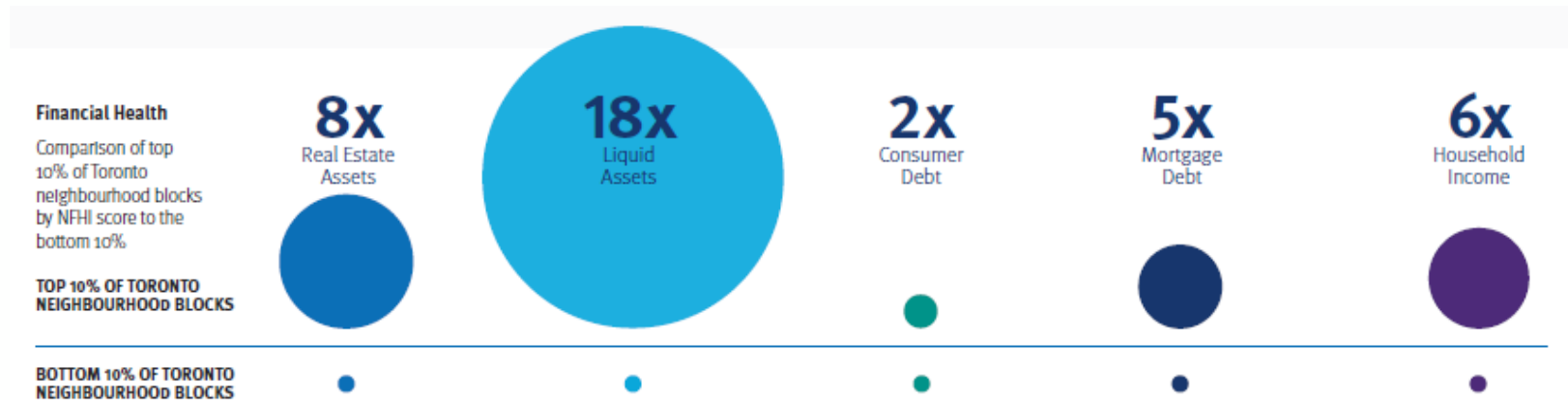


Toronto Profile

Disparities

There are very large disparities in asset levels when you compare Toronto's wealthiest and poorest areas – but not with respect to debt

- The average value of real estate assets in the top NFHI decile is **8x** greater than the value of real estate in DAs the bottom 10% – \$1,449,675 versus \$178,989.
- The average value of liquid assets is almost **18x** higher comparing the top to the lowest – \$2,006,492 versus \$110,030.
- The gap in average debt between DAs at the top and the bottom of the NFHI is much smaller – **5x** for mortgage debt and only **2x** for consumer debt.



The issue of debt

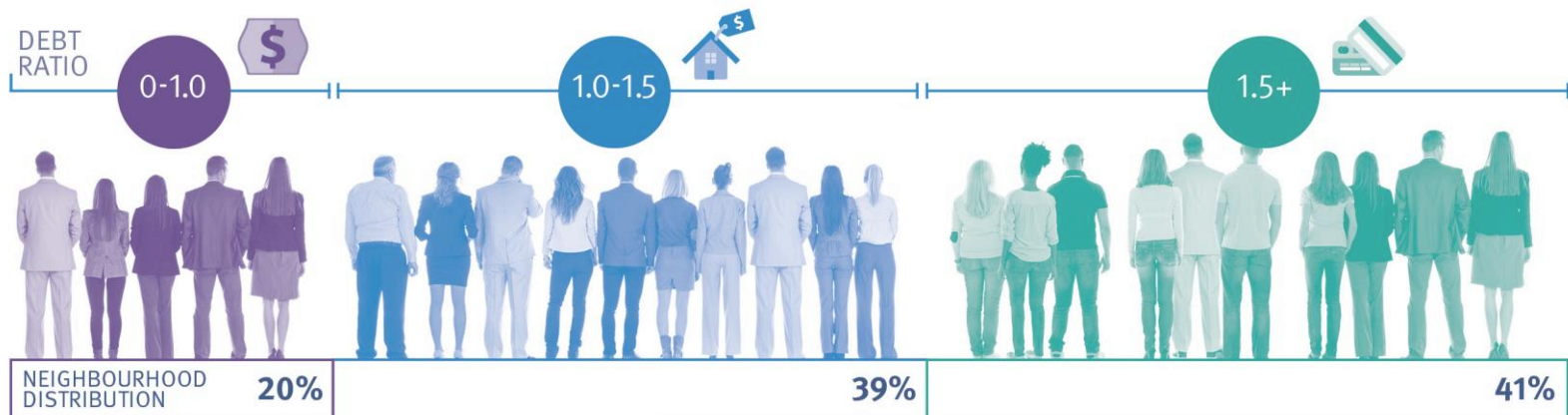
In Toronto, the average debt-to-income ratio was **140%*** in 2014:

- **41%** (1,505) have ratios of 150% or higher; **12%** (457) have ratios in excess of 200%.

Consumer debt weighs more heavily on vulnerable households:

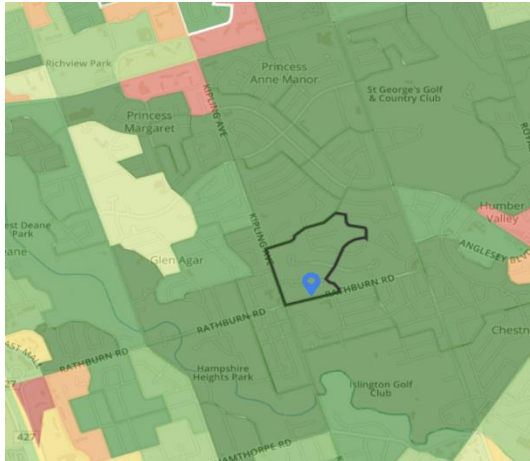
- Consumer debt represents **52%** of average household income among DAs in the bottom NFHI decile, but only **21%** of average incomes in the top 10%.
- Mortgage debt, by contrast, weighs more heavily on areas falling in the middle 60% of DAs, ranked by their NFHI scores.

DISTRIBUTION OF NEIGHBOURHOOD BLOCKS BY TOTAL DEBT TO TOTAL INCOME RATIO 2014

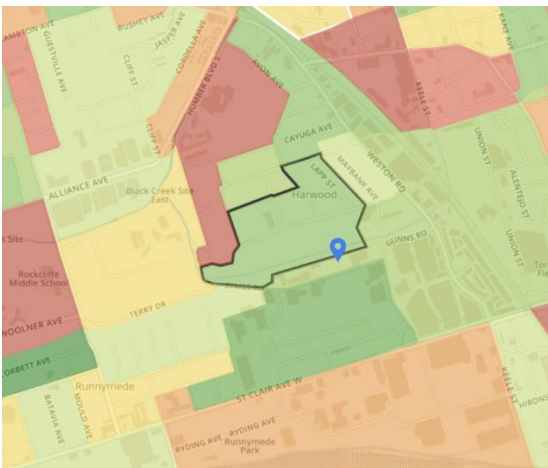


* Includes households that hold debt and those that do not.

NFHI neighbourhood profiles: Toronto



Princess - Rosethorn



The Junction

LIVING LARGE:

High income, high wealth and high debt

- **13%** (480 DAs) report high income and above-average levels of wealth. These DAs carry sizeable mortgages and credit card balances – but they have the financial resources to manage

CONSTRAINED:

Low income, low wealth and (in most cases) low debt

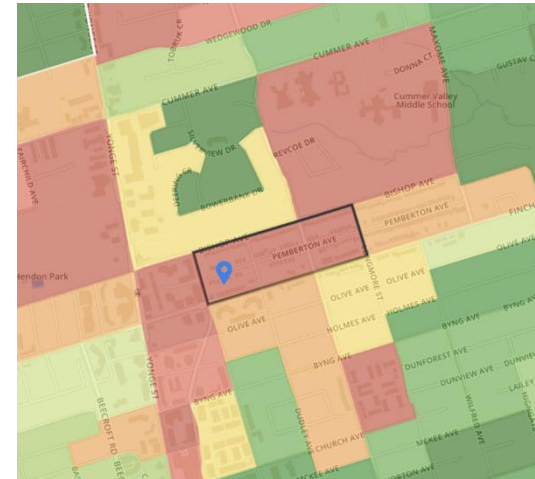
- **34%** of all DAs. Households in these areas have limited financial protection or assets to invest in their futures

NFHI neighbourhood profiles: Toronto

OK BUT VULNERABLE:

Adequate incomes, limited assets, and above-average mortgage debt

- DAs in middle 60% NFHI have higher average incomes than DAs in bottom 20%, but **2.5 x** more likely to have above-average mortgage debt – **53% vs 21%**

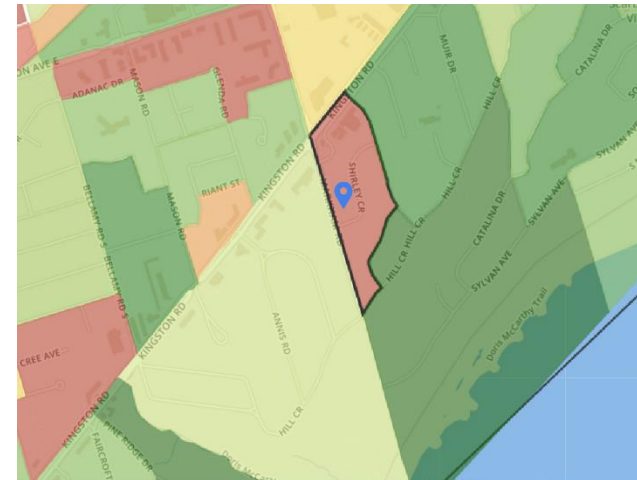


Newtonbrook East

LIVING PRECARIOUSLY:

Low saving and high debt

- **33%** of all DAs report above-average consumer debt and above-average mortgage debt. Of this number, almost half (**48%**) have low liquid assets



Scarborough Village

Conclusion



Next Steps

Phase 1

- ✓ Consultation / Literature Review
- ✓ Development of initial methodology
- ✓ Prototype mapping tool with initial indicators

Phase 2

- ✓ Test and refine methodology, enhance mapping tool
- ✓ Independent peer review
- ✓ Pilot with 2014 data for Toronto, Calgary, Wood Buffalo

Phase 3

- ✓ Finalize methodology and complete mapping tool
- ✓ Pilot 2014 data – Calgary, Peel Region, Toronto, Wood Buffalo, York Region

Phase 4

- Map all communities in Canada, complete supporting website and produce first national report series
- Launch NFHI nationally



**Stay tuned for the launch of the NFHI website
and mapping tool**

Prototype

<https://vividviolet.github.io/nfhi-mapping/>

For more information:

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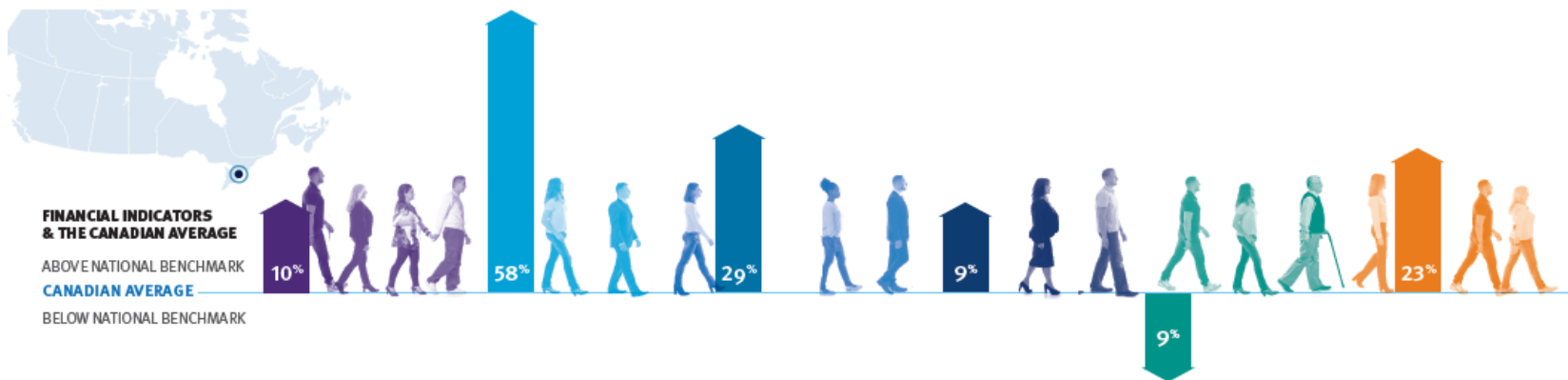
www.ccsd.ca

www.communitydata.ca

High incomes, significant wealth

When it comes to household financial health, NFHI data suggest that Toronto is faring relatively well overall compared to other communities.

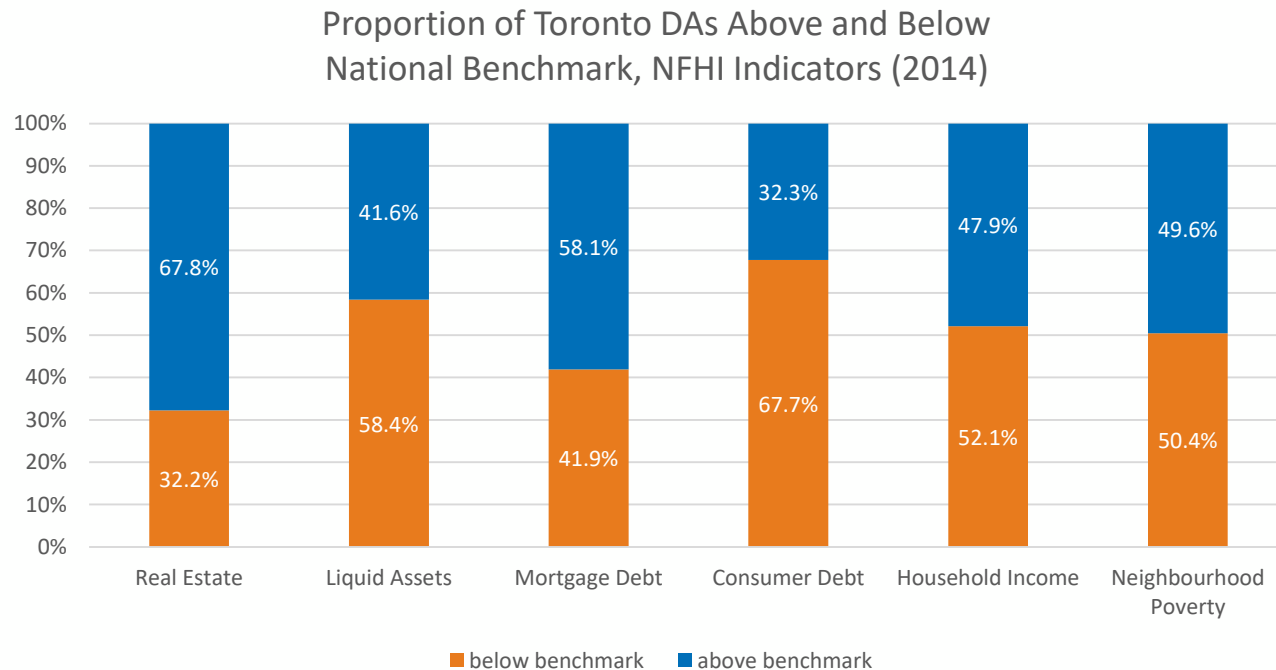
- Average household income is **10%** higher than national benchmark.
- Average value of household real estate assets is **29%** higher.
- Average value of savings and investments is **58%** higher.



... and very high levels of poverty

As significant as these numbers are, they don't tell the whole story.

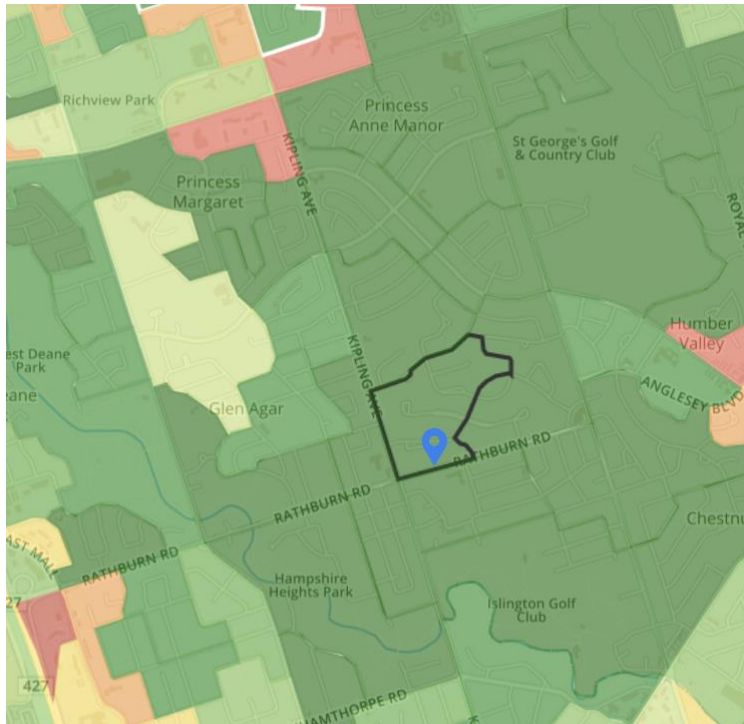
- One quarter (25.1%) of all households in Toronto have incomes below \$30,000 per year – 23% higher than the national benchmark.
- Half of Toronto's DAs (49.6%) have poverty rates above the national average.



NFHI neighbourhood profiles: Toronto

LIVING LARGE:

DAs with high income, high wealth and high debt



Princess - Rosethorn

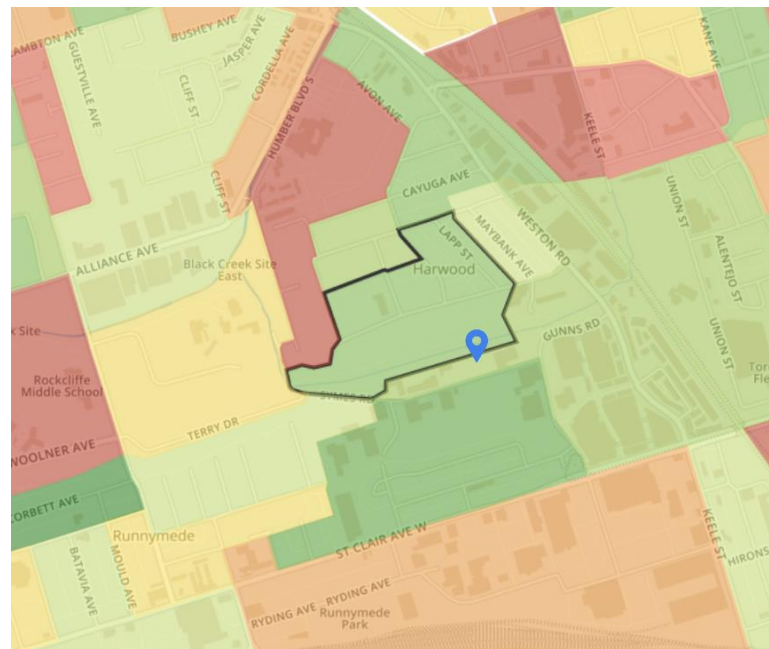
- **13%** (480) report high income and above-average levels of wealth – real estate and liquid assets.
- These areas tend to carry sizeable mortgages and credit card balances – but they have the financial resources to manage (e.g., DAs in Princess-Rosethorn).

Variation across Toronto

CONSTRAINED:

DAs with low income, low wealth and (in most cases) low debt

- **34%** of all DAs have low incomes, low real estate assets, and below-average liquid assets.
- Households in these areas have limited financial protection or assets to invest in their futures (e.g., DAs in The Junction).

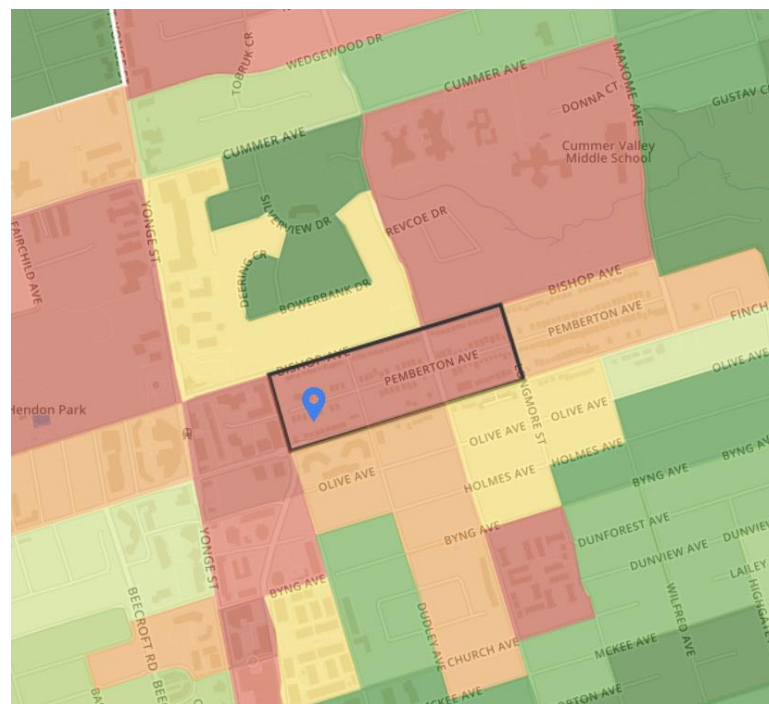


The Junction

Variation across Toronto

OK BUT VULNERABLE: DAs with adequate incomes, limited assets, and above-average mortgage debt

- DAs in the middle 60% of the NFHI report higher average incomes than DAs in the bottom 20%, but are **2 ½ x** more likely to report above-average mortgage debt – **53% vs 21%**.
- These are the communities will be vulnerable if and when interest rates rise. (e.g., DAs in Newtonbrook East).

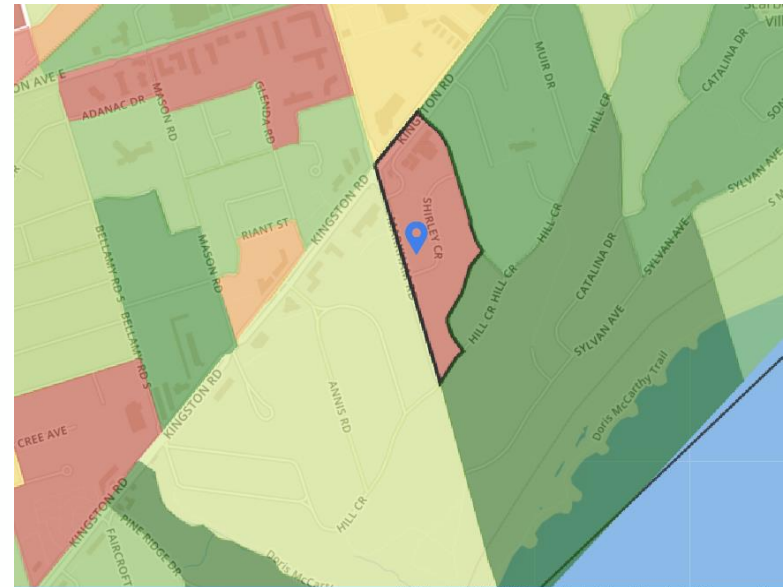


Newtonbrook East

Variation across Toronto

LIVING PRECARIOUSLY: DAs with low saving and high debt

- Others struggle with the added challenge of low savings.
- One-third (**33%**) of all DAs report above-average consumer debt and above-average mortgage debt.
- Of this number, almost half (**48%**) have low liquid assets (e.g., DAs in Scarborough Village).



Scarborough Village