

# Money Talks:

## EMPHASIZING WEALTH IN HOUSEHOLD FINANCES



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## Foreword

The state of household finances has provided fertile ground for socio-economic dialogue for more than a decade now. Naturally, the perspectives and the focus of the discussion are greatly influenced by interests of those involved and their respective stakes or roles in the Canada's financial fabric. The pressures of an aging population and concerns over social and economic stability compel governments to emphasise responsible spending and saving dimensions within household finances with a view to smoothing consumption and safeguarding against financial hardship. Those tasked with ensuring monetary and fiscal wellbeing naturally focus on risks to the stability of the financial system and the behaviours or trends which may exacerbate worsened financial condition. Financial institutions meanwhile are more likely to concentrate on preservation and extension of their business lines and client servicing. Concurrently, the households' perspective on financial matters is much less sophisticated – often focused solely on day-to-day management of scarce resources committed to conflicting and multiple priorities.

The persistent attention paid to the matters of household finances and the presence of a large number of interested stakeholders have rightfully served to affect a segmentation of the discussion into meaningful components that can often be examined as separate and interrelated issues. Among those are such topics as savings, household indebtedness, planning for retirement, asset management and consumption. Although the interrelationship between these elements is often recognized, their consideration and analysis primarily unfold in a parallel rather than cohesive or holistic manner. Such an approach can be argued to be counterintuitive as it overlooks the overarching element and determinant of household financial wellbeing – wealth.

It has become customary to characterize Canadian households as burdened with excessive loads of debt, not saving prudently enough for retirement, and necessitating improved financial knowledge and capabilities in order to manage finances more efficiently. Such considerations however may not adequately underline the important encompassing notion of 'wealth' that we would now bring attention to. Specifically, the high level of household indebtedness primarily becomes a matter of concern in the absence of positive improvements to other elements of the household balance sheet and income; savings for retirement are crucial but represent only a part of savings that may be needed over a household's lifetime; household financial literacy, concomitantly, matters only if it leads to improved financial habits, behaviours and outcomes. Wealth,

It is wealth rather than debt, savings or income considered separately that determines the sustainability of individual's material wellbeing through the continuum of life

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on the other hand, represents a stock of available economic resources that is already net of debt and other financial liabilities; it may be used for a variety of purposes and reveals the household's ability to command resources within the given level of financial knowledge. As such, it is wealth (rather than debt, savings or income considered separately) that determines the sustainability of individual's material living standards through the continuum of life.

*Anthony Ariganello, CPA (Delaware), FCGA*  
*President and Chief Executive Officer*  
*The Certified General Accountants Association of Canada*



The state of household finances has provided fertile ground for an economic and social debate for more than a decade already. The persistent attention directed to this matter has resulted in refinement of the discussion into distinctive components that are often examined as separate while perhaps interrelated issues. Among those components are such topics as savings, household indebtedness, planning for retirement, asset management and consumption. Although the interrelationship between these elements is often recognized, their consideration and analysis primarily unfold in a parallel rather than comprehensive manner. Such an approach can be argued to be counterintuitive, or at least incomplete, as it can overlook the overarching element and determinant of household financial wellbeing – wealth.<sup>1</sup>

Recognizing the importance of wealth to households' financial security and welfare, and the relative scarcity of deliberate public dialogue centered unequivocally on wealth, CGA-Canada sees it timely to critically examine households' attitudes to the accumulation of wealth, the practices employed for that purpose and the achieved outcomes. In this work, we have set out to integrate the results of a public opinion survey commissioned by CGA-Canada with an analysis of available statistical information. As the following pages reveal, it can be reasonably contended that:

***In recent years, household wealth accumulation has primarily focused on restoring the pre-recession wealth position rather than advancing it to new levels.*** Although the aggregate level of household wealth reached a new high at the end of 2012, the wealth of an average Canadian adult was only \$6,600<sup>2</sup> (or 2.7%) higher when compared to the wealth controlled by households at the beginning of 2008. In the aftermath of the 2008 recession, households spent three full years restoring their pre-recession levels of wealth. Moreover, a noticeable proportion (29%) of households report to not have wealth and nearly two thirds (62%) of such households do not expect to accumulate any wealth in the next three years. The challenge of saving given the current level of income and the need to honour other financial obligations are the two most often cited reasons for not being able to accumulate wealth.

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1 For the purpose of this study, household wealth is understood as the difference between the value of household assets and household liabilities.  
2 Expressed in 2012 prices.

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***Indicators of quality of the household wealth position are either sluggish in improving or continue deteriorating in the aftermath of the most recent recession.*** At the end of 2012, the net worth-to disposable income ratio continued to be 7 percentage points below its pre-recession peak of 688.4% signifying a 5.5 year-period of foregone wealth growth. The continued persistence of debt propelled an increase in the total assets-to-net worth ratio to levels not seen before (for instance, from 119.8% in 2007 to 125.4% in 2009 and 124.5% in 2012). The financial asset-to-net worth ratio likewise increased; moving from 64.3% to 66.6% between 2008 and 2012 further underscoring the increased exposure of households to volatility of the markets.

***Satisfaction with wealth accumulation outcomes is fairly common among households but households are often unaware of the dollar value of their wealth.*** Although some 50% of households reckon that the amount of wealth they have amassed over the past three years was below their expectations, nearly half of them (48%) still say that they are very or somewhat satisfied with the rate of their wealth accumulation. However, only one fifth (19%) of households report to have calculated the value of their wealth in the past month; another 29% recall doing so within the past three to six months. In turn, more than half (51%) of households last verified their wealth position either more than a year ago or never, or could not recall.

***The accumulation of wealth is only a somewhat important pursuit for households.*** Only three in ten (29%) households gauge the accumulation of wealth as very important among their personal goals while half (53%) see this as only a somewhat important pursuit. Ensuring regular income in retirement is by far the most important reason for accumulating wealth – 58% of households amassing wealth are guided by this longer-term objective. However, consuming wealth in the near future is not ruled out as the overwhelming majority (80%) of households agree that they may consume wealth at least in part in the next three years.

***The practice of enhancing wealth accumulation strategies is not very prevalent among households.*** Only four in ten (39%) households engaged in refining their saving and investment strategy in the past 12 months while three in ten (31%) developed or tuned their retirement planning. Not more than one in ten households allocated time for detailing such types of wealth-related strategies as children's education and estate planning. Households that gauged the accumulation of wealth as important among their personal goals were noticeably more likely to put effort into developing and refining strategies related to wealth accumulation, particularly those associated with savings, investment and retirement planning.

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***Reliance of households on the accumulation of wealth through creation of new assets<sup>3</sup> has declined.*** The household savings rate plummeted from its peak of 19.9% in the early 1980s to 3.8% at the end of 2012. Moreover, the habit of saving is not shared by all households: some 25% of households never or almost never make savings contributions. The negative correlation between the household savings rate and wealth suggests that the appreciation of assets crowds out saving intentions of households; instead, changes in the value of equity and investment fund shares have become the main driving force of wealth accumulation. Declining savings habits may also be caused by difficulties in allocating funds to savings: over the past 12 months, three in ten households (29%) never or almost never had money left over at the end of the week or month after paying essential expenses.

***The option of active accumulation<sup>4</sup> of wealth through housing equity is underutilized.*** Active wealth accumulation through a reduction in outstanding mortgage was potentially available to 39% of surveyed households, i.e. those who financed their housing through borrowing. Only one fifth (21%) of mortgage holders increased the amount of mortgage payments or made lump sum contributions to pay off mortgage faster over the past year. Refinancing a mortgage to decrease the amortization period was likewise not a very popular measure: only 10% of households with a mortgage chose to do so. Although one quarter (28%) of mortgage-holders recently refinanced their mortgages to take advantage of a lower interest rate, these households were not more likely to save on a regular basis or to have money left over after essential expenses compared to those who did not re-finance. As such, any excess funds available due to easing of the debt burden were most probably allocated to consumption rather than wealth accumulation.

***The increased volatility of the value of household assets curbed considerably the overall pace of wealth accumulation.*** Households enjoyed an average 3.9% year-to-year growth rate of wealth between 1990 and 1999 (adjusted for inflation and population growth); this rate declined to 2.6% in the decade that followed. Moreover, the uncertainty of the outcome of growth increased markedly as the standard deviation of growth rates increased from 2.4 percentage points of the mean observed between 1990 and 1999 to 5.0 percentage points registered in years between 2000 and 2012.

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3 For the purpose of this report, new assets are understood as those acquired by households through allocation of a portion of their current earnings to savings (as opposed to consumption).

4 For the purpose of this report, active accumulation of wealth through housing equity is understood as actions carried out by households in order to increase the value of their housing equity in addition to that occurring through the fulfilment of the mortgage contract.

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***Few households actively oversee the performance of their investments and the dynamic of the external environment despite increased volatility and uncertainty of wealth accumulation outcomes.*** One quarter (28%) of households that hold financial investments monitor their performance once a year or even less frequently. Similarly, monitoring changes in the external economic and regulatory environment is not very common among households. One quarter (26%) of households usually do not watch any of the key external factors that may impact wealth accumulation, including changes in interest rates, stock and housing markets, taxation and pension system, inflation and the job market.

***The impact of the stock of household debt on the level of wealth is noticeable.*** The proportion of debt in total household assets surged from 16.5% at the beginning of 2007 to 20.2% at the beginning of 2009 and has hovered at that level ever since. The high level of debt increases household exposure to risks: the well above average level of the debt-to-assets ratio and constantly increasing debt-to-disposable income ratio suggest that both households' short-term and long-term vulnerability have increased.

Based on these findings, it is reasonable to reach certain conclusions. Firstly, cautiousness should be exercised when interpreting the current, seemingly satisfactory level of aggregate household wealth. Secondly, households' determination towards wealth accumulation does not appear to be strong whereas low awareness of households regarding their wealth position and changes in the economic environment are worrisome. Thirdly, reluctance of households to engage in active savings is once again evident. And lastly, high levels of household debt continue to elevate household exposure to risks whereas the high reliance on the appreciation of assets for wealth accumulation increases households' vulnerabilities and the uncertainty of wealth accumulation outcomes.

Recognizing the importance of household wealth in the overall financial wellbeing of Canadians and the relative scarcity of the public policy dialogue that is centered unequivocally on wealth, CGA-Canada sees it timely to critically examine households' wealth position, their attitudes to the accumulation of wealth and practices utilized for that purpose.

Most commonly, household wealth is measured as the difference between the value of household assets and liabilities as it transpires at a given point in time; as such, it is a stock indicator and is generally referred to as net worth.<sup>5</sup> However, for positive changes in the stock of wealth to occur, wealth accumulation must take place. Following this logic, the examination of household wealth ought to be carried out within two broad themes: (i) the outcome of wealth accumulation which may be measured as the level of household net worth at a given point in time, and (ii) the process of wealth accumulation which is typically propelled by a variety of purposes and may be carried out through a diverse range of strategies. Allowing some understanding of the process and outcomes of wealth accumulation, a number of sources currently exist that can provide information on wealth of Canadian households.

The Canadian System of National Accounts offers quarterly information on the level of household net worth; this information is gathered at the sector's level of aggregation and for Canada as a whole without detailing the state of financial wellbeing of households within different socio-economic groups and geographical regions. Three other sets of data – the Survey of Financial Security (SFS), the Canadian Financial Capability Survey (CFCS) (both produced by Statistics Canada), and the Canadian Financial Monitor (CFM) survey produced by Ipsos Reid – provide information on the composition of the balance sheet of particular households. Although offering meaningful insights, such surveys still do not necessarily depict a comprehensive or fully conversant portrait of household wealth.

The SFS is a well-designed, comprehensive, publicly available source of data offering information on the household sector's balance sheet; however, the

Most commonly, household wealth is measured as the difference between the value of household assets and liabilities as it transpires at a given point in time

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5 Research studies have recognized that material wealth owned by households (i.e. the difference in the value of household assets and liabilities) is only one part of personal resources possessed by an individual whereas the other part is formed by human capital which is measured as the present value of future labour income. Social wealth may likewise constitute part of the overall personal wealth. Following this logic, some research studies use an extended measure of household wealth which consists of non-human and human wealth (i.e. human and social capital). Although this approach may present certain benefits in assessing individual's financial wellbeing over the lifetime, consideration of human wealth is beyond the scope of this report which is focused on household wealth that can be measured directly, i.e. as net worth.

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The examination of household wealth ought to be carried out within two broad themes: the outcome of wealth accumulation and the process utilized to reach that outcome

survey is conducted only occasionally. The 2012 SFS data are scheduled to be released in 2013 whereas the two other most recent years of the survey date back to 2005 and 1999. Moreover, the SFS offers robust information on the state of household balance sheet at a point in time focusing on the stock of wealth with no particular detail provided regarding the process of accumulating that wealth.

The CFCS has only been undertaken once (in 2009) and thus does not provide information on changes in household wealth over time. Although this survey examines households' approach to money management and the level of their financial capability, the information gathered does not reveal attitudes and approaches employed in amassing wealth. Instead, the survey is primarily focused on day-to-day money management habits and decision-making regarding specific expenditure and saving goals.

The third source of data – the CFM survey – represents a most advantageous dataset as it collects information on assets and debt held by households within different socio-economic groups and geographical regions, and is conducted annually dating back to 1999. It also contains some information on households' banking behaviour, attitudes and use of financial advice, and retirement planning. However, the CFM data are likewise primarily focused on the outcome (rather than the process) of wealth accumulation and is accessible on a commercial fee basis.

Given the natural information gaps that typically emerge from any data collection set, the analysis of publicly available information does nevertheless provide beneficial insights into the wealth position of Canadian households and some of the forces that shape its formation. To supplement these comprehensions, CGA-Canada commissioned in 2012 a public opinion survey of Canadian households aiming to identify perspectives of households on the accumulation and use of wealth, and the vigour of their engagement in that process.

In the following text, we begin by examining the outcomes of household wealth accumulation; this is done through assessing the aggregate levels of wealth, quality of the household wealth position and the role of specific components of wealth in the overall wealth accumulation. This is followed by the presentation of key findings of CGA-Canada's public opinion survey that highlights household views on wealth accumulation including the importance and purpose of amassing wealth, and strategies utilized in managing wealth accumulation. We conclude by highlighting the most salient aspects of our findings, along with some practical recommendations.

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## Wealth Accumulation as it Transpires Through Statistical Data

At the aggregate level, the concept of measuring household wealth is straightforward: subtracting the total amount of household liabilities from the value of household assets results in net worth – or wealth. However, forming an opinion regarding the adequacy of the level of household wealth is somewhat more convoluted. No specific benchmark exists that would allow an easy judgement regarding the level of wealth; instead, a comparison is often used to assess the wealth-related financial well-being of households. For instance, household wealth is often compared across groups exhibiting different socio-economic characteristics including those of income, age, family composition and geographical location. As such, it is more common to examine the distribution of household wealth emphasising the disparities in its allocation rather than assessing the outcome of wealth accumulation expressed as the level of wealth itself. Recognizing that benchmarking of the optimal level of household wealth is problematic, the analysis presented in this section is primarily focused on the expansion of the level of wealth over time. In order to construct a practical representation, elements that have propelled wealth accumulation,<sup>6</sup> approaches utilized in this process, and their drawbacks are likewise included in the analysis.

At the end of 2012, wealth of an average Canadian adult amounted to \$248,700 – the highest level attained over the past 20 years

### 3.1. Household Wealth Position

Both the aggregate level of wealth and its quality are important to consider when assessing the wealth position of Canadian households.

#### 3.1.1. The Aggregate Level of Household Wealth

At the end of 2012, wealth of an average Canadian adult<sup>7</sup> amounted to \$248,700 – the highest level attained over the past 20 years and nearly twice higher compared to that observed in the early 1990s (when adjusted for inflation and population growth). However, amassing wealth has not always followed an upward trend. Overall, the dynamic of household wealth has experienced three distinct types of growth over the past two decades: (i) periods of strong, steady and prolonged accumulation of wealth – those occurred from 1991 to the beginning of 2000, and from 2003 to the beginning of 2008; (ii) periods of substantial retrenchment in the value of wealth – those were experienced

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<sup>6</sup> For the purpose of the analysis presented in this section, wealth accumulation is understood as a positive change in the value of wealth of an average Canadian adult calculated after adjustments for inflation and population growth.

<sup>7</sup> Adults are defined as those 18 years of age and over.

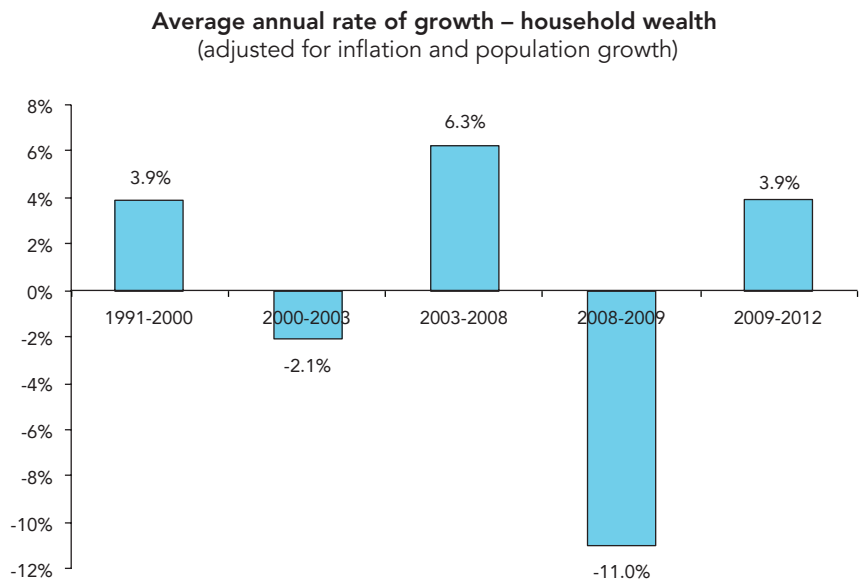
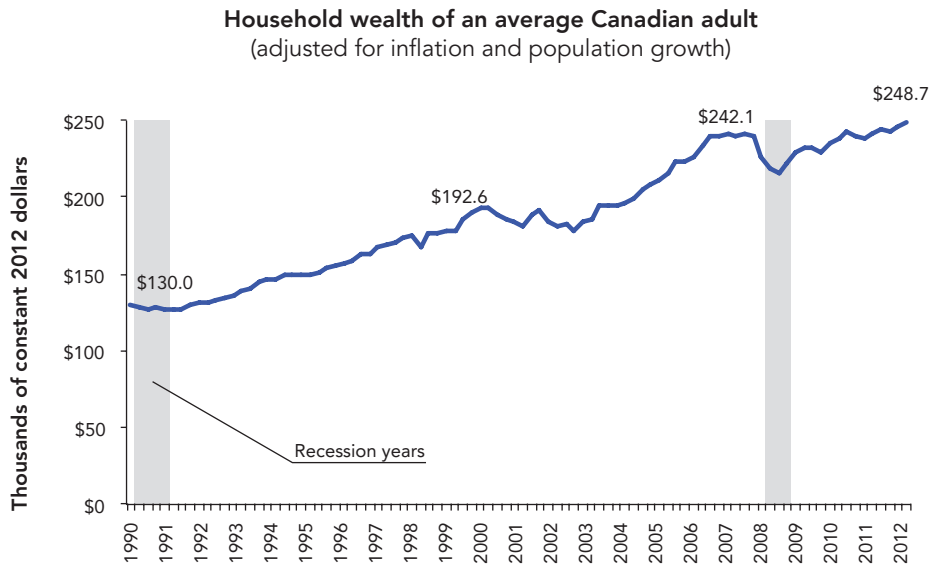
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between 2000 and the beginning of 2003, and during 2008; and (iii) a somewhat volatile but still expansionary wealth accumulation observed from 2009 onwards (top graph of Figure 1).

**Figure 1 – Level and Dynamic of Household Wealth**

Certain parts of the expansionary growth of wealth may be considered as 'lost'; those primarily happen in the aftermath of a retrenchment in the value of wealth



Note: Top chart: adults are defined as those 18 years of age and over. Bottom chart: the average annual rate of growth is calculated based on data from Q1 except 2012 were Q4 is used.

Source: Statistics Canada's CANSIM Tables 378-0121, 051-0001 and 326-0020; CGA-Canada calculations.



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The growth rate of wealth of an average Canadian adult differed markedly across the described periods. During the 1990s and in the aftermath of the 2008 recession, an average annual rate of growth close to 4% was observed. However, the mid 2000s were the most fruitful for improving the household wealth position: the average growth rate of wealth reached an impressive 6.3% per year after adjustments for inflation and population growth. The two periods of retrenchment in the value of wealth were likewise noticeably different: the early 2000s saw a prolonged and slow erosion of the household wealth position while the 2008 recession resulted in an abrupt and deep decline in the value of household wealth (bottom chart of Figure 1).

The accumulation of household wealth primarily takes place during periods of expansionary growth.<sup>8</sup> However, certain parts of the expansionary growth may be considered as ‘lost’ for wealth accumulation; that primarily happens in the aftermath of a retrenchment in the value of wealth when the household wealth position remains below the levels observed prior to wealth decline. For instance, the retrenchment of wealth that started in 2000 resulted in 1.75 years lost for wealth accumulation. In the aftermath of the 2008 recession, the recovery in the value of wealth was even slower as households spent three full years restoring their pre-recession levels of wealth. Not surprising then that the new record high level of wealth of an average Canadian adult observed at the end of 2012 was only \$6,600 (or 2.7%) higher when compared to that marshalled by households at the beginning of 2008. More candidly stated, a large proportion of household wealth accumulation that has taken place in recent years has contributed to restoring lost wealth rather than growing new wealth.

The new record high level of wealth of an average Canadian adult observed in 2012 was only 2.7% higher than that enjoyed at the beginning of 2008

Naturally, the age of an individual plays an important role in the wealth accumulation decisions and strategies as needs of households vary depending on the stage of their life-cycle. Completing education, leaving the parental home, launching a career and starting a family are typical priorities of those in their 20s and 30s. In our 40s and 50s, stability, accumulation of assets, and paying off of major debt typically commands high importance, whereas in our 60s, 70s and beyond, we are commonly intent to wind down our careers, downsize, draw on retirement savings and manage assets.<sup>9</sup> Motivated by the differences in economic habits of households at different stages in the life continuum, analysts tend to examine three distinct categories of households when analyzing their savings and wealth accumulation habits: (i) borrowers (those under 45 years of age), (ii) savers (those between 45 and 64 years of age),

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8 Episodes of wealth accumulation may also be observed during periods of the overall wealth decline (for instance, that was the case in the first quarter of 2002); however, such episodes of wealth accumulation are typically brief and transitory.

9 Chawla, R. K. (2008), *Changes in Family Wealth*, Perspectives on Labour and Income, Statistics Canada, vol. 9 no. 6, p. 15.

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In 1990, 'borrowers' constituted the majority of Canadian adults; by 2012, their proportion noticeably declined yielding room to 'savers' whose share expanded from 25.5% to 35.3%

and (iii) dis-savers (those 65 years of age and over). The larger the proportion of savers in the overall population, the higher levels of wealth may be expected even if savings habits of households remain unchanged.

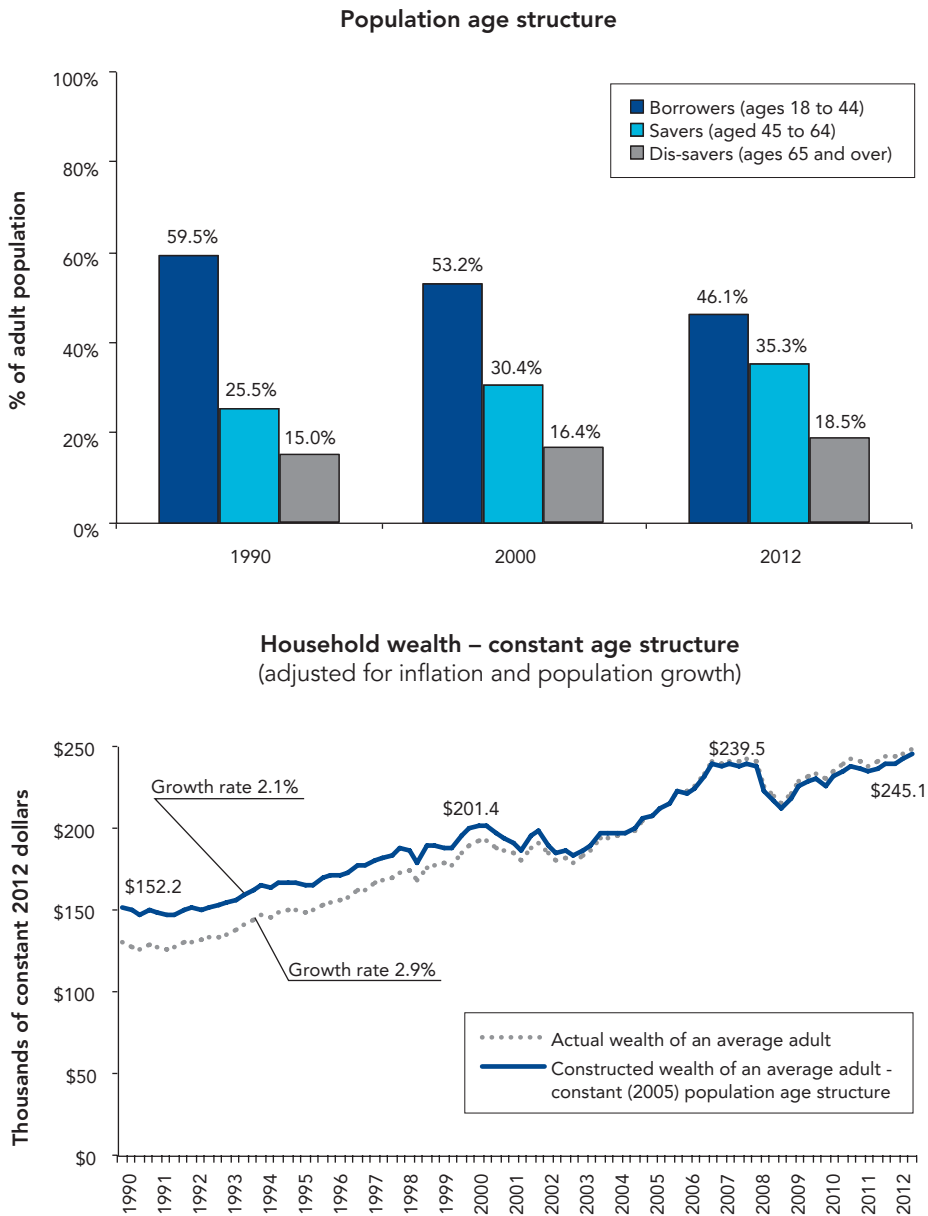
The age structure of the Canadian population has changed markedly over the past 20 years due to population aging. In 1990, borrowers constituted the majority of Canadian adults accounting for 59.5% of the adult population while only one quarter of households were savers at that time. In 2012, borrowers were still forming the largest group of Canadian adults; however, their proportion noticeably declined (down to 46.1% in 2012) yielding room to savers whose share expanded from 25.5% to 35.3% over the same period of time (top chart of Figure 2).

It is quite natural to expect that a group of households primarily comprising of younger individuals (i.e. borrowers) would accumulate less wealth as compared with a group where older households (i.e. savers) play a more prominent role. As such, the changing age structure of the population somewhat erodes the comparability of levels of household wealth over time even when the value of wealth is adjusted for inflation and population growth. The bottom graph of Figure 2 intends to address the comparability issue by constructing the level of wealth that would have been accumulated by an average adult if the age structure of the population had remained constant throughout the past 20 years. As can be seen from the simulation, the constructed level of household wealth of an average adult in 2012 continues to be the highest over the past decades; however, the average annual growth rate (2.1%) of the constructed level is lower than the 2.9% rate that was actually observed over that period of time. As such, a portion of the overall growth in wealth that took place over the past two decades was propelled by the changes in the age structure of the population rather than by improved wealth accumulation habits of households.

### **3.1.2. The Quality of the Household Wealth Position**

In addition to the assessment of the overall level of wealth, several indicators may be utilized to evaluate the quality of the household wealth position and the strength of their financial standing; those indicators aim to measure net worth against household disposable income and assets. As seen from Figure 3, these indicators have exhibited vastly different dynamics in the aftermath of the 2008 recession and over the longer-term horizon; however, some degree of deterioration of the household wealth position may be observed through all of these measures.

**Figure 2 – Population Age Structure and Level of Household Wealth**



A portion of the overall growth in wealth that took place over the past two decades was propelled by the changes in the age structure of the population rather than by improved wealth accumulation habits

Note: Top chart: the adult population is defined as those 18 years of age and over. Bottom graph assumes that the propensity of households in each age group to accumulate wealth remained unchanged over the years and is at the level observed in 2005. The growth rate refers to the average annual rate of growth observed between 1990 and 2012.

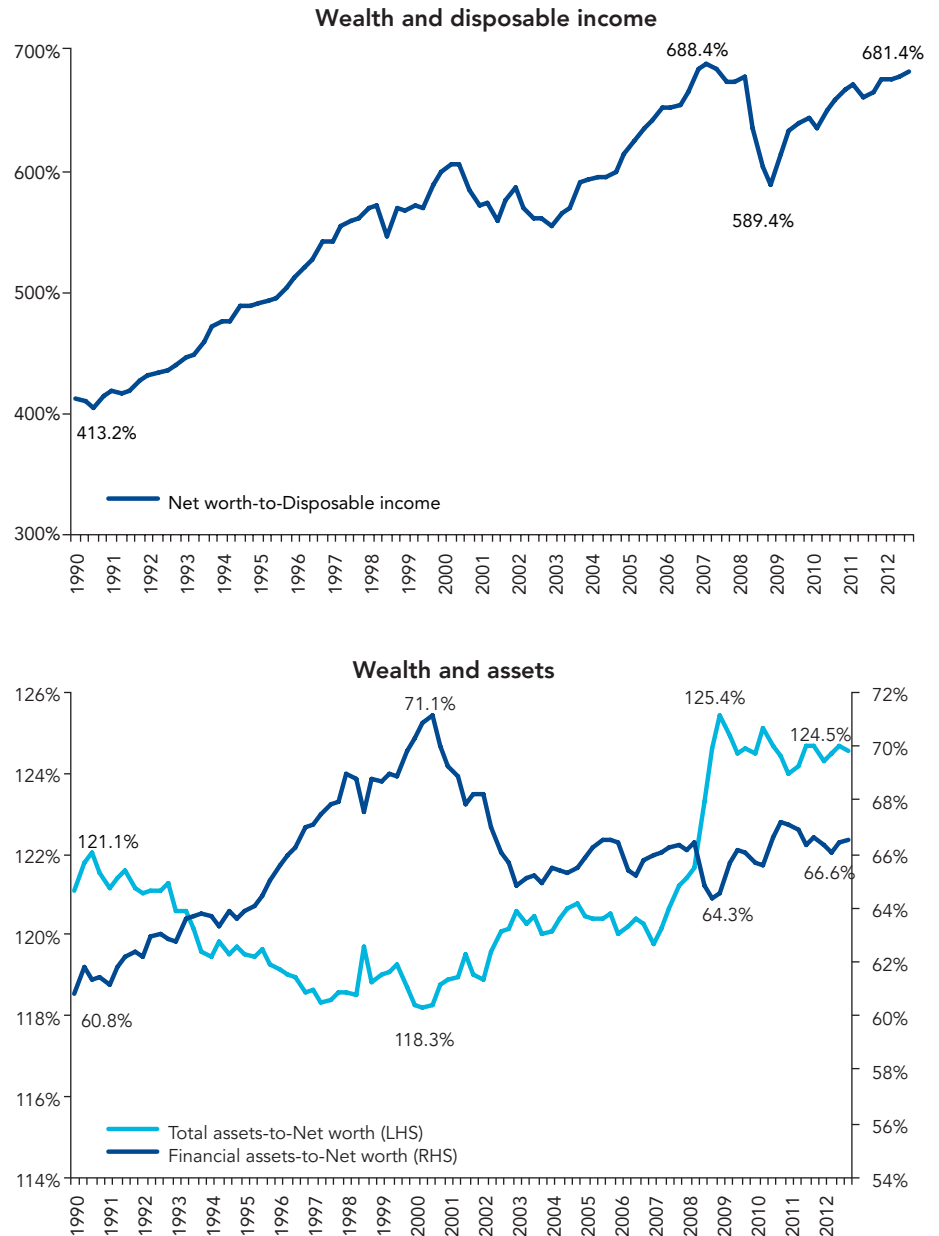
Source: Statistics Canada’s CANSIM Tables 378-0121, 051-0001 and 326-0020, the Survey of Financial Security (used to identify wealth distribution by age group); CGA-Canada calculations.

The dynamic of the net worth-to-disposable income ratio suggests that household wealth was growing faster than personal disposable income over the past four years as the ratio went up from 589.4% at the beginning of 2009 to 681.4% in 2012. The ratio likewise noticeably improved over the longer-term

horizon increasing by more than one half in the past two decades. However, at the end of 2012, the measurement of household wealth against disposable income continued to be below its pre-recession peak of 688.4% observed in the middle of 2007. For the household sector, this represents a 5.5 year-period of foregone wealth growth (top graph of Figure 3).

**Figure 3 – Wealth-related Financial Ratios**

Some degree of deterioration of the household wealth position may be observed through the measures of quality of household financial standing



Source: Statistics Canada's CANSIM Table 378-0123.

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The deterioration of total assets-to-net worth ratio in the aftermath of the recession was also evident. Propelled by the continued persistence of debt, the ratio climbed to 125.4% in 2009 from its pre-recession level of 119.8% registered at the beginning of 2007. Although the value of assets gradually recovered in the aftermath of the most recent recession, the persistent growth in household debt did not allow to the ratio to return to the much more moderate levels seen in the first half of the 2000s. The current level of another indicator – the ratio of financial assets-to-net worth – suggests that the vulnerability of household wealth to fluctuations in the stock market, interest rates and exchange rates has raised as the ratio exhibited a somewhat upward trend in the past several years; it increased from its decade's lowest of 64.3% at the end of 2008 to 66.6% observed at the end of 2012 (bottom graph of Figure 3).

Evaluating the distribution of wealth among households having different socio-economic characteristics would be particularly important for the assessment of the quality of the household wealth position: all other factors held constant, an increased inequality in wealth distribution would suggest a deterioration of the wealth position of a large proportion of households. However, data sets for such an analysis are not publicly available. As earlier discussed, the most recent publicly available data sources detailing the distribution of wealth across households is constituted in the Canadian Financial Capability Survey conducted by Statistics Canada in early 2009. That was a one-time survey conducted shortly after the 2008 financial crisis which had a significant impact on the financial positions of households. Although the survey continues to be a valuable source of information on financial capabilities of Canadians, the close proximity of the data collection timeline to the peak of the 2008 financial crisis, and the time that has passed since do limit its relevance.

Household assets and liabilities comprise the two components of wealth; however, they strain the value of wealth in opposite directions

### **3.2. Components Propelling Wealth Accumulation**

Naturally, for wealth accumulation to occur, the value of respective elements constituting wealth must change. Correspondingly, growth in wealth or net worth may be achieved or arrived at in a number of different ways. As detailed below, only certain groups of assets have a particularly strong influence on the outcome of wealth accumulation while households display strong preferences in approaches used for wealth accumulation.

#### **3.2.1. The Role of Assets and Liabilities in Wealth Accumulation**

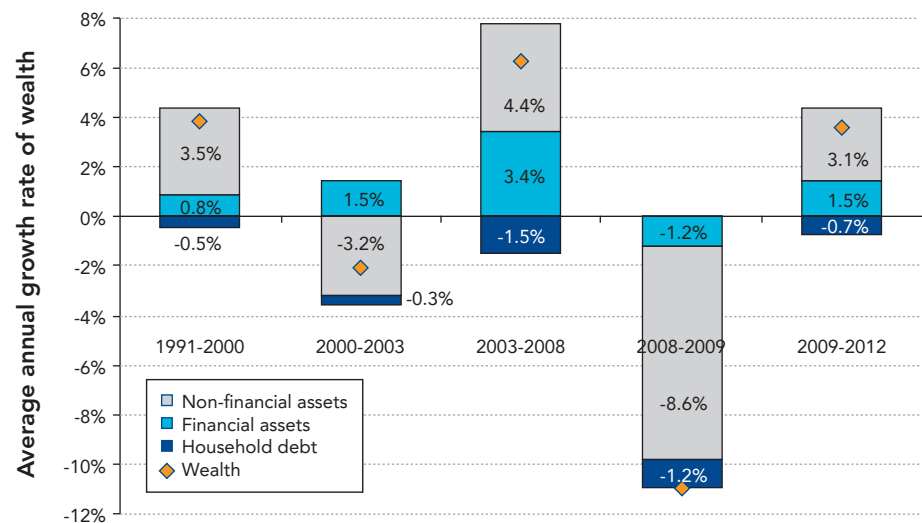
Household assets (financial and non-financial) and liabilities comprise the two components of wealth; however, they strain the value of wealth in opposite directions. In 2012, holdings in financial assets constituted some 66.3% of household wealth while non-financial assets complemented another 58.2%. In turn, debt offset nearly one quarter (24.5%) of household wealth with

mortgages accounting for as much as 15.5 percentage points of that amount.<sup>10</sup> When speaking of wealth accumulation though, the pace of expansion of wealth components becomes much more important than their share. For households to accumulate wealth, the growth rate of assets simply has to exceed the rate of increase in debt.

Over the past 20 years, the change in the value of financial assets has become the main explanatory factor for growth in household wealth. For instance, between 2003 and 2008 – the period of the most intensive wealth accumulation – the increase in the value of financial assets contributed 4.4 percentage points (or more than two thirds) to the 6.3% average annual growth rate of household wealth. During the 2008 recession, it was also the value of financial assets that most affected the level of household wealth by contributing 8.6 percentage points (or more than three quarters) of the 11.0% rate of decline in wealth occurring over 2008 (Figure 4).

**Figure 4 – Household Wealth – Components of Growth**

Over the past 20 years, the change in the value of financial assets has been the main explanatory factor for growth in household wealth; holdings in non-financial assets played a much more subtle role



Note: The average annual rate of growth is adjusted for inflation and population growth and is calculated based on data from Q1 except for 2012 where Q4 is used; household debt refers to total financial liabilities of households.

Source: Statistics Canada’s CANSIM Tables 378-0121, 051-0001 and 326-0020; CGA-Canada calculations.

<sup>10</sup> Based on Statistics Canada’s CANSIM Table 378-0121; CGA-Canada calculations.

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In turn, holdings in non-financial assets played a much more subtle role in wealth accumulation in all considered periods with the exception of the strong expansion that took place between 2003 and 2008. During that period, the contribution of non-financial assets to the growth rate of wealth was somewhat comparable to that of financial assets (3.4 vs. 4.4 percentage points respectively). Surprisingly, growth in household debt impacted rather moderately changes in household wealth; however the negative impact of debt was more substantial in some periods than in others. For instance, between 2003 and 2008, growth in household debt slowed the potential rate of growth of wealth by 1.5 percentage points or nearly one fifth of the expansion that could have been achieved in the absence of the increase in debt. In the 1990s, however, the expansion of debt consumed a much smaller proportion – roughly one tenth – of growth in wealth (Figure 4).

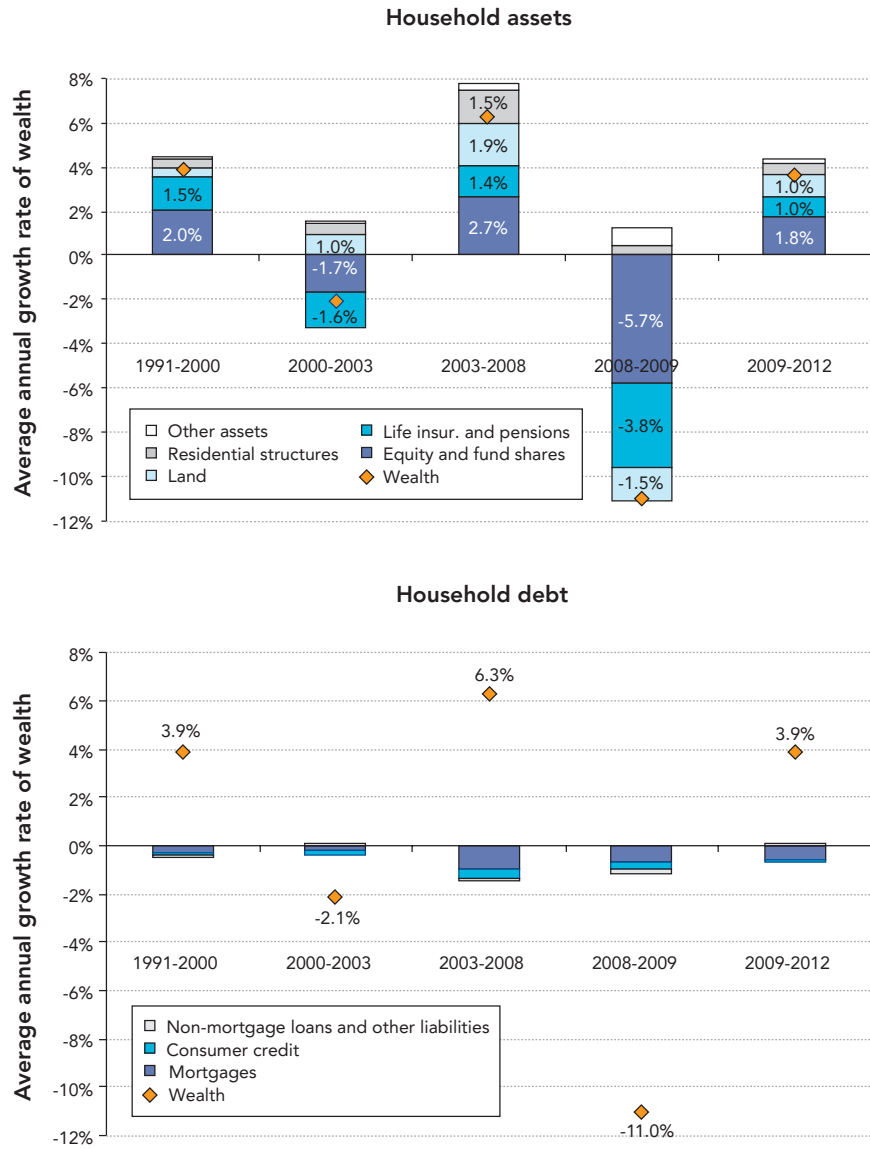
Although it is customary to distinguish at least a dozen different types of holdings that form household financial and non-financial assets, only few of those in fact generate a noticeable impact on household wealth accumulation. In the past two decades, equity and investment fund shares have consistently been the main driving force of wealth accumulation. Likewise, this type of assets was the main contributor to the decline in wealth during the periods of deteriorating financial position of households. For instance, between 2003 and 2008 – the period of most intensive wealth accumulation – equity and investment fund shares contributed 2.7 percentage points (or close to one half) of the 6.3% average annual rate of growth in household wealth. Similarly, during the most recent economic recovery, growth in financial equity again accounted for nearly half (1.8 percentage points of 3.9%) of the growth in wealth. During the 2008 recession, it propelled more than half of the wealth decline (top chart of Figure 5).

The group of assets that includes life insurance and pensions was another fairly reliable and important contributor to wealth accumulation while the influence of other asset components was less consistent. Although it is customary to view housing as the main building component of household wealth, aggregate household data suggests that the increase in the market value of this type of assets had an only minor impact on the overall growth in household wealth in most of the years. Only between 2003 and 2008, the boost in values of residential structures propelled the amassing of wealth in a manner similar to other major assets components: specifically, the increasing value of housing contributed 1.5 percentage points (or nearly one quarter) of the 6.3% average annual growth rate of wealth observed over that period (top chart of Figure 5).

It is customary to distinguish at least a dozen different types of household assets; however, only few of those in fact generate a noticeable impact on wealth accumulation

**Figure 5 – Contribution of Different Types of Household Assets and Debt to Wealth Accumulation**

Equity and investment fund shares have consistently been the main driving force of wealth accumulation; growth in household debt has constantly diminished wealth accumulation efforts



Note: The average annual rate of growth is adjusted for inflation and population growth and is calculated based on data from Q1 except for 2012 where Q4 is used; household debt refers to total financial liabilities of households. Top chart: the category "Equity and fund shares" stands for "Equity and investment fund shares".

Source: Statistics Canada's CANSIM Tables 378-0121, 051-0001, 326-0020; CGA-Canada calculations.

Unlike household assets, classification of the components of household debt is much simpler and narrows to three elements – mortgages, consumer credit, and non-mortgage loans and other liabilities. Over the past two decades, growth in household debt has constantly diminished wealth accumulation efforts of households with mortgages playing the most important role in this dynamic. For instance, in the period between 2003 and 2008, growth in mortgages offset



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the growth rate of assets by 0.9 percentage points resulting in a 6.3% average annual rate of growth of wealth over that period. Other debt components suppressed the potential growth in wealth by 0.6 percentage points over the same period of time. In more recent years, the impact of growth in debt on wealth accumulation moderated but only slightly (bottom chart of Figure 5).

### **3.2.2. Approaches Commonly Used for Wealth Accumulation**

The accumulation of wealth may take place through a number of channels. New assets may be created by households using a portion of their earnings that are not spent (i.e. savings). Whether new savings are invested or merely kept in cash or cash-equivalent forms will nevertheless lead to wealth accumulation. Furthermore, wealth may be amassed through the appreciation of already existing assets that generate positive investment returns. And finally, wealth accumulation may be achieved through a reduction of outstanding household debt. Accumulation of wealth through the creation of new assets and the reduction of outstanding debt leads to a certain increase in wealth (if all other factors remain constant); moreover, these methods of amassing wealth are also under the direct control of the household. In turn, relying on the appreciation of already existing assets for wealth accumulation is associated with uncertainty of outcome as positive investment returns are not assured and largely outside the immediate control of the household.

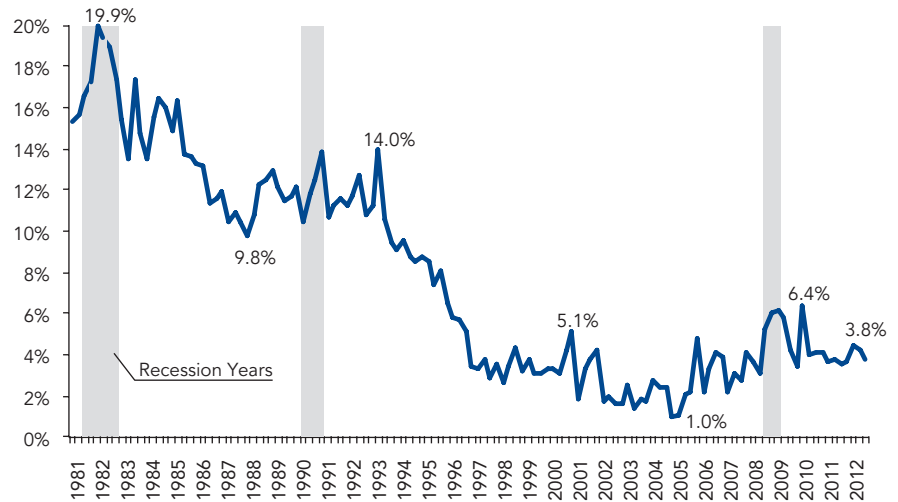
The accumulation of wealth through creation of new assets has noticeably declined over the past two decades

The dynamic of the household savings rate suggests that the reliance of households on the accumulation of wealth through acquisition or attainment of new assets has noticeably declined over the past two decades. The household savings rate plummeted from its peak of 19.9% in the early 1980s to its lowest of 1.0% at the beginning of 2005. Although the savings rate improved during the most recent recession, it continued to be five times lower at the end of 2012 compared to that observed in the early 1980s (top graph of Figure 6).

The declining savings rate appears to be a behavioral response of households to the strong and prolonged bull markets in stocks and housing that increased the value of household assets and net worth. However, this relationship has not always been consistent. The strong negative correlation (-0.96) between the household savings rate and the ratio of wealth-to-disposable income observed between 1990 and 1999 certainly suggests that consumers viewed asset appreciation as a substitute for the practice of saving money from earnings at that time. This relationship reversed (as suggested by the positive correlation of 0.47) in the mid-2000s when both an increase in the savings rate and strong growth in wealth co-existed. However, in the aftermath of the most recent recession, the appreciation of assets again appears to be crowding out saving intentions of households. As seen from the bottom chart of Figure 6, the correlation between the savings rate and wealth was rather strong but negative (-0.69) between 2008 and 2012.

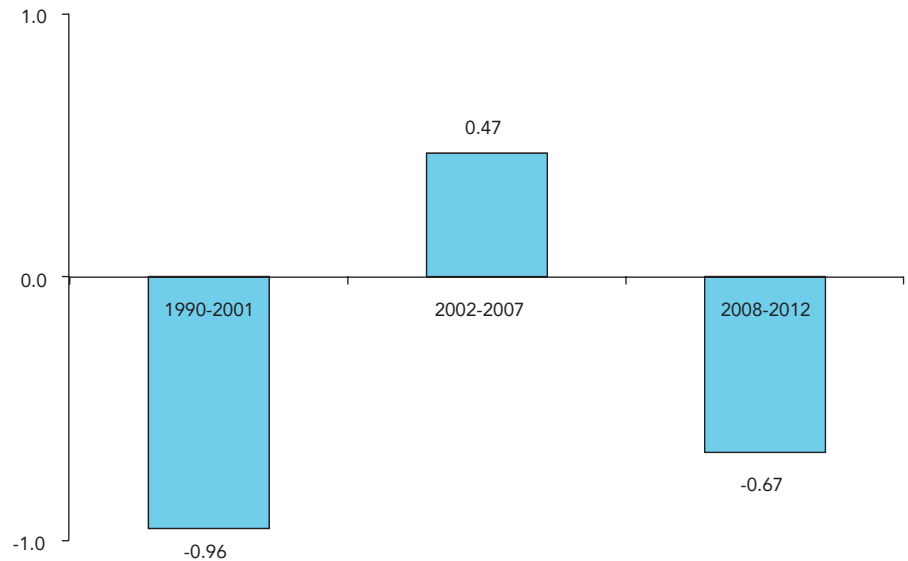
**Figure 6 – Household Savings and Wealth**

**Household savings rate**



In the aftermath of the most recent recession, the appreciation of assets again appears to be crowding out saving intentions of households

**Correlation between savings rate and net worth-to-disposable income ratio**



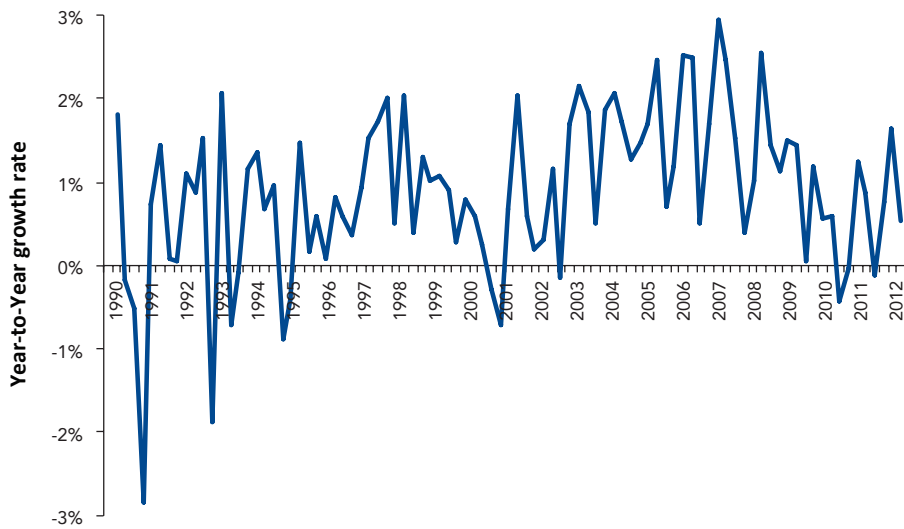
Source: Statistics Canada's CANSIM Tables 380-0072 and 378-0123, CGA-Canada calculations.

A reduction in outstanding debt could certainly lead to an increase in the value of wealth if all other factors are kept constant; however, an actual decline in the aggregate level of household debt has been observed fairly infrequently. As seen from Figure 7, over the past 18 years, only five episodes can be identified when the level of household debt (adjusted for inflation and population growth) declined. Even though incidences of reduction in household debt were much

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more prevalent in the earlier 1990s; those episodes were rather sporadic and alternating with the periods characterized by a surge in growth. The overall rarity of periods of declining levels of debt may be somewhat puzzling given the fact that the age structure of the Canadian population has noticeably changed. As was discussed in Section 3.1.1, a much smaller proportion of households in their borrowing years are present in society today as compared to some two decades ago.

**Figure 7 – Changes in Household Debt**



An actual decline in the aggregate level of household debt has been observed fairly infrequently

Note: The rate of growth is adjusted for inflation and population growth; household debt refers to total financial liabilities of households.

Source: Statistics Canada's CANSIM Tables 378-0121, 051-0001 and 326-0020; CGA-Canada calculations.

The low reliance of households on creating new assets and reducing existing debt loads when amassing wealth suggests that dependence on appreciation in the value of existing assets continues to be highly important for households in their wealth accumulation. As discussed in paragraphs that follow, this propensity has certain drawbacks.

### **3.3. Drawbacks of Approaches Commonly Used for Wealth Accumulation**

Changes in the composition of household assets and increased exposure to adverse events due to high level of household debt are the two main disadvantages caused by extensive reliance of households on appreciation in the value of existing assets in amassing wealth.

Certain positive but also adverse adjustments have been noted in the composition of household assets over the past decade

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### 3.3.1. Changes in the Composition of Household Assets

For several groups of household assets, the year 2000 became a pivotal point in their role in the overall mix of household holdings. For instance, the importance of land in total assets was slowly but steadily declining between 1990 and 2000 but started to gain momentum thereafter increasing its share in total assets from 13.1% in 2000 to 19.3% in 2012. The role of life insurance and pension assets underwent an opposite transformation: the 5-percentage point gain in the share of this asset group observed throughout the 1990s was fully offset by the decline in share experienced in the 2000s. As a result, an overall change in the share of life insurance and pension assets in total assets was very minor – it increased from 18.4% to 18.8% of total household assets between 1990 and 2012 – however, the dynamic over that period was significant (Figure 8). Given such radical changes in the trends, the analysis of variations in the structure of household assets depends greatly on the choice of the timeframe. Mindful of that, the examination presented in this subsection is primarily focused on the period between 2000 and 2012.

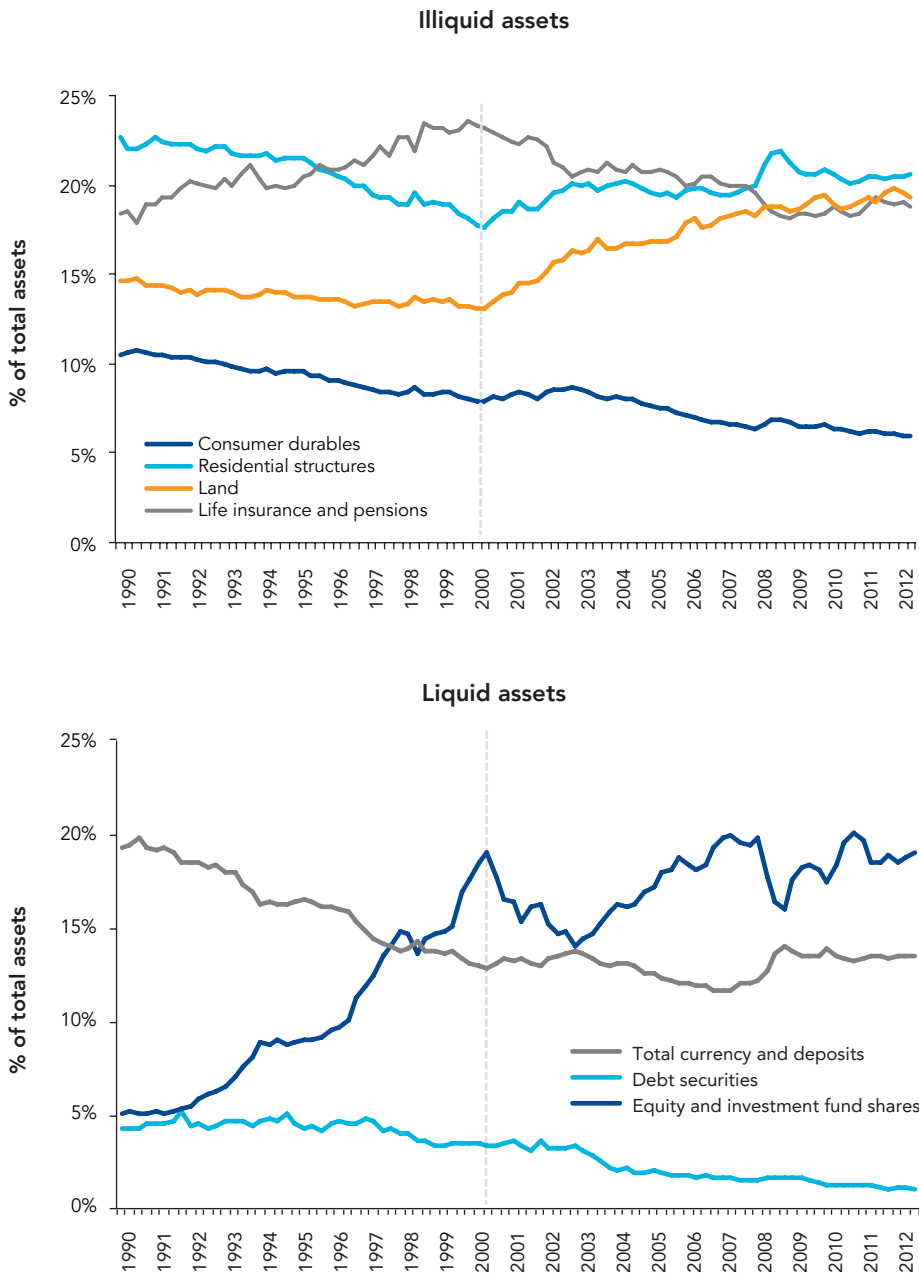
The overall liquidity of the household asset mix did not change much; however certain positive but also adverse adjustments have been observed in the composition of household assets over the past decade. Between 2000 and 2012, households gradually but steadily increased their holdings of residential structures and particularly land; their combined share went up from 31.3% of total assets in 2000 to 39.8% in 2012. This was somewhat offset by the dynamic of another group of illiquid assets – life insurance and pensions:<sup>11</sup> their share declining from 23.5% to 18.8% over the same period of time. The latter may be seen as a rather favorable improvement in the structure of household assets as life insurance and pension holdings are primarily non-marketable assets that usually present value to their holders but are not tradable or transferable and thus cannot be relied upon as a cushion for difficult times. Another favourable change to the structure of household assets was the decline in the weight of consumer durables in the total asset mix. The market value of such assets seldom increases and thus contributes little to the expansion of wealth (top graph of Figure 8).

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11 The characterization of the “Life Insurance and Pensions” group of assets as illiquid bears certain degree of imprecision as the group consists of different types of assets some of which may be considered as liquid assets. Specifically, cash value of a permanent life insurance policy may be viewed as a liquid rather than illiquid asset. However, the System of National Accounts does not provide information on the detailed composition of the life insurance and pensions group of assets; this impedes a more precise grouping of household assets into liquid and illiquid assets. Given that household spending on retirement and pension fund payments is five times greater than that on premiums on life, term and endowment insurance, the entire group of life insurance and pensions assets is treated as illiquid assets for the purpose of this report.

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**Figure 8 – Changes in the Composition of Household Assets**



The composition of liquid assets somewhat shifted away from lower-yielding, lower-risk assets towards higher-risk and more volatile asset holdings

Source: Statistics Canada's CANSIM Table 378-0121, CGA-Canada calculations.

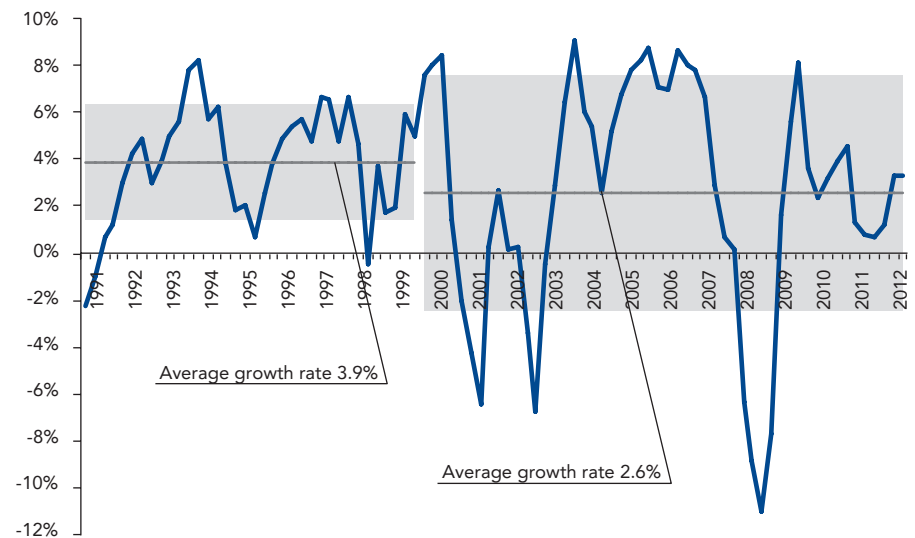
The changes in the composition of liquid assets may be seen as less positive as the asset mix somewhat shifted away from lower-yielding, lower risk assets towards higher-risk and more volatile asset holdings. This trend is the most obvious when assessed over the longer-term: the share of cash, currency deposits and debt securities declined from 23.5% of total assets in 1990 to 14.5% in 2012 whereas the weight of equity and investment fund shares

The increased volatility of the value of household assets curbed considerably the overall pace of wealth accumulation in the past decade

increased from 5.0% to 19.1% of the total asset mix over the same period of time (bottom graph of Figure 8). Although these changes in preferences were largely a response to modest and declining interest rates earned on deposits and fixed income securities, households have now a somewhat smaller buffer of lower risk funds to draw upon in the event of adverse economic shocks. Another adverse consequence of this trend lies in the fact that the share of equity investments in the overall asset mix has become much more prominent but also volatile during the 2000s suggesting that the appreciation of these types of assets are now a less reliable source of wealth accumulation when compared to the earlier decade.

The increased volatility of the value of household assets driven primarily by fluctuations in equity holdings curbed considerably the overall pace of wealth accumulation in the past decade compared to the 10 years prior. As seen from Figure 9, households enjoyed an average 3.9% of year-to-year growth of wealth between 1990 and 1999 (adjusted for inflation and population growth); this rate declined to 2.6% in the decade that followed. In turn, the uncertainty of growth increased markedly: the standard deviation that can be used in assessing the volatility in growth rates increased from 2.4 percentage points of the mean observed between 1990 and 1999 to 5.0 percentage points registered in years between 2000 and 2012.

Figure 9 – Year-to-Year Growth in Household Wealth



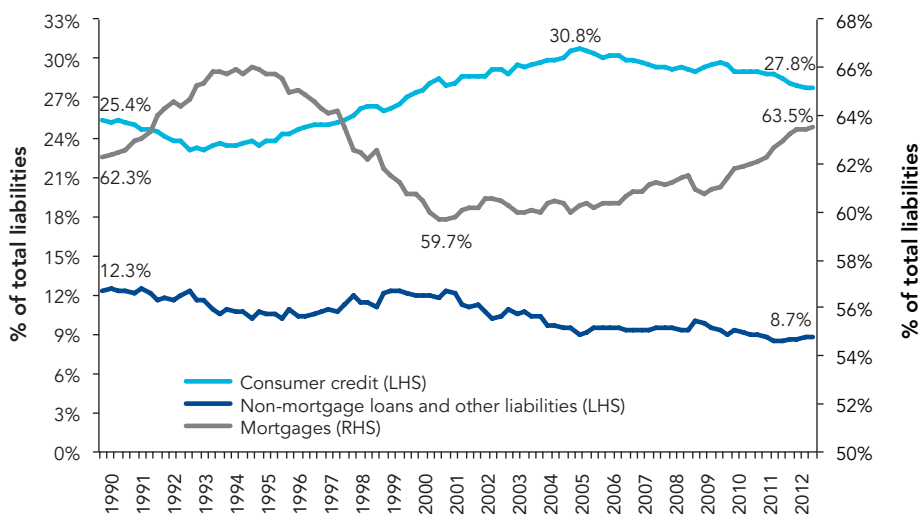
Note: The rate of growth is adjusted for inflation and population growth; grey areas highlight values within one standard deviation of the mean.

Source: Statistics Canada’s CANSIM Tables 378-0121, 051-0001 and 326-0020, CGA-Canada calculations.

### 3.3.2. Increased Exposure Due to High Level of Household Debt

Certain improvements have been observed in the pace of expansion of household debt in the past several years.<sup>12</sup> The year-to-year growth of household debt (adjusted for inflation and population growth) declined from 6.1% at the end of the most recent recession to as low as 1.4% in May 2011. Although, the pace of expansion has slightly picked up since, it continues to be well below the long-term average. This decline was greatly influenced by a noticeable slowdown in the rate of growth of consumer credit which remained negative through 2011 and has stayed close to zero since. This improved the overall composition of household debt reducing the share of consumer and other non-mortgage loans in the overall credit mix (Figure 10). Such changes are encouraging as consumer and other non-mortgage loans are not backed by appreciating assets and thus are particularly disadvantageous for wealth accumulation.

**Figure 10 – Changes in the Composition of Household Debt**



The stock of debt continues to adversely impact the level of wealth in a noticeable way

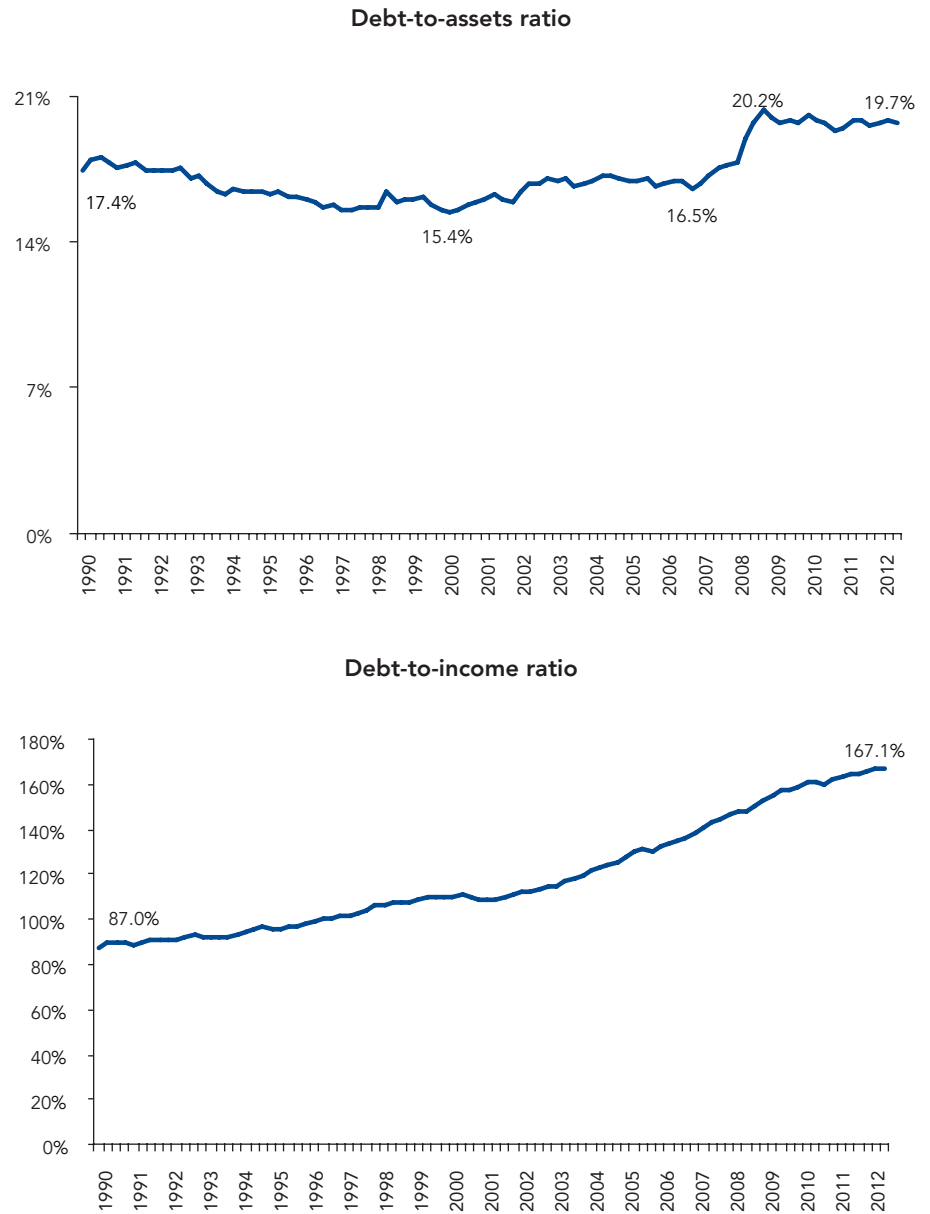
Source: Statistics Canada's CANSIM Table 378-0121, CGA-Canada calculations.

As was discussed in Section 3.2.1, the rate of expansion of household debt observed over the past two decades only somewhat diminishes the pace of wealth accumulation. In turn, the stock of debt does affect the level of wealth in a noticeable way. Specifically, the extent to which debt diminishes household wealth increased abruptly during the most recent recession: the proportion of debt in total household assets surged from 16.5% at the beginning of 2007

12 CGA-Canada has been monitoring the issue of household debt since early 2007 and published four research reports that present an in-depth analysis of the dynamic of debt through ups and downs of business cycles; the reports also examine the impact of indebtedness on household's susceptibility to shocks and their ability to pay. The reports are available free of charge on CGA-Canada's website ([www.cga.org/canada](http://www.cga.org/canada)).

to 20.2% at the beginning of 2009; at present, it continues to be at a much higher level than the longer-term average of 16.6% observed during the 1990s and most of the 2000s (top graph of Figure 11). Maintaining the already high level of the debt-to-assets ratio not only diminishes household wealth but also increases households' long-term vulnerability as a greater proportion of assets may be required to be liquidated in order to satisfy debt.

**Figure 11 – Selected Household Debt Ratios**



The already high level of the debt-to-assets ratio not only diminishes household wealth but also increases households' long-term vulnerability

Note: Household debt refers to total financial liabilities of households.

Source: Statistics Canada's CANSIM Table 378-0123.



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Moreover, high level of debt increases the risk of depletion of wealth. The debt-to-income ratio reached a new record high of 167.1% at the end of 2012. In fact, the rapid rate of increase in this indicator has remained fairly constant since 2001; seemingly insensitive to whether the economy was going through the upside or downside of corresponding business cycles (bottom graph of Figure 11). The continuation of the upward trend observed in the debt-to-income ratio suggests a further increase in the short-term vulnerability of households and exposure to the risk of default that would lead to depletion of wealth, particularly given the fact that asset portfolios became skewed towards assets having elevated price volatility.

Summing up the discussion, the following points are deemed important. First, a large proportion of wealth accumulation in recent years has served principally to restore the pre-recession wealth position rather than advance it to new levels. Moreover, measures of quality of the household wealth position are sluggish in improving or continue deteriorating in the aftermath of the most recent recession. Second, reliance of households on the accumulation of wealth through an acquisition of new assets has noticeably declined as the household savings rate plummeted; appreciation of equity and investment fund shares is the main driving force of wealth accumulation. Third, the increased volatility of the value of household assets driven primarily by fluctuations in equity holdings curbed considerably the overall pace of wealth accumulation. Fourth, the impact of the stock of household debt on the level of wealth is noticeable and the high level of debt increases both households' short-term and long-term vulnerabilities to economic shocks.

Having identified the outcomes of household wealth accumulation as they transpire from the aggregate data for the household sector as a whole, the considerations presented in the subsequent section are focused on the wealth accumulation process and outcomes as they are perceived by individual households.

The continuation of the upward trend observed in the debt-to-income ratio suggests a further increase in the short-term vulnerability of households



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# Wealth Accumulation as Perceived by Canadian Households

# 4

The public opinion survey commissioned by CGA-Canada sought to examine attitudes of Canadian households to wealth accumulation. Survey respondents were asked to reflect on the state of their household finances within four broad themes: (i) presence and importance of wealth; (ii) purpose of wealth accumulation; (iii) strategies used in amassing wealth, and (iv) approaches utilized in managing the accumulation process. The findings of the survey are presented in this section under the four main themes identified above whereas Appendix A contains the description of the survey methodology and the questionnaire. During the survey, the respondents were asked to reflect on the situation as it pertained to their household as a whole rather than to themselves personally.

29% of surveyed households reported to have no wealth

## 4.1. Presence and Importance of Wealth

One of the objectives of the survey was to identify the perceptions of households regarding the level of their financial well-being, the presence of wealth and recent changes in their wealth position. Survey respondents were also asked to share their views on the importance of wealth accumulation.

### Selected Definitions

**Wealth** is defined as the difference between the value of household total assets which consist of financial and non-financial assets and household total debt which consists of mortgage credit and consumer credit.

#### Presence of Wealth

- Households with wealth are those whose total value of assets exceeds total debt.
- Households with no wealth are those whose total value of assets is about the same or lesser than total debt.

#### Age Groups

- Younger households are comprised of survey respondents that are less than 35 years of age.
- Middle age households are comprised of survey respondents 35 to 54 years of age.
- Older households are comprised of survey respondents that are 55 years of age and over.

#### Income Groups

- Lower-income households are those with annual household income of less than \$35,000.
- Middle income households are those with annual household income between \$35,000 and \$74,999.
- Higher-income households are those with annual household income of \$75,000 and above.

#### Health Status

- Households in good health are those where the survey respondent as well as the spouse (where applicable) are reported to be in excellent or good health.
- Households in fair health are those where the survey respondent and/or the spouse (where applicable) are reported to be in fair or poor health.

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#### 4.1.1. Household Wealth Position

##### *Presence of Wealth*

More than one quarter (29%) of surveyed households reported to have no wealth as the value of their household assets was either less or about the same compared to the amount of their household debt. Households with no wealth tended to be non-retired, middle age households of different income levels. In turn, 71% of surveyed households had accumulated a certain amount of wealth as their total household debt was less than the value of their assets.

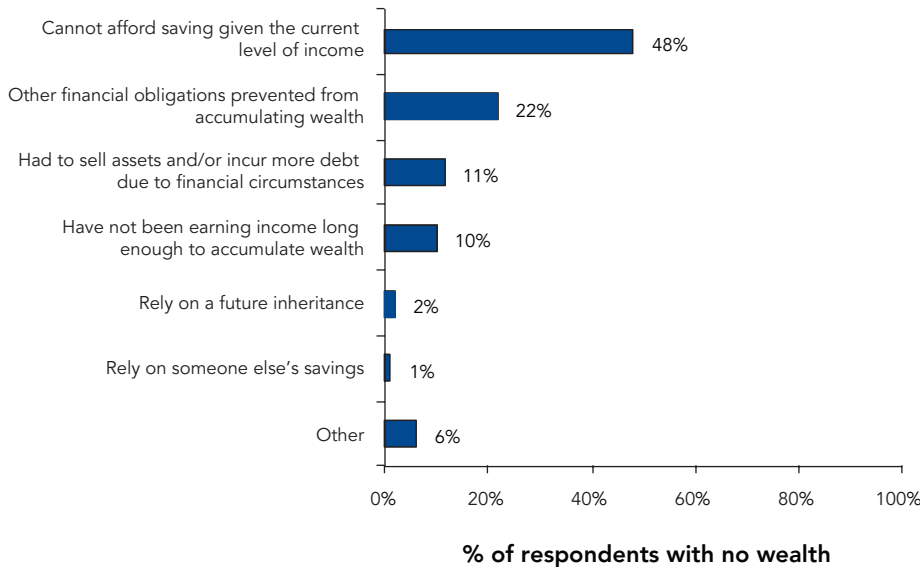
48% of households with no wealth said that the challenge of saving given the current level of income was the primary impediment for accumulating wealth

Age and income were two most influential factors affecting respondents' propensity to have wealth. Only slightly more than half (55%) of younger households reported wealth while among older households this proportion stood at 86%. A similar magnitude of differences was observed across different income groups: while only 59% of lower-income households reported to have wealth, this proportion was as high as 80% among higher-income households. Such an "income advantage" was present across all age groups. The health status also influenced the likelihood of households to have wealth; however, its effect was less pronounced compared with that of income and age. Households that have received an inheritance in the past tended to report wealth more often compared to those who have not. In turn, the degree of importance that households attribute to leaving an inheritance did not affect households' propensity to have wealth.

Nearly half (48%) of households who did not have wealth suggested that the challenge of saving given the current level of income was the primary obstacle for them in accumulating wealth. This was by far the most often cited reason for not being able to accumulate wealth. Having other financial obligations was the second most likely barrier that precluded households from amassing wealth: 22% of those with no wealth cited this as the main reason. Only relatively few households suggested that they had not accumulated wealth because they relied on someone else's savings or future inheritance, or did not earn income long enough to be able to accumulate wealth (Figure 12). The level of income had a strong influence on the reasons why some households do not have wealth. The ability of higher-income households to accumulate wealth was most likely to be impacted by the need to honour other financial obligations whereas for the majority of lower- and middle-income households, the challenge of saving from current income was the prevailing cause of not having wealth.

Only 38% of households with no wealth expected to accumulate some wealth in the next three years whereas an almost equal proportion (36%) of such households reckoned they would not be amassing any wealth in the near future; another 26% did not know. Higher income, younger age, better state of health and attachment to the labour market were the factors that positively influenced

**Figure 12 – The Main Reason Why Households Do not Have Wealth**



households' prospects of accumulating wealth in the near future. The reason for not accumulating wealth also affected expectations of engaging in that process in the future. Households that did not accumulate wealth due to other financial obligations were three times more likely to expect to accumulate wealth than not. Contrary, households that could not afford to save given the current level of their income were more inclined to think that they would not accumulate wealth in the next three years.

### ***Changes in Wealth***

Overall, the household wealth position, as perceived by survey respondents, improved over the past three years. Households that experienced an increase in their wealth outnumbered those whose wealth decreased: 39% of households said they had more wealth today compared to three years ago whereas 28% of surveyed reckoned that their wealth declined over the same period of time. The remaining 33% of households reported that their wealth situation remained about the same in recent years.

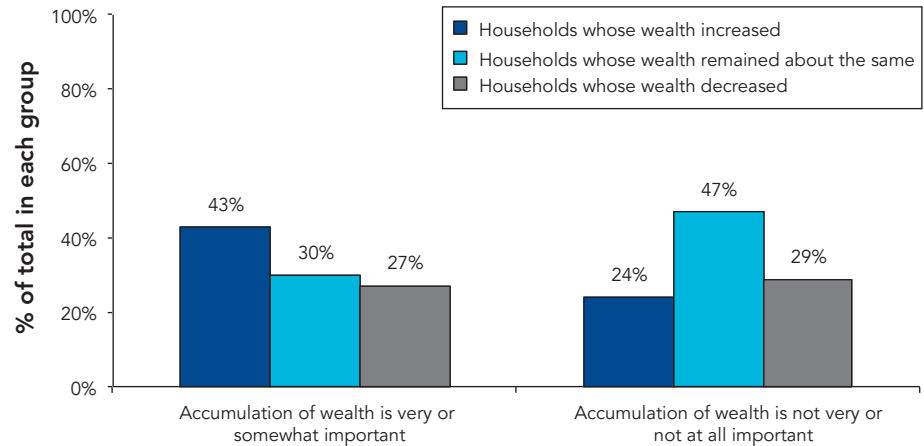
**36% of households with no wealth reckoned they would not be accumulating any wealth in the next three years**

Variations in the dynamic of wealth were particularly noticeable across different income groups: only 18% of lower-income households gauged their wealth as increasing while among higher-income households this proportion was more than three times higher and stood at 60%. As may be expected, households whose assets increased and/or debt decreased in the past three years were much more likely to report a positive change in wealth compared with households whose balance sheet deteriorated. The likelihood of positive

50% of households felt that the amount of wealth they have amassed over the past three years was either somewhat or noticeably below the levels expected

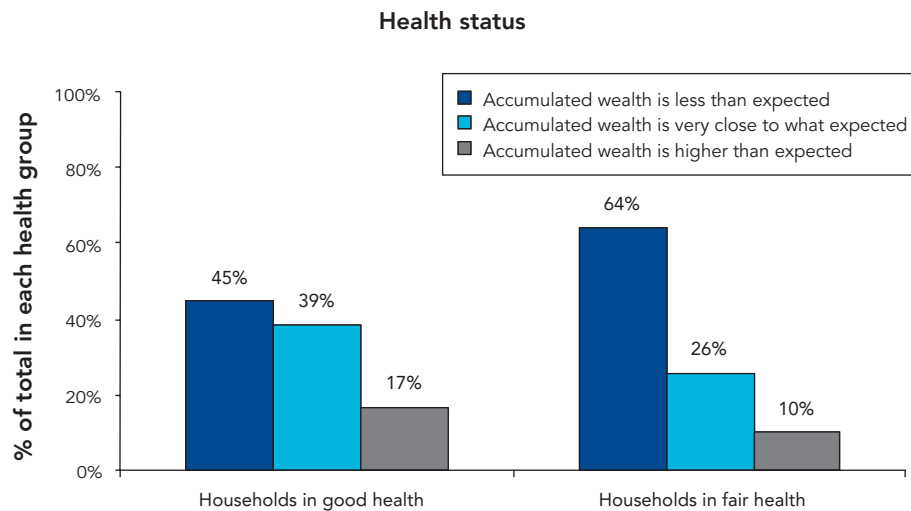
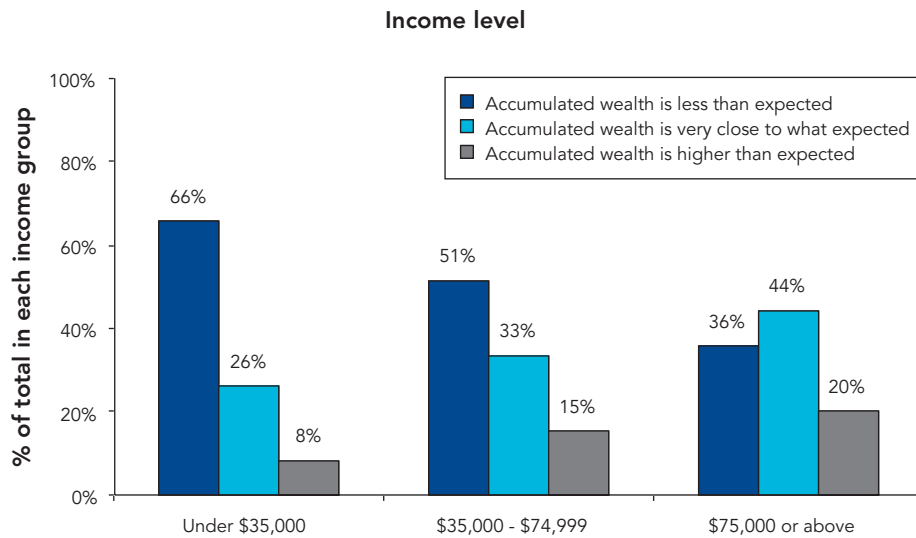
changes in wealth was also higher for those who thought that amassing wealth was an important part of their personal goals (Figure 13). In turn, such factors as household age, the intent of leaving an inheritance and instances of receiving inheritance did not noticeably affect the dynamic of household wealth.

**Figure 13 – Changes in Wealth and the Perception of Importance of Wealth**



Although households tended to report their wealth as increasing rather than decreasing, the pace of wealth accumulation fell short of their expectations. Half (50%) of households reckoned that the amount of wealth they have amassed over the past three years was either somewhat or noticeably below the levels expected and only a small proportion (15%) of surveyed said they accumulated more wealth over the past three years than they had anticipated. Unmet expectations were particularly common among lower-income households and those in fair health: some 66% of households with modest means and 64% of households in fair health accumulated less wealth than expected. Among higher-income households and those in good health these proportions stood at 36% and 45% respectively (Figure 14). The change in income was another strong determinant in meeting expectations of wealth increase. In turn, the household's age and retirement status did not have a similarly noticeable impact on the ability of households to meet or exceed expectations of wealth accumulation.

**Figure 14 – Wealth Accumulation Expectations  
– by Selected Characteristics**



Households reported to be rather satisfied with the pace of their wealth accumulation even though for many the expectations were not met

Overall, households were rather satisfied with the pace of their wealth accumulation even though for many the expectations were not met. Some 42% of households were very or somewhat satisfied by the rate at which they amass wealth while another 25% said they were neither satisfied nor unsatisfied. Only one third (33%) of respondents were displeased with the pace of their wealth accumulation. Higher-income households were more than twice more likely to be satisfied with the rate of wealth accumulation compared to lower-income households (59% vs. 23% respectively). Likewise, the predominant proportion of retirees (53%) were very or somewhat satisfied with the rate at which they amass wealth; among those who have not yet retired, a much smaller proportion (38%) felt that way.

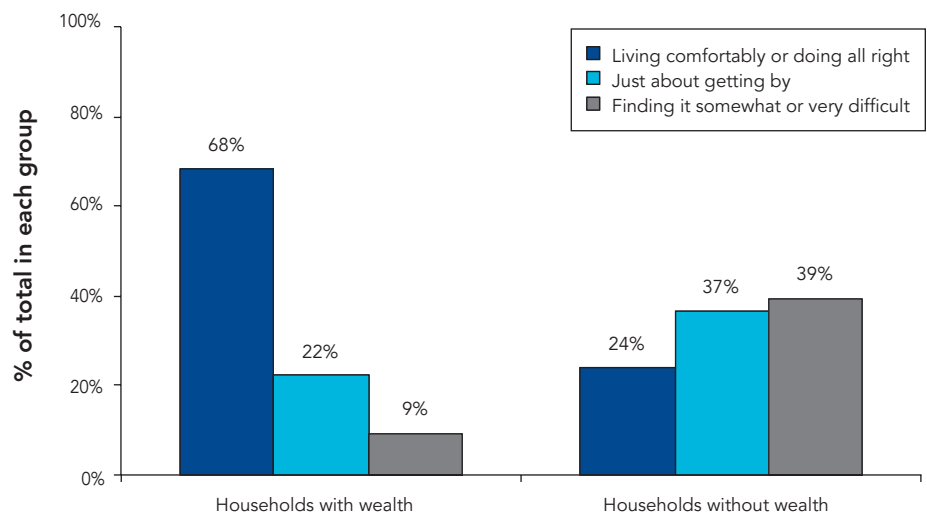
Only 29% households thought that accumulation of wealth is very important among their other personal goals

#### 4.1.2. Importance of Wealth Accumulation

Only three in ten (29%) households thought that accumulation of wealth is very important among their other personal goals while the majority (53%) of households gauged this as only a somewhat important pursuit. In turn, one fifth (19%) of the surveyed reasoned that accumulation of wealth is not important for them. Households with no wealth were noticeably more likely to see wealth accumulation as very important compared to households with wealth. The perceived importance of wealth accumulation weakens with age: a noticeably larger proportion (38%) of younger households gauged wealth accumulation as very important compared to only 23% of older households. The level of income did not significantly affect the sense of importance of wealth accumulation. Similarly, changes in the level of income, the health status and instances of receiving an inheritance did not noticeably influence the perceived level of importance of wealth accumulation.

Overall, households were rather divided when assessing their current financial situation: some 36% of households gauged that they were doing all right financially while some 20% of survey participants said they lived comfortably these days. Still, one quarter (26%) of households were just getting by while nearly one fifth (18%) assessed their financial situation as somewhat or very difficult. The presence of wealth was a significant factor affecting households' perceptions of quality of their financial well-being. Four in ten (39%) households with no wealth gauged their financial situation as difficult; this proportion was four times smaller (9%) among households with wealth. The opposite was also true: those with wealth had a much higher propensity of living comfortably compared to households that did not amass any wealth (Figure 15).

Figure 15 – Wealth and Financial Well-being





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The level of income was another important aspect impacting the perceived level of financial well-being. Some 36% of lower-income households assessed their financial situation as difficult while this was the case for only 6% of higher-income households. Somewhat surprisingly, retired respondents were noticeably more likely to report positive financial conditions compared to other respondents: some 70% of retired households said they are living comfortably or doing all right while only 51% of household that have not yet retired placed themselves in the same category.

## **4.2. Purpose of Wealth Accumulation and Expected Use of Wealth**

The second objective of the survey was to understand the main reasons propelling households' pursuit of wealth accumulation.

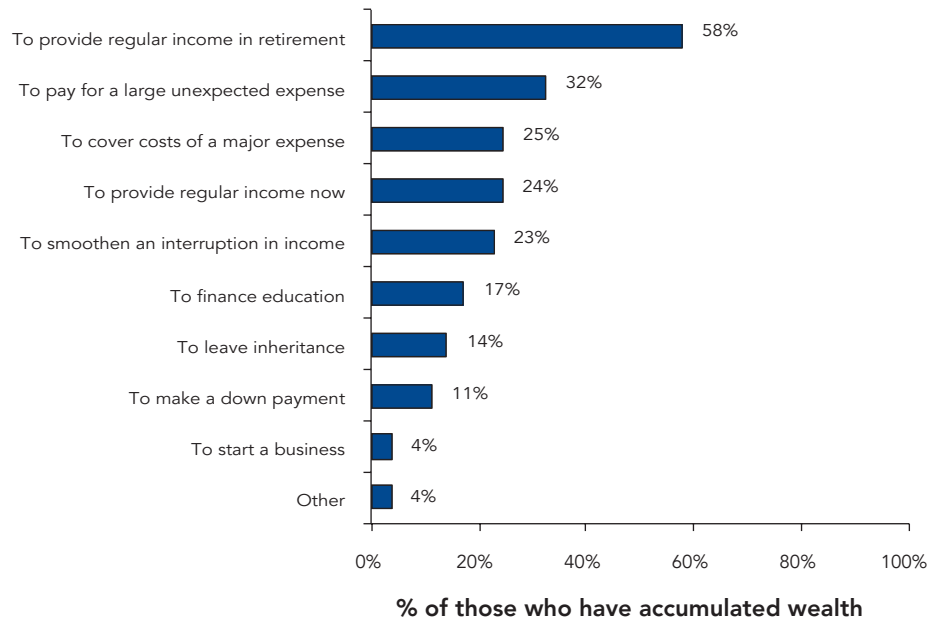
### **4.2.1. Purpose of Wealth Accumulation**

One quarter (25%) of households said they have not been involved in accumulating wealth in the past three years. Those were primarily lower-income, either middle age or older retired households who were nearly equally likely to be households with or without wealth.

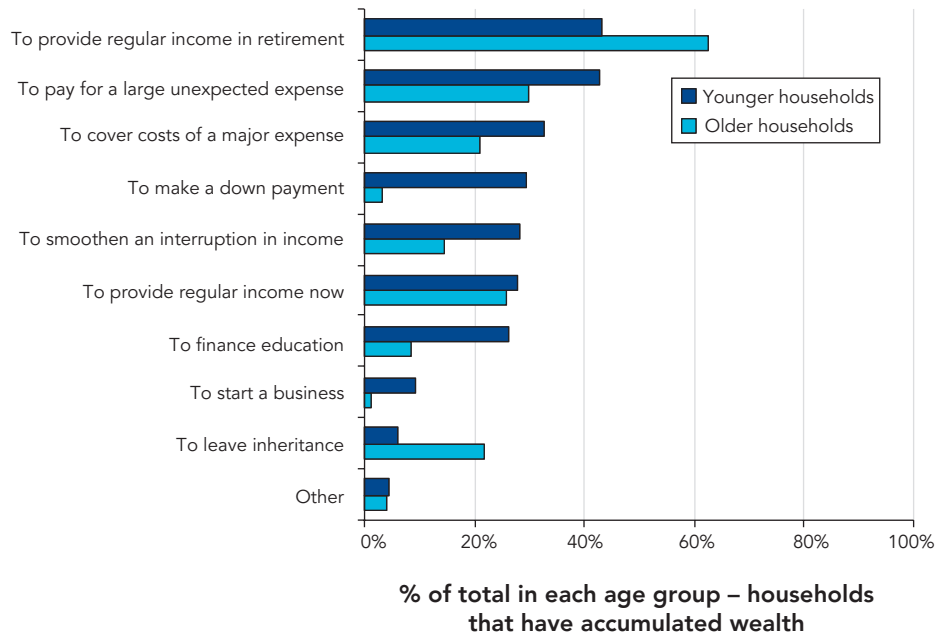
Households that have been accumulating wealth over the past three years did so for a number of purposes. Providing regular income in retirement was by far the most often cited rationale for accumulating wealth – 58% of households amassing wealth were guided by this reason. Being able to pay for a large unexpected expense and cover costs of a major outlay were two other most often mentioned reasons for accumulating wealth; they were indicated by 32% and 25% of respondents respectively. Such objectives as starting a business, accumulating funds for a down payment and leaving inheritance were among the least important motivations for accumulating wealth (top chart of Figure 16).

Providing regular income in retirement was by far the most often cited rationale for accumulating wealth

**Figure 16 – Purpose of Wealth Accumulation**



Noticeable variations in the main purpose of wealth accumulation existed among households from different age groups



Noticeable variations in the main purpose of wealth accumulation existed among households from different age groups. Amassing wealth to provide funds for down payment, finance education and ensure the ability of smoothening an income interruption were much more important for younger households compared to their older counterparts. In turn, accumulating wealth to leave an inheritance drew a noticeably lesser attention of younger households but was an important motivation for amassing wealth among older households.

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However, providing income in retirement and safeguarding against costs of a large unexpected expense ranked as the top reasons for wealth accumulation for both younger and older households (bottom chart of Figure 16).

An intergenerational transfer of wealth is often seen as one of the underlying motivations for wealth accumulation. As such, the survey respondents were asked to reflect on the importance of leaving an estate or inheritance to their surviving heirs. Some 63% of households gauged leaving an inheritance as very or somewhat important while one quarter (24%) of households gauged this as a not very important pursuit; for 14% of households, leaving an inheritance was not important at all. The level of household income influenced only moderately the perceived importance of leaving an inheritance: while 59% of lower-income households thought that leaving inheritance is important, this proportion stood at 65% for higher-income households. Other socio-economic characteristics such as households' age and retirement status, the perceived level of financial well-being, presence of wealth and changes in household debt and assets did not noticeably affect households' views on the importance of leaving an inheritance.

80% of households agreed that they may consume wealth at least in part in the next three years

Although leaving an inheritance is of importance to the majority (63%) of households, only less than half (41%) said they plan to do that. A range of factors have a strong influence upon this intent; among those are the presence and importance of wealth, dynamic of household assets, age, and income.

#### **4.2.2. Expected Use of Wealth in the Near Future**

Nearly one fifth (18%) of surveyed households do not expect to have any wealth in the next three years. These households are primarily lower-income, middle age or older households that assess their financial situation as very or somewhat difficult.

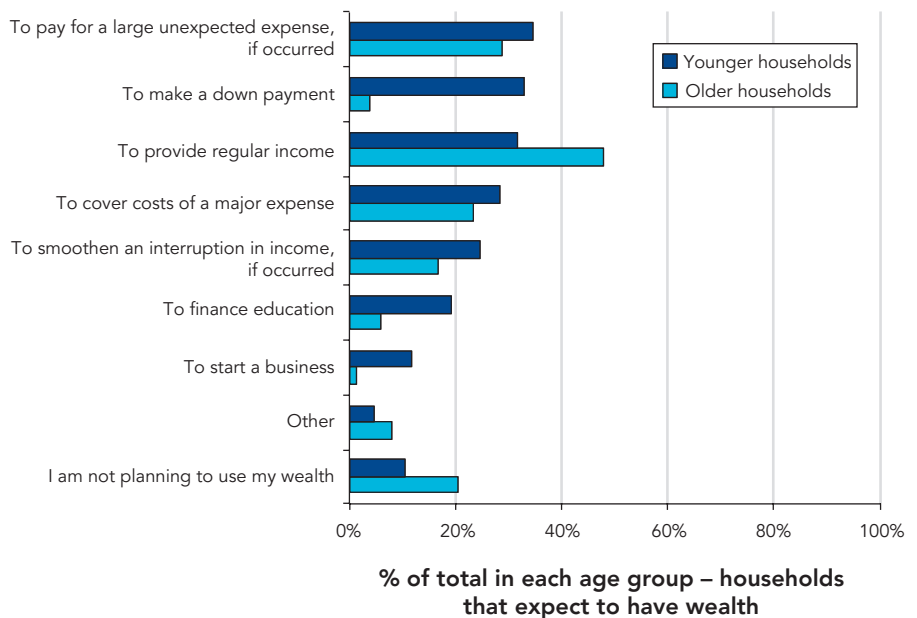
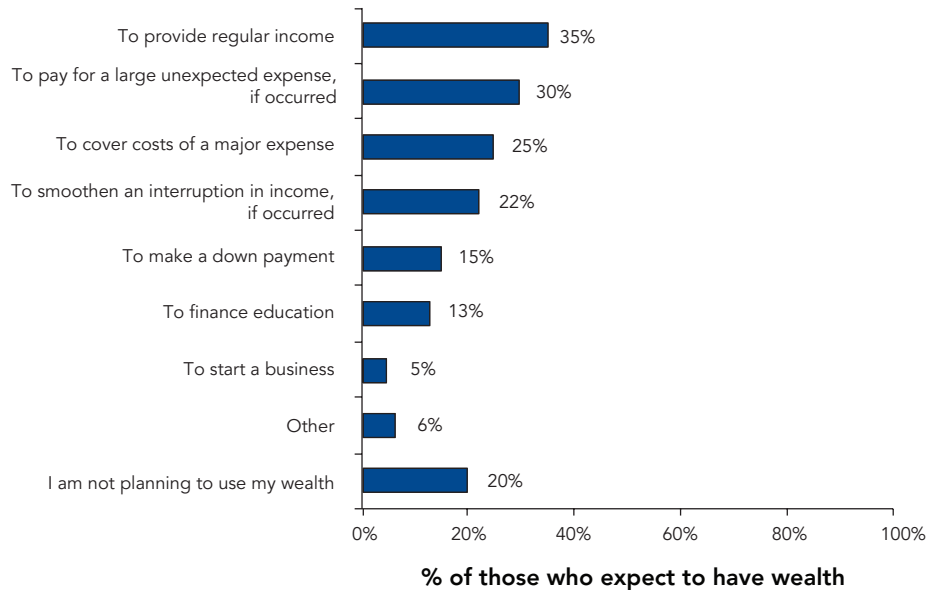
Some 20% of households that expected to have wealth in the next three years did not plan to use their wealth in whole or in part for any particular purpose in the next three years. In turn, the overwhelming majority (80%) agreed that they may consume wealth at least in part in the near future. The two most often cited reasons for which households expected to use their wealth was to provide regular income and pay for a large unexpected expense should it occur. Such ways of using wealth as financing education or starting a business were seldom identified by households as expected ways of using their wealth in the next three years (top chart of Figure 17).

The household's age group was a strong determinant of ways in which households anticipated to use their wealth. A much larger proportion of younger households thought that they would use their wealth to make a down payment for a house or to finance education. Older households, in turn, were much more likely to

expect using their wealth to provide regular income or, to the contrary, not to plan using wealth at all. Paying for a large unexpected expense (if incurred) was the most often cited reason for possible use of wealth over the next three years for both age groups. Somewhat surprising, the survey showed that older and not younger households were much more likely to say they intend to refrain from using their wealth in the next three years (bottom chart of Figure 17).

**Figure 17 – Expected Use of Wealth in the Next Three Years**

Paying for a large unexpected expense (if incurred) was the most often cited reason for possible use of wealth over the next three years



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### 4.3. Approaches Used for Wealth Accumulation

Another objective of the survey was to gain insights regarding strategies used by households for accumulating wealth. For that purpose, households were asked to describe their attitudes regarding three forms of financial behaviour that have a direct impact on wealth; namely, making savings contributions, accumulating housing equity and reducing mortgage debt, and investing in financial assets.<sup>13</sup>

#### 4.3.1. Savings Contributions

Allocating a portion of household income to savings (as opposed to consumption) is an important element in accumulating wealth as it allows households to allot resources in order to expand their assets or reduce debt. Some 25% of Canadian households said they have never or almost never made savings contributions. However, three quarters (75%) of households do save: one half (50%) of households regularly allocate funds to savings while one quarter (25%) make occasional savings contributions.

25% of Canadian households said they have never or almost never made savings contributions

The likelihood of saving depends greatly on the level of household income: only 27% of lower-income households make regular savings while this proportion is more than two times higher (69%) among higher-income households. Similarly, lower-income households have a much greater propensity to never make savings contributions compared to higher-income households (top chart of Figure 18). Households gauging accumulation of wealth as important were more likely to save on a regular basis compared to households that view the amassing of wealth as a not very important pursuit: the likelihood of saving regularly was 53% vs. 40% respectively among these two groups of households (bottom chart of Figure 18). Similarly, those who did not plan to use their wealth in the next three years were also more likely to regularly allocate funds to savings.

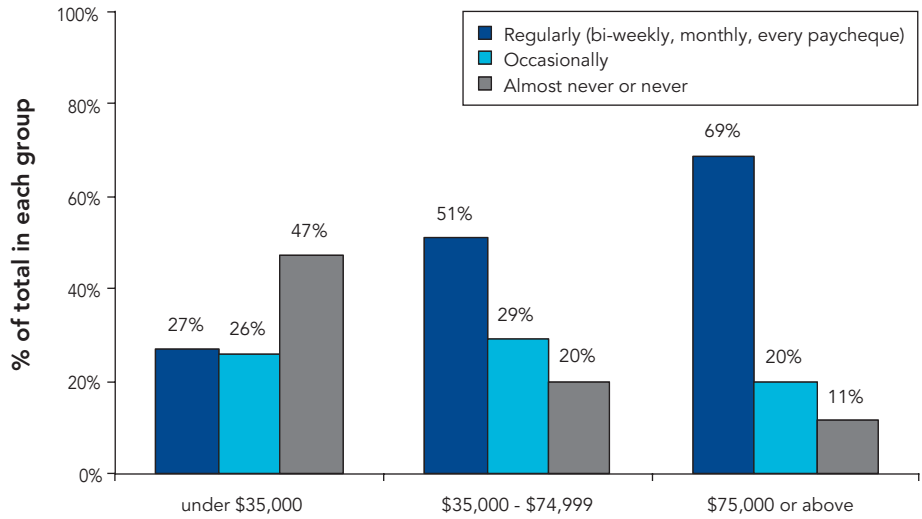
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13 It is recognized that these three forms of financial behaviour do not represent a comprehensive list of strategies that can be utilized by households in accumulating wealth. For instance, reducing consumer debt and investing in non-financial assets represents two other forms of financial behaviour that lead to wealth accumulation (all other factors held constant). However, to achieve the desired balance between the length of the survey interview and the complexity of the questionnaire, information on only a selected number of wealth accumulation strategies was collected.

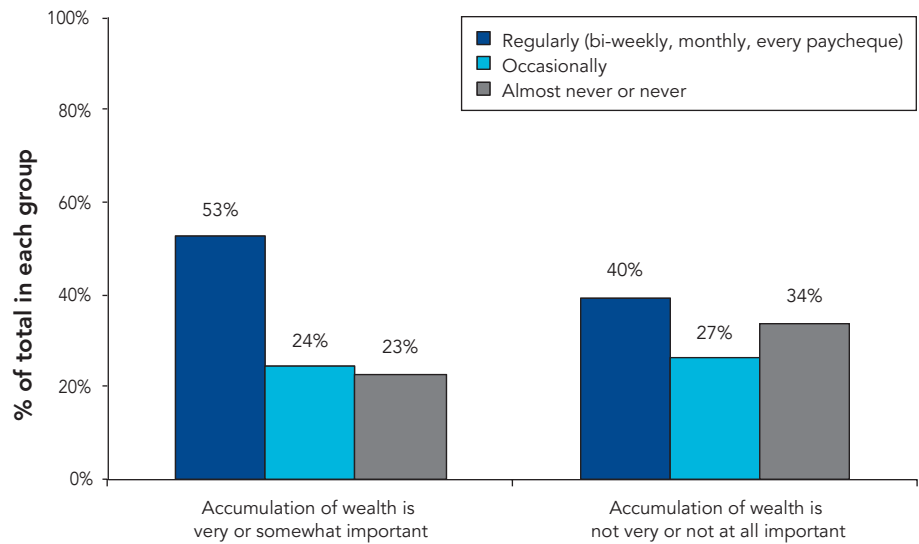
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**Figure 18 – Frequency of Savings Contributions  
– by Selected Characteristics**

**Level of income**



**Perception of importance of wealth**



Households gauging accumulation of wealth as important were more likely to save on a regular basis

Somewhat surprisingly, retirement status was not a decisive factor in explaining the differences in the likelihood of saving. A nearly identical proportion (23% vs. 25%) of retired and non-retired households reported to never or almost never making savings contributions. Similarly, age differences could not explain well the absence of savings contributions: while 26% of younger households said they never or almost never make savings contributions, a very similar proportion (28%) of middle age households

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reported to behave in a similar way. The perceived importance of leaving an inheritance and the actual intention of doing so, as well as incidences of receiving an inheritance in the past did not affect the likelihood of households to make savings contributions.

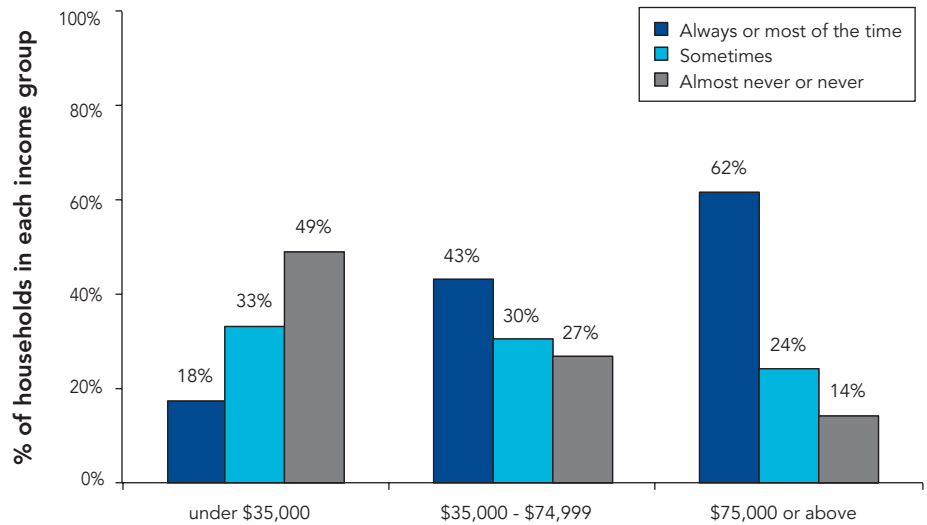
Instead, the regularity and likelihood of saving was impacted by the dynamic of household debt: households with increasing debt were less likely to save regularly and reported more often to never making savings contributions compared to households whose debt decreased or remained about the same over the past three years.

When asked about the time horizon of their savings, respondents' answers were somewhat evenly distributed among the options offered: nearly one third (30%) of households that save did so for current, short-term needs while some 36% of households focused primarily on long-term needs. The remaining third of respondents that make savings contributions gauged that their savings are about equally short-term and long-term. Lower-income households had a strong preference for short-term savings as nearly half (47%) of those that save did so for current needs whereas a twice smaller proportion (24%) saved mainly for long-term purpose. The situation reversed among higher-income households: saving for long-term prevailed among 46% of higher-income households while only a small proportion (17%) saved for short-term needs. Households making regular savings and those gauging accumulation of wealth as important were much more likely to save for long-term purposes. Age and retirement status were not an important factor in determining whether households save for current needs or for the future.

Many households find it difficult to allocate funds to savings. Over the past 12 months, three in ten households (29%) never or almost never had money left over at the end of the week or month after paying essential expenses such as rent, mortgage, purchase payments, bills, groceries, childcare and daily household expenses. Nevertheless, some 42% of households suggested that they always or most of the time had some money left over after essential expenses while 30% of surveyed experienced that sometimes. Income disparities impacted greatly the likelihood of households to have funds available after attending to essentials. While only 18% of lower-income households said they always or most of the time had some money left over, this proportion was three times higher (62%) among higher-income households (Figure 19). Across all income groups, households with wealth were at least twice more likely than households with no wealth to always or most of the time have some resources left after attending to essential spending. In turn, age and retirement status of the household did not noticeably impact the likelihood of households to have money left over.

Lower-income households had a strong preference for short-term savings; among higher-income households – saving for long-term prevailed

**Figure 19 – Frequency of Having Money Left Over After Essential Expenses**

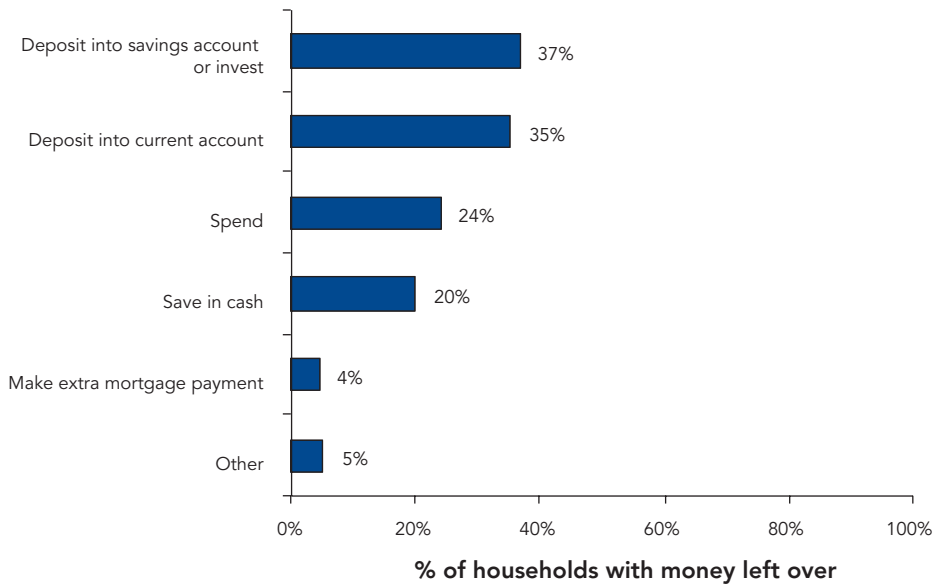


Over the past 12 months, 29% of households never or almost never had money left over after paying essential expenses

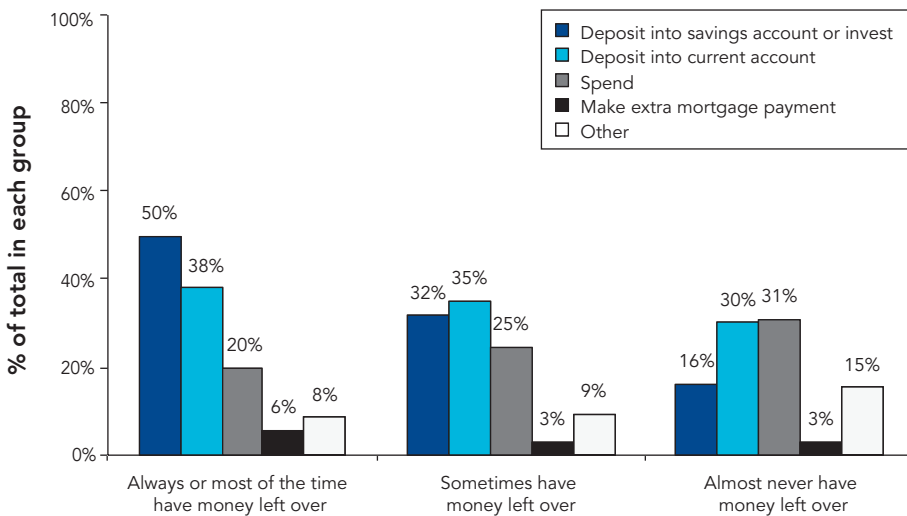
A number of options may exist for a household to use money left after paying essential expenses; those include depositing funds into chequing or savings accounts, investing, keeping them in cash, making an extra mortgage payment or simply spending. Placing extra funds into savings accounts or investing was the most often cited option used by households – 37% of households that have some money left over after essential expenses allocate extra funds in that way. The second most preferred option was to deposit the funds into current accounts whereas making an extra mortgage payment was by far the least preferred option – only 4% of households allocate money left over to that purpose (top chart of Figure 20).



**Figure 20 – Use of Funds Left Over After Paying Essential Expenses**



The choice of ways to use funds that remained after satisfying essential needs varied depending on the frequency of availability of those funds



The choice of ways to use funds that remained after satisfying essential needs varied depending on the frequency of availability of those funds. Households that always or most of the time had money left over strongly preferred to either save or invest them; in turn, those who seldom experienced availability of extra funds were most likely to spend them – 31% of such households chose this option. For all households, depositing money left after paying essential expenses into chequing accounts was an important option (bottom chart of Figure 20).

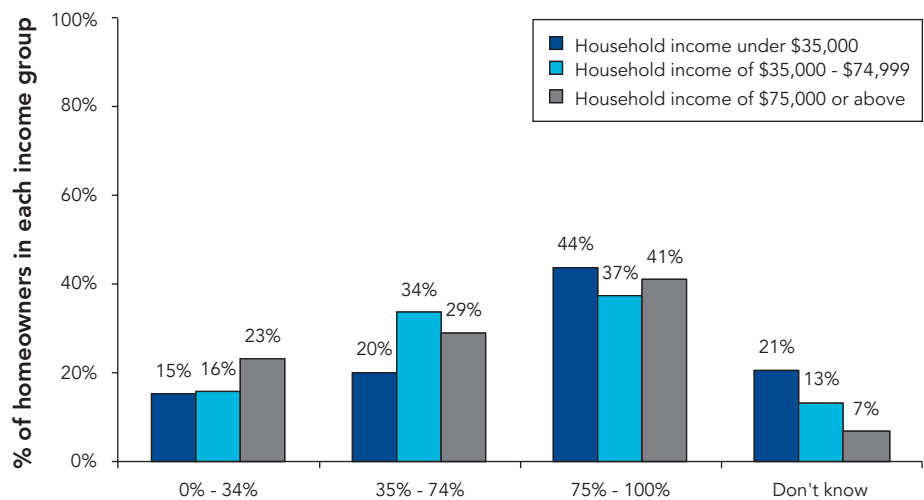
58% of surveyed households owned their principal residence and nearly all of those had a certain amount of equity accumulated through the residential asset

### 4.3.2. Housing Equity and Reduction in Mortgage

Housing equity is commonly seen as a convenient and efficient way of accumulating wealth as it often represents the largest household asset and, if financed through mortgage, benefits from the regularity and the discipline of contributions to equity through mortgage payments. Some 58% of surveyed households owned their principal residence and nearly all of those had a certain amount of equity accumulated through the residential asset. One quarter (27%) of all real estate holders fully owned their principal residence, while another 53% owned more than one fifth of the asset (but not the full 100%) and only a tiny fraction – 3% of surveyed – reported holding less than 10% of equity in their housing. As may be expected, the likelihood of ownership increased with age: the majority (52%) of older households owned more than three quarters of their housing asset whereas only a small proportion (16%) of younger households had similar real estate equity holdings.

Somewhat surprising, the level of income had a lower ability to reflect the likelihood of holding a certain amount of housing equity: rather similar proportions (44% vs. 37% vs. 41%) of households in the three income groups owned more than three quarters of their primary residence (Figure 21). It should be noted, though, that overall a much smaller proportion of lower-income households owned a principal residence compared to households earning higher levels of income (30% vs. 78% respectively).

Figure 21 – Equity Holding in the Principal Residence



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Households' perception of the importance of wealth accumulation did not markedly affect the likelihood of owning a principal residence: 62% of households that gauged amassing wealth as an important pursuit had a principal residence among their assets while among those who thought that wealth accumulation is not very important, this proportion was at a rather similar level – 56%. Households' attitudes towards the importance of leaving an inheritance also did not noticeably influence their decision to own a principal residence and thus to have an option to accumulate wealth through the housing asset.

Owning the principal residence (as well as other real estate assets) offers households an opportunity to accumulate wealth through the appreciation of the asset value and through a reduction of the outstanding mortgage for those who finance their housing through borrowing. Some 58% of surveyed households could potentially accumulate wealth through the increase in the value of owned residential structures whereas wealth accumulation through reduction of mortgage was potentially available to 39% of surveyed households: those were respondents that reported to have an outstanding balance on their mortgages.

Typically, a mortgage contract implies regular payments to repay the loan – this may be seen as a passive way of accumulating wealth as making such payments is part of households' financial obligations. However, a mortgage contract also often provides the borrower with a range of options facilitating active wealth accumulation; those may include making lump sum payments to accelerate debt repayment, and reducing the mortgage amortization period by re-negotiating the loan contract. Another measure – refinancing a mortgage to take advantage of a lower interest rate – may likewise contribute to increasing wealth; however, only in cases when increased household's holdings of cash are saved instead of spent. On the other hand, changes in the terms of financing housing through mortgage may lead to a deceleration in wealth accumulation: for instance, increasing the mortgage amortization period compared to the initial repayment schedule reduces the pace of accumulation of housing equity and thus wealth.

The survey asked households to reflect on their approaches to accumulating wealth through housing equity. Only few households with mortgages took advantage of the active wealth accumulation options in recent years. The most popular measure was to refinance the mortgage earlier to take advantage of a lower interest rate – some 28% of households with a mortgage used this option in the past three years. However, the results of the survey show that these households were not more likely to save on a regular basis or to have money left over after essential expenses when compared with households that did not re-finance to take advantage of lower rates. As such, the easing of the debt burden was most probably not beneficial for wealth accumulation.

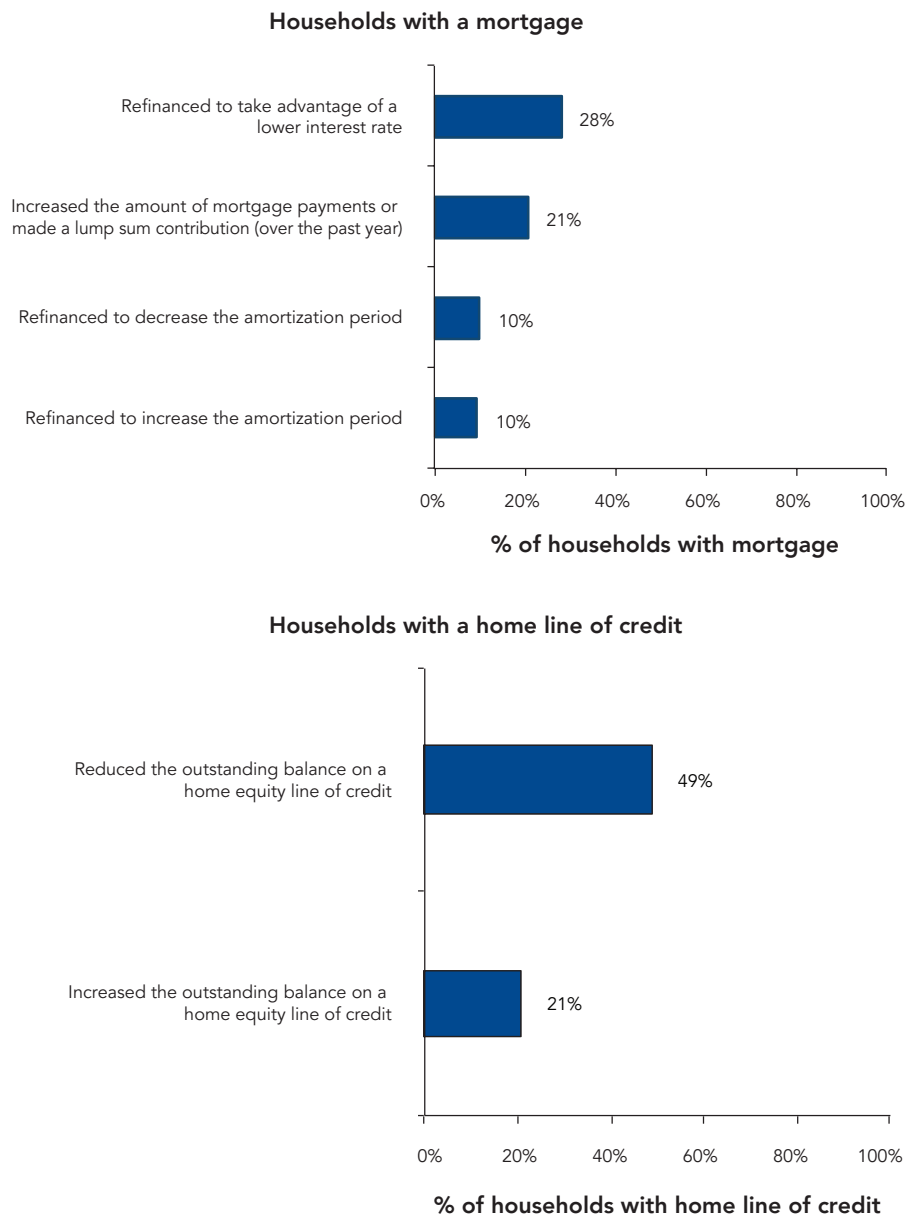
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Owning real estate assets may allow households to accumulate wealth through the appreciation of the asset value and a reduction of the outstanding mortgage (for those with mortgages)

The easing of the mortgage burden through lower interest rates was most probably not beneficial for wealth accumulation

Approximately one fifth (21%) of mortgage holders increased the amount of mortgage payments or made lump sum contributions over the past year. Refinancing a mortgage to decrease the amortization period was not a very popular measure of active wealth accumulation: only 10% of households with a mortgage chose to do so. Encouraging though, a likewise small proportion of households with a mortgage chose to increase the amortization period and thus potentially decelerated wealth accumulation (top chart of Figure 22).

**Figure 22 – Active Wealth Accumulation through Mortgage and Home Line of Credit (over the past three years unless otherwise specified)**



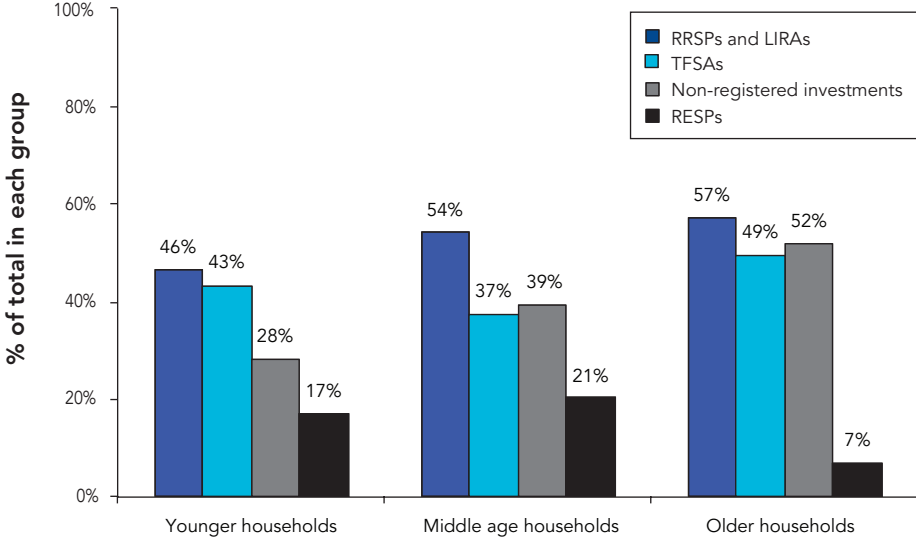
A home line of credit is another borrowing vehicle that affects wealth accumulation. The initial borrowing through this debt instrument erodes household wealth; however, reducing the outstanding balance on the home equity line of credit may be seen as a step towards wealth restoration. Some 18% of households told us that they have an outstanding balance on a home equity line of credit. Of those, nearly half (49%) reduced that balance over the past three years while about one fifth (21%) did the opposite, i.e. increased debt owed through their home equity line of credit diminishing further their wealth (bottom chart of Figure 22).

**4.3.3. Investment in Financial Assets<sup>14</sup>**

Nearly three quarters (73%) of surveyed households indicated that they have some form of registered and/or non-registered financial investments. RRSPs were the most popular type of investment for households of all ages. The preference and frequency of holding other types of financial investments was less consistent. Younger households were twice more likely to have RESPs compared to their older counterparts whereas non-registered investments experienced the opposite trend: a much larger proportion (52%) of older households reported to have non-registered investments compared to only 28% among younger households (Figure 23).

73% of surveyed households indicated that they have some form of registered and/or non-registered financial investments

**Figure 23 – Household Financial Investments**



14 The analysis presented in this section is focused on investments that can be actively managed by households; those include (i) non-registered investments such as stock, bonds, term deposits, GICs, mutual funds and ownership of privately-held companies; and (ii) registered accounts such as TFSA, RRSPs, LIRAs, RESPs and RDSPs. Such assets as employer-sponsored pension plans, deferred profit sharing pension plans, RRIFs and LIFs, and permanent life insurance policy are excluded from the consideration as the households' ability to contribute and/or make investment decisions regarding these assets is limited.

51% of households last verified their wealth position either more than a year ago or never, or could not recall

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More than half (60%) of households holding registered and non-registered investments, contributed money to those investments in the past 12 months. The likelihood of contributing in already existing investment instruments was higher among households that believed wealth accumulation was important: 62% of households that gauged wealth accumulation as an important pursuit made a contribution to their financial investments in the past 12 months. In turn, among households for whom wealth accumulation was not very important, only 49% made at least one contribution to their investments over the same period of time. Planning to leave an inheritance may also have provided certain level of motivation for contributing to investments. As many as 63% of households that planned to leave an inheritance contributed to their investments in the past year while this proportion was somewhat smaller (51%) among those who did not plan to leave an inheritance.

Retirement status is another strong influencing factor that affects the likelihood of making contributions to investments: among those holding investments, 64% of households who have not yet retired and only 48% of their retired counterparts made a contribution to their investments. The level of household income and its dynamic had expected impact on the propensity of households to make contributions to investments: those with higher and/or increasing income were much more likely to allocate additional funds to their investments. In turn, such factors as age (when controlled for retirement factor), the presence of wealth, changes in household debt, and past incidences of receiving an inheritance did not noticeably impact the likelihood of making investment contributions.

#### **4.4. Managing Wealth Accumulation**

The final objective of the survey intended to gain insights regarding approaches used by households in monitoring and planning wealth accumulation.

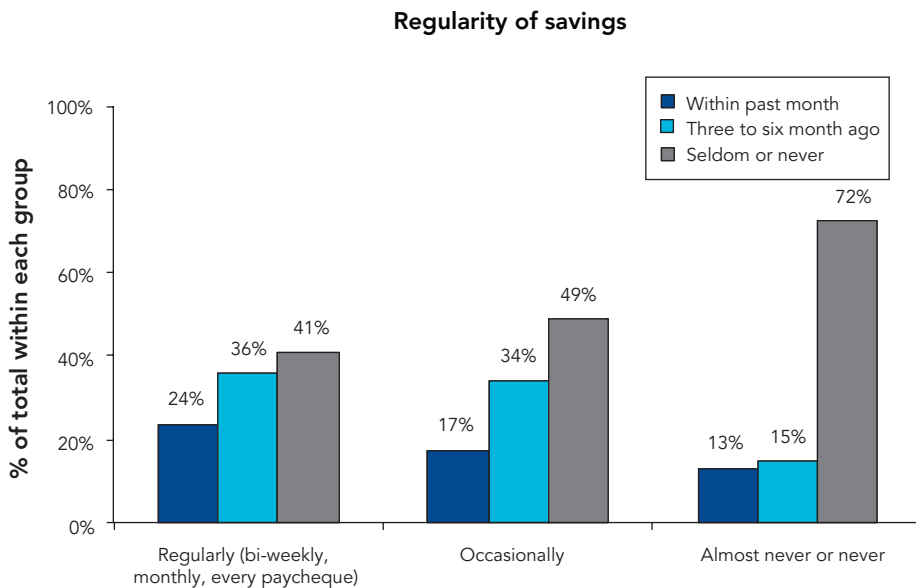
##### **4.4.1. Monitoring Wealth Status**

Not many households keep themselves well informed regarding the value of their wealth. Only one fifth (19%) of those surveyed said they had calculated the value of their wealth in the past month whereas another 29% recollected that they did so within the past three to six months. In turn, the responses of the majority of households suggested that they verify their wealth position seldom at best: one fifth (20%) of households last calculated their wealth one year or more ago, while some 12% of those surveyed said they have never done that. A rather large proportion of households – 19% – did not remember when they or other members of their household last calculated the value of their wealth.

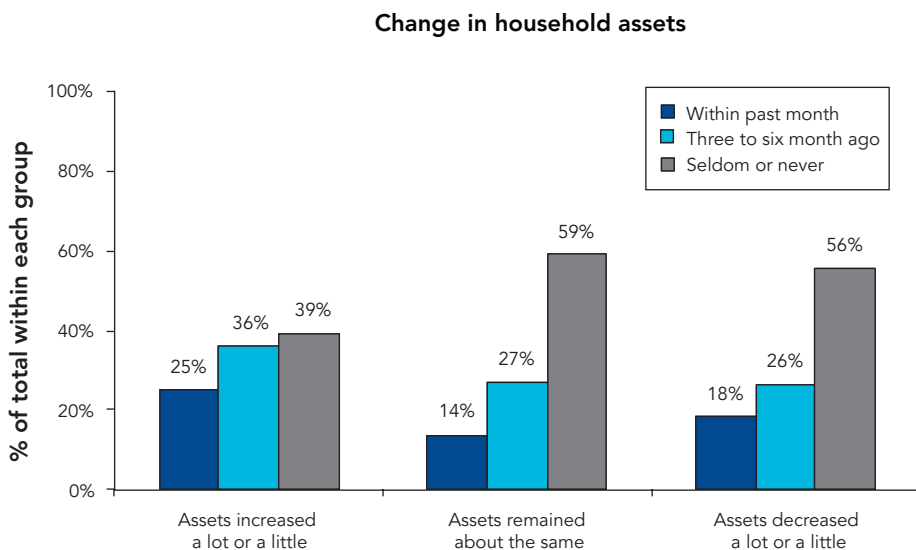
Households that save regularly are much more likely to be up-to-date regarding their wealth position. One quarter (24%) of those who save regularly last

calculated the value of their wealth within the past month. Among those who almost never make savings contribution this proportion stood at 13%. The opposite was also true: the overwhelming majority (72%) of households that do not save calculated the value of their wealth seldom or never while a much smaller proportion (41%) of those who save regularly reported a similar pattern of behaviour (top chart of Figure 24).

**Figure 24 – Impact of Selected Factors on the Likelihood of Calculating the Value of Wealth**



Households that save regularly were much more likely to be up-to-date regarding their wealth position



Note: The "Seldom or never" category combines respondents from the following three categories: "One year ago or more", "Never" and "Don't remember".

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Households whose asset situation deteriorated or remained stable were much more likely to seldom or never engage in assessing their wealth situation. More than half of those whose assets decreased or remained unchanged over the past three years did not recall calculating their wealth position over the past 12 months. Among households that experienced an increase in the value of their assets, only 39% were in a similar position (bottom chart of Figure 24). Change in debt also impacted the households' propensity to rarely assess their wealth status however somewhat moderately: some 59% of households whose debt increased but only 50% of those whose debt decreased or remained unchanged over the past three years report that they calculate the value of their wealth seldom or never.

28% of households that held financial investments monitored the performance of their investments only once a year or more seldom

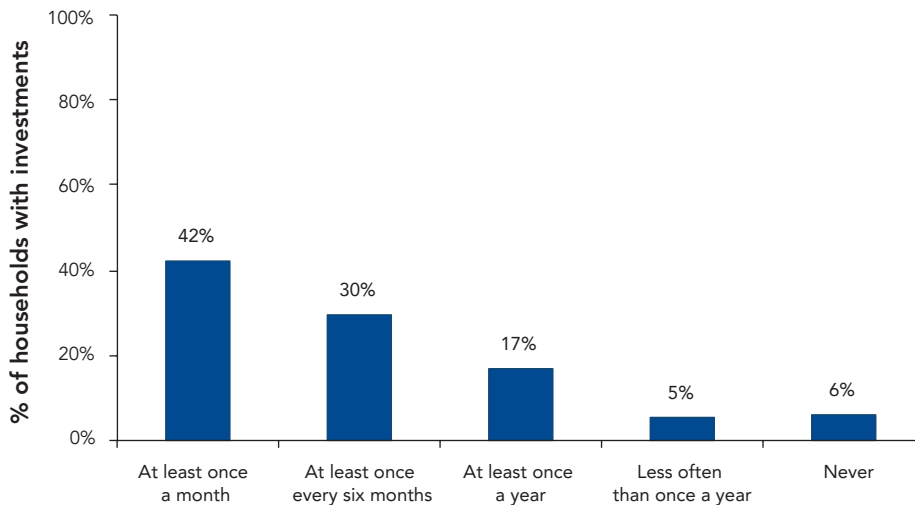
The presence of wealth and the level of satisfaction with the pace of wealth accumulation were likewise factors affecting the propensity of households to infrequently assess their wealth position. Households that reported no wealth at the time of the survey, tended to assess the value of their wealth status less often compared to those with wealth (even when controlled for income). For instance, among lower-income households, 60% of those with wealth and 72% of those with no wealth said they seldom or never calculate the value of their wealth. Among higher-income households, these proportions were 34% and 58% respectively. Those who were somewhat or very unsatisfied with the pace of their wealth accumulation were much more likely (62%) to never or only seldom calculate the value of their wealth compared to households (36%) that were very or somewhat satisfied with the pace of wealth accumulation.

Older, more affluent households and those who believed that accumulation of wealth is important tended to be much more likely to be up-to-date on their wealth position. In turn, the retirement status and the perceived importance of leaving an inheritance did not noticeably affect the time when households last calculated the value of their wealth.

Not many households actively oversaw their investments: only four in ten (42%) households that held financial investments monitored the performance of their investments at least once a month while about one quarter (28%) of such households did so only once a year or more seldom (Figure 25). The frequency of contributing to investments affected the regularity of monitoring the performance: half (50%) of households that made a contribution to their investments in the past 12 months said they tend to monitor their investments at least once a month whereas only 31% of those who did not make any recent contributions reported the same frequency of overseeing investments. Households gauging accumulation of wealth as important and/or planning to leave an inheritance had a higher propensity to be more actively involved in monitoring the performance of their investments.



**Figure 25 – Frequency of Monitoring Financial Investments**



#### 4.4.2. Utilizing Planning Strategies

Respondents were asked whether they have spent time over the past 12 months developing and/or refining strategies that may be helpful in wealth accumulation. As the survey results reveal, fostering strategies related to wealth accumulation is not highly popular among Canadian households. Only four in ten (39%) households engaged in refining their saving and investment strategy in the past 12 months while three in ten (31%) developed or tuned their retirement planning; tax planning was undertaken by one fifth (20%) of surveyed households. Not more than one in ten households allocated time for detailing such types of wealth-related strategies as children’s education and estate planning.

Only 39% households engaged in refining their saving and investment strategy in the past 12 months

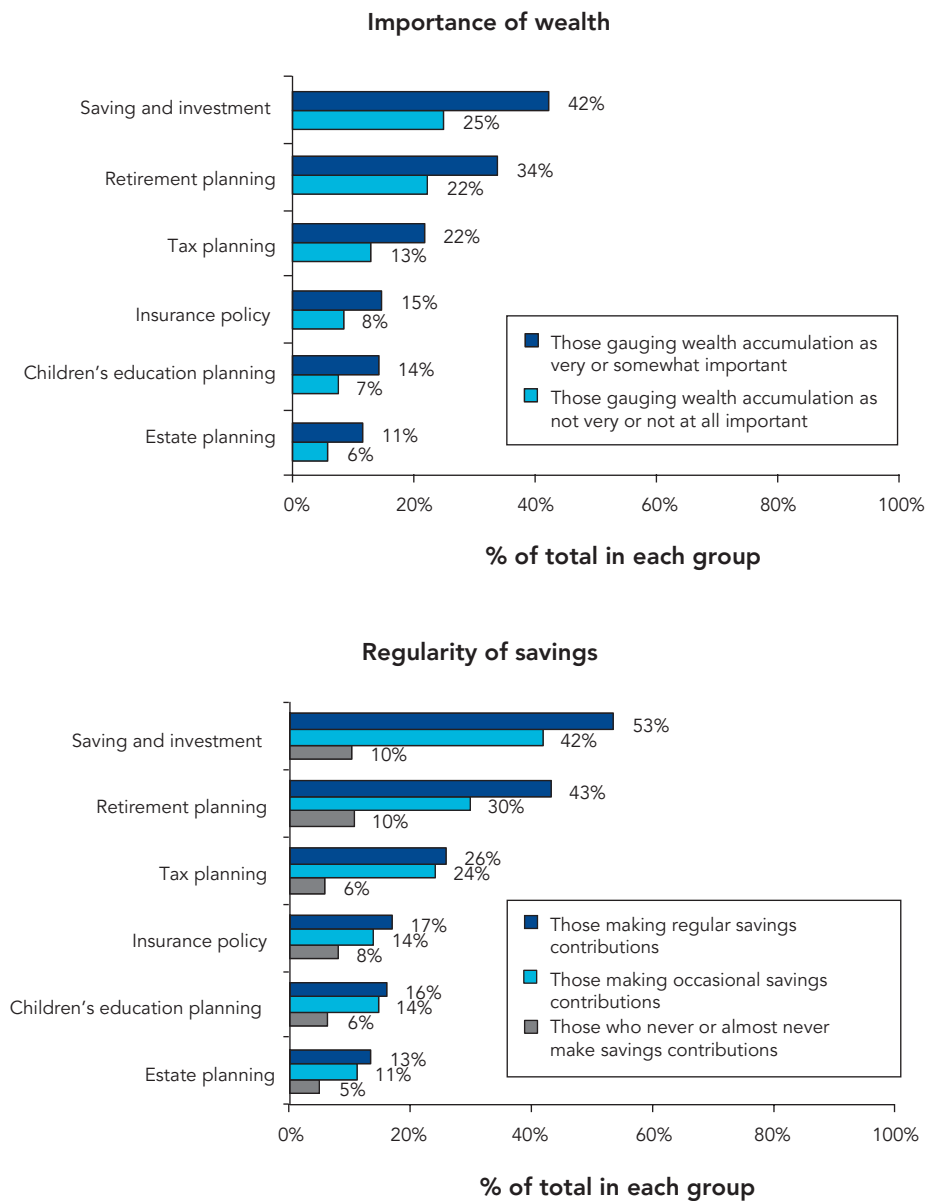
Although older respondents were more likely to spend time on developing wealth accumulation strategies, income rather than age was a much more influential factor affecting the propensity of households to engage in planning activities. For instance, while only 22% of lower-income households spent some time on developing or refining their savings and investment strategy, a twice larger proportion (52%) of higher-income households did so. For retirement planning, the difference was even more pronounced: as few as 14% of lower-income households but as many as 46% of higher-income households put their thinking into retirement planning over the past 12 months.

Households that gauged the accumulation of wealth as important among their personal goals were noticeably more likely to put efforts into developing and refining strategies related to wealth accumulation, particularly those associated with savings, investment and retirement planning. Similarly, households that

save on a regular basis were several times more likely to engage in different types of planning activities when compared to households that seldom or never save. For instance, more than half (53%) of those saving on a regular basis devoted their time to developing and/or refining savings and investment strategies in the past 12 months; however, among households that almost never save this proportion stood at a mere 10% (Figure 26).

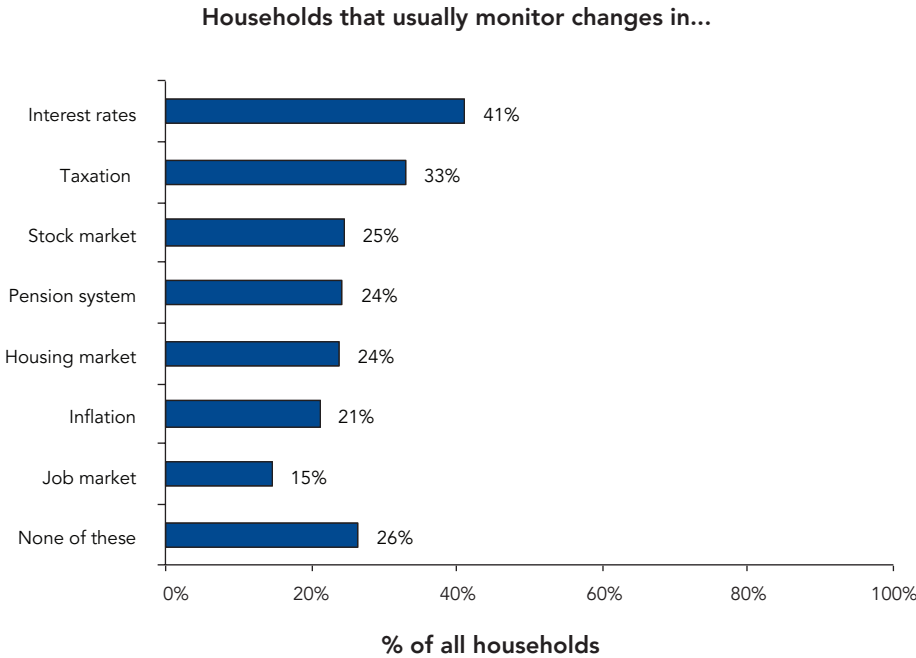
**Figure 26 – Refinement of Wealth-related Strategies over the Past Year – by Selected Characteristics**

Households that gauged the accumulation of wealth as important were noticeably more likely to put efforts into developing strategies related to wealth accumulation



For planning strategies to be effective and pragmatic, monitoring changes in the external economic and regulatory conditions is essential. One quarter (26%) of households said they usually do not watch any of the key external factors that may impact wealth creation, including changes in interest rates, stock and housing markets, taxation and pension system, inflation and the job market. The dynamic of interest rates and changes in taxation were most often cited as being regularly monitored (Figure 27). Households that are detached from monitoring the developments in the external conditions tend to be younger, lower-income households that are somewhat or very unsatisfied with the pace of their wealth accumulation.

**Figure 27 – Economic and Regulatory Factors Typically Monitored by Households**



26% of households usually do not monitor any of the key external factors that may impact wealth accumulation

Summing up the discussion, the following points are deemed important. First, a noticeable proportion of households report to not have wealth whereas accumulation of wealth is only a somewhat important pursuit for Canadian households. Second, the habit of saving is not shared by all households and difficulties in allocating funds to savings are common. Third, households underutilize the option of active accumulation of wealth through housing equity. Fourth, households are often unaware of the dollar value of their wealth and do not actively oversee the performance of their investments; fostering wealth accumulation strategies is also not very prevalent among households.



The analysis in the preceding sections has intended to provide insights into the views of households on accumulation and use of wealth, as well as outcomes of amassing wealth, elements that propel them and the quality of household wealth position. During this examination, a number of contentions have been exposed.

**Cautiousness should be exercised when interpreting the current, seemingly satisfactory level of aggregate household wealth.**

The aggregate level of household wealth has presented an overall strong, upward trend over the past two decades (naturally, episodes of retrenchment have appeared occasionally) and is now at a record high. However, the quality of the household wealth position should likewise be thoroughly assessed and taken into account when examining the outcomes of household wealth accumulation. The current level of household wealth is only marginally different compared to the pre-recession mark. In turn, measures of quality of the wealth position (such as net worth-to-disposable income, total assets-to-net worth and financial assets-to-net worth ratios) are sluggish or continue to deteriorate in the aftermath of the most recent recession. Moreover, a large proportion of households report that they do not have wealth and do not expect to accumulate any wealth in the near future.

**Households' determination towards wealth accumulation does not appear to be strong.**

Overall, households gauge the accumulation of wealth as only a somewhat important pursuit among their other personal goals. That may be one of the reasons why households are fairly satisfied with the pace and results of amassing wealth even though the outcomes of wealth accumulation are often below their expectations. Low engagement in developing wealth accumulation strategies is yet another symptom of households' moderate resolve towards amassing wealth. Households relatively infrequently engage in refining their saving and investment strategies, and developing or tuning their retirement planning; in turn, children's education and estate planning are even more seldom attended to.

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**Low awareness of households regarding their wealth position and little attention paid to changes in the economic environment are worrisome.**

The value of household assets has become more volatile over the past decade increasing the uncertainty of wealth accumulation outcomes and curbing considerably the overall pace of amassing wealth. Changes in the higher-risk – higher-return group of assets (i.e. equity and investment fund shares) are one of the main driving forces behind the volatility in the value of wealth. And yet, only some investors actively oversee the performance of their investments while a large proportion of households remain rather insensitive to examining changes in their holdings. Similarly, monitoring changes in the external economic and regulatory environment is not very common among households as a substantial number of them do not usually monitor any of the key external factors that may impact the outcome of wealth accumulation. It is likewise concerning that households are often unaware of the dollar value of their wealth and thus may overlook the need of making adjustments to their saving, borrowing and investing behaviours.

**Reluctance of households to engage in active savings is once again evident.**

Reliance of households on the accumulation of wealth through acquisition of new assets has declined as the appreciation of existing assets crowds out saving intentions of households. This increases uncertainty of wealth accumulation outcomes and the ability of households to influence them. The option of active accumulation of wealth through housing equity is also underutilized. In cases when the excess funds may be available due to easing of the debt burden (through, for instance, lower interest rates), those funds seem to be more likely allocated to consumption rather than wealth accumulation. Moreover, the habit of saving is not shared by all households: a noticeable proportion of households never or almost never make savings contributions.

**Despite certain improvements, high levels of household debt continue to elevate household exposure to risks.**

Certain changes have been observed in the pace of expansion of household debt in the past several years; this improved the overall composition of household debt reducing the share of consumer and other non-mortgage loans in the overall credit mix. Such changes are encouraging as consumer credit is not backed by appreciating assets and thus is particularly disadvantageous for wealth accumulation. However, the stock of debt continues to affect the level of wealth in a noticeable manner diminishing the wealth accumulation efforts of households. Moreover, the high level of debt increases household exposure to risks: the well above average level of the debt-to-assets ratio and constantly increasing debt-to-disposable income ratio suggest that both households' short-term and long-term vulnerability have increased.

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**The high reliance of households on the appreciation of assets when accumulating wealth increases vulnerabilities of households.**

The composition of liquid assets somewhat shifted away from lower-yielding, lower risk assets towards higher-risk and more volatile asset holdings. Although these changes in preferences were largely a response to declining interest rates earned on deposits and fixed income securities, households have now a somewhat smaller buffer of lower risk funds to call upon in the event of adverse economic shocks. As the share of equity investments in the overall asset mix has become much more prominent but also volatile during the 2000s, the appreciation of these types of assets presents now a less stable source of wealth accumulation compared to the prior decade.





The need for building up savings and wealth for achieving a high level of living standards has been well recognized by both individuals and policy-makers. However, acting on this recognition is often a challenge, particularly so because apportioning individual income and wealth over the span of a lifetime is a matter of personal choice and freedoms.

Over the years, governments have taken a number of important steps to address the challenges that may be impeding household wealth accumulation. Some of those measures have been in place for decades – the Registered Retirement Saving Plan (RRSP) program and the reduced taxation of capital gains are good examples. Newer measures are similarly diverse and many, and range from the introduction of Tax-Free Savings Accounts (TFSA), to strengthening the regulation of consumer credit products, to improving minimum standards for government-backed insured mortgages, to the introduction of a Financial Literacy Leader role within the Financial Consumer Agency of Canada (FCAC).

As a substantial account of measures that may assist households in building wealth is already in place, households' knowledge and prowess to understand their own financial circumstances and the motivation to save, to spend and to borrow become particularly crucial in ensuring households' financial wellbeing. Prudent spending, debt retirement, saving, and investing can serve the agendas of individuals, commerce and governments alike. However, as detailed below, a number of further improvements may be suggested to increase the effectiveness of approaches related to wealth accumulation.

### ***Placing higher emphasis on the outcome of wealth accumulation***

Financial literacy and financial education initiatives aim to increase financial knowledge but the ultimate goal is to change individuals' financial behaviour as people's actions are often inconsistent with their intentions. There is, however, considerable evidence that increased financial education and knowledge alone are not enough to ensure the change in financial behaviour.

For instance, evidence that financial education programs lead to greater financial knowledge and ultimately better financial behaviour are inconclusive. Providing financial education in school presents a challenge of retaining the knowledge until later in life as the real-life decisions regarding savings and investment are remote and often irrelevant to school students that lack means to find immediate application for the knowledge gained. Not surprisingly, individuals that report to have taken a high school class on money management

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and personal finance do not fare better on a financial knowledge quiz compared to those who did not take such a course.<sup>15</sup> Moreover (and somewhat ironically), individuals who had not taken a financial education course are more likely to pay their credit cards in full every month (avoiding fees and charges) than those who had actually studied the subject of finance.<sup>16</sup> It is also quite common for households to identify personal experience, family and friends (rather than in-class education) as the most important ways of learning about personal finances. The evidence on the effectiveness of workplace financial education is often likewise mixed with a number of studies suggesting a lack of the positive effect.<sup>17</sup>

In turn, the behavioural approach recognizes that individual financial decisions are shaped not only by people's knowledge but also by a range of psychological, social and institutional influences.<sup>18</sup> Although financial education and knowledge continue to be of high importance as they form the foundation for decision making, behavioural incentives and influences may likewise be used to encourage households to make more appropriate financial decisions. Importance of the 'default option' in the design of saving instruments (i.e. when the enrolment in the saving plan is made the default choice) has been often highlighted by behavioral research. Using another option – 'commitment devices' – may likewise be beneficial. This option aims at locking individuals into a later course of action in advance and thus helping them to exercise self-control and determination in implementing saving plans. Instructing the employer to assign part of the future salary increase to savings is a typical example of a commitment device. Developing measures to improve propensity to plan may be yet another opportunity to improve financial capabilities of Canadian households and improve their wealth accumulation outcomes. Studies show that propensity to plan allows people to save far more than others highlighting a strong positive relationship between financial planning and wealth accumulation.<sup>19</sup>

As the complexity of the world of personal finance constantly increases following in the footsteps of the overall trend observed in the financial system, it may be prudent for households to assume a greater (rather than lesser) involvement and control over the wealth accumulation process. The well-known pay-yourself-first rule may benefit from a broader application. For instance, educate-yourself-

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15 Mandelle, L. (2009). *The Impact of Financial Education in High School and College on Financial Literacy and Subsequent Financial Decision Making*, paper presented at the American Economic Association meeting, San Francisco, January 4, 2009.

16 The Economist, *Financial Education Had Disappointing Results in the Past*, February 16, 2013.

17 Schwartz, S. (2010). *Can Financial Education Improve Financial Literacy and Retirement Planning?* IRPP Study, No. 12, pp. 11 and 16.

18 Task Force on Financial Literacy (2010), *Leveraging Excellence: Charting a Course of Action to Strengthen Financial Literacy in Canada*.

19 Ameriks, J. (2002), *Wealth Accumulation and the Propensity to Plan*, TIAA-CREF Institute, Working Paper 8-040102.

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first on what may constitute the best wealth accumulation option given the personal circumstances and goals would seem to be a natural and essential first step in strengthening household finances. We encourage Canadians to be more proactive in obtaining advice from financial professionals. More than that, though, we urge individuals to critically review the information available and undertake their own assessment and number crunching. The anecdotal evidence suggests that patients often ‘do their homework’ before attending a doctor’s appointment – searching Google, Wikipedia and specialized medical sites. Assuming the same prudent approach to researching matters of financial wellbeing would be advantageous.

Improving savings and wealth accumulation discipline is another critical element of successful financial management. The discipline of saving is often associated with the need for financial sacrifice. While that may indeed be the case for some, the constantly increasing levels of personal consumption of non-essential goods would rather suggest that many of our consumer purchases are driven by want rather than necessity and thus may be adjusted to accommodate necessary savings. Moreover, sacrifices in the early years, or sooner rather than later, can yield high dividends over a lifetime and serve to promote a financial independence perhaps not imaginable by many. Perseverance in reducing debt may be another effective way of ensuring positive outcomes of wealth accumulation: unlike many types of asset holdings, the level of financial liabilities is not affected by market fluctuations and only depends on incurring and repaying debt.

### ***Improving our understanding of the state of household finances***

Sound household finances are vitally important for a balanced economy as they affect the conduct of fiscal and monetary policy and the stability of the financial system. Household finances and consumer spending also serve as a critical driving force of the aggregate demand and, thus, Canada’s economic growth. The correct assessment of the state of health of household finances is essential for developing appropriate public policies and reacting promptly to adverse developments.

At present, available sources of data do not allow constructing a full and accurate picture of household wealth as it pertains to different regions and diverse groups constituting our society. Government is encouraged to remain attentive to the household sector’s valuations of household assets and debt, intensity of financial stress, and methods and levels of savings; even as the economy strengthens. Forming a panel of experts tasked to critically review and suggest improvements for the currently used indicators of household wealth and indebtedness may also be highly beneficial in attaining a comprehensive picture of household sector financial health.



# Appendix A: Survey Methodology and Questionnaire

# 7

## Survey Methodology

The survey was administered by Ipsos Reid from September 14 to 21, 2012. The interview questionnaire was designed by CGA-Canada in collaboration with senior staff of Ipsos Reid and pre-tested. The sampling methodology was designed to accommodate an online interview process, with respondents making up a representative sample of Canadian adults aged 25 years and over.

The survey sample was drawn using Ipsos Reid’s online panel; a total of 1,805 online interviews were conducted with households living in the 10 Canadian provinces. With this sample size, sampling error of plus or minus 2.31% is produced at a 95% confidence level (19 times in 20). The data was statistically weighted to accurately reflect the composition of Canadians by region, gender, age and income based on Statistics Canada’s 2011 Census. The profile of the survey respondents is presented in Table 1.

**Table 1 – Profile of Survey Respondents**

Characteristics	% of total sample	Characteristics	% of total sample
<b>Sex</b>		<b>Household income</b>	
Male	49.0%	Under \$15,000	8.6%
Female	51.0%	\$15,000-\$24,999	11.1%
<b>Age</b>		\$25,000-\$34,999	10.4%
25 - 34 years old	18.4%	\$35,000-\$49,999	15.3%
35 - 44 years old	19.1%	\$50,000-\$74,999	18.7%
45 - 54 years old	22.7%	\$75,000-\$99,999	13.0%
55 - 64 years old	18.7%	\$100,000 or more	23.0%
65 years of age and over	21.1%	<b>Employment status</b>	
<b>Household size</b>		Employed	54.8%
One	15.6%	Unemployed	7.2%
Two	43.0%	Retired	26.0%
Three	19.4%	Not in Labour Force - other than retired	11.9%
Four or more	22.0%	<b>Education</b>	
<b>Geography</b>		High school or less	35.8%
British Columbia	13.5%	Community college/	
Alberta	10.5%	Technical school	28.0%
Saskatchewan and Manitoba	6.4%	Some university	20.5%
Ontario	38.2%	University degree and above	15.7%
Quebec	24.2%		
Atlantic Provinces	7.2%		

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## Survey Questionnaire

[PROG: SHOW SURVEY IN FRENCH IF RESPONDENT IS FROM QUÉBEC, ALL ELSE SHOW IN ENGLISH]

[PROG: INSERT FOLLOWING TEXT AS PART OF INTRODUCTION SCREEN]

When reflecting on the survey questions, please provide answers as they pertain to your household as a whole rather than to you personally.

### **Q. 1 In which province do you live? (Please select one answer only)**

1. British Columbia
2. Alberta
3. Saskatchewan
4. Manitoba
5. Ontario
6. Quebec
7. New Brunswick
8. Nova Scotia
9. Prince Edward Island
10. Newfoundland and Labrador

### **Q. 2 Into which age category do you fall? (Please select one answer only)**

1. Under 25 [PROG: THANK AND TERM]
2. 25-34
3. 35-44
4. 45-54
5. 55-64
6. 65 or older

### **Q. 3 Are you? (Please select one answer only)**

1. Male
2. Female

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**Q. 4 Which of the following best reflects your current situation?  
(Please select one answer only)**

1. My total household's debt exceeds the value of my household's assets
2. My total household's debt is about the same as the value of my household's assets
3. My total household's debt is less than the value of my household's assets [PROG: SKIP TO Q. 7]

[PROG: SHOW FOLLOWING TEXT ON A SEPARATE SCREEN]

Throughout the survey, wealth is understood as the difference between household total assets which consist of financial and non-financial assets (e.g. mutual funds, bonds, GICs, cash savings, residential property, private pension assets), and household total debt which consists of mortgage credit and consumer credit (e.g. car loans, credit card loans, payday loans, borrowing through lines of credit).

**Q. 5 You mentioned that your household debt [PROG: INSERT ANSWER FROM Q4 "EXCEEDS/IS ABOUT THE SAME AS"] the value of your household assets. What is the main reason why your household has not accumulated any wealth so far? (Please select one answer only)**

[PROG: RANDOMIZE, ANCHOR OTHER]

1. You have not been earning income long enough to accumulate wealth
2. Other financial obligations have prevented you from accumulating wealth
3. Strain financial circumstances forced you to sell your assets and/or incur more debt
4. You cannot afford to save given your current level of income
5. You rely on someone else's savings (e.g. your parents)
6. You rely on a future inheritance
7. Other (please specify)

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**Q. 6 Does your household expect to accumulate any wealth in the next 3 years?**

1. Yes
2. No
3. Don't know

**Q. 7 How important is the accumulation of wealth among your personal goals?**

1. Very important
2. Somewhat important
3. Not very important
4. Not at all important

**Q. 8 How satisfied are you with the pace of your household's wealth accumulation?**

1. Very satisfied
2. Somewhat satisfied
3. Neither satisfied nor unsatisfied
4. Somewhat unsatisfied
5. Very unsatisfied

**Q. 9 Over the past 3 years, for what purpose(s) have you been accumulating wealth? (Please select all that apply)**

[PROG: RANDOMIZE, ANCHOR OTHER, I HAVE NOT BEEN ACCUMULATING]

1. To provide regular income now
  2. To provide regular income in retirement
  3. To cover (fully or partially) costs of a major expense
  4. To be used as a down payment for a house
  5. To finance education (yours or your children's)
  6. To start a business
  7. To be able to pay for a large unexpected expense
  8. To be able to smoothen an interruption in income
  9. To leave inheritance
  10. Other (please specify)
-



- 
11. I have not been accumulating wealth in the past 3 years [PROG: MUTUALLY EXCLUSIVE]

**Q. 10 For which of the following reason(s) do you expect to use your wealth in the next 3 years? (Please select all that apply)**

[PROG: RANDOMIZE, ANCHOR OTHER AND LAST TWO STATEMENTS]

1. To provide regular income
2. To cover (fully or partially) costs of a major expense
3. To pay down payment for a house
4. To finance education (yours or your children's)
5. To start a business
6. To pay for a large unexpected expense, if occurred
7. To smoothen an interruption in income, if occurred
8. Other (please specify)
9. I am not planning to use my wealth in whole or part in the next 3 years [PROG: MUTUALLY EXCLUSIVE]
10. I do not expect to have any wealth in the next 3 years [PROG: MUTUALLY EXCLUSIVE]

**Q. 11 Thinking of your household's wealth today, how would you say it compares to the amount of wealth you had 3 years ago? (Please select one answer only)**

1. Much more wealth today than 3 years ago
2. Somewhat more wealth today than 3 years ago
3. About the same today as 3 years ago
4. Somewhat less wealth today than 3 years ago
5. Noticeably less wealth today than 3 years ago

**Q. 12 Would you say the amount of wealth you have accumulated over the past 3 years is... (Please select one answer only)**

1. Much higher than what you had expected to accumulate
  2. Somewhat higher than what you had expected to accumulate
  3. Very close to what you had expected to accumulate
  4. Somewhat lower than what you had expected to accumulate
  5. Much lower than what you had expected to accumulate
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**Q. 13 How important is it for you to leave an estate or inheritance to your surviving heirs?**

1. Very important
2. Somewhat important
3. Not very important
4. Not at all important

**Q. 14 Do you plan to leave an estate to others?**

1. Yes
2. No
3. Possibly

**Q. 15 Thinking of the value of your overall household assets over the past 3 years, would you say it has...**

1. Decreased a lot
2. Decreased a little
3. Remained about the same
4. Increased a little
5. Increased a lot
6. My household has not owned any assets in the past 3 years  
[PROG: SKIP TO Q. 17]

**Q. 16 Does anyone in your household currently own any of the following assets? (Please select one response for each item)**

[PROG: YES NO ACROSS THE TOP, RANDOMIZE LIST DOWN THE SIDE]

1. Yes
  2. No
- 
1. Principal residence and/or other residential structures [PROG: IF “YES”, ASK Q. S1, THEN SKIP TO Q. 17]
  2. Cash savings (in savings and/or chequing accounts)
  3. Non-registered investments (stocks, bonds, term deposits, GICs, mutual funds, ownership of privately-held companies) [PROG: IF “YES”, SKIP TO Q. S2 AND ALSO ASK S3]

- 
4. Tax-free Savings Accounts (TFSAs) [PROG: IF “YES”, SKIP TO Q. S2 AND ALSO ASK S3]
  5. RRSPs and LIRAs (Locked in Retirement Accounts) [PROG: IF “YES”, SKIP TO Q. S2 AND ALSO ASK S3]
  6. RRIFs including LIFs (Life Income Funds) and LRIFs (Locked-in Retirement Income Funds)
  7. Savings in employer-sponsored pension plans
  8. Deferred profit sharing plans
  9. Registered Education Savings Plans (RESPs) [PROG: IF “YES”, SKIP TO Q. S2 AND ALSO ASK S3]
  10. Registered Disability Savings Plans (RDSPs) [PROG: IF “YES”, SKIP TO Q. S2 AND ALSO ASK S3]
  11. Annuities
  12. Permanent life insurance policy
  13. Assets associated with owned business

[PROG: SKIP TO Q. 17 UNLESS ANSWERED YES TO INDICATED STATEMENTS AT Q. 16]

**Q. S1 Which of the following would you say best reflects the percentage of equity that your household holds in the principal residence? (Please select one answer only)**

1. 0%
2. 1% – 9%
3. 10% – 19%
4. 20% – 34%
5. 35% – 49%
6. 50% – 74%
7. 75% – 99%
8. 100%
9. Don’t know
10. My household does not own the principal residence

**Q. S2 Thinking about your household’s investments (registered and non-registered), have you or other members of your household contributed any money into those investments in the past 12 months?**

1. Yes
  2. No
  3. Don’t know
-

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**Q. S3 How often do you or other members of your household monitor the performance of your investments?**

1. At least once a month
2. At least once every six months
3. At least once a year
4. Less often than once a year
5. Never
6. Don't know

**Q. 17 Thinking of the level of your overall household debt over the past 3 years, would you say it has...**

1. Decreased a lot
  2. Decreased a little
  3. Remained about the same
  4. Increased a little
  5. Increased a lot
  6. My household has not had any debt in the past 3 years
- [PROG: SKIP TO Q. 19]

**Q. 18 Does your household currently have any outstanding debt for the following types of loans and credits? (Please select one response for each item)**

[PROG: YES NO ACROSS THE TOP, RANDOMIZE LIST DOWN THE SIDE]

1. Yes
  2. No
- 
1. Mortgages (principal residence and/or other mortgages)
  2. Car loans
  3. Credit card loans (i.e. balance carried over)
  4. Student loans
  5. Home equity lines of credit (HELOC)
  6. Lines of credit other than home equity
  7. Bank loans other than car and student loans
  8. Payday loans

[PROG: ASK S4 AND S5 IF YES TO MORTGAGES, ELSE SKIP TO Q. 19]

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**Q. S4 Thinking of the largest mortgage your household has, has your household in the past 3 years... (Please select one response for each item)**

[PROG: YES NO DON'T KNOW ACROSS THE TOP, RANDOMIZE LIST DOWN THE SIDE]

1. Yes
  2. No
  3. Don't know
- 
1. Refinanced the mortgage earlier to take advantage of a lower interest rate
  2. Refinanced the mortgage to decrease the amortization period
  3. Refinanced the mortgage to increase the amortization period
  4. Increased the outstanding balance on a home equity line of credit  
[PROG: DO NOT SHOW THIS STATEMENT IF 'NO' TO HOME EQUITY LINE OF CREDIT AT Q. 18]
  5. Reduced the outstanding balance on a home equity line of credit

**Q. S5 Thinking of the largest mortgage your household has, in the past 12 months, has your household increased the amount of mortgage payments or made any lump sum contributions to pay off the mortgage faster?**

1. Yes
2. No
3. Don't recall

**Q. 19 How often does your household make savings contributions? (Please select one answer only)**

1. Bi-weekly
2. Monthly
3. Every paycheque
4. Occasionally
5. Almost never
6. Never
7. Don't know

[PROG: IF "NEVER" OR "DON'T KNOW" IN Q. 19 SKIP TO Q. 21]

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**Q. 20 Would you say your household savings are mainly long-term savings for the future or mainly short-term savings for current needs? (Please select one answer only)**

1. Mainly long-term
2. Mainly short-term
3. About equally long-term and short-term
4. Don't know

**Q. 21 In the past 12 months, how often has your household had money left over at the end of the week or month after essential expenses are paid (e.g. rent, mortgage, purchase repayments, property taxes, bills, groceries, childcare, daily household expenses)? Would you say it was...?**

1. Always
2. Most of the time
3. Sometimes
4. Almost never
5. Never
6. Don't know

[PROG: IF "NEVER" OR "DON'T KNOW" IN Q. 21, SKIP TO Q. 23]

**Q. 22 What does your household usually do with the money left over? (Please select all that apply)**

[PROG: RANDOMIZE, ANCHOR OTHER AND DON'T KNOW]

1. Put it into current account
2. Put it into savings account or investments
3. Make an extra mortgage payment
4. Spend it
5. Save it in cash
6. Give it to someone else to save for your household
7. Give it away
8. Other (please specify)
9. Don't know [PROG: MUTUALLY EXCLUSIVE]

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**Q. 23 Have you or other members of your household ever received an inheritance, or been given assets in a trust or in some other form?**

1. Yes
2. No
3. Don't know

**Q. 24 Do you or other members of your household expect to receive a substantial inheritance or transfer of assets in the future?**

1. Yes
2. No
3. Don't know

**Q. 25 How well off would you say your household is financially these days? Would you say you are... (Please select one answer only)**

1. Living comfortably
2. Doing all right
3. Just about getting by
4. Finding it somewhat difficult
5. Finding it very difficult
6. Don't know

**Q. 26 In the past 12 months, did you or other members of your household spend some time developing and/or refining your household strategies in the area of...? (Please select one response for each item)**

[PROG: YES NO DON'T KNOW ACROSS THE TOP, RANDOMIZE LIST DOWN THE SIDE]

1. Yes
2. No
3. Don't know

1. Retirement planning
  2. Tax planning
  3. Children's education planning
  4. Estate planning
  5. Insurance policy strategies
  6. Saving and investment strategies
-

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**Q. 27 Who if anyone typically provides your household with advice on matters related to wealth accumulation and management? (Please select all that apply)**

[PROG: RANDOMIZE, ANCHOR OTHER, NOBODY AND DON'T KNOW]

1. Staff of your bank
2. Broker
3. Financial planner / investment counsellor
4. Employer
5. Accountant
6. Friends
7. Media / financial books
8. We usually discuss this only within the family
9. Other (please specify)
10. Nobody [PROG: MUTUALLY EXCLUSIVE]
11. Don't know [PROG: MUTUALLY EXCLUSIVE]

**Q. 28 What best reflects the time when you or other members of your household last calculated the value of your wealth? (Please select one answer only)**

1. Within past month
2. About three months ago
3. About six months ago
4. About one year ago
5. More than one year ago
6. Don't remember
7. Never



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**Q. 29 Which of the following do you or other members of your household usually monitor? (Please select all that apply)**

[PROG: RANDOMIZE, ANCHOR NONE AND DON'T KNOW]

1. Changes in the housing market
2. Changes in the stock market
3. Changes in interest rates
4. Changes in inflation
5. Changes in taxation (e.g. changes affecting personal income tax, capital gains tax, tax credits)
6. Changes in the job market
7. Changes in the pension system
8. None of these [PROG: MUTUALLY EXCLUSIVE]
9. Don't know [PROG: MUTUALLY EXCLUSIVE]

**Q. 30 Please tell us, altogether, including yourself, how many people live in your household? (Please select one answer only)**

1. One [PROG: SKIP TO Q. 32]
2. Two
3. Three
4. Four
5. Five
6. Six or more

**Q. 31 And, how many people in your household are under 18 years of age? (Please select one answer only)**

1. None
  2. One
  3. Two
  4. Three
  5. Four
  6. Five
  7. Six or more
-

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**Q. 32 Which of the following best describes your employment status?  
(Please select one answer only)**

1. Employed full-time
2. Employed part-time
3. Self-employed
4. Full time student
5. Homemaker
6. Retired
7. Temporarily unemployed
8. Other

**Q. 33 Which of the following best describes your marital status? (Please select one answer only)**

1. Married / Living with partner (common-law) [PROG: SKIP TO Q. 34b]
2. Divorced / Separated
3. Widowed
4. Single (never married)
5. Don't know

**Q. 34a How would you describe your health? (Please select one response)**

1. Excellent
2. Good
3. Fair
4. Poor

[PROG: SKIP TO Q. 35]

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**Q.34b How would you describe your and your spouse's/partner's health?  
(Please select one response for each item)**

[PROG: SHOW GRID WITH SCALE ACROSS THE TOP, LIST DOWN THE SIDE]

1. Excellent
  2. Good
  3. Fair
  4. Poor
- 
1. Your health
  2. Your spouse's / partner's health

**Q. 35 What is the highest level of schooling that you have ever attained?  
(Please select one answer only)**

1. High school diploma or less
2. Some college, trade, vocational or technical school, or university without a certificate or diploma
3. College, trade, vocational or technical school with certificate or diploma
4. University undergraduate degree or above
5. Other

**Q. 36 Which of the following best describes your total annual household income, in 2011? (Please select one answer only)**

1. Under \$15,000
2. \$15,000 - \$24,999
3. \$25,000 - \$34,999
4. \$35,000 - \$49,999
5. \$50,000 - \$74,999
6. \$75,000 - \$99,999
7. \$100,000 or more
8. Don't know

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**Q. 37 What would best describe the main source of your household income? (Please select one answer only)**

[PROG: RANDOMIZE, ANCHOR OTHER AND NO INCOME]

1. Wages, salaries and commissions
2. Business income
3. Investment income (dividends, interest payments, net rents from real estate)
4. Government transfer payments other than pension (e.g. employment insurance, social assistance, workers compensation benefits, child tax benefits, etc.)
5. Retirement income
6. Other
7. No income

**Q. 38 Thinking of the level of your household income over the past 3 years, would you say it has... (Please select one answer only)**

1. Increased a lot
2. Increased a little
3. Remained about the same
4. Decreased a little
5. Decreased a lot
6. Don't know

*Thank you for your time!*

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