

THE DREAMS AND THE REALITY

Assets, Debts And Net Worth Of Canadian Households

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(2002)**



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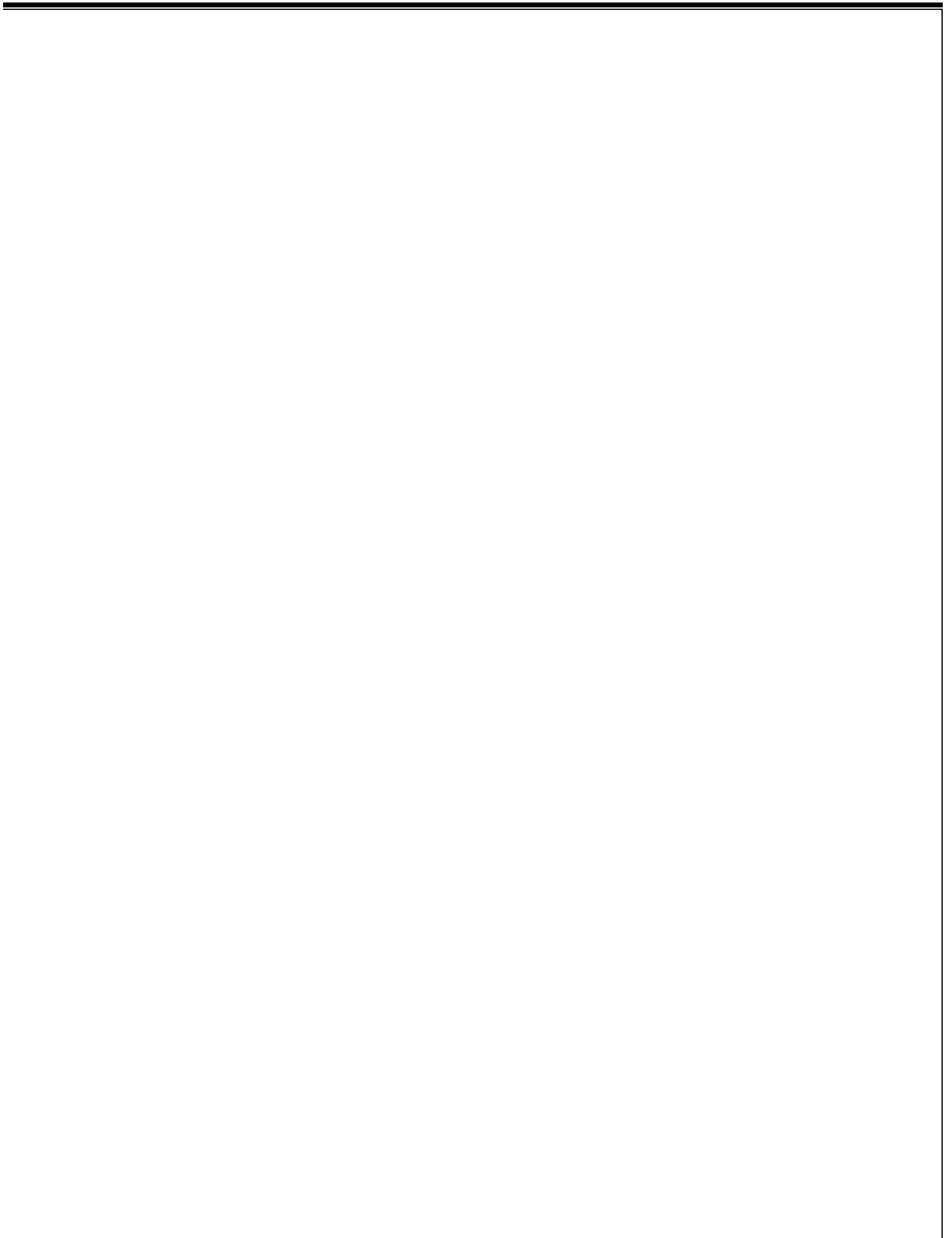
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INTRODUCTION

Financial wealth or in more technical terms “net worth” is an important element of Canadian society. Most Canadians aspire to get some of it in order to help them live long and well. Others want it to help care for the less fortunate. Whether it is fair or not, wealth is also one of the ways used to measure people and their achievements.

Advertisers push “the dream” of wealth ... and what it can bring. For some, the dream and the reality do become one. It may require a combination of a good start, hard work, discipline, making the right choices along the way, good luck, being born in the right family and other contributing factors. There are nearly 500,000 millionaire households in Canada and the richest 10% of Canadian households control 45% of the wealth in Canada.

For many, however, the dream never does become the reality. Their reality, regarding wealth, may consist of having enough to live just above the poverty line. The poorest 10% of Canadian households have a median net worth of only \$150. The bottom half of all households control only 10% of the wealth.

Most people end up somewhere in the middle. The household in the middle of the 55-64 age group had a net worth or wealth of \$272,000 in 1999.

NEW DATA HELPS MEASURE WEALTH AND ITS DISTRIBUTION

In 1999, Statistics Canada collected detailed information about the financial assets, debts and wealth of Canadian households. The last survey of this type was conducted some 15 years earlier in 1984. The *Survey of Financial Security* goes a long way toward answering important questions about the present circumstances and prospects of Canadian households. The data was released beginning in March 2001 and up to April 2002. Statistics Canada also prepared and released several analytical reports that are available on their website. This report uses the publicly accessible data plus the results of special tabulations commissioned to extend the analysis presented here.

Results are presented at the level of the household. A household can be comprised of an unattached individual or a family of 2 or more persons. The results are shown for households at the median, which is also called the household in the middle. At the median, half of households have more assets, debts or net worth than this household and half have less than this household. The terms “median” and the “household in the middle” are used interchangeably.

PART ONE HELPS YOU CHECK OUT HOW YOU COMPARE

The first part of this report is intended to give readers a feel for how others in their same age group are doing relative to assets, debts and net worth. Readers should be able to get a clearer idea of where they stand ... for some it will be inspiring and for others it may be depressing. You are encouraged to check out the results for households that look like yours.

PART TWO LOOKS AT THE TRENDS AND THE RELATIONSHIPS

The second part of the report attempts to assess those factors that have an impact on the distribution of assets, debts and net worth. A major emphasis is placed on the examination of these factors relative to the age of the households. Due to the lack of data, this report does not examine inherited wealth or inherited opportunity.

HIGHLIGHTS AND KEY FINDINGS

The focus of this report is on the median household, a term that is used interchangeably with the household in the middle. Households can be comprised of either an unattached individual or family of 2 or more persons. The report is based on the situation in 1999, the year for which Statistics Canada collected data.

General conclusions

- In 1999, the household in the middle had \$109,200 of net worth. This median value grew by 11% since 1984.
- The wealth is not evenly distributed. The top 10% of households control 45% of all the net worth accumulated by individuals and families while the bottom 10% have no net worth at all. Between 1984 to 1999, the net worth of the wealthiest groups improved while it declined for the poorest groups.
- Age plays a key role in wealth accumulation. In 1999, the median household aged 34 or less had a net worth of \$18,800 compared to \$272,200 for a household in which the major income recipient was 55-64.
- The major characteristics that distinguish those with high levels of wealth by the age of 55-64 are;
 - ❑ holding a university degree above the level of a bachelor's,
 - ❑ owning a home,
 - ❑ being married,
 - ❑ living in a 2-person family,
 - ❑ being self-employed,
 - ❑ working with the same employer for 11 years or more,
 - ❑ being born a male,
 - ❑ belonging to a union,
 - ❑ being foreign-born and having a mother tongue other than English or French.
- Senior families have the highest net worth (\$302,800) while both female lone-parents and non-senior unattached females have the least (about\$14,000).

A few more detailed results

- Among couples under the age of 55, households in which females are the major income recipient have a higher net worth than are those where males are the major income recipient. The opposite is true for older families.
- Deposits in financial institutions are the most common (88%) asset while the home is the most valuable (\$125,000).
- Credit card and installment debt is the most commonly used (39%) form of borrowing while home mortgages have the highest median value of all debts (\$67,000).
- About 35% of young households feel uncomfortable with their debt loads compared to only 17% of seniors.
- There are almost 500,000 millionaire households in Canada.
- Education does not guarantee rising wealth from 1 generation to the next.
- About 30% of families of 2 or more persons may not have saved enough for retirement while almost half of unattached individuals may not have saved enough.

AND ... Part 1 of this report provides an easy approach to compare your progress to others your age ... Check it out! Show it to your friends and financial advisor.

PART 1

THE LIFE-CYCLE PATTERNS OF HOUSEHOLD ASSETS, DEBTS AND NET WORTH

An easy approach to compare your progress to others your age ... Check it out for your household!

Households “typically” go through age-specific phases when it comes to the accumulation of assets and debts. While there are certainly many variations around the typical household, an examination of this typical household can help us get a feel about where we stand relative to others in the same age group. The various age groups and characteristics are based on those of the major income recipient in the household. A household can be comprised of an unattached individual or be a member of a family of 2 or more persons. The median refers to the household in the middle, where half of all households have less and half have more.

- We can use the next few pages to get a rough estimate of how well or how poorly we are doing relative to others in our own age group.
- We can also use these tables to get a feel about the progression that the typical household goes through as it ages.

THE COMPOSITION OF HOUSEHOLD ASSETS - Most households have some assets. These assets can include something as minor as an inexpensive watch or a few dollars in a savings account or they can include significant assets such as a home or a “big pot” of pension assets accumulated over many years. While most households have assets, the median value of the assets of younger households aged under 35 is much smaller at \$32,700 than it is for those households aged 55-64, which have a median value of \$306,000.

- *Check it out for your household!* Review the top portion of Tables 2 and 3 to see how the median household in your age group is doing relative to specific types of assets. Assuming that you are 45-54, then only a small percentage of your age group actually owns mutual or investment funds outside of their pension assets. If you have these mutual or investment funds, you are part of the 16% of all households aged 45-54 that do have these with the median value being about \$20,000. You will note that the percentage of households with these assets and their median value rises slowly up to the age of 55-64 and then declines. Of course, other characteristics such as education and type of occupation also have a significant impact.

THE COMPOSITION OF HOUSEHOLD DEBTS - Not all households have debt. Roughly eight out of 10 households under the age of 55 have some form of debt. This falls to 62% among households aged 55-64 and then dips to only 27% for those aged 65 and over. The median debt load carried by those aged under 35 is about \$19,000, rises to about \$49,000 for those aged 35-44 and then falls gradually to only \$6,500 for those aged 65 and over.

- *Check it out for your household!* Review the bottom portions of Tables 2 and 3 to see how the median household in your age group is doing relative to specific types of debts. Again let us assume that you are 45-54 years of age. If so, 42% of households in your age group have an outstanding credit card or installment debt balance with a median value of \$2,000. You will notice that the percentage of those with this type of debt actually declines with age while the outstanding balance remains within a range of \$1,000 to \$2,000 for all age groups. Again ... these amounts will vary significantly based on other characteristics as it does with assets.

THE VALUE OF NET WORTH – Net worth is the difference between your assets and your debts. Table 4 provides net worth estimates for each age group and according to various other characteristics of households within each age group. Some of the characteristics shown in the table relate to the type of household in which you live, your marital status by the sex of the major income recipient in your household, your country of birth, your mother tongue, whether you own your home, your education and your labour force status.

- *Check it out for your household!* Review Table 4 to see how the household in the middle in your age group and by selected characteristics is doing in terms of the median value of net worth. If you are part of a household aged 45-54 where the highest income recipient has a high school diploma, then the median net worth of households like yours is about \$176,700. If the highest income recipient in your household has a university degree above a bachelor's, then the median net worth is apt to be closer to \$400,000. If you are a paid employee who is a union member, then your net worth is probably 50% larger than that of a non-union member. Select those characteristics that best describe you. The results will give you rough estimates of the range within which households similar to yours occupy.

Who is likely to have the highest net worth?

The table below gives a rough indication of those characteristics that are most likely to be associated with high median wealth for two age groups, those under 35 and those 55-64. The list is taken from Table 4 and picks those characteristics associated with the highest net worth of households in these two age groups.

- For those under the age of 35, the most likely indicators of high net worth are owning your own home and being with the same employer for 11 or more years.
- For those aged 55-64, having a degree above a bachelor's rises to the top and owning your own falls to second spot.
- There are three characteristics that do not appear on both lists. For the older age group, those that are foreign-born have a higher net worth than are those who are Canadian-born. The opposite is true for the younger age group. A similar relationship is evident for mother tongue. Among older married or common-law couples, those having a male as the major income recipient have a higher net worth ... among the younger couples, it is those in which it is the female who has the higher income that record the highest net worth.

| TABLE 1 CHARACTERISTICS OF THE MAJOR INCOME RECIPIENT THAT ARE MOST LIKELY TO INDICATE HIGH MEDIAN NET WORTH, 1999 | | | |
|---|-----------------------------|---|-----------------------------|
| At age under 35 | Median net worth | At age 55-64 | Median net worth |
| Own your home | \$92,500 | Degree above bachelor's | \$872,600 |
| With same employer for 11+ years | \$89,500 | Own your home | \$418,700 |
| Self-employed | \$78,000 | Married or live common-law with male as the major income recipient | \$415,200 |
| Degree above bachelor's | \$60,300 | Part of a family of 2 or more persons | \$397,000 |
| Married or live common-law with female as the major income recipient | \$49,900 | Self-employed | \$391,100 |
| Part of a family of 2 or more persons | \$45,300 | With same employer for 11+ years | \$378,000 |
| A union member | \$43,500 | A male is the major income recipient | \$342,300 |
| A male is the major income recipient | \$27,700 | A union member | \$325,000 |
| Have English mother tongue | \$19,700 | Are foreign-born | \$324,100 |
| Are Canadian-born | \$19,600 | Have a mother tongue other than English/French | \$302,100 |
| Source: People Patterns Consulting | | | |

| TABLE 2 | | | | | |
|---|------------|------------|------------|------------|------------|
| % OF HOUSEHOLDS WITH SELECTED ASSETS* AND DEBTS* | | | | | |
| BY AGE OF THE MAJOR INCOME RECIPIENT IN THE HOUSEHOLD, 1999 | | | | | |
| | under 35 | 35-44 | 45-54 | 55-64 | 65+ |
| ASSETS | | | | | |
| WHO OWN ASSETS OF ANY KIND | 100 | 100 | 100 | 100 | 100 |
| Financial assets - pension related | 59 | 76 | 81 | 79 | 66 |
| RRSPs, LIRAs, RRIFs | 51 | 66 | 71 | 69 | 46 |
| RPPs (employer-sponsored) | 33 | 49 | 56 | 56 | 50 |
| Other pension assets | 3 | 5 | 4 | na | 3 |
| Financial assets, non-pension related | 88 | 89 | 91 | 91 | 94 |
| Deposits, non-pension | 85 | 86 | 88 | 89 | 93 |
| Mutual/investment funds, non-pension | 11 | 14 | 16 | 19 | 14 |
| Stocks, non-pension | 7 | 10 | 14 | 13 | 9 |
| Bonds, non-pension | 9 | 15 | 16 | 17 | 18 |
| Other financial assets, non-pension | 13 | 18 | 16 | 10 | 8 |
| Non-financial assets | 100 | 100 | 100 | 100 | 100 |
| Home | 36 | 63 | 73 | 75 | 67 |
| Other real estate | 8 | 16 | 22 | 26 | 17 |
| Vehicles | 69 | 82 | 84 | 83 | 71 |
| Other non-financial assets | 100 | 100 | 100 | 100 | 100 |
| Equity in business | 14 | 24 | 27 | 21 | 7 |
| DEBTS | | | | | |
| WHO HAVE DEBTS OF ANY KIND | 80 | 81 | 77 | 62 | 27 |
| Mortgage on home | 31 | 49 | 43 | 26 | 7 |
| Mortgage on other real estate | 4 | 6 | 7 | 6 | na |
| Line of credit | 15 | 21 | 23 | 15 | 5 |
| Credit card and installment debt | 47 | 47 | 42 | 33 | 15 |
| Student loans | 24 | 9 | 13 | na | na |
| Vehicle loans | 27 | 26 | 25 | 18 | 6 |
| Other debt | 22 | 21 | 17 | 12 | 5 |
| * see the rest of the report and appendix A for definitions of assets, debt, and net worth | | | | | |
| Source: People Patterns Consulting based on Statistics Canada, Survey of Financial Security | | | | | |

**TABLE 3
MEDIAN (HOUSEHOLDS IN THE MIDDLE) VALUE OF SELECTED ASSETS* AND DEBTS*
FOR HOUSEHOLDS THAT HAVE THE ITEM BY AGE OF THE MAJOR INCOME RECIPIENT
IN THE HOUSEHOLD, 1999**

| | under 35 | 35-44 | 45-54 | 55-64 | 65+ |
|---|-----------------|------------------|------------------|------------------|------------------|
| ASSETS | | | | | |
| ALL ASSETS COMBINED | \$32,800 | \$165,000 | \$259,700 | \$305,000 | \$217,400 |
| Financial assets - Pension related | \$10,000 | \$36,700 | \$89,100 | \$160,300 | \$115,700 |
| RRSPs, LIRAs, RRIFs | \$7,000 | \$17,000 | \$30,000 | \$50,000 | \$46,000 |
| RPPs (Employer-sponsored) | \$5,700 | \$28,000 | \$77,900 | \$151,900 | \$107,400 |
| Other pension assets | \$3,000 | \$7,500 | \$8,000 | na | \$16,800 |
| Financial assets, non-pension | \$2,000 | \$3,800 | \$6,000 | \$8,000 | \$15,000 |
| Deposits, non-pension | \$1,200 | \$2,000 | \$3,000 | \$4,000 | \$10,000 |
| Mutual/investment funds, non-pension | \$4,100 | \$8,300 | \$20,000 | \$25,000 | \$30,000 |
| Stocks, non-pension | \$3,800 | \$5,000 | \$8,200 | \$19,200 | \$30,000 |
| Bonds, non-pension | \$1,000 | \$1,300 | \$2,500 | \$5,400 | \$10,000 |
| Other financial assets, non-pension | \$2,000 | \$4,000 | \$7,000 | \$10,000 | \$15,000 |
| Non-financial assets | \$18,000 | \$115,500 | \$144,500 | \$143,900 | \$105,000 |
| Home | \$120,000 | \$125,000 | \$138,500 | \$130,000 | \$120,000 |
| Other real estate | \$60,000 | \$60,000 | \$70,000 | \$66,200 | \$60,000 |
| Vehicles | \$8,000 | \$9,500 | \$10,400 | \$10,000 | \$7,200 |
| Other non-financial assets | \$5,000 | \$10,000 | \$10,000 | \$10,000 | \$10,000 |
| Equity in business | \$5,000 | \$6,000 | \$10,000 | \$17,000 | \$40,000 |
| DEBTS | | | | | |
| ALL DEBTS COMBINED | \$18,900 | \$49,400 | \$40,000 | \$20,200 | \$6,500 |
| Mortgage on home | \$82,000 | \$70,000 | \$57,200 | \$50,000 | \$40,000 |
| Mortgage on other real estate | \$55,000 | \$65,000 | \$70,000 | \$58,000 | na |
| Line of credit | \$4,000 | \$5,000 | \$7,000 | \$9,000 | \$5,000 |
| Credit card and installment debt | \$1,500 | \$2,000 | \$2,000 | \$1,800 | \$1,000 |
| Student loans | \$8,000 | \$6,900 | \$7,000 | na | na |
| Vehicle loans | \$8,500 | \$10,000 | \$10,000 | \$9,500 | \$7,000 |
| Other debt | \$3,000 | \$4,200 | \$6,000 | \$3,500 | \$3,000 |
| * see the rest of the report and appendix A for definitions of assets, debt and net worth | | | | | |
| Source: People Patterns Consulting based on Statistics Canada, Survey of Financial Security | | | | | |

| TABLE 4 MEDIAN (HOUSEHOLDS IN THE MIDDLE) NET WORTH OF HOUSEHOLDS BY CHARACTERISTICS OF THE HOUSEHOLD'S MAJOR INCOME RECIPIENT BY AGE OF THE MAJOR INCOME RECIPIENT IN THE HOUSEHOLD, 1999 | | | | | |
|---|----------|-----------|-----------|-----------|-----------|
| | under 35 | 35-44 | 45-54 | 55-64 | 65+ |
| All households | \$18,800 | \$99,500 | \$192,900 | \$272,200 | \$211,500 |
| Type of household | | | | | |
| Families of 2 or more | \$45,300 | \$123,000 | \$240,900 | \$397,000 | \$302,900 |
| Unattached individuals | \$5,200 | \$32,500 | \$63,900 | \$80,400 | \$123,500 |
| Marital status | | | | | |
| Married or living common-law | | | | | |
| Male is major income recipient | \$47,200 | \$134,600 | \$260,900 | \$424,800 | \$313,800 |
| Female is major income recipient | \$49,900 | \$147,100 | \$301,800 | \$335,500 | \$289,000 |
| Separated, divorced or widowed | | | | | |
| Male is major income recipient | na | \$62,000 | \$111,400 | \$96,000 | \$185,900 |
| Female is major income recipient | \$5,800 | \$34,100 | \$79,423 | \$90,000 | \$109,000 |
| Never married | | | | | |
| Male is major income recipient | \$9,800 | \$32,500 | \$56,300 | na | na |
| Female is major income recipient | \$4,500 | \$41,300 | \$111,500 | na | \$146,000 |
| Citizenship | | | | | |
| Canadian-born | \$19,600 | \$107,800 | \$191,500 | \$258,600 | \$203,000 |
| Foreign-born | \$14,400 | \$65,300 | \$202,100 | \$324,100 | \$233,400 |
| Mother tongue | | | | | |
| English | \$19,700 | \$113,700 | \$204,100 | \$297,000 | \$246,200 |
| French | \$14,800 | \$89,600 | \$165,900 | \$196,200 | \$146,000 |
| Other mother tongue | \$18,800 | \$75,000 | \$207,300 | \$302,100 | \$213,800 |
| Principal residence status | | | | | |
| Rent | \$5,000 | \$14,500 | \$20,500 | \$19,900 | \$40,300 |
| Own | \$92,500 | \$160,400 | \$279,000 | \$418,700 | \$303,800 |
| Highest level of education | | | | | |
| Less than high school | \$5,000 | \$43,000 | \$79,700 | \$144,400 | \$158,900 |
| High school graduate | \$13,500 | \$94,700 | \$176,700 | \$295,800 | \$246,400 |
| Non-university graduate | \$26,700 | \$106,400 | \$193,500 | \$319,800 | \$261,400 |
| University certificate or bachelor's degree | \$38,000 | \$157,000 | \$304,800 | \$586,100 | \$508,500 |
| Degree or above bachelor's | \$60,300 | \$170,100 | \$396,500 | \$872,600 | \$670,400 |
| Labour force status | | | | | |
| Self-employed | \$78,000 | \$183,000 | \$292,600 | \$391,100 | \$565,000 |
| Paid employees | | | | | |
| Full-time paid employee | \$30,500 | \$110,800 | \$215,900 | \$265,200 | na |
| Part-time paid employee | \$2,700 | \$40,300 | \$82,300 | na | na |
| Union member | \$43,500 | \$128,400 | \$259,000 | \$325,600 | na |
| Not union member | \$20,600 | \$94,400 | \$175,000 | \$228,700 | \$300,700 |
| Under 6 years with same employer | \$13,500 | \$62,100 | \$95,300 | \$137,700 | na |
| 6 to 10 years with same employer | \$66,100 | \$107,100 | \$155,700 | \$155,800 | na |
| 11+ years with same employer | \$89,500 | \$155,000 | \$284,700 | \$378,000 | na |
| Not in labour force | \$1,800 | \$5,000 | \$35,200 | \$244,300 | na |

Source: People Patterns Consulting based on Statistics Canada, Survey of Financial Security

PART 2

A LOOK AT THE TRENDS AND THE RELATIONSHIPS

THE QUESTION ... WHAT ARE YOU WORTH?

This very personal question is asked frequently when people borrow money, when they go to an auto dealer to buy a new car, when they are getting serious about a new relationship and for many other reasons. We ask ourselves the same question at various stages in life, especially when we are experiencing difficult times, when we begin to think about retirement or just taking it a bit easier. While we should all be aware of our own net worth, we might also find it helpful to compare our situation to others.

Government and other organizations are also concerned about how society is doing. How many Canadians will be able to support themselves without government help and how many will require extensive assistance?

Many of the answers depend on what Canadians own, what they owe and most importantly how these assets and debts are distributed among groups of citizens. This report attempts to answer some of these questions.

Net worth or as it is often called, wealth, is what would be left over after a household sold off all its assets and paid off all of its debts. In this report the terms net worth and wealth are used interchangeably.

TAKE NOTE OF THE “MEDIAN” ... ALSO KNOWN AS THE “HOUSEHOLD IN THE MIDDLE“

In 1999, the median household or that household in the middle had a net worth of \$109,200. Half of all households had more than this amount and half had less. In this report, the term “median” and “household in the middle” are used interchangeably. When the information is broken out into smaller groups, the median household or the household in the middle of each group is highlighted. For instance, the household in the middle of all families with 2 or more persons had a net worth of \$159,000 while the household in the middle of all households who live in Newfoundland had a net worth of \$65,300.

WHO HAS GOT WHAT? ... THE COMPOSITION OF ASSETS

Virtually all households have some assets. In the classification used by Statistics Canada, there are four major asset classes. These are italicized and bolded in Table 5.

The first group in this classification is comprised of financial assets that are pension related and intended to be used to replace earned incomes upon retirement. Even so, some of these, such as RRSPs (Registered Retirement Savings Plans) can be cashed in at any time if households conclude that they have no better source of funds to satisfy cash needs and are willing to face the tax implications.

The second category deals with non-pension financial assets. These include deposits, mutual and investment funds, stocks, bonds and other non-pension assets. These items can be more easily accessed at any time.

The third category are items that are non-financial in nature and include homes, real estate, vehicles and other items such as furniture, jewelry, collectibles, etc.

The last category is equity in business, which is the estimated amount a household would receive if a business that they own were sold after deducting any outstanding debt. These include privately held companies, farms and other small businesses or partnerships.

- An initial examination of the distribution of these four major types of assets indicates that 100% of households had non-financial assets in 1999 with a median value of \$103,000. About 90% held non-pension financial assets with a median value of only \$4,800. About 71% had pension assets with a median value of \$50,000 and 19% had equity in a business with a median value of \$10,000. In each case the median value refers to that household in the middle among those that have that kind of asset. Among half of all households with such assets, the value of their assets is less than the median value while it is greater than the median value for the other half of households.
- The relatively small amount (\$4,800) of all non-pension financial assets suggests that many households do not have a lot of readily available resources to tap into in times of financial stress. This is especially so for younger households (see Table 3) and for households of any age, who have few financial resources. These households may be forced to sell-off other assets or to borrow when times “get tough.”

DEPOSIT ACCOUNTS MOST COMMON ASSET WHILE HOMES ARE MOST VALUABLE

It is useful to look at each of the detailed assets from at least two perspectives - the percentage of households that have them and their median value. Column 1 in Table 5 gives the percentage of households that held each of the individual asset items in 1999 and column 2 ranks these percentages for the individual assets from high to low indicating those most commonly and least commonly held by Canadians. Column 3 provides the median value for each of these items for those that had them in 1999 and then column 4 ranks these median values from high to low.

- At the detailed level, the most widely held (100%) item below the level of the major categories in Table 5 were “other non-financial assets” that were held by all households. This is not unexpected because this category is both a “catch-all” item and because virtually everyone has at least some furniture, jewelry, etc. The median value of this item was about \$10,000 and thus ranked only sixth in terms of the value of the assets in comparison to the values of the other asset categories.

- The second most widely held type of asset was non-pension deposits in checking and savings accounts held at banks, trust companies and credit unions. These were held by about 88% of households with the median value of the outstanding balances being only \$2,700, which ranked in twelfth spot in terms of value.
- Vehicles ranked third (77%) in terms of the percentage of households that had them and had a median value of \$9,000. Vehicles can include one or more vehicles such as cars, vans, trucks, motorcycles, snowmobiles and other vehicles. Leased vehicles are not included since the households do not own these vehicles but are just renting them.
- The really big one is next. In 1999, about 60% of households owned their homes with a median value of \$125,000. While homes ranked fourth in terms of the percentage of households that had them, they ranked first in terms of their median value.
- Two categories of pension assets ranked next in terms of the percentage that had them. In 1999, about 60% of households had RRSPs (Registered Retirement Savings Plans), LIRA's (Locked-In Retirement Accounts) or RRIF's (Registered Retirement Income Funds) with a median value of \$20,000. Some 48% of households had a RPP (Registered Pension Plan) sponsored by an employer with a median value of over \$49,000. These two items ranked fourth and third respectively in terms of the median value of these assets relative to the value of other types of assets.
- About one-in-five households held some equity in their own business with a median value of \$10,000.
- Other real estate holdings were held by 17% of all households with a median value of \$65,000 for those that had them. The median value of these other real estate holdings ranked second highest behind homes.
- About 14% of households had invested in mutual funds or bonds held outside of their pension assets.
- A surprisingly low 10% of households actually held stocks outside of their pension assets. The median value was also relatively low at \$8,700.
- Only 8% of households had "other pension assets" with a median value of \$8,000.

| TABLE 5 COMPOSITION AND RANKING OF HOUSEHOLD ASSETS, 1999 | | | | |
|--|--|---|---|---|
| | (1) % of households with Item | (2) Ranking of percent with item | (3) Median value for those with item | (4) Ranking of median value for those with item |
| ASSETS | 100 | Sub-total | \$165,500 | Sub-total |
| Financial assets - Pension assets | 71 | Sub-total | \$50,000 | Sub-total |
| RRSPs*, LIRAs**, RRIFs*** | 60 | 5 | \$20,000 | 4 |
| RPPs (Employer-sponsored) **** | 47 | 6 | \$49,300 | 3 |
| Other pension assets***** | 4 | 13 | \$8,000 | 10 |
| Financial assets, non-pension assets | 90 | Sub-total | \$4,800 | Sub-total |
| Deposits, non-pension | 88 | 2 | \$2,700 | 12 |
| Mutual/investment funds, non-pension | 14 | 10 | \$13,000 | 5 |
| Stocks, non-pension | 10 | 12 | \$8,700 | 9 |
| Bonds, non-pension | 14 | 9 | \$2,500 | 13 |
| Other financial assets*****, non-pension | 14 | 11 | \$4,600 | 11 |
| Non-financial assets | 100 | Sub-total | \$103,000 | Sub-total |
| Home | 60 | 4 | \$125,000 | 1 |
| Other real estate | 17 | 8 | \$65,000 | 2 |
| Vehicles (excluding leased) | 77 | 3 | \$9,000 | 8 |
| Other non-financial assets | 100 | 1 | \$10,000 | 6 tie |
| Equity in business | 19 | 7 | \$10,000 | 6 tie |
| *Registered Retirement Savings Plans ** Locked-In Retirement Accounts *** Registered Retirement Income Funds **** Employer-sponsored Pension Plans ***** Includes such things as Deferred Profit sharing Plans and annuities ***** Includes Registered Education Savings Plans, treasury bills, etc. | | | | |
| Source: People Patterns Consulting based on Statistics Canada, Survey of Financial Security | | | | |

RRSPs INCREASED THE MOST SINCE 1984

The aggregate amount of assets held in RRSPs was 6.4 times larger in 1999 than in 1984. The percentage of households with RRSPs almost doubled from 28% in 1984 to 55% in 1999 and the median value advanced by 2.1 times to \$20,000.ⁱ

WHO OWES WHAT? ... THE COMPOSITION OF DEBTS

In 1999, about 68% of Canadian households had some outstanding debt. The rest were totally debt-free. The median (household in the middle) level of debt among those that had debt was \$29,000. Half had more debt and half had less.

Table 2 in Part 1 of this report revealed that age had a lot to do with which households held this debt. In 1999, approximately 80% of households under the age of 55 were indebted, but this percentage dipped to 62% among households 55-64 and then to only 27% for those 65 years of age and over.

In a fashion similar to the previous analysis of assets, Table 6 ranks, in detail, the types of debts being managed by Canadian households according to the percentage of households which have taken on different kinds of debts and the median value of these loans.

- The most common type of debt was credit card and installment debt, which was owed by 39% of all households. The median outstanding balance for those that held this type of debt was only \$1,800 which ranked last (seventh) in terms of the amounts owing on the various kinds of debt.
- In 1999, the second most common form of debt was home mortgages. About one-third of households had home mortgage debt with the household in the middle having a mortgage of \$67,000 which ranked number 1 in terms of median value. Only 5% of households had a mortgage on other real estate.
- Some 21% of households owed money on their vehicles with a median debt of \$9,000 being owed. Vehicles can include cars, trucks, vans, sport utility vehicles, motorcycles, mobile homes, boats and snowmobiles. This debt excludes vehicles held by a business and leased vehicles. The payments on leased vehicles are considered to be similar to rent payments. In 1999, about 9% of all vehicles were leased.ⁱⁱ
- A catch-all item called “other debt” ranked fourth in terms of the percentage of those who had it and the median value of this “other debt” was \$4,000. This debt includes the amount owing on other loans from financial institutions, unpaid bills, etc.
- About 16% of households had a line of credit with a median outstanding balance of \$5,000.
- Student loans ranked sixth in terms of the percentage of households that had them with a median value of \$7,300. About one-quarter of all households aged under 35 had acquired student debt and the median value of their loans was \$8,000 (see Tables 2 and 3).

**TABLE 6
COMPOSITION AND RANKING OF HOUSEHOLD DEBTS, 1999**

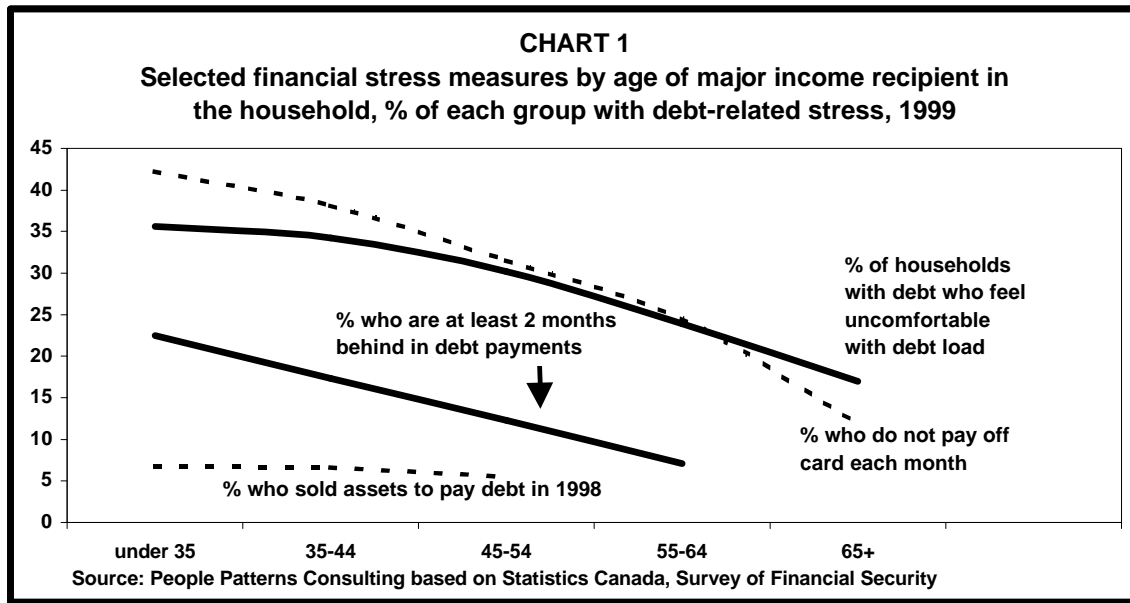
| | (1) % of households with Item | (2) Ranking of percent with item | (3) Median value for those with item | (4) Ranking of median value for those with item |
|---|--|---|---|---|
| DEBTS | 68 | Sub-total | \$29,000 | Sub-total |
| Mortgage on home | 33 | 2 | \$67,000 | 1 |
| Mortgage on other real estate* | 5 | 7 | \$60,000 | 2 |
| Line of credit | 16 | 5 | \$5,000 | 5 |
| Credit card and installment debt** | 39 | 1 | \$1,800 | 7 |
| Student loans | 12 | 6 | \$7,300 | 4 |
| Vehicle loans (excluding leases) | 21 | 3 | \$9,000 | 3 |
| Other debt*** | 16 | 4 | \$4,000 | 6 |
| * Mortgages on second homes, vacation homes, timeshares, rental property or vacant lots. ** Includes major credit cards and retail store cards, gasoline store cards, etc. Installment is amount still owing on purchases paid over time. | | | | |
| *** Includes the amount owing on other loans from financial institutions, unpaid bills, etc. | | | | |
| Source: People Patterns Consulting based on Statistics Canada, Survey of Financial Security | | | | |

IT'S CLEAR ... YOUNGER HOUSEHOLDS STRUGGLE WITH DEBT LOADS

While most households can handle their debts, many others are stressed in meeting their obligations.

- In 1999, about 30% of all households felt that they were uncomfortable with their debt load. This ranged from highs of about 35% among households aged under 45 to only 17% among those aged 65 and over.

- About 31% of households did not pay off the outstanding balances on their credit card debt every month. Those unable to pay off the cards stood at 42% among those under 35, 38% among those 35-44 and down to less than 12% among those 65 and over.
- Approximately 14% of households were at least 2 months in arrears in the payment of debts of any kind. As with the other stress measures, younger households under 35 were also more likely (23%) to be behind in their payments than were older households aged 55-64 (7%).
- Some 5% of households sold off assets to pay off debts in 1998.
- About 5% of households had declared bankruptcy at some time during their lives. Among those aged 45-54, a rather large 8% said that they had declared bankruptcy at some time.



FEMALE LONE-PARENTS HAVE HIGHEST DEBT TO ASSET RATIO

Another way to measure the burden of debt is to represent it as ratio of total assets. The higher the debt ratio the more difficult it may be to adjust and react to changing economic circumstances. The degree of financial stress in the short-term would also differ depending on the composition of assets. Some assets such as bank deposits can be accessed quickly while others, such a pension funds, can only be accessed based on strict rules.

- In 1999, taking all households together, debt was equal to 13% of all assets.
- In general terms, seniors held very little debt relative to their assets while younger families had a much heavier burden.
- Unattached female seniors had debt equal to only 1% of their total assets and thus bore the lowest debt burden. Not far behind were unattached male seniors and senior families at 2%.
- The most indebted households relative to their assets were female lone-parents whose debt was equal to 30% of their assets. Both non-senior couples with children and male lone-parents had debt loads equal to about 20% of their assets.

| | | Rankings of least to most indebted By type of household |
|---|----|--|
| All households | 13 | Total |
| Families of 2 or more persons* | 14 | Sub-total |
| Senior families (65+) | 2 | 3 |
| Non-senior families (15-64) | 16 | Sub-total |
| Couples with no children at home | 12 | 4 tie |
| Couples with children 0-17 | 21 | 9 |
| Male lone-parent families | 19 | 8 |
| Female lone-parent families | 30 | 10 |
| Other non-senior families*** | 12 | 4 tie |
| Unattached individuals** | 11 | Sub-totals |
| Male unattached seniors (65+) | 2 | 2 |
| Female unattached seniors (65+) | 1 | 1 |
| Male unattached non-seniors (15-64) | 19 | 7 |
| Female unattached non-senior (15-64) | 16 | 6 |
| * Families are a group of 2 or more persons who live in the same dwelling and are related to each other by blood, marriage, common law or adoption. | | |
| ** An unattached individual is a person living either alone or with others to whom he or she is not related. | | |
| *** Includes couples or lone-parents living with children aged 18 or over or related persons living together. | | |
| Source: People Patterns Consulting based on Statistics Canada, Survey of Financial Security | | |

WHO HAS THE WEALTH? ... WHO DOESN'T?

So far, Part 2 of this report has examined the assets and debts of Canadian households. Wealth or net worth is the difference between the assets and debts.

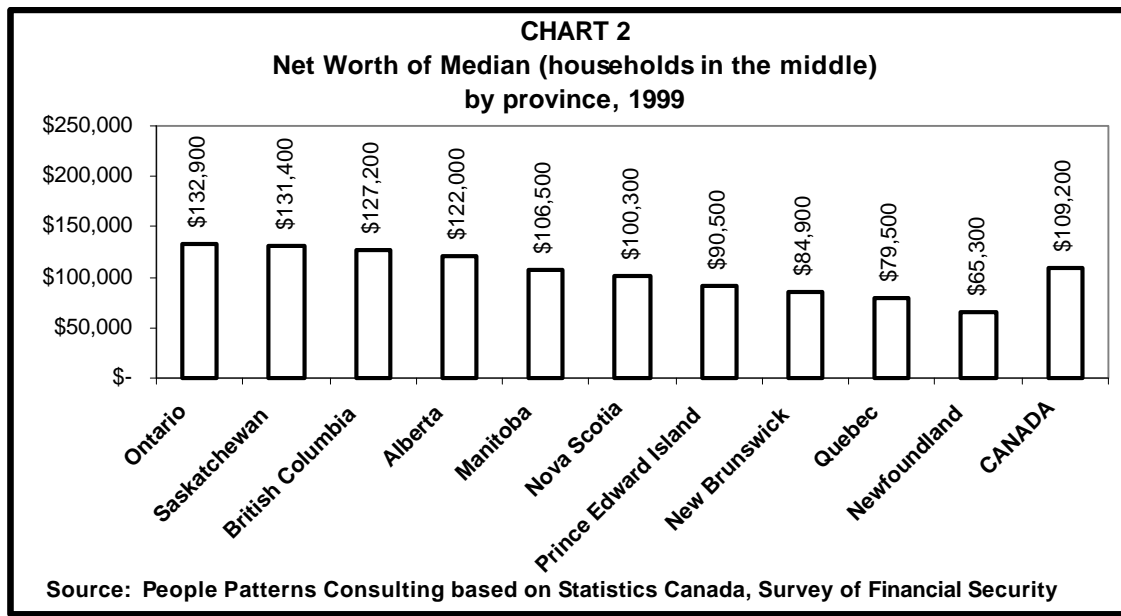
Wealth is certainly not evenly distributed among households. There are many reasons for this inequality. The rest of the report attempts to show how inequality varies by household structure, age, education, labour force status and other characteristics. Even so, this report cannot measure the impact of inherited wealth or inherited opportunity. This is so even though these factors certainly do play a very significant role in wealth distribution among households.

The results paint an interesting picture of the wealth of Canadians and how it is distributed. Whether or not you like the picture may be a sign of where you stand economically or politically and probably reflects what you think is fair in a mixed economy.

THE WEALTHIEST LIVE IN ONTARIO, SASKATCHEWAN, BC AND ALBERTA

In 1999, the net worth for that household in the middle was highest in Ontario at \$132,900, followed closely by Saskatchewan (\$131,400), British Columbia (\$127,200) and Alberta (\$122,000). The lowest net worth for the household in the middle was in Newfoundland at \$65,300.

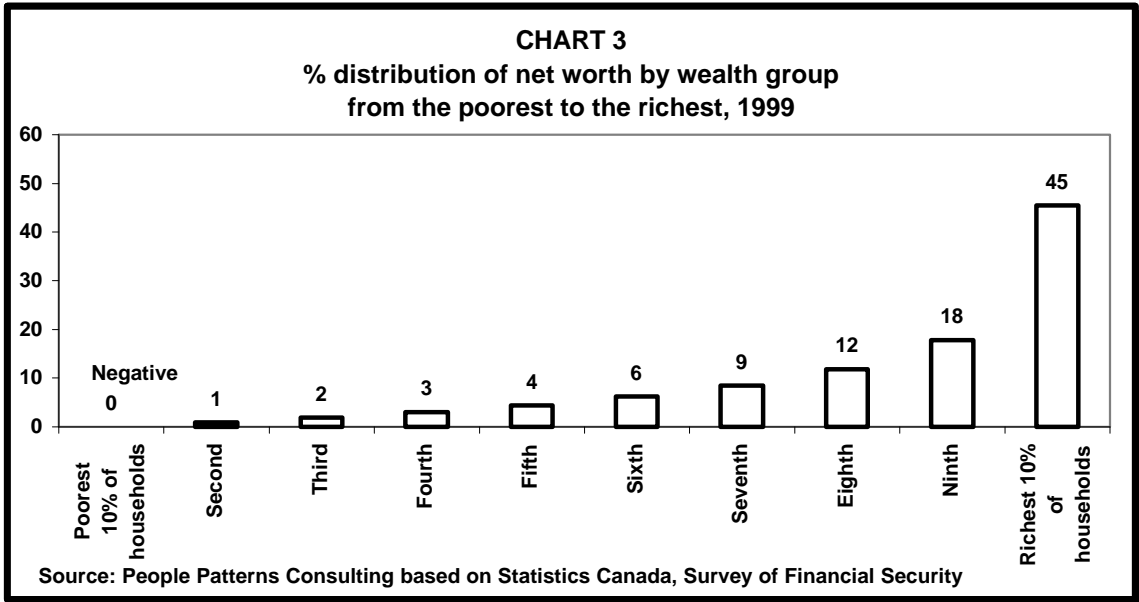
The net worth in Ontario was 22% above the median for Canada as a whole and was over twice that for Newfoundland.



THE RICHEST 10% HAVE 45% OF THE WEALTH – POOREST 10% HAVE NONE

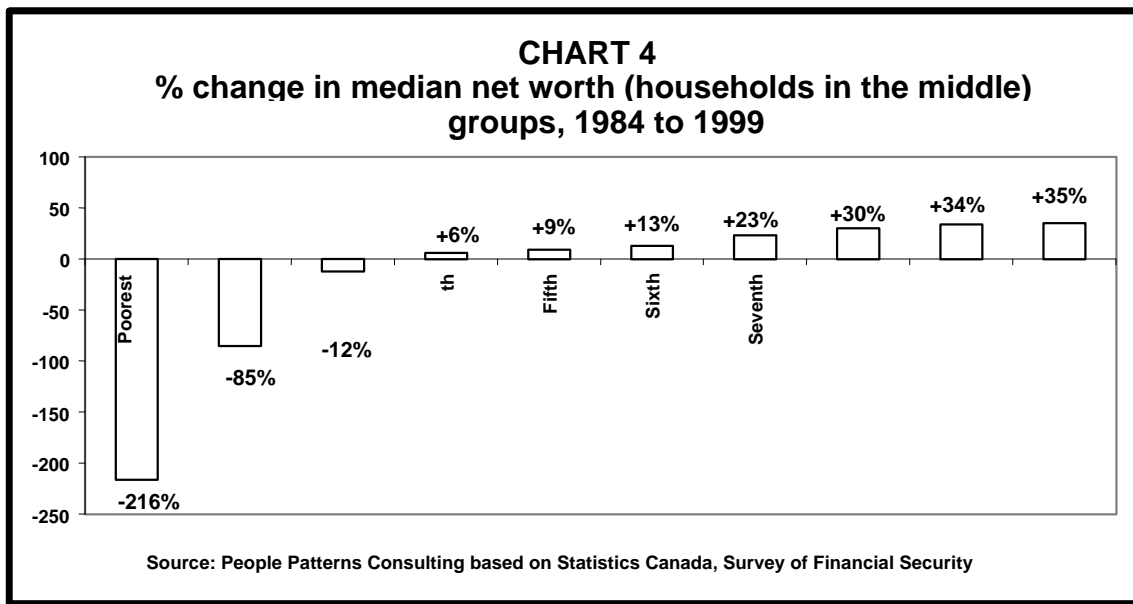
An easy way to assess inequality is to divide all of Canada’s households into 10 groups of equal size from the poorest to the richest in terms of wealth. Currently, each of these 10 groups is comprised of about 1 million households.

- In 1999, the poorest 10% of household as a group had negative net worth which means that they actually owed more than they owned. If you lined-up all of this group from the very poor to those that were a little better off but still very poor, the household in the middle of the group had a net worth of only \$150.
- The second poorest group held about 1% of all the household wealth in Canada and the median net worth of these one million households was \$23,000.
- In total, the bottom five wealth groups, or half of all households, together held only 10% of all the household wealth in Canada.
- The richest 10% of all households held 45% of all the wealth and recorded a median net worth of \$872,000. The total wealth held of group exceeds the combined net worth of the first 8 wealth groups.



IT IS NOT A MYTH - THE RICH GOT RICHER AND THE POORER GOT POORER!

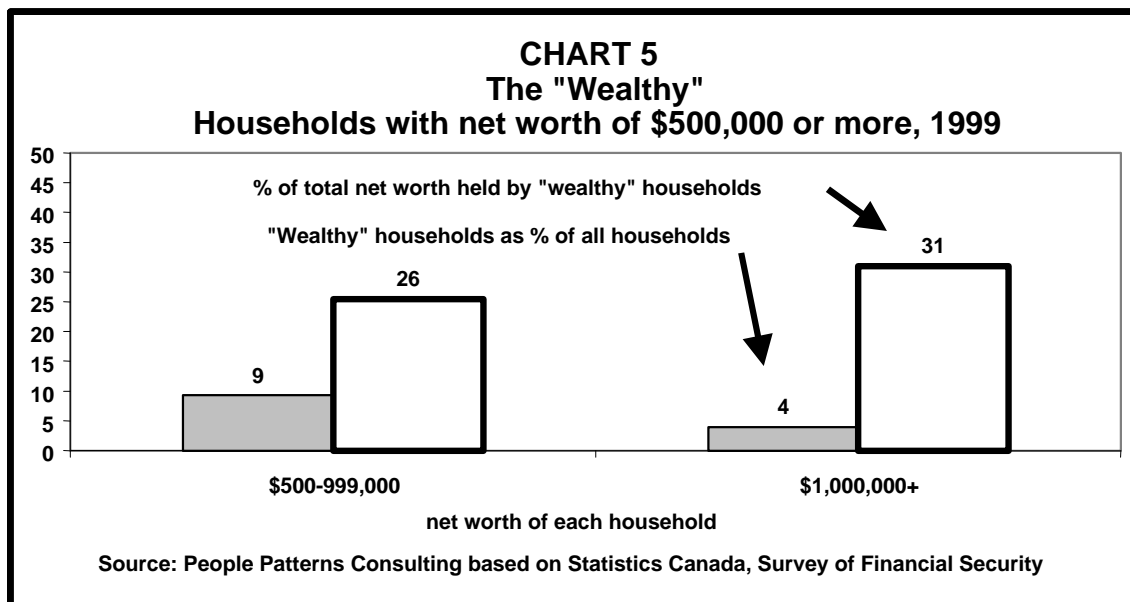
- In actual dollars, the median wealth of all households improved by 11% between 1984 and 1999. In contrast, the poorest 10% had a negative (owed more than they owned) net worth in 1984 and the situation worsened further (-216%) by 1999. The second poorest group experienced an 85% decline in wealth and the third poorest group experienced a 12% decline. Each of the other 7 groups had an actual increase in wealth ranging from 6% for the fourth wealth group to about 35% for each of the top two wealthiest groups.ⁱⁱⁱ



... INTRODUCING THE WEALTHY HOUSEHOLDS

How much does it take to be considered wealthy? Millionaires certainly qualify and those with half a million dollars or more in net worth might qualify. Let us assume that these 2 groups are wealthy and see what happens.

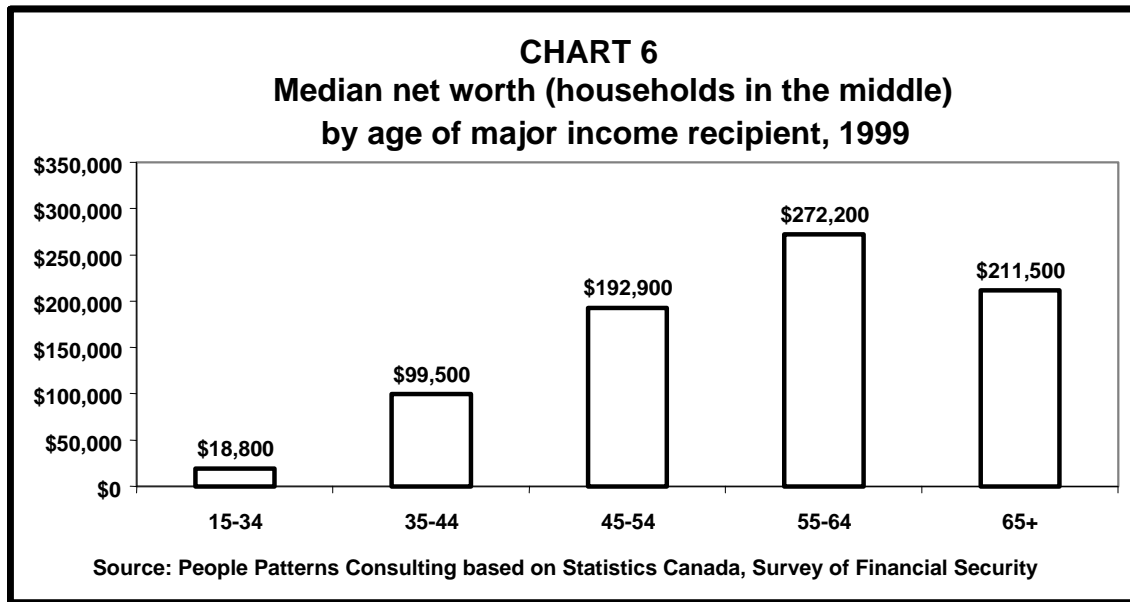
- In 1999, there were 484,000 Canadian households with at least \$1 million of net worth. While, this millionaire group comprised only 4% of all households they held 31% of all the household wealth in Canada.
- These millionaires were most evident in Ontario (232,000 households), Quebec (85,100) and British Columbia (81,200). Millionaire households represented 5.2% of all households in Ontario, 4.8% in British Columbia, 4% in Alberta and 2.7% in Quebec. (For statistical and confidentiality reasons this percentage is not available for other provinces.)
- About 1.1 million households had a net worth of \$500,000 to \$1 million. This group represented 9% of all households and held 26% of all the wealth.
- In 1999, while these 2 groups together comprised only 13% of all households they held 57% of all the household wealth.
- The wealth of these 2 groups totaled \$1,721,490,000,000 (\$1.7 trillion) in 1999, and if cashed out, could have bought all of the consumer goods and services purchased in Canada during the last 3 years combined.



AGE IS A KEY TO UNDERSTANDING WEALTH ACCUMULATION

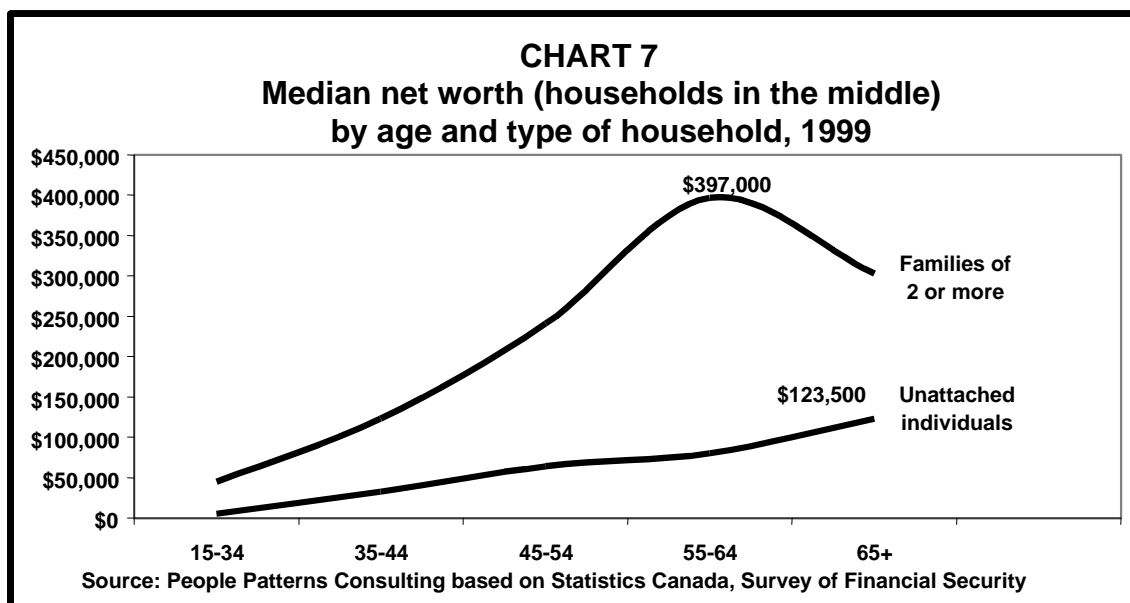
When looking at the results, it is very important to keep in mind that the age structure of various household types varies significantly. Groups that are older, such as senior families, should naturally tend to have more net worth since they have had more years to accumulate assets and pay off debt. In contrast, lone-parent families tend to be much younger and thus less wealthy. Part 1 of this report attempted to make this clearer using a "life-cycle" approach to show the impact of age and its relationship to net worth and other characteristics.

In aggregate terms, households in which the major income recipient was under the age of 35 had a median net worth of only \$18,800 in 1999. Net worth peaked at \$272,200 for households aged 55-64 and then declined as more households reached retirement age and began to draw from their accumulated wealth to support themselves.



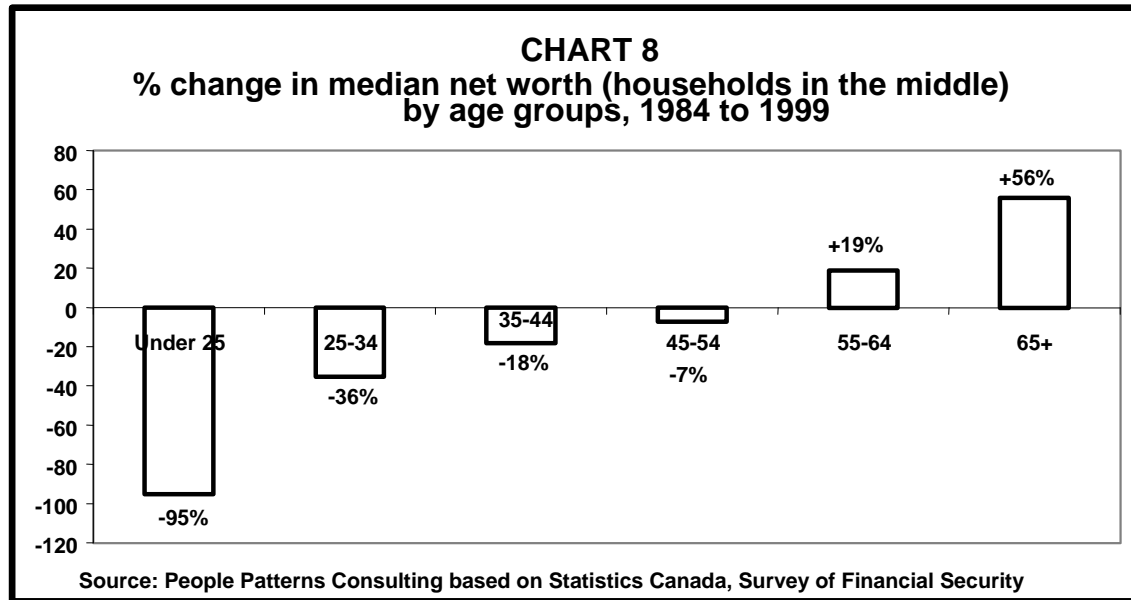
FOR FAMILIES, NET WORTH PEAKS AT 55-64 ... LATER FOR UNATTACHED PERSONS

In 1999, the median net worth for families of 2 or more persons peaked at age 55-64 at about \$400,000 and then declined. The net worth for unattached individuals continued to rise all the way to 65+ when it reached \$123,500.



WEALTH OF THOSE 55+ IMPROVED SINCE 1984 BUT SHRANK FOR OTHERS

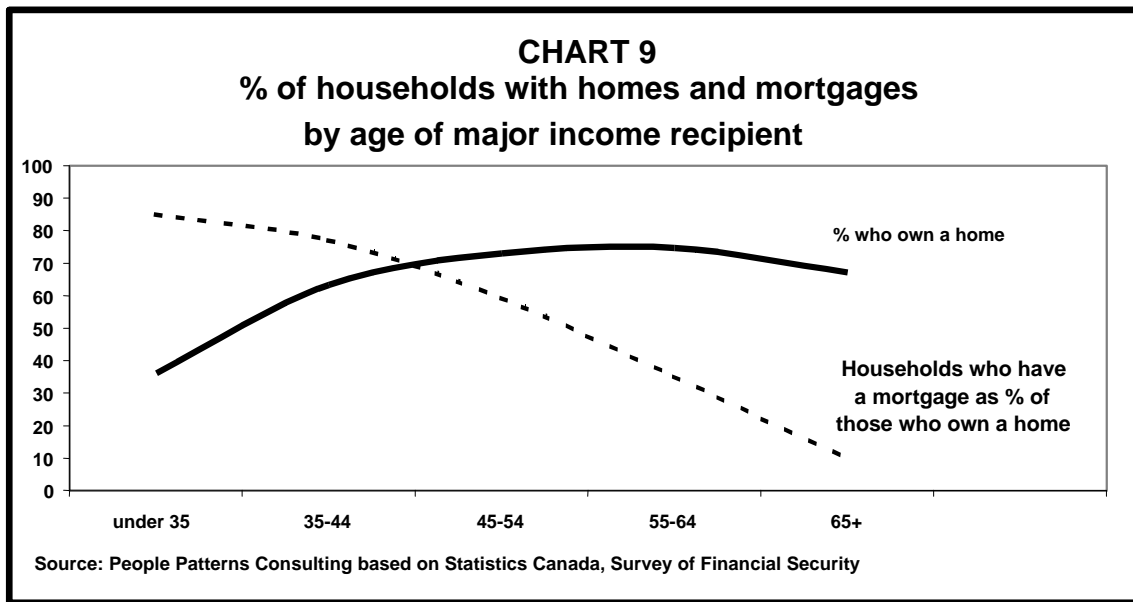
Using comparable numbers, the median net worth of households under the age of 25 tumbled by 95% between 1984 and 1999. The median net worth of households aged 25-34 dipped by 36% over the same period. Those aged 35-44 saw their net worth shrink by 18% and those aged 45-54 experienced a 7% decline. This contrasts with improvements of 20% for those aged 55-64 and a huge 56% jump for seniors aged 65 and over.^{iv}



ONLY 10% OF HOMEOWNERS 65+ HAVE MORTGAGES

Home ownership reveals the critical role of age in wealth accumulation.

- In 1999, the peak in home ownership occurred at age 55-64 with about 75% of households in this age group owning a home.
- The proportion of those who had a mortgage relative to those owned their home outright was highest (86%) for those under the age of 35, 77% for those aged 35-44, 59% for those aged 45-54, 35% for those aged 55-64 and only 10% for those aged 65 and over. Obviously, the pay-down of mortgages adds to net worth.
- It is interesting to note that the median value of homes varied relatively little by age. See Table 3 in Part 1. The lowest median value of homes was \$120,000 for those aged under 35 and those 65 and over. The highest price was \$138,500 for those aged 45-54. It seems that the “moving-up” trend is very short-lived and may reflect the space needs of larger families rather than improving real incomes. In 1999, the size of the average household peaked at about 3 persons for those aged 35-44, declined to 2.3 at ages 55-64 and then down to only 1.7 for those aged 65 and over.



AS IT SHOULD BE? ... SENIOR FAMILIES HAVE THE LARGEST NET WORTH

The net worth for that household in the middle varies a lot by type of household. Again, it is important to restate that families typically have higher wealth than unattached individuals.

- In 1999, the wealthiest households were senior families and recorded a median net worth of over \$300,000. The second wealthiest households were “other non-senior families” with a median net worth of \$212,000. This group is largely comprised of couples or lone-parents living with children aged 18 or over or a group of related persons living together in one dwelling.
- Those households that were least well-off financially were those households headed by unattached females aged 15-64 and female lone-parents. Both of these groups had a net worth of just over \$14,000. Unattached males aged 15-64, were also at the low end with a median net worth of only \$15,600.
- It is noteworthy that male lone-parents had a median net worth of \$80,800, which was much higher than the situation for female lone-parents. Some of the difference between the financial circumstances of these men and women reflects the lower wage rates and lifetime earnings of female workers. It is also important to acknowledge that some of the difference can also be attributed to the fact that male lone-parents, as a group, are much older than are female lone-parents. As such, male lone-parents have, on average, been in the labour force longer. Only 14% of male lone-parents are under the age of 35 compared to about 30% of female lone-parents that are under 35.^v

| | | Rankings By type of household |
|---|-----------|----------------------------------|
| All households | \$109,200 | Total |
| Families* | \$159,000 | Sub-total |
| Senior families (65+) | \$302,800 | 1 |
| Non-senior families (15-64) | \$138,600 | Sub-total |
| Couples with no children at home | \$170,700 | 4 |
| Couples with children 0-17 | \$129,000 | 5 |
| Male lone-parent families | \$80,800 | 7 |
| Female lone-parent families | \$14,300 | 9 |
| Other non-senior families*** | \$211,800 | 2 |
| Unattached individuals** | \$31,800 | Sub-totals |
| Male unattached seniors (65+) | \$170,800 | 3 |
| Female unattached seniors (65+) | \$108,700 | 6 |
| Male unattached non-seniors (15-64) | \$15,600 | 8 |
| Female unattached non-seniors (15-64) | \$14,200 | 10 |
| * Families are a group of 2 or more persons who live in the same dwelling and are related to each other by blood, marriage, common law or adoption. | | |
| ** An unattached individual is a person living either alone or with others to whom he or she is not related. | | |
| *** Includes couples or lone-parents living with children aged 18 or over or other related persons living together. | | |
| Source: People Patterns Consulting based on Statistics Canada, Survey of Financial Security | | |

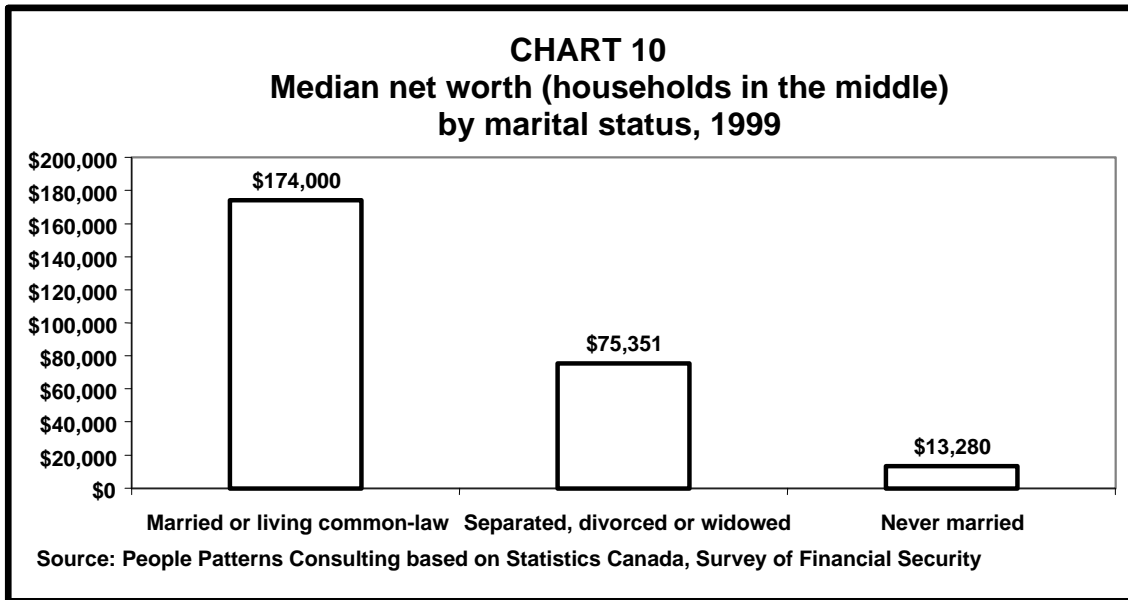
NET WORTH OF LONE-PARENTS IMPROVES MOST SINCE 1984 ... BUT REMAINS SMALL

Between 1984 and 1999, the biggest improvements in net worth were experienced by lone-parents (+96%), unattached seniors (+69%), elderly couples (+47%), and couples with no children at home (+42%). The median net worth of couples with children at home was basically the same in 1999 as it was in 1984.

According to Statistics Canada, the percentage of young couples aged 25-34 with children under 18 that had zero or negative net worth rose from 9.5% in 1984 to 16.1% in 1999.^{vi} “The growing proportion of young couples with children who have zero or negative wealth suggests that a non-negligible fraction of today’s young families may be vulnerable to negative shocks, i.e. have no accumulated savings that can provide liquidity in periods of economic stress”.^{vii}

MARRIED COUPLES HAVE THE HIGHEST NET WORTH

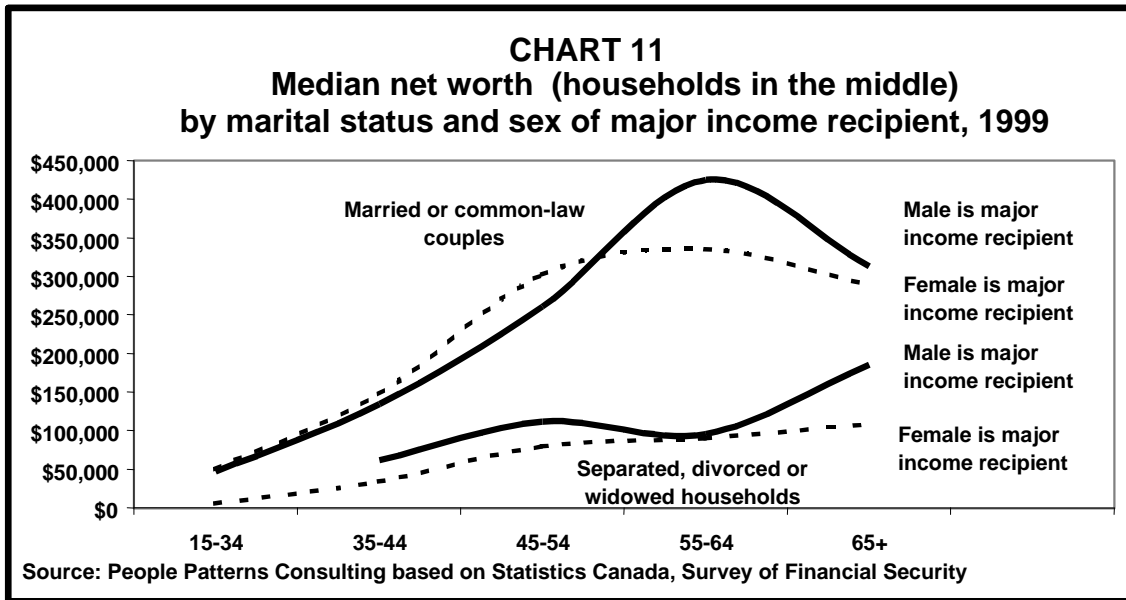
Married couples, which include common-law relationships, had a median net worth of \$174,000 in 1999. This was 2.3 times the net worth in households where the main income recipient was separated, divorced or widowed and was 13 times larger than in never married households. These relationships vary significantly by age group. (See Table 4)



GENDER HAS SURPRISING IMPACT ON WEALTH

Gender seems to be one of the most significant determinants of net worth ... but with a twist at age 55.

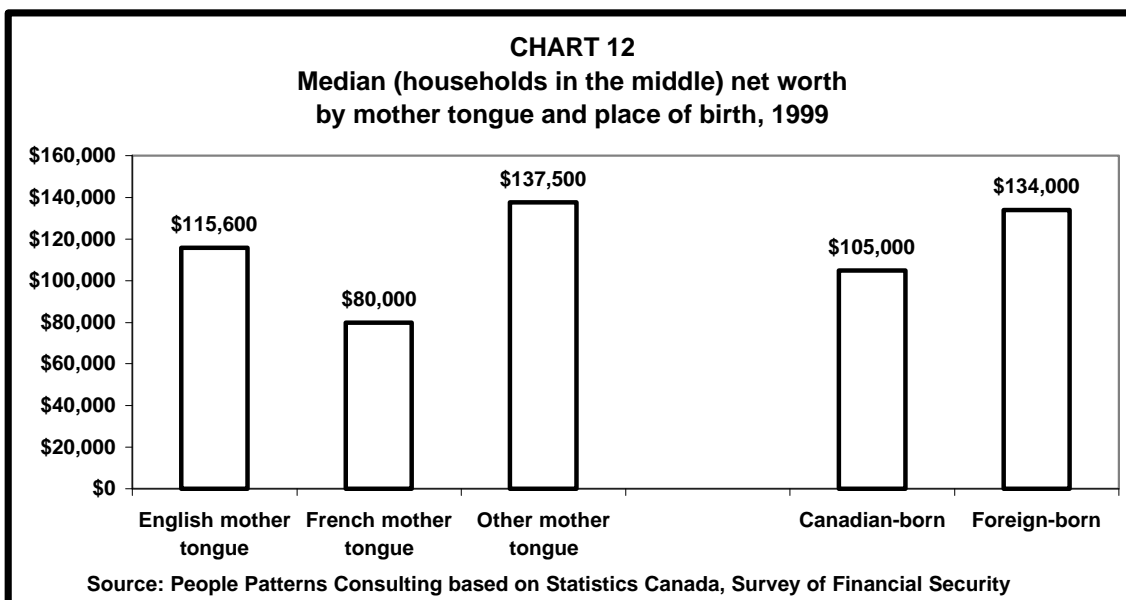
- In 1999, married and common-law couples (including all age groups) in which the major income recipient was a male had a higher median net worth (\$183,400) than was the case in similar couples where the female was the major income recipient (\$151,300). Females were the major income recipients in about 30% of these families.
- And now the twist. It is interesting to note that while this relationship reflects the situation of all married and common-law families considered as a group, the situation was different for those under the age of 55 compared to those aged 55 and over. In families aged under 55, the net worth was actually a bit higher in those families in which the female was the major income recipient. Among the older couples, the net worth was significantly higher when it was the male partner who was the major income recipient. The female advantage among the younger groups likely reflects the narrowing wage differential between men and women, the major advances in the educational levels of females relative to males plus the upward mobility of women into professional and managerial ranks.
- For households in which the major income recipient was separated, divorced or widowed, it was males who had the higher net worth. This was true across all age groups with the smallest difference being among those aged 55-64 and the biggest difference among those aged 65 and over.



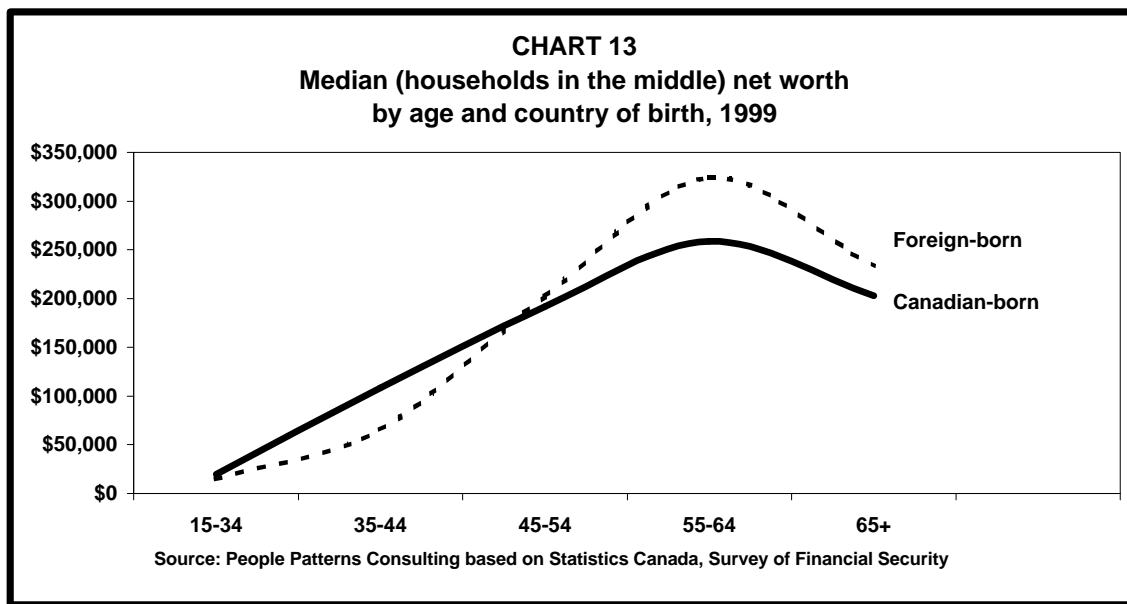
YOUNG FOREIGN-BORN HOUSEHOLDS HAVE LOWER NET WORTH THAN IN PAST

Mother tongue and country of birth also have a significant impact on net worth.

- In 1999, households in which the major income recipient had a mother tongue “other than English or French”, had the highest median net worth of \$137,500. The net worth of a household with an English mother tongue had 16% less net worth and a household with a French mother tongue had 42% less net worth.
- Households in which the major income recipient was born outside of Canada had a median net worth of \$134,000 or 27% more than was the case for those that were Canadian-born.



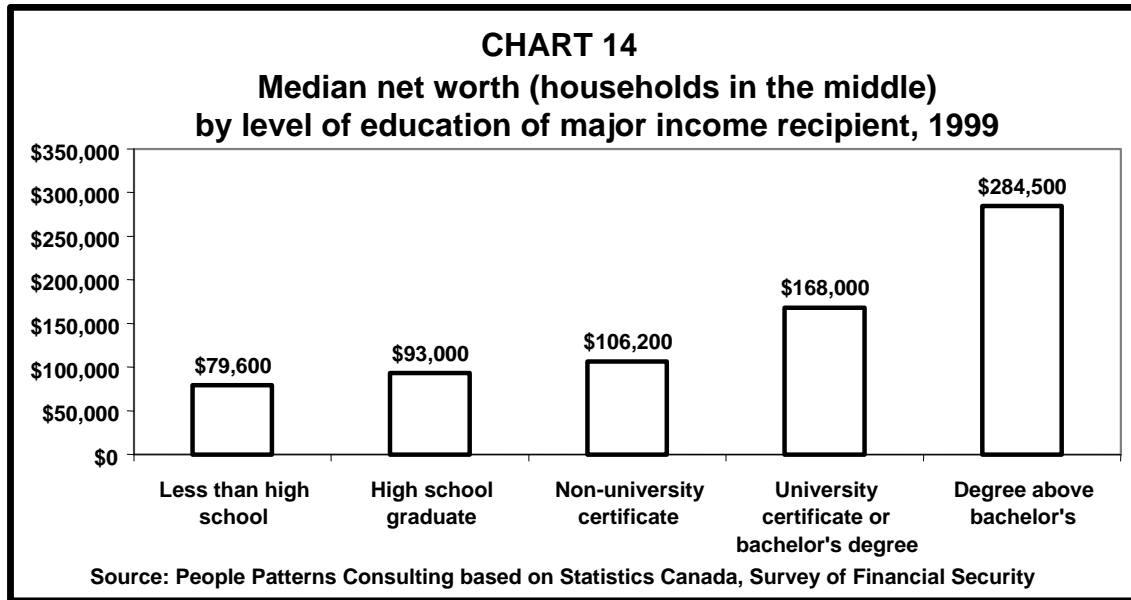
- It is important to note that the advantage for those that were foreign born was evident only for those 45 and over. The net worth of the foreign-born aged under 45 was lower than for Canadian-born households. This provides further evidence that more recent immigrants are not doing as well as earlier immigrants.
- From a longer-term perspective, the median net worth of immigrants who had been in Canada for less than 10 years saw their wealth shrink by one-quarter from 1984 to 1999, while those who had been in Canada for more than 20 years saw their net worth jump by over 40%.^{viii}



MORE EDUCATION ... MORE WEALTH

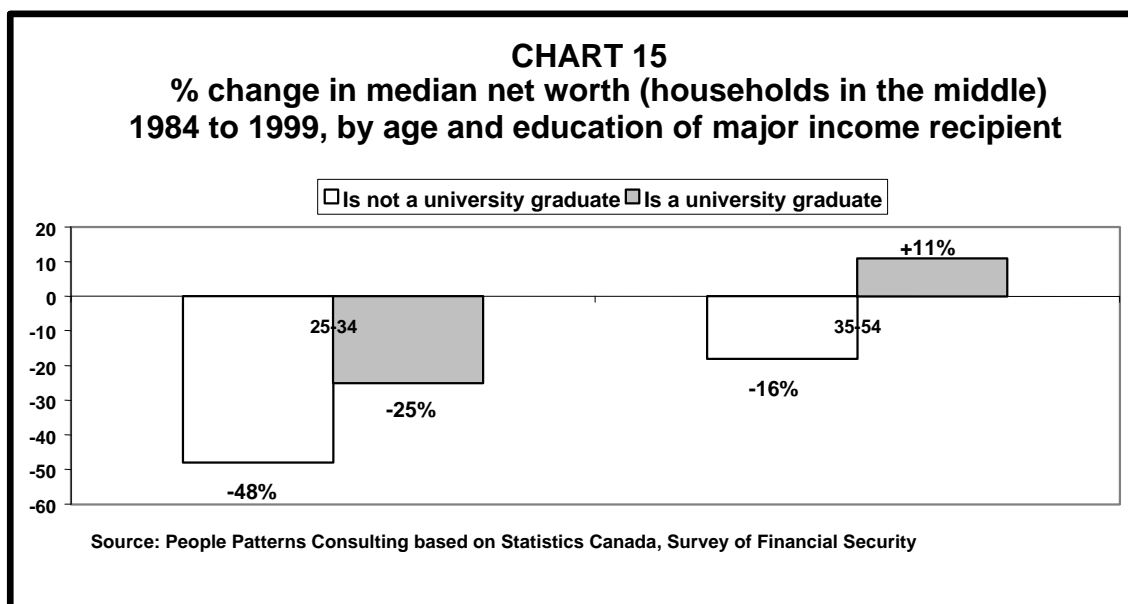
Say it again ... education means more wealth in both the short-term and the long-term.

- Households in which the highest income recipient was a high school graduate had a median net worth of \$93,000 in 1999.
- In sharp contrast, the median net worth for a household in which the major income recipient had a university degree above a bachelor's was \$284,500.
- Relative to a high school graduate:
 - households in which the major income recipient did not graduate from high school had 15% less net worth,
 - a household with a non-university certificate holder had 14% more net worth,
 - a household with a university certificate or bachelor's degree had 80% more net worth,
 - a household with a master's degree had almost 3 times more net worth, and
 - a household with doctorates or advanced medical degrees had over 4 times more net worth.
- For most groups, the educational advantage in terms of net worth was largest for those aged under 35. It still remained significant for older groups but the percentage differentials were smaller. The only exception was for those with less than a high school diploma, a group for which the disadvantage was greatest among the younger group. (See Table 4 Part 1.)



... BUT NOT NECESSARILY SO COMPARED TO THE PREVIOUS GENERATION

While education is important to the accumulation of wealth, it is no guarantee of improvement from one generation to the next. Compared with 1984, households in which the major income recipient was not a university graduate experienced significant declines in net worth among both those aged 25-34 (-48%) and those aged 35-54 (-18%). Those aged 25-34 with a university degree also experienced a large 25% drop in net worth relative to similar households some 15 years earlier. The only gainers (+11%) between 1984 and 1999 were those aged 35-54 with a university degree.



SELF-EMPLOYED AND LONG-TERM EMPLOYEES DO BEST

People participate in the labour force in many different ways. How they participate does have an impact on their net worth.

- Households in which the major income recipient was self-employed had the highest median net worth at \$231,000 in 1999. The advantage for the self-employed held for all age groups. (See Table 4). This was so in spite of the fact that the typical self-employed person makes less net income in an average year.
- Full-time employees had a net worth (\$100,200) in 1999 which was 4 times larger than for households where the highest income recipient worked part-time (\$24,400).
- For paid workers, union membership produced a significant premium. In 1999, the median net worth of a union member (\$145,100) was more than double the net worth of a paid employee who was not part of a union (\$71,500). This advantage was most pronounced for those under the age of 35 but a 55-64 year old union member still had a net worth 1.4 times greater than that of a non-union member. (See Table 4).
- For those that were paid employees, the number of years with the same employer had a major impact on net worth. Paid workers who had been with the same employer for 11 or more years had a median net worth of \$214,200 compared to the \$34,000 accumulated by those who had been with the same employer for less than 6 years. For workers aged 45-64, those with 11 or more years with the same employer had a net worth of almost \$600,000 compared to about \$225,000 for those who had been with the same employer for less than 6 years.
- Freedom 55 does appear to be a reality for many as roughly 40% of households aged 55-64 had no one in the labour force. In 1999, the median net worth of those aged 55-64 who were not in the labour force was just a bit less than was the case for all paid employees (\$261,700) in the same age group. Those with jobs and those not in the labour force had similar net worth.

**TABLE 9
NET WORTH OF EDIAN (HOUSEHOLDS IN THE MIDDLE)
BY LABOUR FORCE STATUS, 1999**

| | Net worth | Net worth ranking by labour force status |
|-------------------------------------|-----------|--|
| In labour force | | |
| Paid workers | | |
| Working full-time | \$100,200 | 5 |
| Working part-time | \$24,400 | 7 |
| Member of a union | \$145,100 | 3 |
| Not member of a union | \$71,500 | 6 |
| With same employer 1 to 5 years | \$34,000 | 8 |
| With same employer 6 to 10 years | \$102,000 | 4 |
| With same employer 11 years or more | \$214,200 | 2 |
| Self-employed | \$231,100 | 1 |
| Not in labour force | | |
| Householder 45-54 | \$35,200 | 1 |
| Householder 55-64 | \$244,300 | 3 |
| Householder 65+ | \$198,000 | 2 |

Source: People Patterns Consulting based on Statistics Canada, Survey of Financial Security

MORE EARNERS ... MORE WEALTH

The number of earners in a household has a large impact on net worth for non-senior households.

- Non-senior families of 2 or more persons with 2 or more earners had a net worth of \$161,700 or almost double the net worth for 1-earner families and 16 times larger than the net worth for no-earner families.
- Among those aged 65 and over, both 1 and 2 or more earner families had a net worth in the range of \$381,000 to \$397,000 or roughly 50% more than for no-earner families. Even though 65 is usually viewed as retirement age, about one-third of all senior families reported having at least 1 earner in the family.
- Among both senior and non-senior unattached individuals, 1-earner households had significantly more net worth than did non-earner households.
- Among senior unattached individuals, males had much more net worth than females whether there was 1 earner or no earner.

| TABLE 10 NET WORTH OF MEDIAN (HOUSEHOLDS IN THE MIDDLE) BY LABOUR FORCE STATUS AND AGE, 1999 | | |
|---|------------------------|-------------------|
| | Households Under 65 | Households 65+ |
| Families of 2 or more | | |
| No earner | \$10,200 | \$258,300 |
| 1-earner | \$90,800 | \$397,000 |
| 2 or more earners | \$161,700 | \$381,000 |
| Unattached individuals | | |
| Males | | |
| No earner | \$1,600 | \$153,400 |
| 1-earner | \$22,000 | \$343,800 |
| Females | | |
| No earner | \$5,300 | \$104,800 |
| 1-earner | \$18,000 | \$203,300 |
| Source: People Patterns Consulting based on Statistics Canada, Survey of Financial Security | | |

THAT HOUSEHOLD IN THE MIDDLE NEEDS AT LEAST \$120,000 TO RETIRE

Who has not saved enough to retire? That is a very popular question. Some people will be able to retire early and live comfortably. Many others will not be able to maintain their current lifestyles even if they delay their retirement until the age of 65.

Statistics Canada has attempted to provide an answer to the question of “who has not saved enough.”

- Statistics Canada examined an average family aged 45-64 with median employment income of \$55,000. This “average” family owned an average home. The person with the highest income was assumed to be 55 and was expected to keep working for income until retirement at age 65.
- It is also assumed that the couple would need two-thirds of their pre-retirement employment income to maintain their current standard of living during their retirement ... this works out to

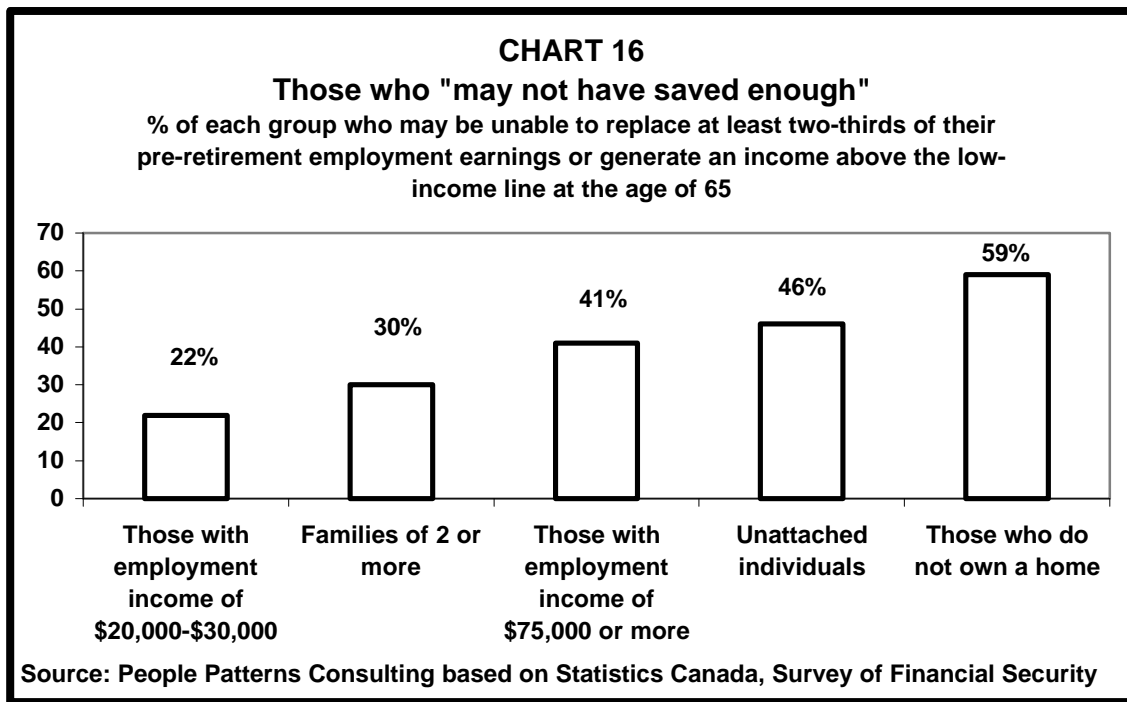
\$36,685 (two-thirds of \$55,000). Specialists suggest that couples may need anywhere from 50% to 80% of their pre-retirement income to maintain their current lifestyles.

- According to the Statistics Canada calculation, this couple might get a “maximum” of \$22,900 annually from a combination of the Canada or Quebec Pension Plan and/or other public plans like Old Age Security and the Guaranteed Income Supplement. This amount would put them just above the low-income (poverty) line for couples living in a major city with a population of 500,000 or more. In reality, many couples would not qualify for or get the maximum from all these programs and are therefore not assured of this base income level.
- Where would this couple get the missing \$13,785 (\$36,685 minus \$22,900) per year? Under the assumption that they have no employment income after the age of 65, they could only get this extra money from their accumulated “retirement assets” or what some people might call their “nest egg”. For this couple, their “retirement assets” were assumed to include half of the equity in their home and any private pension assets, or business equity they had accumulated. Using a complicated formula, Statistics Canada estimated that this couple would be able to generate this extra \$13,785 if they had about \$120,000 in “retirement assets” at age 65. This amount could vary significantly depending on interest rates and other variables during the retirement period. According to this methodology, couples with these characteristics that have at least \$120,000 at age 65 are said to have saved enough to replace two-thirds of their pre-retirement incomes. Those with less than \$120,000 “may not have saved enough.”

THERE ARE MANY WHO “MAY NOT HAVE SAVED ENOUGH”

Using a similar methodology, Statistics Canada calculated which groups or individuals aged 45-64, “may not have saved enough” by the age of 65. “Not having saved enough,” means being unable to replace at least two-thirds of pre-retirement employment earnings or living on an income below the low-income cutoff (poverty) line.

- About 30% of families of 2 or more people may not have saved enough.
- About 46% of unattached individuals may not have saved enough.
- About 59% of those who do not own a home may not have saved enough.
- And an ironic twist. About 41% of those with pre-retirement incomes of \$75,000 or more may not be able to replace at least two-thirds of their pre-retirement incomes. This is so because it is presumably more difficult to replace two-thirds of a high income than to replace two-thirds of a low income.
- Only 22% of those with pre-retirement incomes between \$20,000 and \$30,000 may not have saved enough. The question still arises whether this relatively low-income group can live comfortably on retirement incomes equal to two-thirds of what they used to have ... it was not large before and will be even smaller in retirement.



While this hypothetical exercise provides a ballpark estimate of what is needed in retirement, readers are encouraged to discuss their personal situation with professional advisors. Some planning is needed since, on average, we are all living longer than in the past.

CLOSING COMMENTS

The subject of household wealth is very important to individuals and families. The Statistics Canada survey on which this report is based is most welcome. We encourage another update in the near future. We should not have to wait another 15 years before the next survey of this kind is undertaken. The results are just too important.

This report has attempted to summarize what we know about the level of net worth for that median household "in the middle." We have identified those characteristics of households that seem to be most closely associated with the accumulation of wealth

My wish for this report is that Canadian unattached individuals, families and their governments take a closer look at the results. As individuals we must gain a greater understanding of what it takes to build wealth. As citizens of Canada, we also need to work together to ensure that households have the opportunity, the potential and the capacity to build up enough net worth during their accumulation years so that they can live well, comfortably and securely when their earning years end. At present, that is certainly not the case for far too many of our citizens.

APPENDIX – SELECTED DEFINITIONS

Net worth – Total assets minus total debts.

ASSETS – Total market value of all financial assets, non-financial assets and equity in business.

Financial assets - Pension assets

RRSPs – Registered Retirement Savings Plans include amounts held in self-directed plans. Could include deposits, mutual funds, stocks or bonds. The breakdown of the investments within the RRSPs was not requested.

LIRAs – Locked-in Retirement Account. An RRSP in which the money is locked-in until the person reaches a specific age.

RRIFs – Registered Retirement Income Funds.

RPPs (Employer-sponsored registered pension plans) – Valued on a termination basis meaning that the value is based on plan membership up to the time of the survey and does not assume any future salary increases.

Financial assets, non-pension assets

Deposits, non-pension – The total amount, including interest, of all chequing and savings accounts with a non-zero balance and of other deposits such as term deposits and Guaranteed Investment Certificates.

Mutual/investment funds, non-pension – The total value, including investment earnings, of all holdings in mutual and investment funds.

Stocks, non-pension – Total value, including earnings, of all publicly-traded common and preferred shares but excludes the amount held within registered plans.

Bonds, non-pension – Total value, including earnings, of federal and provincial savings bonds other bonds issued by governments and corporations but excludes amounts held within registered plans.

Other financial assets – Includes such items as treasury bills, mortgage backed securities, money held in trust, shares of privately held companies, etc.

Non-financial assets

Home – Principal residence at market value. For farms, the value of the main house is included while the value of the farmland is in business equity.

Other real estate – Include second homes, vacation homes, timeshares, rental properties or vacant lots.

Vehicles (excluding leased) – Estimated value of cars, trucks, vans, sport utility vehicles, motorcycles, mobile homes, boats and snowmobiles.

Other non-financial assets – Includes contents of principal residence, valuables and collectibles, etc.

Equity in business - The estimated amount the owner would receive if the business were sold, after deducting any outstanding debts to be paid.

DEBTS

Mortgage on home – Outstanding amount owing on the principal residence.

Mortgage on other real estate – Amount owing on second homes, vacation homes, timeshares, rental property or vacant lots.

Line of credit – Total amount owing on both a home equity line of credit and a regular line of credit.

Credit card and installment debt – For credit cards it is the amount owing on the last bill. For installment debt it is the amount still owed.

Student loans – Amount owing on loans taken out to attend a post-secondary education program.

Vehicle loans (excluding leases) – Amount owing on loans for those vehicles listed under vehicle assets. Excludes leases.

Other debt – Such items as unpaid bills.

ENDNOTES

ⁱ Statistics Canada, Assets and Debts of Canadians: An Overview of the results of the Survey of Financial Security, March 2001.

ⁱⁱ Statistics Canada, Spending Patterns in Canada, 1999 (62-202-XPE)

ⁱⁱⁱ Morrissette, Zhang and Drolet, Statistics Canada, The Evolution of Wealth Inequality in Canada, 1984-1999, report No. 187

^{iv} Statistics Canada, Assets and Debts of Canadians: An Overview of the results of the Survey of Financial Security, March 2001.

^v Sauve, Roger , CONNECTIONS – Tracking the links between jobs and family, prepared for the Vanier Institute of the Family, 2002

^{vi} Morrissette, Zhang and Drolet, Statistics Canada, The Evolution of Wealth Inequality in Canada, 1984-1999, report No. 187

^{vii} Morrissette, Zhang and Drolet, Statistics Canada, The Evolution of Wealth Inequality in Canada, 1984-1999, report No. 187
Morrissette

^{viii} Morrissette, Zhang and Drolet, Statistics Canada, The Evolution of Wealth Inequality in Canada, 1984-1999, report No. 187