Study: Changes in debt and assets of Canadian families, 1999 to 2012

Released at 8:30 a.m. Eastern time in The Daily, Wednesday, April 29, 2015

Between 1999 and 2012, the value of debt and assets held by Canadian families both rose. However, the debt and assets increased at different rates by category of family.

In 2012, 71% of all Canadian families had some debt, up from 67% in 1999. Debt includes both mortgages and consumer debt such as car loans, lines of credit, vehicle loans, personal loans and student debt.

Between 1999 and 2012, the median debt held by indebted families—the value separating the top half of families with the most debt from the bottom half—increased by $23,400 (in 2012 constant dollars) to $60,100.

To provide a complete perspective on household finances, it is important to also examine changes in the value of assets among families with debt.

The median assets of Canadian families with debt rose by $179,800 over the same period (in 2012 constant dollars) to $405,200. Assets include financial assets (employer pension and non-pension) and non-financial assets such as real estate assets.

Such results suggest that the value of assets rose at least as rapidly as the value of debt for many Canadian families. In fact, median assets increased by 80% while median debt was up by 64%.

Even though both debt and assets increased for nearly all types of families, the magnitude of the changes was not necessarily the same in all family categories.

Debt and asset changes not always similar across family categories

Among couple families with children under 18, for example, median debt more than doubled, increasing by $87,400 over the period. At the same time, median assets in these families increased by $245,100 (or up 86%).

The median debt increased more modestly among families without children under 18 (up $42,500 or 88%), but these families also benefited from a significant increase in median assets (up $253,200 or 78%).

Another important family dimension is the age of the major income earner. Among families in the 35-to-44 age group, median debt rose by $79,600 over the period (a 126% increase). Meanwhile, median assets rose by $179,800 (or up 77%).

By comparison, the median debt of families in the 55-to-64 age group rose by $23,100 over the period, compared with a $252,700 increase in median assets.

For some family categories, increases in debt were not matched with a statistically significant rise in assets. This was the case among non-homeowners, single people (unattached individuals) and families whose major income earner was between 15 and 34 years old.

Most of the increases in debt values were attributable to rising mortgage debt. In the case of assets, a large portion of the increase was a result of rising real estate values.

Debt rising as a proportion of income, but not as a proportion of assets

Another perspective on family finances can be obtained by examining debt-to-asset and debt-to-income ratios. The first ratio divides total family debt by total family assets, while the second divides total family debt by the family's annual after-tax income.

Because they are expressed as medians, and also because the macroeconomic account concepts of debt and income differ from household survey concepts, these ratios cannot be compared with household debt indicators from the National Balance Sheet Accounts, which are calculated on the basis of macroeconomic statistics.

Between 1999 and 2012, the median debt-to-income ratio of Canadian families with debt increased from 0.78 to 1.10. This indicates that the median family had a debt corresponding to 110% of the family after-tax income in 2012 (up from 78% in 1999).

However, more than one-third of families had a debt-to-income ratio above 2.0 in 2012, meaning that their overall debt level was at least 200% the level of their annual after-tax income. This was the case of less than one-quarter of Canadian families in 1999.

By comparison, the median debt-to-asset ratio remained relatively stable over the period, as the median Canadian family had a debt corresponding to about one-quarter of its assets in both years (0.27 in 1999 and 0.25 in 2012).

Such results suggest that Canadian families became more indebted over the period, but did so against a backdrop of rising asset values, notably real estate worth.

Note to readers

In this study, data from the Survey of Financial Security (SFS) are used to examine the median values of debt, assets and net worth of Canadian families. The median values of the debt-to-income and debt-to-assets ratios were also examined.

The SFS is a household survey that collected information from Canadian families on assets and debts, and also on a number of other personal and family characteristics—such as age, education, income, marital status and employment. Prior to 2012, the SFS was conducted in 2005 and in 1999.

In this analysis, the focus is restricted to families with some level of debt. Debt values are expressed at the family level and include mortgage debt on the principal residence and all other real estate as well as consumer debt. Assets held by the family include real estate assets, employer pension plans and all other financial and non-financial assets.

Definitions, data sources and methods: survey number 2620.

The article "Changes in debt and assets of Canadian families, 1999 to 2012" is now available online in *Insights on Canadian Society* (**75-006-X**). From the *Browse by key resource* module of our website, choose *Publications*.

For more information, contact us (toll-free 1-800-263-1136; 514-283-8300; **infostats@statcan.gc.ca**).

To enquire about the concepts, methods or data quality of this release, contact Sharanjit Uppal (613-854-3482; **sharanjit.uppal@statcan.gc.ca**), Labour Statistics Division.

For more information on *Insights on Canadian Society*, contact Sébastien LaRochelle-Côté (613-951-0803; **sebastien.larochelle-cote@statcan.gc.ca**), Labour Statistics Division.