Study: Debt and assets among senior Canadian families, 1999 to 2016

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While senior families with debt saw the value of their assets increase, the proportion of senior families carrying debt rose from 27% in 1999 to 42% in 2016.

The median net worth of senior families with debt—which corresponds to the total value of assets minus the total amount of debt—increased from $298,900 in 1999 to $537,400 in 2016 in constant dollars.

Senior families are defined as families whose major income earner was at least 65 years of age.

A strong housing market in recent years was responsible for both higher mortgage debt among senior families and for an increase in the value of their homes.

These results are from the new study "Debt and assets among senior Canadian families" released today in *Insights on Canadian Society*. The study examines changes in debt, assets and net worth among Canadian families whose major income earner was 65 years of age or older.

In recent years, household debt has increased. The level of debt and value of assets are especially important for the financial security of seniors. Because income typically declines during the retirement years, seniors often need accumulated assets to finance their consumption, especially if they do not benefit from a private pension plan. Debt can also be particularly problematic for seniors as repayment can be more difficult on a reduced income.

Median debt increases for senior families, but median assets also rise

Among senior families with debt, the median amount held was $25,000 in 2016, up from $9,000 in 1999 in 2016 constant dollars.

However, the median value of assets held by these families also rose, from $327,000 in 1999 to $607,400 in 2016, also in 2016 constant dollars. The large increase in assets (relative to debt) led to an overall increase in the median net worth of senior families, from $298,900 in 1999 to $537,400 in 2016.

The significant increases in debt and assets of seniors was largely attributable to the strong housing market in recent years. From January 2005 to December 2016, housing prices rose by 109.8% in nominal terms. These changes affected the financial balance sheet of many Canadian families.

Among senior families with debt, about two-thirds of the overall increase in average debt levels was attributable to mortgage debt, while the remainder was due to an increase in consumer debt (that is, debt other than mortgage debt such as outstanding balances on credit cards, lines of credit, loans from banks, vehicle loans and unpaid bills).

Meanwhile, real estate assets represented 52% of the overall increase in the average value of total assets over the period. The value of employer pension plans contributed an additional 12%, while the remainder (36%) was due to increases in other types of assets (such as financial investments, for example, RRSPs and other non-housing asset items).

The debt-to-income ratio increases among Canadian senior families

The debt-to-income ratio provides another perspective on the financial state of families. A relatively high debt-to-income ratio implies that a family spends a higher proportion of its income on repaying debt.

Among senior families with debt, the median debt-to-income ratio more than doubled from 0.24 in 1999 to 0.52 in 2016. This means that, for the typical family in 2016, debt amounted to 52% of after-tax family income, up from 24% in 1999.

In 2016, more than one-third (36%) of senior families had a debt-to-income ratio of at least 1.0, which means that they had more debt than income. In 1999, more than one in five families (21%) were in that situation.

These results differed across categories of senior families. For instance, senior immigrant families were more likely to have greater debt than income (44%) relative to the Canadian-born (33%). In contrast, senior families in Atlantic Canada were less likely to have debt levels greater than their level of income, reflecting relatively low debt levels among seniors in Atlantic Canada.

Having more consumer debt than income can place families in an especially vulnerable financial position. In 2016, 14% of senior families had consumer debt that was higher than their after-tax family income, up from 4% in 1999. For these families, meeting financial obligations could be a challenge as a large portion of their income would go towards servicing debt that is not backed by an asset.

The debt-to-asset ratio remains stable from 1999 to 2016

Additional insight on the financial situation of senior families can be obtained by examining the debt-to-asset ratio. Families with a higher debt-to-asset ratio have higher leverage and are considered to be in a weaker financial position because the value of their assets is not enough to service their debt.

A debt-to-asset ratio greater than 1.0 means that a family has more debt than assets–a rare occurrence among Canadian senior families. Conversely, families with a debt-to-asset ratio closer to zero have very little debt relative to their asset levels.

Given that housing-related assets and debt both increased during the period, the debt-to-asset ratio remained relatively stable among senior families. The median debt-to-asset ratio was 0.06 for Canadian senior families in 2016, meaning that the value of debt of the typical family amounted to 6% of the value of its assets. This rate remained largely unchanged from 0.05 in 1999.

Note to readers

Data from the 1999 and 2016 Survey of Financial Security (SFS) were used in this study. The SFS is a voluntary survey that collects information from a sample of Canadian families on their assets, debts, employment, income and education. Information is collected on the value of all major financial and non-financial assets and on the money owing on mortgages, vehicles, credit cards, student loans and other debts. All dollar figures in the study are in 2016 constant dollars.

The SFS covers the population living in the provinces. Excluded from the survey coverage are persons living on reserves and in other Aboriginal settlements in the provinces; official representatives of foreign countries living in Canada and their families; members of religious and other communal colonies; members of the Canadian Forces living on military bases or in military camps; and persons living full time in institutions such as inmates of penal institutions and chronic care patients living in hospitals and nursing homes.

The analysis in this study is restricted to families with some level of debt. Individual characteristics, such as age and education, reflect those of the major income earner of the family.

Definitions, data sources and methods: survey number 2620.

The article "Debt and assets among senior Canadian families" is now available in *Insights on Canadian Society* (**75-006-X**).

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