

Distributions of household economic accounts for wealth of Canadian households, fourth quarter 2020

Released at 8:30 a.m. Eastern time in The Daily, Tuesday, September 7, 2021

This release of the Distributions of household economic accounts provides new data up to the fourth quarter of 2020 and introduces new distributions by household wealth (net worth) quintile, which group households from lowest to highest wealth based on the total of their assets less liabilities.

While the results released today provide important insights on the average trends in the distributions of wealth for households with specific socioeconomic characteristics, it is important to recognize that not all households, even those with similar characteristics, necessarily experience the same situations.

Despite the uncertainty and volatility that the pandemic has caused in people's everyday lives, on average all households in Canada increased their wealth in 2020. The household wealth gap declined in 2020, as net worth for the lowest two wealth quintiles increased at a faster pace than the wealthiest 20%.

Least wealthy increase share of net worth as debt declines

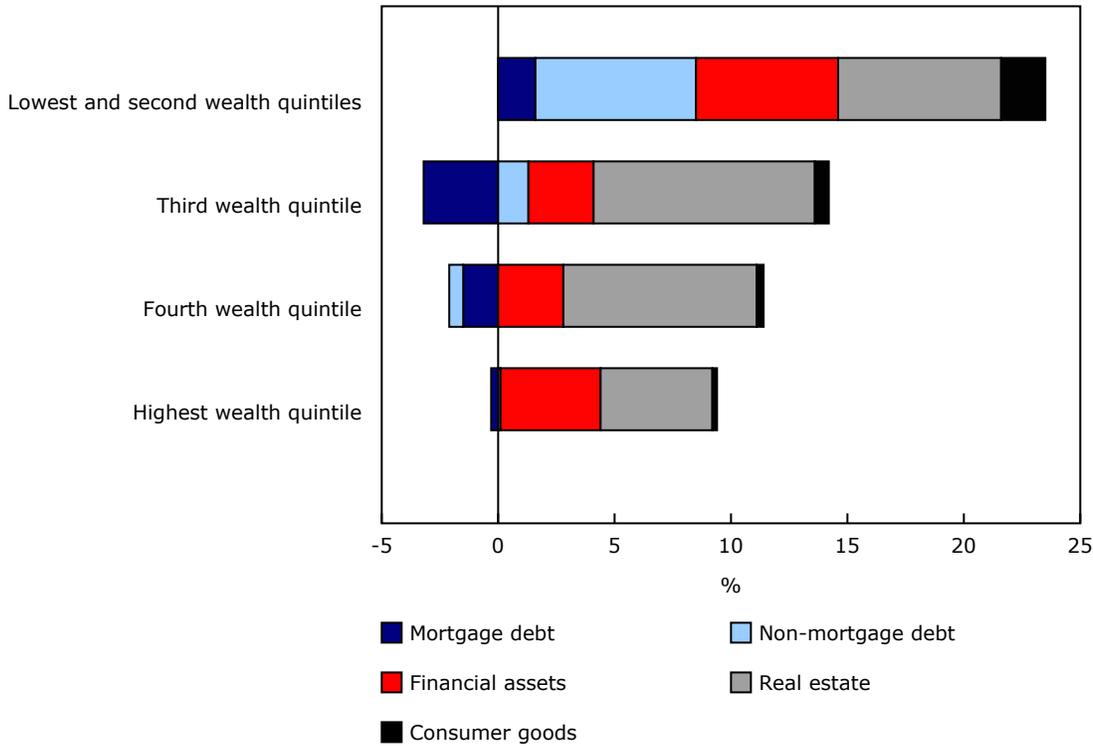
Household wealth reached \$12.9 trillion in the fourth quarter of 2020, up \$1.2 trillion (+10.5%) from the end of 2019. While the wealthiest households (top 20%) held more than two-thirds (67.5%) of all net worth in Canada, those in the lowest two wealth quintiles—who accounted for 40% of all households—held 2.5% in the fourth quarter of 2020.

Although the value of assets owned by households in the lowest two wealth quintiles was relatively small, holding an average of \$41,400 in financial assets and \$84,200 in real estate at the end of 2020, their average wealth grew faster than other households in 2020—increasing at a rate of 23.5% in the lowest two wealth quintiles over the previous year, compared with an increase of 8.9% for the highest wealth quintile. Households in the lowest two quintiles were the only group that reduced their average debt from 2019 to 2020. Decreases in debt for the lowest two wealth quintiles occurred for both mortgage debt (-1.1%) and non-mortgage debt (-6.2%). Meanwhile, wealthier households increased their mortgage debt in 2020 to buy real estate, especially those in the third (+9.4%) and fourth (+9.3%) wealth quintiles.



Chart 1

Change in net worth by wealth quintile, including contribution of each wealth component, fourth quarter of 2020 relative to fourth quarter of 2019

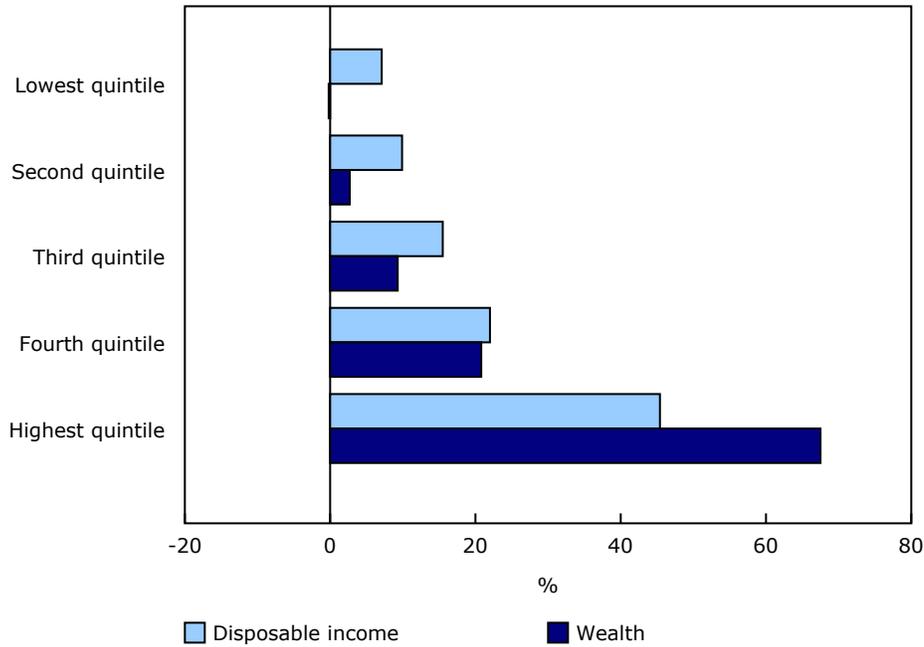


Source(s): Table 36-10-0660-01.

Gap in net worth by wealth quintile greater and more persistent than by income quintile

Household net worth can also be grouped by disposable income quintile, which offers a different perspective on the distribution of wealth. Households with higher income have a greater share of net worth relative to their population share, however the gap in net worth between the highest and lowest wealth quintiles is greater than the gap in income quintiles. The wealthiest households accounted for 67.5% of household net worth, down 1 percentage point from 2010, while the highest income households accounted for 45.4% of household net worth, down 5 percentage points from 2010.

Chart 2
Share of net worth distributed by disposable income quintile and wealth quintile, fourth quarter of 2020



Source(s): Table 36-10-0660-01.

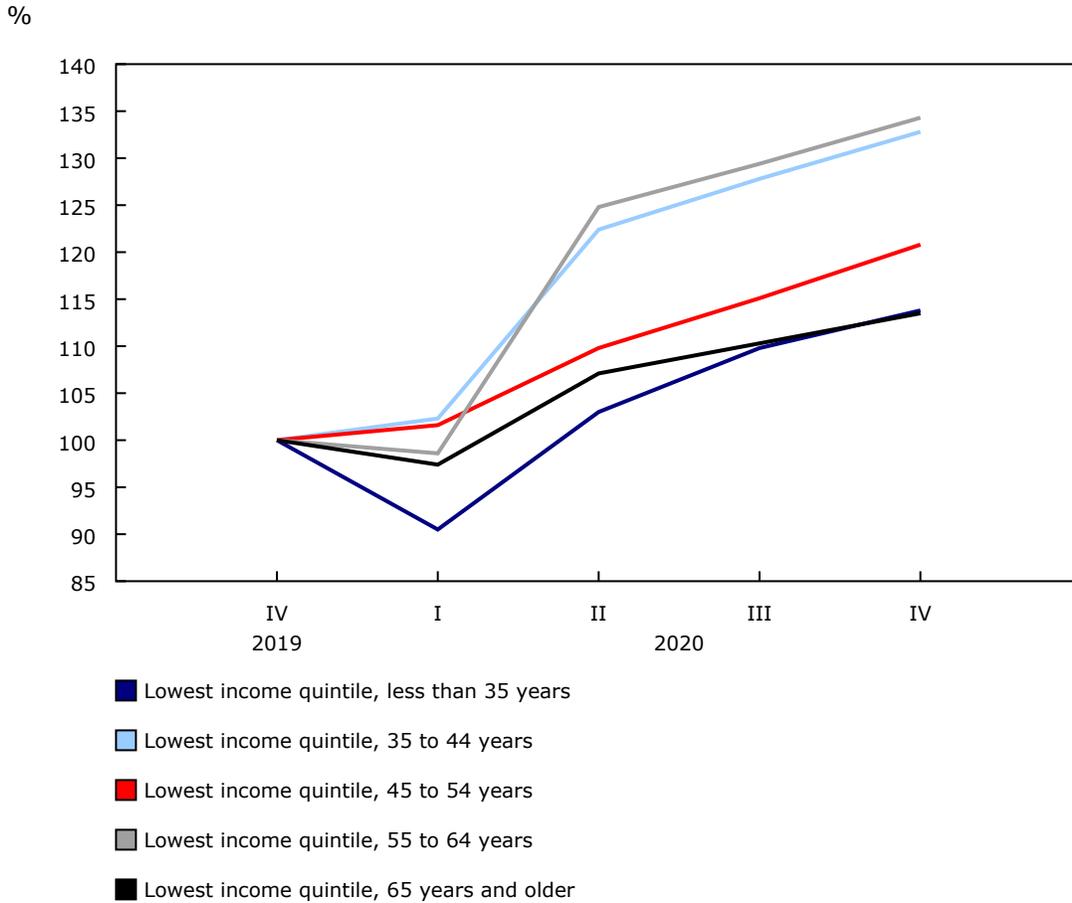
As assets accumulate and debts are repaid over time, household wealth increases, particularly for those households with a middle-age income earner. Households in the 55-64 age group held the highest average net worth at the end of 2020, at almost \$1.3 million, up 7.9% from 2019.

Middle age households in lower income quintiles gain the most wealth in 2020

Wealth grew more for households in the lowest (+19.6%) and second (+23.6%) income quintiles in 2020, as higher-than-average gains in real estate values outpaced their mortgage debt acquisitions. Gains in wealth in the lowest income quintile were concentrated in middle-age households, as the average value of real estate holdings for youth and seniors was relatively lower.

Chart 3

Quarterly change in average net worth by disposable income quintile and age of major income earner, indexed to fourth quarter of 2019



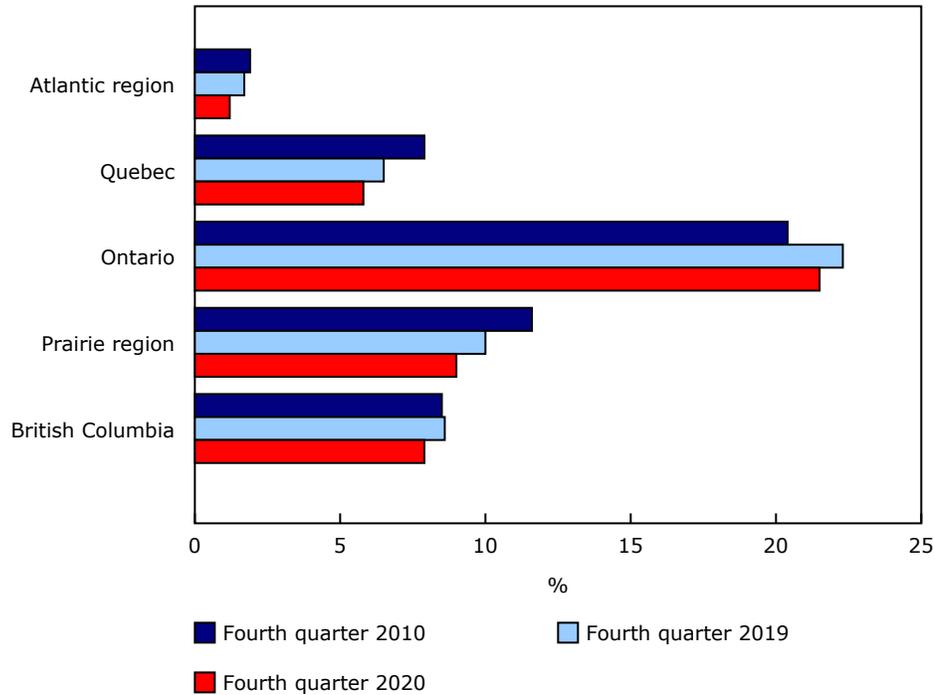
Source(s): Table 36-10-0660-01.

Highest income earners see a decrease in their share of wealth from 2010 to 2020, except in Ontario

Wealth for households in the highest income quintile was 2.3 times higher than the overall average for the fourth quarter of 2020. The top 20% of income earners had an average net worth of almost \$1.9 million per household, compared with about \$292,000 for the bottom 20%.

Trends in the distribution of wealth by income quintile vary by region. While households in the top national quintile across most provinces decreased their share of wealth over time—reflecting in part a larger number of households earning lower incomes—those in Ontario increased their share of wealth from 20.4% in 2010 to 21.5% in 2020. Increases in net worth for the highest income households in Ontario occurred along with a larger number of households earning higher incomes, coupled with higher-than average increases in real estate that outweighed increases in mortgage debt. Not even households in the highest income quintile in Ontario were immune to the economic effects related to the COVID-19 pandemic, however, as their share of wealth decreased from 22.3% in 2019 to 21.5% at the end of 2020.

Chart 4
Share of wealth for top 20% of income earners by province or region, fourth quarters of 2010, 2019, and 2020



Source(s): Table 36-10-0661-01.

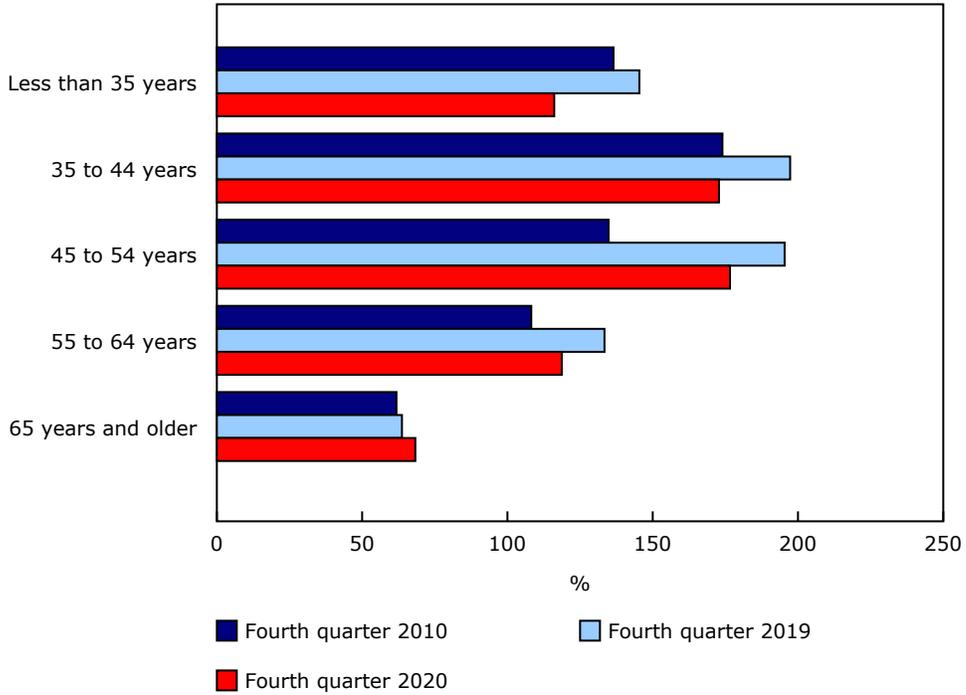
Debt-to-income ratios increase most for the middle-aged in higher income quintiles

Income earners in the lowest income quintile had the highest debt-to-income ratio by quintile in 2020, at 274.8%, although their ratio has decreased by 23 percentage points since 2010 as their income grew faster than their debt. The lowest income quintile increased debt at a slower pace than higher-income households, due in part to rising home prices and tightening mortgage qualification rules that may have squeezed out first-time homebuyers.

Conversely, while higher income earners have the lowest debt-to-income ratio, they have increased over time. The debt-to-income ratio for those in the fourth income quintile reached 175.3% in 2020, up 4 percentage points from 2010, while the ratio for the highest income quintile was 133.9%, up 6 percentage points over the same period.

The increase in the debt-to-income ratio for households in the highest income quintile was largest for those with a major income earner aged 45 to 54 years, as they bought homes and increased their debt at a faster-than average pace. While the debt-to-income ratio for middle-aged households in the highest income quintile reached 195.4% in 2019, up 61 percentage points from 2010, their ratio fell to 176.6% in the fourth quarter of 2020 as the increase in average debt holdings did not keep pace with the increase in average disposable income during the pandemic.

Chart 5
Debt-to-income ratio for top 20% of income earners by age group, fourth quarters of 2010, 2019 and 2020



Source(s): Table 36-10-0664-01.

Note to readers

Statistics Canada regularly publishes macroeconomic indicators on household wealth (net worth) as part of the Canadian System of Macroeconomic Accounts (CSMA). These accounts are aligned with the most recent international standards and are compiled for all sectors of the economy, including households, non-profit institutions, governments and corporations along with Canada's financial position vis-à-vis the rest of the world. While the CSMA provide high quality information on the overall position of households relative to other economic sectors, the Distributions of household economic accounts (DHEA) provide additional granularity to address questions such as vulnerabilities of specific groups and the resulting implications for economic well-being and financial stability, and are an important complement to standard quarterly outputs related to the economy.

The DHEA estimates released today provide estimates of wealth and their sub-components by various household distributions for 2020. Annual estimates for 2010 to 2019 have been revised to include updated household counts, the CSMA benchmarks as of June 1, 2021, as well as new microdata used for estimating household distributions (2019 Survey of Financial Security and the Social Policy Simulation Database and Model 28.1). Estimates for wealth distributed by wealth quintile are combined for households in the lowest two quintiles for ease of illustration, since the average household in the lowest wealth quintile owed more in liabilities than it owned in assets, such as self-employed workers with negative net business equity and recent graduates with student loan balances.

Along with annual estimates, the release today includes revised quarterly estimates for the period from the first quarter of 2020 to the fourth quarter of 2020. The inclusion of new microdata, household counts and CSMA benchmarks impacted the revisions to the quarterly DHEA. Additionally, the quarterly DHEA released today differ from previously published experimental sub-annual estimates in that we are no longer holding constant the 2019 demographic and socioeconomic conditions. Instead we used the same approach as with the annual DHEA, allowing households to change distributional groupings from one quarter to another. This change has resulted in slight different estimates from the experimental sub-annual estimates released earlier this year, but overall the main trends are similar.

As with all data, the DHEA estimates are not without their limitations. While some distributions are estimated using timely microdata, such as household liabilities, others, including household assets, rely on assumptions or use data from prior reference periods. Users should keep these limitations in mind when analyzing the estimates included in this release.

All values are expressed in quarterly nominal unadjusted rates, unless otherwise specified.

Available tables: [36-10-0101-01](#), [36-10-0660-01](#), [36-10-0661-01](#), [36-10-0664-01](#), [36-10-0665-01](#) and [36-10-0667-01](#).

Definitions, data sources and methods: survey number 1806.

The data visualization product "[Distributions of Household Economic Accounts, Wealth: Interactive tool](#)," which is part of *Statistics Canada – Data Visualization Products (71-607-X)*, is now available.

The document, "[Distributions of Household Economic Accounts, estimates of asset, liability and net worth distributions, 2010 to 2020, technical methodology and quality report](#)," which is part of the *Income and Expenditure Accounts Technical Series (13-604-M)*, is now available.

The [Economic accounts statistics](#) portal, accessible from the *Subjects* module of our website, features an up-to-date portrait of national and provincial economies and their structure.

The *Methodological Guide: Canadian System of Macroeconomic Accounts (13-607-X)*, is now available. See the section "[Distributions of Household Economic Accounts](#)."

The publication *Latest Developments in the Canadian Economic Accounts (13-605-X)* is available.

The *User Guide: Canadian System of Macroeconomic Accounts (13-606-G)* is available.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; STATCAN.infostats-infostats.STATCAN@canada.ca) or Media Relations (613-951-4636; STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca).