Disparities in wealth and debt among Canadian households

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Canada's increased reliance on consumer spending as a key driver of economic growth has contributed to larger debt burdens—the highest household debt to disposable income ratios in the G7. Investments in housing, an important contributor to the buildup of household assets and debt, have long been critical for wealth creation, especially among young households and middle-class families. Following the rise in interest rates, the sharp increase in debt-servicing costs has left many families in a more precarious financial situation, compounded by continued increases in the costs of many household staples which persist as inflationary pressures ease. In this context, disaggregated data on the income, savings and wealth of different households can illustrate how these financial pressures are evolving.

The presentation "Research to Insights: Disparities in wealth and debt among Canadian households," released today, uses disaggregated data on household income, assets and debt to highlight the extent to which net financial gains following the COVID-19 pandemic have been concentrated among the richest households, while identifying the downstream risks to socioeconomic mobility as homeownership becomes less accessible.

Net saving deteriorates for lower- and middle-income households as renters and lower-income families are spending more than they make

Compared with the first quarter of 2020, net saving has declined for the majority of income groups, except those in the top two quintiles. Dissaving among homeowners without a mortgage (households with the highest average net worth) likely reflects age dynamics, as older Canadians are more likely to have paid off their mortgage, drawing from their accumulated pension assets to support themselves during retirement.

Prospective young homeowners turn away from the housing market, while homeowners pay off debt or look for affordable housing

Over the last year, debt service ratios have risen sharply for all age groups, especially among younger households who are more likely to carry larger mortgages. Younger households (those whose primary income earner is less than 35 years of age) may also be starting to turn away from the housing market as their overall mortgage balances have pulled back in recent quarters. As entry into the housing market has long facilitated financial stability, barriers to homeownership pose risks to socioeconomic mobility, especially if rental costs remain elevated.

Real estate continues to be central to wealth accumulation across the life cycle

For an average household, real estate assets account for about 55% of their wealth while mortgages represent most of their debt—trends even more pronounced for middle-class or working-age families. While real estate holdings are a key component of wealth creation for middle-income families, financial assets are also important for the richest families and homeowners. At the top end of the wealth distribution, financial assets account for 60% of total wealth. Almost two-thirds (61%) of total household wealth is held by households where the primary income earner is 55 years of age and older, suggesting major risks for intergenerational mobility in the coming decades.

The product "Research to Insights: Disparities in wealth and debt among Canadian households" is now available as part of *A Presentation Series from Statistics Canada About the Economy, Environment and Society* (**11-631-X**).

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