

## Canadians richer, but deeper in debt

Wealth is up 23.2 per cent from 1999

BY MICHAEL KANE VANCOUVER SUN

Canadians have grown richer this decade, while going even deeper into debt. That paradox is most apparent in British Columbia, which boasts the country's highest real estate prices and some of its heaviest mortgages. But most analysts say our debt is manageable in times of low interest rates, low unemployment and strong income growth. It would take a real estate crash or sharp recession to upset the apple cart, and neither is considered likely. The median family's net worth — what Canadians would have left if they sold all their assets and paid off all their debts — was about \$148,400 in 2005. That is, half of all households had net worth higher than \$148,000, and half lower, Statistics Canada said Thursday. While wealth is up 23.2 per cent from 1999, after adjusting for inflation, the median debt load for families rose 38 per cent from \$32,300 to \$44,500, according to Statistics Canada's Survey of Financial Security. On average, Canadians had \$13.52 in debt for every \$100 in assets in 2005, up from \$13.06 in 1999.

Statistics Canada says the total value of assets rose 42.4 per cent to \$5.6 trillion, mostly driven by rising prices for real estate which accounted for one-third of the total. At the same time, the rising cost of buying a home, and an increase in the proportion of families who owned a home with a mortgage, helped push up total debt by 47.5 per cent to \$760 billion. Just over one-third of families reported having a mortgage on their principal residence. The median mortgage was \$90,000 in 2005, up 17.5 per cent from \$76,600 in 1999. Statistics Canada said the fastest-growing asset type was investment real estate, including cottages and cabins, timeshares, and rental properties, which was worth \$481 billion in 2005, roughly 1.8 times what it was in 1999. The survey does not look at individual provinces but, if it did, British Columbia would stand out with the worst housing affordability in the country and a mortgage debt load that has risen by 12 per cent over the past year, the highest rate in the country outside Alberta.

Yet despite "ultra expensive real estate," the mortgage arrears rate in B.C. is now the lowest in the nation at less than 0.15 per cent, said Ben Tal, senior economist with CIBC World Markets. It is highest, at 0.4 per cent, in Atlantic Canada where home price increases have lagged the national average. In addition, B.C. has the country's lowest share of "non-conforming" or "sub-prime" mortgages used by higher risk borrowers who can't meet standard credit criteria. "Despite the affordability aspect, it seems that stable employment and income continue to support not only strong growth but also high-quality growth in B.C.," Tal said in an interview.

While Vancouver and Calgary are among the more "frothy" housing markets, recent price gains have been in line with relatively low interest rates and strong income growth, said David Tulk of TD Economics. He said a significant correction in the housing market is unlikely, given a strong domestic economy and the potential for lower interest rates next year.

After principal residences, Statistics Canada said the most important asset for Canadians was employer pension plans which accounted for 18.5 per cent of all assets. About 9.4 million families, more than 70 per cent of the total, had some form of pension assets in 2005, including registered retirement savings plans. The fact that nearly 30 per cent of Canadian families have no retirement savings raises serious questions about how they will manage in retirement, said Hugh Mackenzie, a research fellow with the Canadian Centre for Policy Alternatives in Toronto. "An uncomfortably large proportion of Canadians are living so close to the line that they are unable to save for retirement," Mackenzie said in a release. "This potent mixture of high debt and no pension savings is a recipe for future economic distress, especially when the economy takes a turn for the worse, which it will."

Statistics Canada notes that public plans such as the Old Age Security, Guaranteed Income Supplement and the Canada Pension Plan provide non-savers with some income in retirement. As well, six out of 10 families with no private pension assets had a major income recipient under 45, giving them time to accumulate assets. The survey found that pension assets peaked for families in which the major income recipient was aged 55 to 64.