TD Economics

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Data Release: Gains in Canadians' net worth driven by real estate
Statistics Canada released its 2012 Survey of Financial Security today. Previous surveys were conducted in 1999 and 2005.

- The median net worth of Canadian family units grew 44.5% from 2005 to 2012, an acceleration from a 23% gain in the previous survey period, 1999 to 2005. This survey supports the debt growth seen in the household balance sheet data, and showed that overall debt grew at a faster pace than assets. But, because assets are far larger than debt, net worth still increased.
- Not surprisingly, the biggest money maker for Canadian families was their homes. The increase in the value of principal residences rose 52% from 2005 to 2012, as the average price of a home in Canada increased 45% over the same period, and homeownership became more widespread. The percentage of Canadian families who list a principal residence as an asset has steadily increased from 59.6% in 1999 to 62.5% in 2012. Interestingly other real estate assets such as cottages and rental properties also posted a sizeable 70% increase from 2005 to 2012. Approximately 20% of Canadian families own real estate other than their primary residence, a share that has risen two percentage points since 1999.
- Still, that is not to say other assets didn't also make gains. The largest dollar increase in assets outside of real estate was in private pensions, which includes employer pension plans, RRSPs and RRIPs. Statistics Canada cites that this increase was in part due to the aging population. About 70% of Canadian families had private pension assets in 2012, up about one percentage point since 1999. Pensions represent about 30% of total family assets in Canada.
- In terms of financial assets, Canadian families saw an acceleration in the accumulation of mutual/investment funds (up 82% from 2005-2012). However, the share of Canadian families holding these assets declined to 11.6% in 2012 from 14% in 1999.
- This survey is the first to give a glimpse on investments in Tax-free Savings Accounts (TFSAs), introduced in 2009. While TFSAs make up a very small share of total assets (0.7%), they are reasonably widespread, with one third of families holding TFSAs, with a median value of $10,000.
- On the debt side, Canadian families accelerated their pace of debt accumulation from 2005 to 2012, as holding debt became more widespread -- 71.1% of families held debt in 2012 up from 67.3% in 1999. The lion's share of debt (77%) is residential mortgages, which accounted for 80% of the increase in debt from 2005 to 2012. While the share of families with a mortgage on their primary residence fell slightly from 2005 (34.1%) to 2012 (33.8%). The share of families holding a mortgage on other real estate increased from 4.6% in 1999 to 6.4% in 2012.
- The pace of growth in lines of credit slowed from 2005-2012, both in total and for the median family, and the share of families that hold a line of credit remained unchanged at 25%, after jumping up 15.4% in 1999. However, growth in vehicle loans accelerated, as more Canadian families carry a car loan at 28.5% up from 20.8% in 1999. 40% of Canadian families carry a balance on their credit cards, a level which is unchanged from the prior surveys, although the median amount held continues to grow steadily.
- The survey also included interesting data on the distribution of net worth in Canada. By income quintile, the lowest income quintile was the only group to see their net worth decline from 1999 to 2012, while the top three income quintiles (60% of families) saw their net worth grow by around 80% from 1999 to 2012. By type of family the pattern of debt per assets follow an expected life cycle pattern. Families where the major income recipient is under the age of 35 have the highest

debts relative to assets, and then level steadily declines among older cohorts. However, all age groups have higher debt levels than they did in 1999, with the biggest increase in families between 35-44 years old.

Key Implications

- This survey is a very meaty release with a lot of detail on the assets and debts of Canadian families. We will follow this commentary up with a more in-depth observation in the coming days. The bottom line is that this data is consistent with patterns seen in household balance sheets where net worth is increasing, but so too are debts. There is an interesting discrepancy where in total families are increasingly leveraged. The ratio of debt-to-net worth has climbed steadily from 1999 to 2012. However, looking at the median family, debt-to-net worth rose from 27% in 1999 to 30% in 2005, but fell back down to 25% in 2012. This suggests the rising leverage is concentrated among certain segments of the population.

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