Survey of Household Attitudes to Debt and Consumption

SASKATCHEWAN

By the Certified General Accountants Association in collaboration with the Saskatchewan Chamber of Commerce

CGA® Certified General Accountants Association of Saskatchewan

saskatchewan chamber of commerce

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INTRODUCTION

With a particular curiosity around how Canadians view their financial condition, the Certified General Accountants Association of Canada (CGA-Canada) has, since 2007 been monitoring the collective attitude towards spending and indebtedness. Of principal interest, the Association has sought to analyse the perceived economic wellbeing and financial prowess of Canadians and to reconcile the solicited views of Canadians with publicly available statistical information and measures of household wealth and indebtedness. Encouraging, is the symmetry exposed between consumer perceptions and the actual economic reality revealed by the corresponding economic indicators.

More specifically, the Certified General Accountants Association in 2007 undertook a research initiative aiming to analyze the level of debt of Canadians and the risks associated with the rising level of the debt burden. This was done by integrating the results of a public opinion survey commissioned by CGA-Canada with an analysis of available statistical information. In 2009 and in the spring of 2010 respectively, CGA-Canada again embarked on the topic of household indebtedness seeking to understand the extent to which the economic downturn might have worsened the financial positions of Canadians having already experienced some financial strains.[1] The research methodology used in early 2010 is similar to that employed in 2007 and 2009, and aims to compare the perceptions of Canadians regarding the changes in their finances with the understanding of the situation derived through the analysis of publicly available statistics.

The consumer survey component of the mentioned research projects sought to identify the perspectives of Canadians on the changing levels of their indebtedness and on attitudes towards spending and saving. Based on respondents' perceptions rather than on absolute dollar amounts, the survey asked Canadians to reflect on the changes in their household finances that had transpired over the past 3 years. The public opinion survey was first commissioned in the spring of 2007, then re-commissioned in the late fall of 2008 and the late winter of 2010 with the structure and content of the initial questionnaire being preserved in all three survey cycles.

Building on the previous works commissioned in 2007 and 2008 respectively, this paper highlights the recent experience of Saskatchewan. In short, the 2010 national survey has been supplemented by a booster sample for the province of Saskatchewan permitting comparison between province specific and national findings.

1 The detailed description of the research findings and survey results can be found in the 2007 report titled *"Where Does the Money Go: The Increasing Reliance on Household Debt in Canada"* and 2009 report titled *"Where Has the Money Gone: The State of Canadian Household Debt in a Stumbling Economy"* (available at www.cga.org/canada). The 2010 report is anticipated to become available on the CGA-Canada website in May 2010.

In analysing the survey results, comparison of all survey elements was made between Saskatchewan and the rest of Canada.[2] This paper however, fashioned with appreciation in collaboration with the Saskatchewan Chamber of Commerce, highlights the results of the comparison and isolates only the notable differences between respondents' perceptions in Saskatchewan and in the rest of Canada.

In the following text, we begin the discussion by imparting the reader with key findings of the survey. This is followed by presenting detailed findings grouped within four themes: (i) household debt, (ii) income, assets and wealth, (iii) household spending, and (iv) saving for retirement. Appendix A describes the survey methodology, whereas Appendix B replicates the administered survey questionnaire.

Regrettably, we are compelled to report that the financial state of the Canadian household has continued to deteriorate.

That said, it is our intent however that works such as these will heighten awareness amongst Canadians and effect behavioural and policy changes that optimize productivity and wellbeing. With growing government deficits, globalization of business competition, and excessive anticipated pressure on retirement security, Canadians will be well served to navigate and to marshal their individual resources. Moreover, it is contended that the actions of society will reasonably be enjoined to the actions and vibrancy of the nation. To be optimally successful though, we see well an economy which relies less on consumption, excessive leveraging, and hardship. One that commands a cultural shift more befitting of the resources and talents at our disposal.

2 For the purposes of this report, "rest of Canada" is understood to represent all Canadian provinces other than Saskatchewan. As such "rest of Canada" includes British Columbia, Alberta, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Newfoundland and Labrador, and Prince Edward Island.

1. KEY FINDINGS

Household Debt of Saskatchewanians is Rising

Consistent with the common perception of rapidly rising national household debt, Saskatchewan respondents with increasing debt outnumber those who report debt as having decreased in the past 3 years. One in five indebted Saskatchewanians say their debt has increased a lot. Quite logically, certain socio-economic groups are particularly susceptible to increasing debt. Saskatchewan respondents with annual household income of under $35,000 and younger respondents are much more likely to acknowledge that their debt has noticeably increased. However, when compared to the findings of the rest of Canada, a somewhat larger proportion of Saskatchewan respondents from these socio-economic groups gauge their debt as increasing.

The Level of Concern Over Increasing Household Debt is High. Consumption Rather than Asset Accumulation is the Primary Cause of the Debt Run Up

The majority (77%) of Saskatchewanians with increasing debt report concerns with this pattern. One fifth of indebted Saskatchewan respondents believe that they have too much debt and report having trouble in managing it. However, the overwhelming majority of households (80%) are still confident that they can either manage their debt well or take on a greater debt load. When compared to the rest of Canada, Saskatchewan respondents tend to harbour lower levels of concern regarding increasing debt, but are equally likely to report trouble managing debt.

The rising debt is primarily caused by consumption motive rather than by asset accumulation. For nearly half of Saskatchewan respondents whose debt increased, day-to-day living expenses are cited as the main cause for the increasing debt, whereas 38% of Saskatchewanians say that their debt rose primarily due to the purchase of a new vehicle. In turn, outlays that could potentially attract a return such as the purchase of a residence, enrolling in an educational program, or spending on healthcare are among the least likely identified causes for increasing debt.

Although most Saskatchewanians report being confident in their ability to manage debt, the majority of respondents (67%) feel that debt limits their ability to reach financial goals in at least one of the critical areas of retirement, education, leisure and travel, or financial security for unexpected circumstances. Respondents through the rest of Canada are slightly less likely to feel that debt limits their ability to reach financial goals.

Few Saskatchewanians Report Positive Changes in Their Income, Assets and Wealth; However Many Report an Increase in Household Spending

Not many Saskatchewanians are optimistic regarding the growth in their income. Nearly half (49%) of the survey respondents observe their income as unchanged or decreasing over the past 3 years, while the majority (78%) of those whose income did increase, said it did so only modestly. Respondents from the rest of Canada were even less likely to report their income as increasing.

The dynamic of the value of assets seems to mirror the market conditions. At least 3 in 10 Saskatchewan respondents report a decline in the value of their holdings in mutual funds, stocks, bonds and private pension assets. However, some 66% of those holding real estate assets gauge the value of these assets as increasing. Respondents surveyed through the rest of Canada report a less positive dynamic of their wealth.

Similar to the income and assets dynamic, respondents' perception of wealth is only somewhat positive. Less than one half (48%) of Saskatchewanians feel they are wealthier today as compared to 3 years ago. Even among those reporting an increase in the value of their residential assets, only 52% feel their wealth has increased.

Despite a sense of deteriorating income, assets and wealth positions, one half (50%) of Saskatchewanians conclude that their expenses have increased over the past 3 years. A majority (75%) of Saskatchewanians whose spending went up indicate increased day-to-day living expenditures as a primary reason for ballooned spending.

One Quarter of Saskatchewanians Would Not Be Able to Handle Unforeseen Expenditures, But Yet Many Saskatchewanians Do Not Save on a Regular Basis

Even with the temporary relief afforded by a credit card or line of credit, one quarter of Saskatchewanians would not be able to handle an unforeseen expenditure of $5,000 and 1 in 10 would face difficulty in dealing with a $500 unforeseen expense.

The challenge of handling unforeseen expenses does not seem to represent sufficient motivation for increasing household savings. More than one third (38%) of non-retired Saskatchewanians commit no resources to any type of regular savings; not even for retirement. This is a more pronounced situation than that observed in other provinces. Saving for vacation and entertainment gets higher priority among younger households relative to saving for education or for home down payment.

The worsened economic conditions did not seem to affect respondents' savings habits either. The overwhelming majority (80%) of Saskatchewan respondents said they did not change their saving patterns in order to build or rebuild the financial cushion to the size they believed right for them.

Correspondingly, 11% of those surveyed told us they decreased the usual rate of savings as their confidence in the financial markets and in growth opportunities had waned.

The introduction of new tax incentives for savings (in the form of Tax-Free Savings Accounts – TFSAs) seems to have produced a limited effect as well. Slightly more than a year after the launch of this saving instrument, one quarter (26%) of Saskatchewanians report they are not familiar with the TFSA. Of those Saskatchewan respondents possessing a general knowledge and understanding of TFSAs, more than half (58%) did not contribute to these investment vehicles.

Four in Ten Saskatchewanians Do Not Feel Confident that Their Financial Situation at Retirement Will Be Adequate

Some 42% of Saskatchewanians do not feel confident that their financial situation at retirement will be adequate. Younger (and not older) respondents are more likely to feel insecure about their retirement. The level of confidence expectedly tends to be higher among those with higher income, increasing wealth, or decreasing debt.

Less than half (47%) of non-retired Saskatchewan respondents had a clear idea of the amount of personal savings and resources they need to accumulate in order to assure an adequate financial situation at retirement. However, compared to the rest of Canadians, Saskatchewanians are more likely to know the amount of savings that would render them financially ready for retirement.

2. DETAILED FINDINGS

The survey invited Canadians to reflect on the changes occurring in their household finances over the past 3 years by examining the four broad elements of (i) household debt; (ii) income, assets and wealth; (iii) spending; and, (iv) savings.

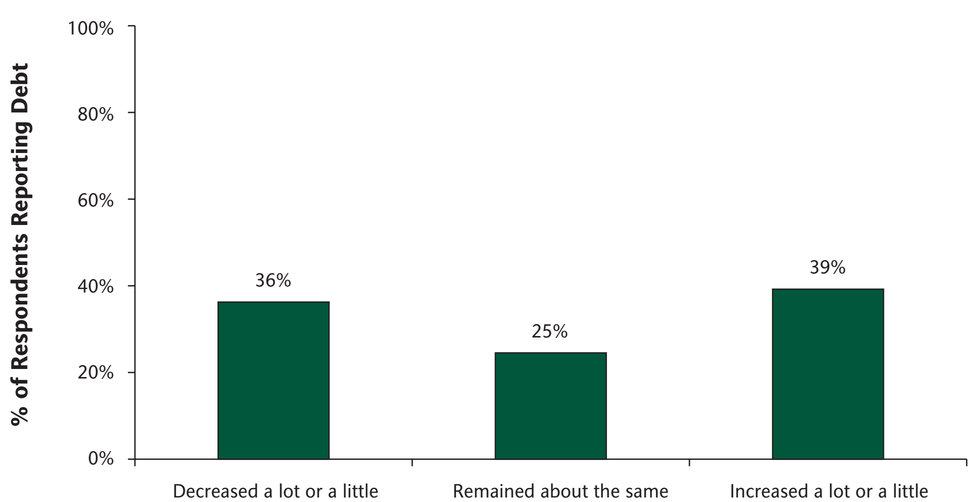
2.1. Household Debt

The survey sought to identify how and why household debt has changed over the past 3 years, the level of comfort in having debt and the respondents' point of view on whether indebtedness prevents them from reaching some of their financial goals.

2.1.1. Changes in Household Debt

Overall, 87% of Saskatchewanians reported having some type of debt. This is slightly higher than the 84% level observed throughout the rest of Canada. In keeping with conventional perception of rapidly rising household debt, Saskatchewanians with increasing debt outnumbered respondents who reported debt as decreasing in the past 3 years; however not considerably. Some 39% of respondents said their debt has increased a lot or a little compared to 36% of those whose debt load decreased (Figure 1). This dynamic was similar to that observed in the rest of Canada.

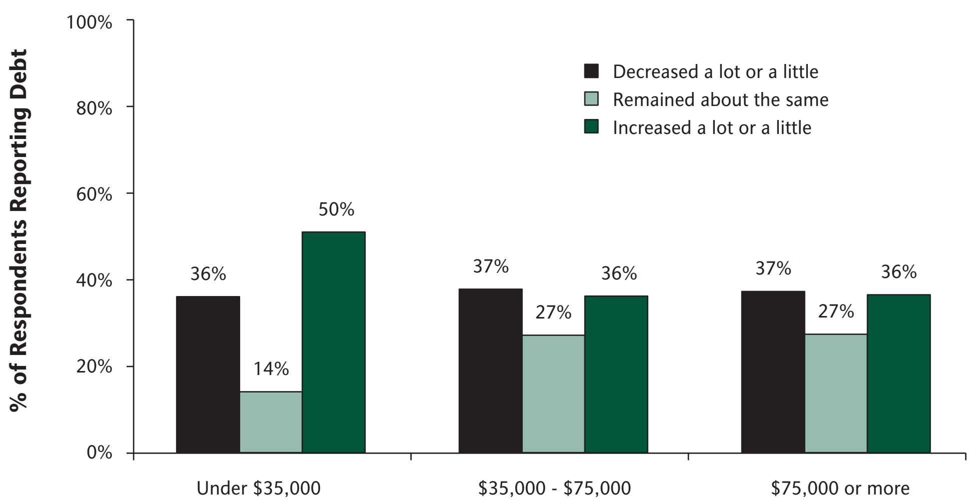
Figure 1 – Changes in Household Debt



As would reasonably be expected, younger Saskatchewanians were more likely to view their debt as increasing when compared to their older counterparts. Specifically, 44% of indebted respondents younger than 55 years of age reported their debt as increasing. This contrasted with 30% of respondents older than 55 years of age who also contended that their debt went up.

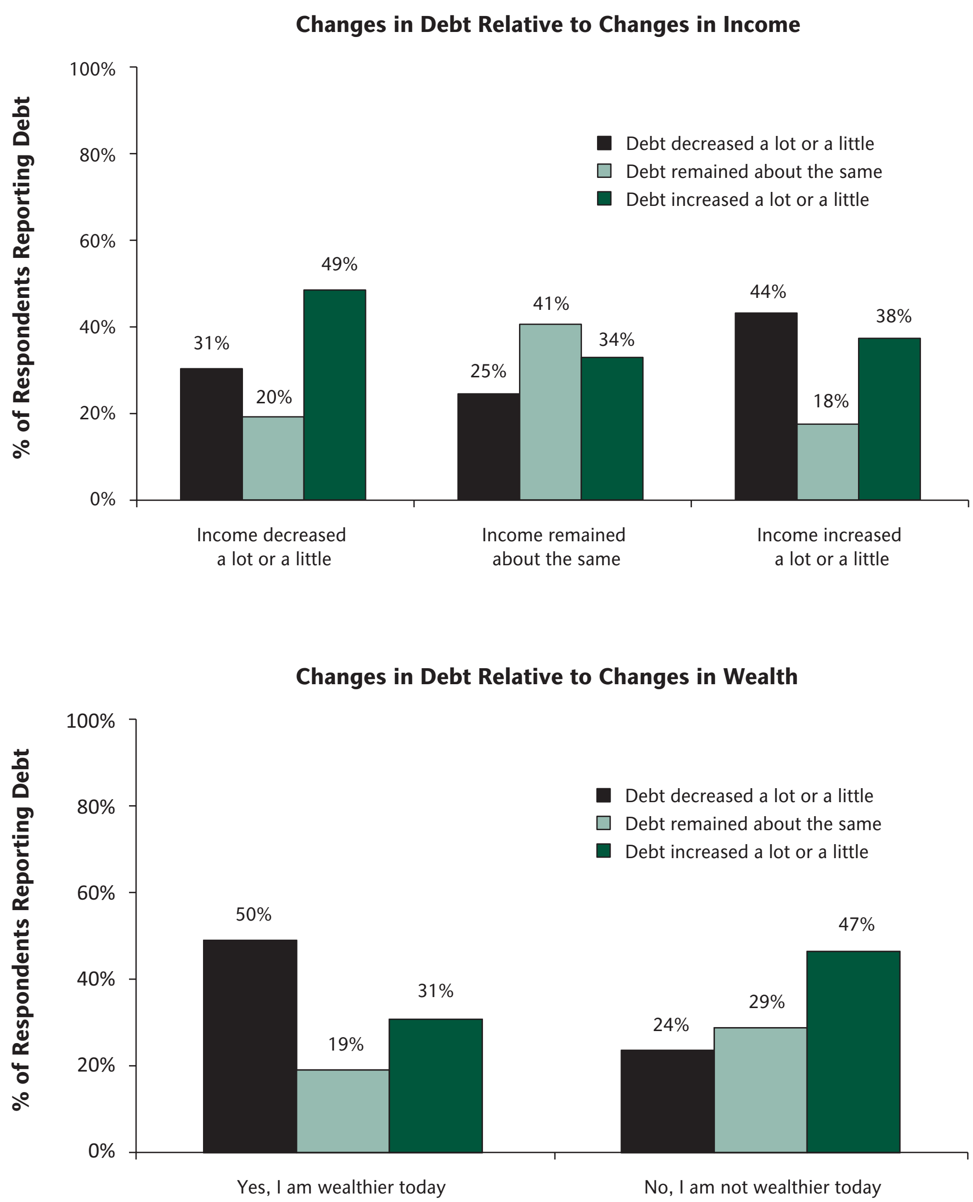
Changes in debt varied somewhat depending on respondents' income levels. Saskatchewanians with annual household income of under $35,000 were more likely to report increasing debt compared to respondents in other income groups. In turn, the proportion of those whose debt decreased was similar in all income groups (Figure 2). The situation of lower-income Saskatchewanians was somewhat inferior when compared to those in other provinces. Some 50% of lower-income Saskatchewanians gauged their debt as increasing whereas only 45% of respondents in the rest of Canada thought that way.

Figure 2 – Changes in Household Debt by Income Group



In counter intuitive fashion, increasing debt was not associated with an increase in income or wealth. Saskatchewan respondents whose income increased over the past 3 years and/or those who felt wealthier today were more likely to report that their debt has decreased rather than increased. The opposite was also true: Saskatchewanians that reported decreased income and/or did not feel wealthier today were also more likely to report their debt as increasing (Figure 3). A similar trend was observed in the rest of Canada as well.

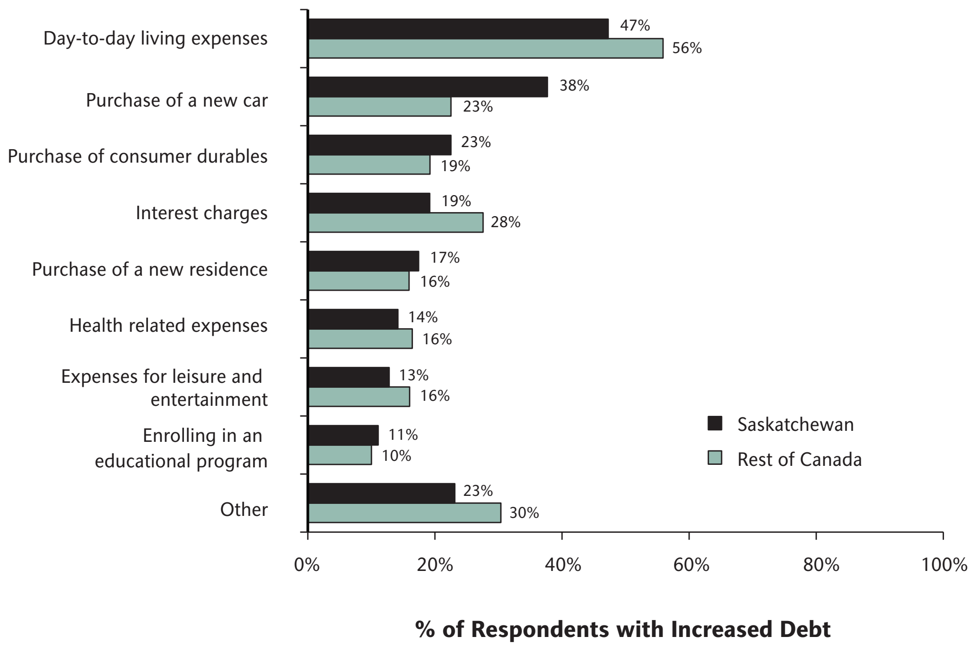
Figure 3 – Changes in Debt Relative to Changes in Income and Wealth



The majority of Saskatchewanians with increasing household debt were either very concerned (36%) or somewhat concerned (41%) with the fact that their debt has increased. Respondents in the rest of Canada tended to have higher levels of concern regarding increasing debt. That is, while 77% of respondents in Saskatchewan expressed some level of concern with rising debt, this proportion stood at 86% for all other provinces taken together.

Meeting day-to-day living expenses was cited as the main reason for increasing debt across all regions; however, the prevalence of this motive was less pronounced in Saskatchewan than in the rest of Canada. Some other regional differences existed in respondents' perception regarding the causes for rising debt. For instance, for those surveyed in Saskatchewan, purchase of a new vehicle and of consumer durables were 2nd and 3rd most often cited reasons for increasing debt. In the rest of Canada, purchasing of a new vehicle instigated debt increase for a much lesser proportion of respondents. Rather, interest charges ranked as number two cause for the debt run up (Figure 4).

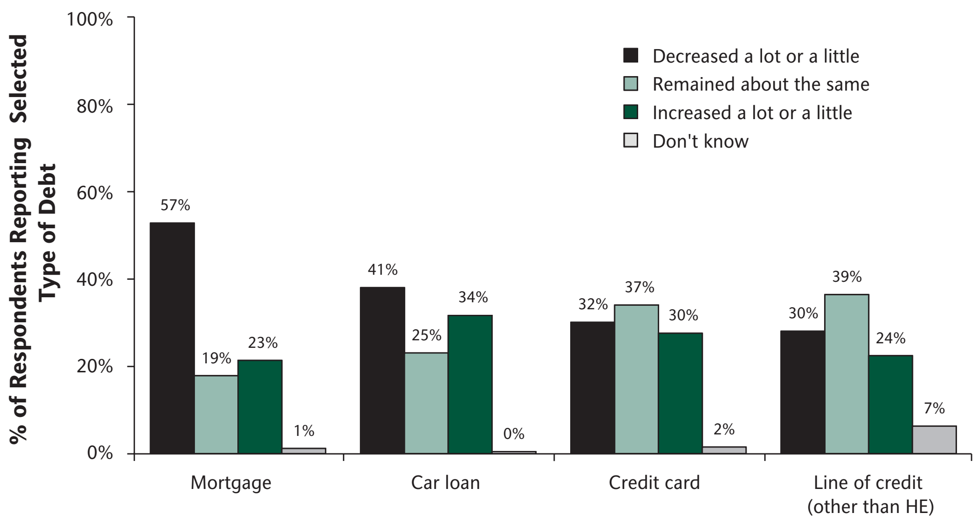
Figure 4 – Reasons for Increasing Debt



The main reasons for increasing debt were not affected by the age of respondents. When surveyed Saskatchewanians were grouped by age into younger (aged 55 and under) and older (aged 55 and over) respondents, the ranking of reasons remained the same. As such, younger respondents were more likely to increase their indebtedness due to reasons related to consumption (e.g. day-to-day expenses, purchasing of a new vehicle or durable goods) as opposed to accumulation of physical or human capital through purchasing real estate or attending an educational program. This was true for the rest of Canada as well.

Certain inconsistency could be observed between the respondents' general perceptions of increasing indebtedness and the reported changes in specific types of debt. As can be observed from Figure 1, 39% of Saskatchewanians perceived their debt as increasing rather than decreasing or remaining the same. At the same time, when speaking about particular types of debt, Saskatchewan respondents were more likely to report the level of outstanding debts as decreasing rather than increasing for mortgages and car loans – the two types of debt that typically constitute the largest part of household indebtedness (Figure 5). The rest of Canada experienced a similar dynamic with a small exception: the survey respondents in other provinces were less likely to report their car loan as increasing compared to those surveyed in Saskatchewan.

Figure 5 – Changes in Selected Types of Debt

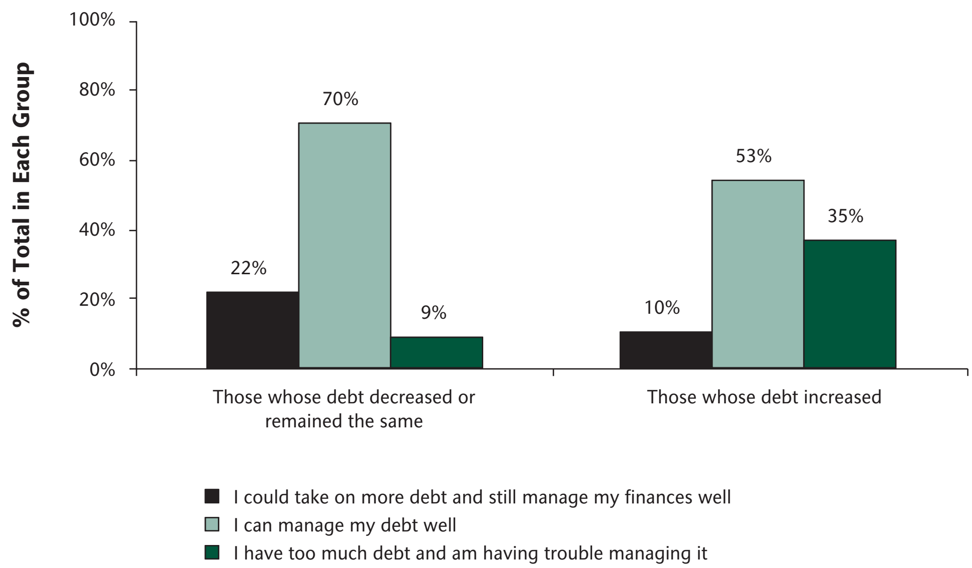


2.1.2. Households' Ability to Manage Debt

The majority (63%) of indebted Saskatchewanians told us that they could manage their household debt well, and some 17% suggested they could take on more debt and still manage their finances well. However, one fifth (20%) of indebted Saskatchewanians indicated they have too much debt and have trouble managing it. Respondents from the rest of Canada were equally likely to think that way. Among respondents experiencing problems in managing debt, lower than expected income was the most often cited factor causing difficulties.

Residents of Saskatchewan with increasing debt reported troubles managing it more often. More than one third (36%) of Saskatchewanians reporting rising debt felt that way compared to only 9% of respondents whose debt decreased or remained the same over the past 3 years (Figure 6).

Figure 6 – Attitude Towards Debt



2.1.3. Negative Influence of Debt

Indebted respondents were asked whether debt negatively affects their ability to attain goals in such areas as retirement, education, leisure, travel, and financial security for unexpected circumstances. Some 33% of indebted Saskatchewanians did not feel that debt prevents them from reaching goals in any of those areas. Among those conceding to a negative influence, the two most often cited areas were leisure and travel and financial security for unexpected circumstances. The proportion of indebted Saskatchewanians underscoring these areas stands at 45% and 42% respectively (Figure 7). Although these results are very similar to those of the rest of Canada, one noticeable difference exists: a smaller proportion of Saskatchewanians (33%) said they do not experience any of the mentioned negative effects of debt compared to 37% of respondents in other provinces.

Respondents suggesting that household debt prevents them from reaching their financial goals were also much more likely to purport that their debt has increased in the past 3 years. Nearly one half (48%) of Saskatchewanians negatively affected by debt told us that their debt has increased a lot or a little. In turn, respondents reporting no negative effect had an opposite tendency and were twice less likely to declare that their debt went up (Figure 8). In the rest of Canada the differences were even more pronounced.

Figure 7 – Does Your Household Debt Negatively Affect Your Ability to Reach Your Financial Goals in the Area of..

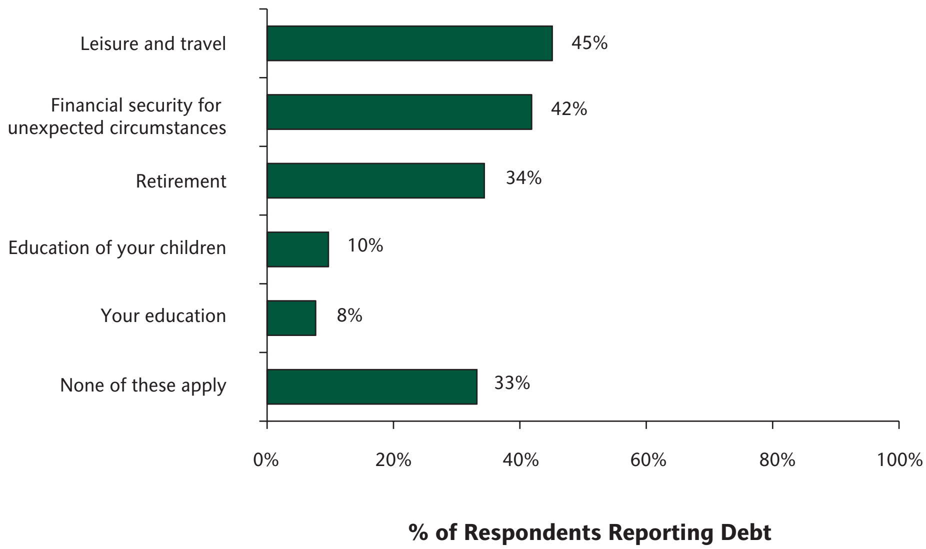
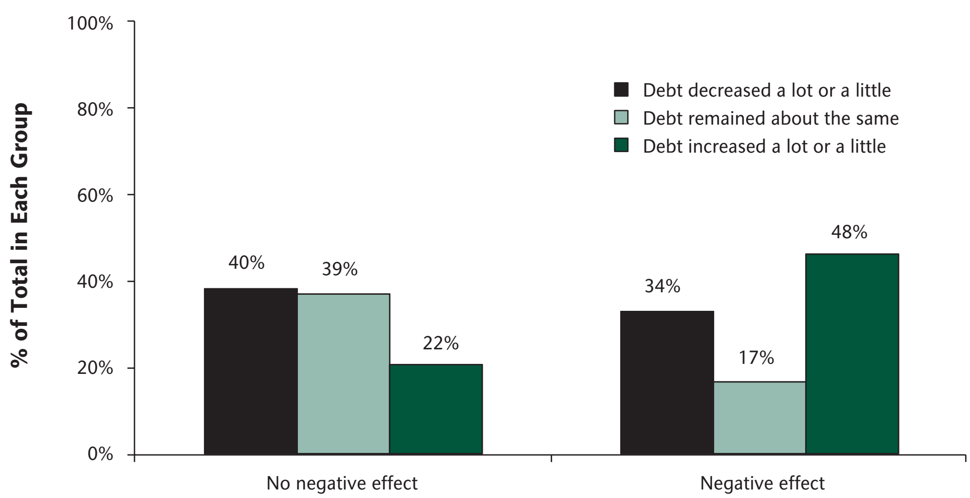


Figure 8 – Changes in Overall Debt of Respondents Negatively Affected by Having Debt



Those who felt that debt prevents them from achieving their financial goals were also much more likely to say that they have difficulties managing it. Some 29% of Saskatchewanians negatively affected by debt had troubles managing their debt while only 2% of those who felt no negative effect were in a similar situation.

Some 13% of respondents in Saskatchewan said they did not have any debt. The debt-free respondents were more likely to be 55 years of age or older when compared to respondents reporting debt: two thirds of debt-free Saskatchewanians belonged to the older age cohort compared to only one third of indebted individuals.

2.2. Income, Assets and Wealth

A second objective of the survey was to ascertain whether the increase in debt was accompanied by a commensurate increase in income and/or wealth. To that end, respondents were asked to describe the changes in their income, assets and wealth over the past 3 years, and to identify negative economic shocks that may affect their financial wellbeing.

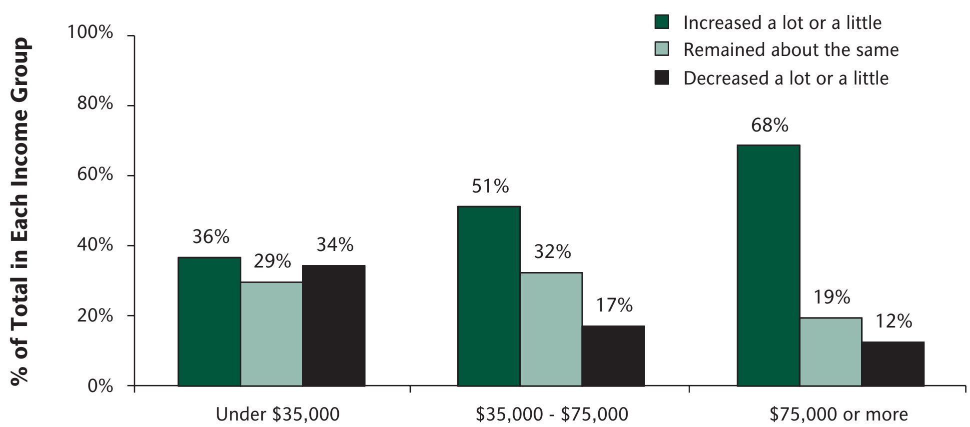
2.2.1. Household Income

For 79% of non-retired respondents surveyed in Saskatchewan, wages and salaries represented the main source of income. Only 8% relied on business income, another 5% considered government transfers as their principal source of income, and not more than 1% of non-retired respondents relied on investment income.

One half of all Saskatchewanians (51%) said that their household income increased over the past 3 years; however, the majority (78%) of those reported that their income had increased by only a little. Some 29% of respondents report that their income remained about the same whereas one fifth (20%) of Saskatchewanians experienced a decrease in household income. The survey respondents from the rest of Canada experienced a less positive income dynamic: a lower proportion (44%) of respondents said that their income increased and more respondents were likely to report their income as decreasing (24%).

Changes in income varied significantly depending on the overall income level of respondents. Individuals with higher household income were more likely to see a positive change in their income compared to those with medium or lower income. Two thirds (68%) of Saskatchewan respondents with household income of $75,000 and over saw their incomes increasing over the past 3 years. This contrasted with roughly one third (36%) of respondents with household income under $35,000 (Figure 9).

Figure 9 – Changes in Household Income by Respondents' Income Group

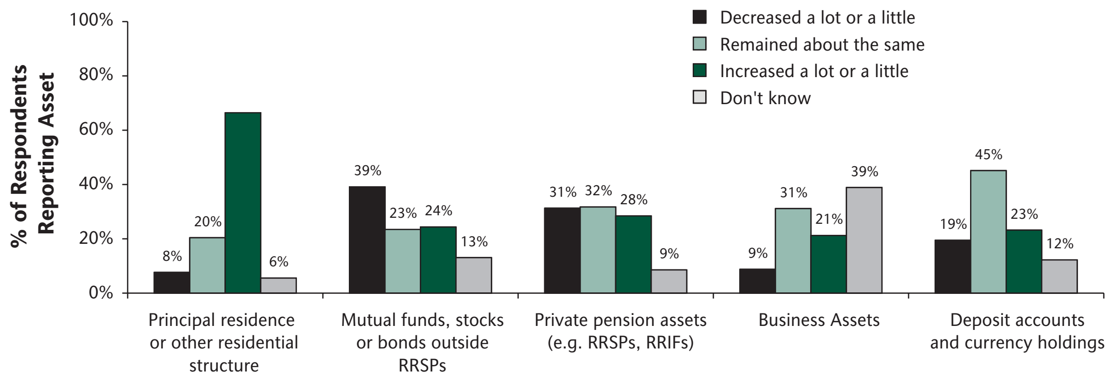


2.2.2. Household Assets

To identify the changes in the asset portfolio of surveyed households over the past 3 years, respondents were offered a list of major types of assets: principal residence or other residential structure; mutual funds, stocks or bonds outside of RRSPs; private pension assets (e.g. RRSPs, RRIFs); assets associated with business; deposit accounts and currency holdings.

Some 39% of Saskatchewanians holding mutual funds, stocks and bonds outside of RRSPs, and 31% of respondents holding private pension assets assessed the value of their assets as decreasing over the past 3 years. This dynamic is similar to that observed in other provinces and may easily be explained by the economic downturn of 2008 and its aftermath. Residential structures of Saskatchewan survey participants were the only type of assets that tended to increase in value for the majority of respondents – some 66% of Saskatchewanians felt that way (Figure 10). Respondents from the rest of Canada were less likely to say that the value of their principal residence increased when compared to their counterparts in Saskatchewan.

Figure 10 – Changes in Household Assets



Surprisingly, some 39% of Saskatchewan respondents holding business assets could not say whether asset values had increased, decreased, or remained the same in recent years. Although of a lesser magnitude, it was also revealing to learn that a noticeable proportion of respondents (between 9% and 13%) did not know what had happened to the value of their financial assets (pension and non-pension) and currency holdings.

2.2.3. Changes in Household Wealth

Some 48% of Saskatchewanians feel they are wealthier today as compared to 3 years ago. Through the rest of Canada, survey respondents were more conservative in gauging their wealth situation: only 41% of those surveyed in other provinces believed themselves wealthier today. Expectedly, retired respondents tended to be less optimistic about their wealth. Only 33% of the current retirees in Saskatchewan reported increased wealth compared to 53% of non-retired respondents. In the rest of Canada, the difference was less pronounced.

Changes in income influenced significantly respondents' perceptions of changes in their wealth. Some 66% of Saskatchewanians whose income increased felt wealthier while only 23% of those whose income decreased felt that way.

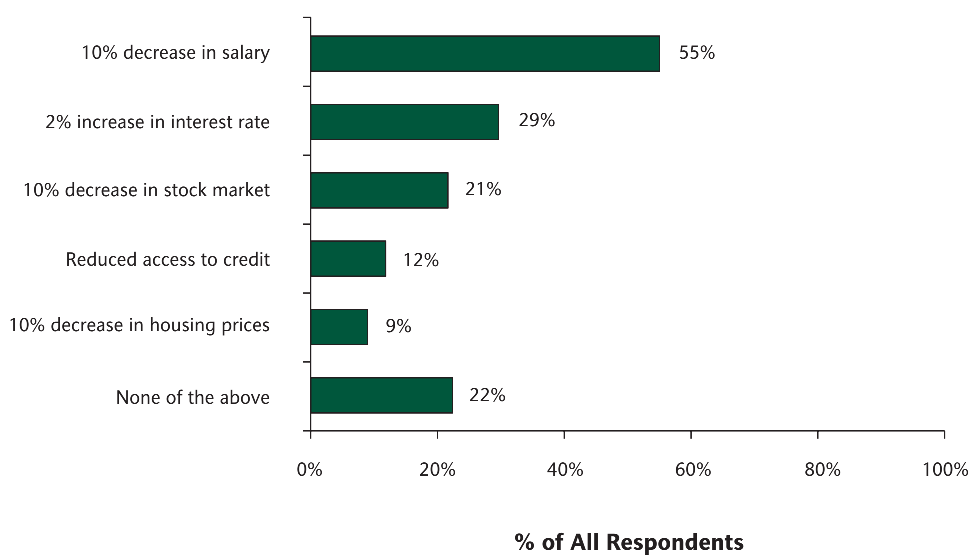
Debt did not seem to influence individuals' perceptions regarding wealth. Some 48% of indebted Saskatchewanians felt wealthier today compared to 47% of their debt-free counterparts. This differed from the rest of Canada where 39% of indebted respondents reported their wealth as increasing compared to 49% of debt-free respondents who felt that way.

2.2.4. Household Sensitivity to Shocks

Survey respondents were asked which of the following events would have noticeable negative implications on their financial wellbeing: a 2 percentage point increase in interest rates, a 10% decrease in housing prices, a 10% decrease in the stock market, a reduced access to credit, and a salary decrease of 10%.[3]

The most often cited sensitivity corresponded to changes in salary; with more than half (55%) of all respondents in Saskatchewan believing that their financial wellbeing would be noticeably affected by a 10% salary decrease. More than one quarter of Saskatchewanians deemed themselves vulnerable to hikes in interest rates while one fifth of respondents considered that a 10% decrease in the stock market would affect their financial wellbeing. Compared to the rest of Canada, Saskatchewanians are slightly more sensitive to changes in salary, interest rates and the stock market dynamic. Approximately one quarter of all respondents in Saskatchewan, and in fact throughout Canada, saw no threat to their financial wellbeing if any of the identified events were to take place (Figure 11).

Figure 11 – Household Sensitivity to Negative Shocks



3 Some caution should be exercised when interpreting the survey results regarding the sensitivity to shocks. To allow for a proper comparison, the wording of the 2010 questionnaire was identical to that used in the 2007 survey. As such, respondents were asked to reflect on their sensitivity to *moderate* shocks. At the same time, some of the actual economic shocks that manifested themselves through the fall of 2008 were of a higher magnitude than those mentioned in the questionnaire. This leaves room for conjecture that some respondents might have perceived a moderate shock mentioned in the questionnaire as a better outcome compared to the actual shock that transpired in the domestic and global economies.

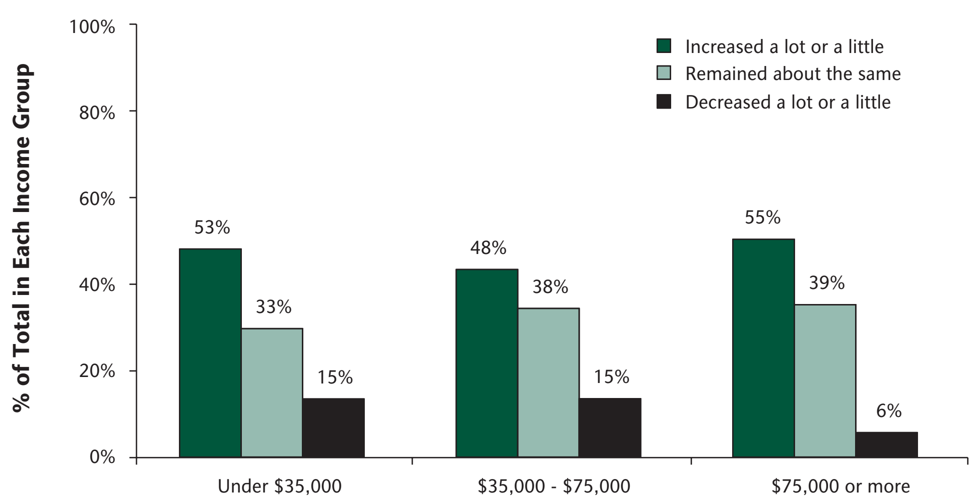
2.3. Household Spending

The survey further sought to comprehend if changes in debt and wealth led to changes in household spending. The survey solicited respondents' opinions relating to changes in their expenditures in the past 3 years and the underlying reasons. Survey respondents were also queried in relation to their level of comfort in dealing with unexpected expenditures.

2.3.1. Changes in household spending

Only a small proportion of Saskatchewanians (12%) felt that their expenditure outlays decreased a lot or a little in the past 3 years. In turn, one half (50%) of those surveyed felt their expenditures had increased in recent years, whereas some 38% of respondents gauged their expenditures as unchanged. All income groups experienced a similar trend (Figure 12). Throughout the rest of Canada, survey respondents experienced a more positive dynamic of their expenditures: only 40% of respondents in other provinces saw their expenditures as having increased while 19% reported a decrease in their spending.

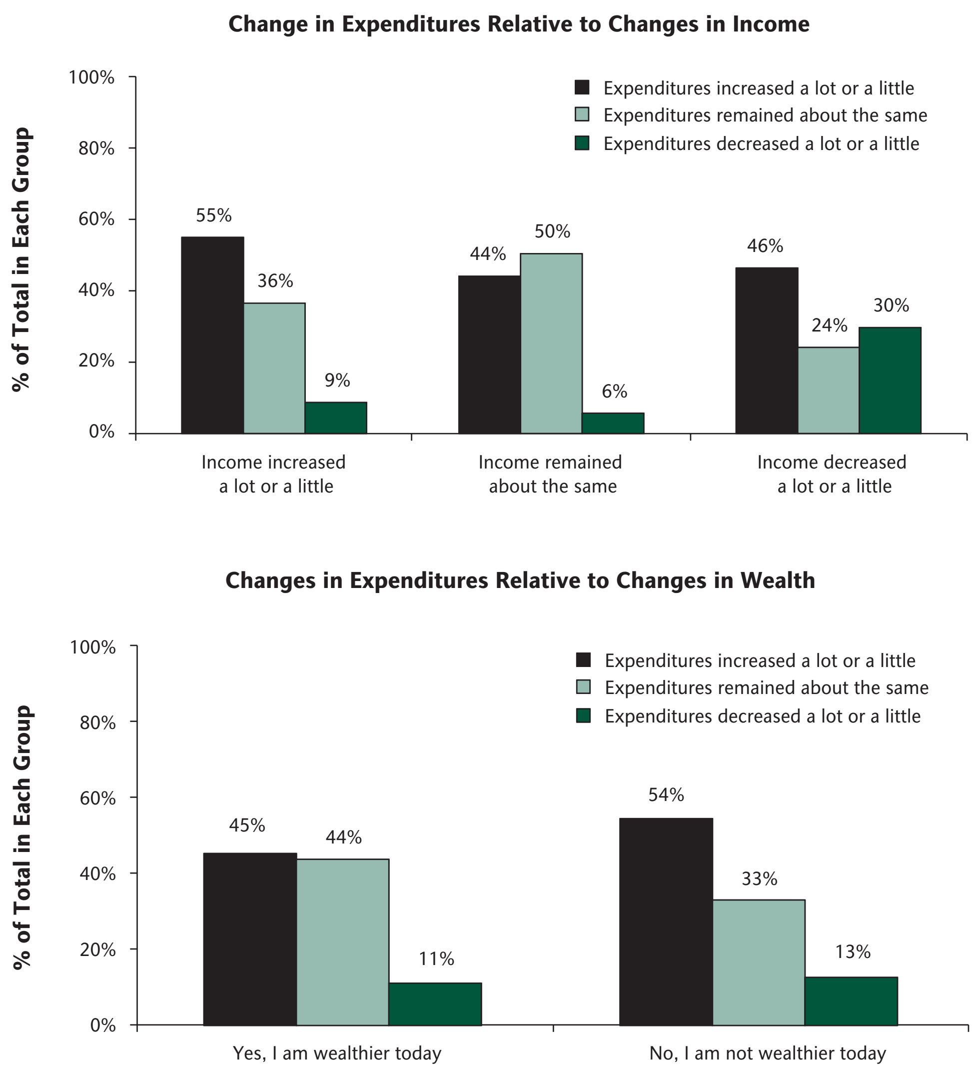
Figure 12 – Changes in Household Expenditures



An increase in household income was of some influence to the dynamic of expenditure. More than half (55%) of Saskatchewanians reporting increased income in the past 3 years also said that their expenditures went up. Respondents with stable or decreasing income were somewhat less likely to see their spending rise: not more than 46% of these respondents were reporting higher spending. At the same time, Saskatchewanians whose income has deteriorated were much more likely to see their expenditures decreased than respondents in other income groups (top graph of Figure 13).

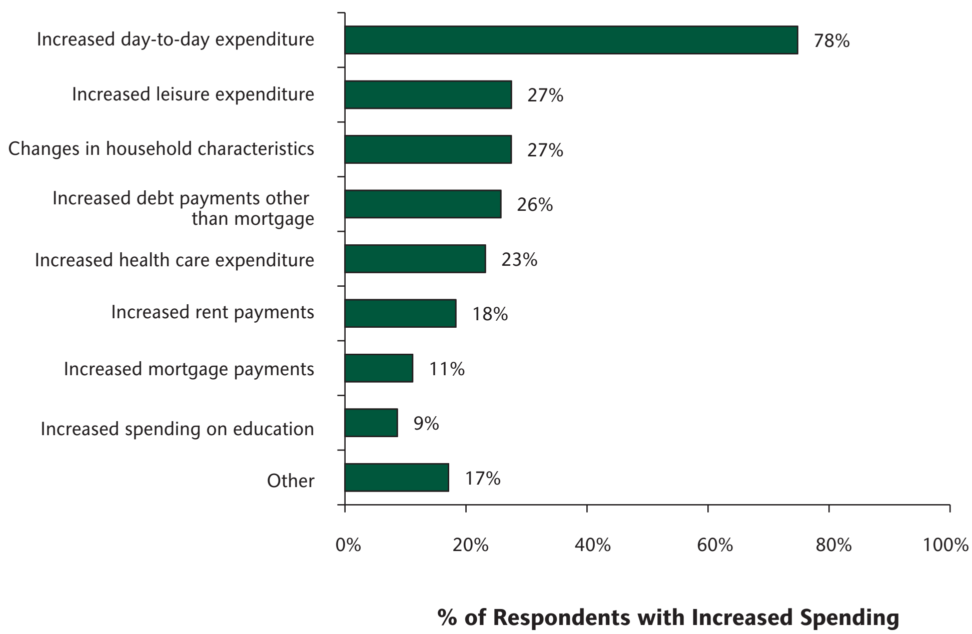
In turn, change in wealth was not necessary transmuting into increasing expenditure. Conversely, Saskatchewanians who felt their wealth had increased over the past 3 years were less likely to say that their expenditure increased over the same period of time (bottom graph of Figure 13).

Figure 13 – Changes in Expenditures Relative to Changes in Income and Wealth



The survey respondents were offered a list of nine items indicating possible reasons for increasing household expenditures. Three quarters (75%) of Saskatchewan respondents whose expenditures increased over the past 3 years said it was caused by rising day-to-day spending. Slightly more than one quarter of Saskatchewanians felt that increased leisure expenditure and non-mortgage debt payments contributed to their ballooning spending (Figure 14). The differences between respondents' perceptions in Saskatchewan and in the rest of Canada were minor with the most noticeable one lying in the area of increased mortgage payments – Saskatchewanians were slightly more likely to see this as a reason for elevated spending than those in other provinces.

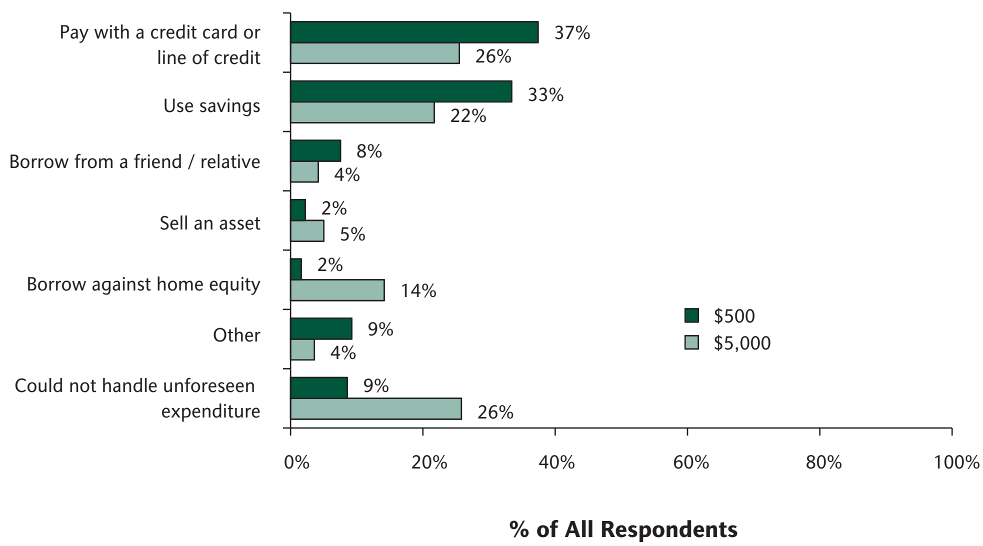
Figure 14 – Reasons for Increased Household Spending



2.3.2. Respondents' Ability to Handle Unforeseen Expenditure

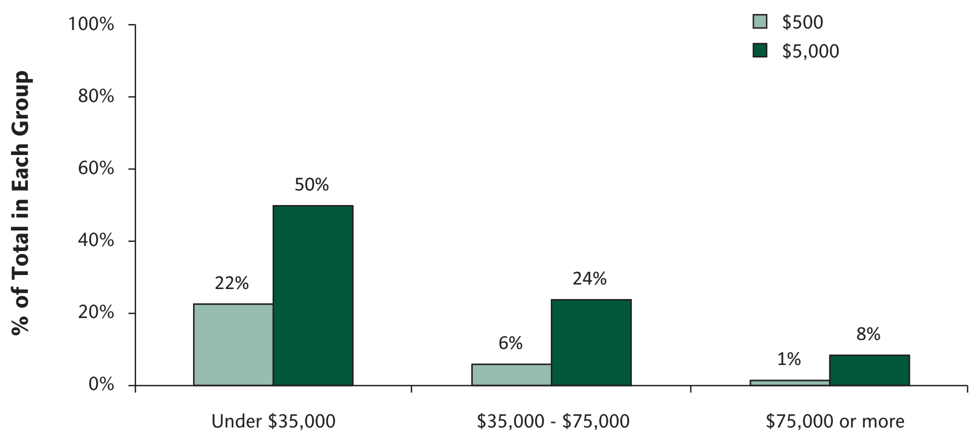
In the event of unforeseen expenditure, Saskatchewanians would most often rely on credit cards or lines of credit to cover costs. Some 37% of Saskatchewan respondents would deal with a $500 unexpected outlay in that way, while 26% would do so if they were required to pay an unexpected $5,000. The second most popular way of covering an unforeseen expense was by dipping into savings. Such options as borrowing from a friend, selling assets or using home equity were not often chosen by respondents. However, the likelihood of using home equity was considerably more enticing for an expense of $5,000 than for the smaller $500 expense (Figure 15).

Figure 15 – Ways of Handling Unforeseen Expenditures of $500 and $5,000



One in four Saskatchewanians would not be able to handle an unforeseen expenditure of $5,000. More disturbing though is that 1 in 10 Saskatchewanians would not be able to manage a $500 unforeseen expense – an amount which hardly could be seen as large by many. As may be expected, respondent's level of household income was a significant factor in the perceived ability to handle unforeseen expenses. Roughly one fifth (22%) of lower-income respondents in Saskatchewan would have difficulties handling unforeseen expense of $500 while every second respondent in that income group would not be able to handle a $5,000 expense. In the higher-income group, only a small fraction of Saskatchewanians would be experiencing difficulties in addressing any of those expenses (Figure 16). This held constant for the rest of Canada as well.

Figure 16 – Respondents Who Could Not Handle Unforeseen Expenditures



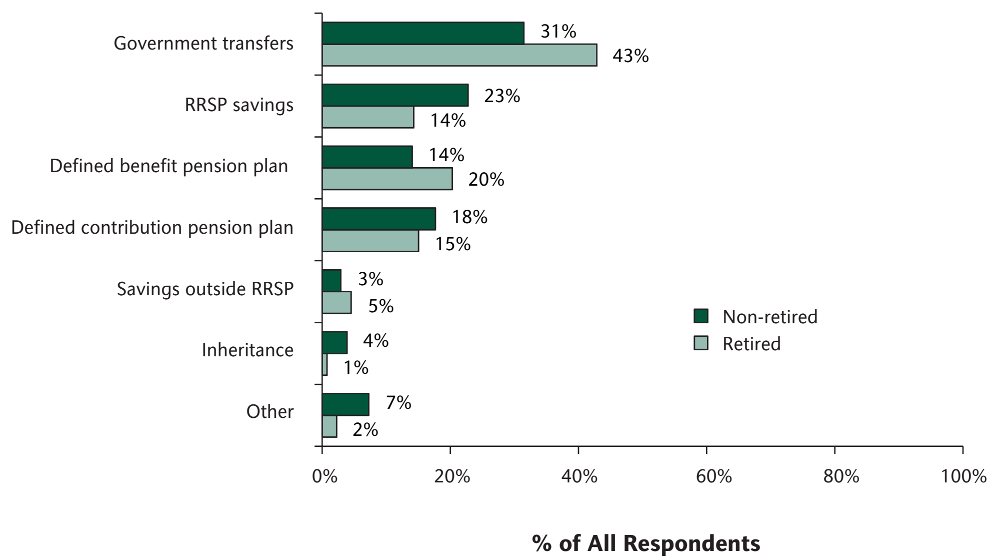
2.4. Saving and Retirement

The final objective of the survey intended to understand respondents' expectations about the main source of their pension income and their level of confidence in their financial situation at retirement. Respondents were also asked to reflect on their savings habits and their participation in tax-preferred savings plans.

2.4.1. Expected Sources of Pension Income

There were noticeable differences in opinion between retired and non-retired respondents regarding the expected primary source of pension income. Government transfers were the most often chosen main source of pension income for both groups of respondents, though less so for non-retired individuals. While an only small proportion (14%) of current Saskatchewan retirees received their retirement income primarily from RRSPs, those who are not yet retired were much more likely to think that RRSPs will be their main source of retirement income. Conversely, already retired participants naturally tended to rely on defined benefit pension plans to a greater extent than their non-retired counterparts (Figure 17). Compared to the rest of Canada, non-retired Saskatchewanians were somewhat more likely to rely on defined contribution pension plans while retired Saskatchewan respondents relied to a greater extent on defined benefit pension plans than individuals surveyed in other provinces.

Figure 17 – Primary Source of Pension Income

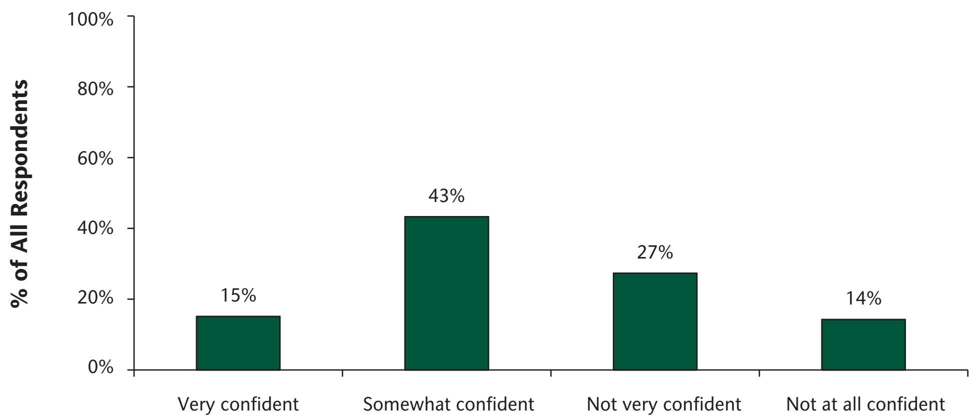


As may be expected, non-retired Saskatchewanians with lower household income (under $35,000) showed much higher reliance on government transfers as the source of pension income when compared to other income groups. Similarly, those with household income of $75,000 and higher were more likely to expect that their pension income will primarily be derived from RRSP savings or defined contribution pension plans.

2.4.2. Confidence Regarding the Financial Situation at Retirement

Only 58% of Saskatchewan respondents expressed confidence that their financial situation at retirement will be adequate (Figure 18). However, Saskatchewanians who are already retired were much more optimistic: nearly three quarters (73%) of them were either very confident or somewhat confident that their financial situation will be adequate. Among non-retirees, this proportion stood at 54%. In the rest of Canada, non-retired respondents were even less confident: only one half (50%) of them expressed some level of confidence regarding their savings at retirement.

Figure 18 – Level of Confidence Regarding the Adequacy of Financial Situation at Retirement



Level of confidence was also significantly influenced by the level of income. Only 36% of lower-income Saskatchewanians (those with income under $35,000) were confident in their financial wellbeing at retirement; however, this proportion stood at 74% for those with annual household income of $75,000 and over. Outside Saskatchewan, these differences were somewhat less pronounced.

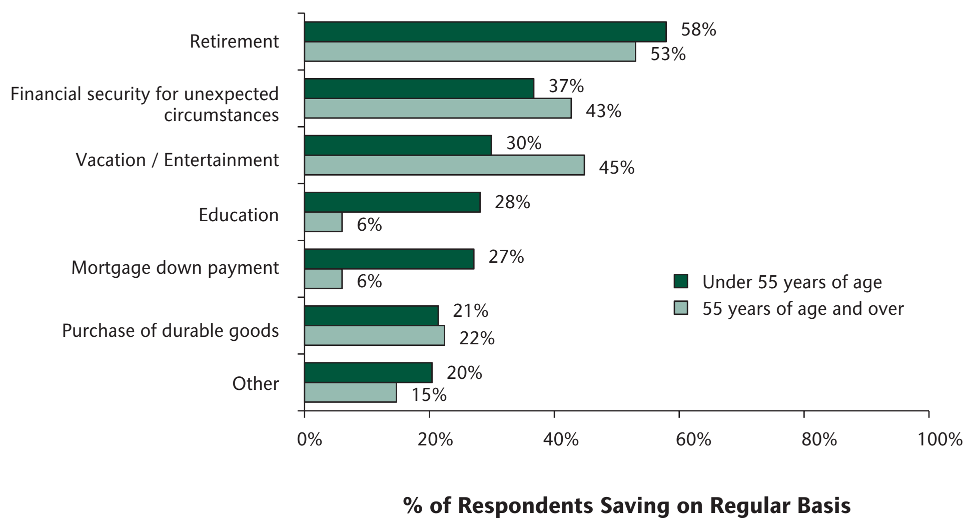
As may be expected, wealth perception was another factor affecting respondents' assessment of their readiness for retirement. Some 70% of non-retired Saskatchewan respondents who considered themselves wealthier today than three years earlier were confident about their financial situation at retirement while only 36% of those whose wealth did not increase felt confident. Indebtedness was also among the factors that affected respondents' confidence. Indebted respondents tended to be less confident in their financial adequacy at retirement.

The survey asked respondents to reflect on whether they have a clear idea of the amount of personal savings they need to accumulate in order to assure the adequacy of their financial well-being at retirement. Less than half (47%) of non-retired Saskatchewanians said they knew how much they needed to save while 53% did not. Compared to the rest of Canada, Saskatchewanians were slightly more likely to know the amount of savings they need to accumulate. Interestingly, more than a quarter (29%) of retired Saskatchewanians still did not know how much savings they would need for retirement. This situation was similar in the other provinces as well.

2.4.3. Respondents' Regular Savings

More than one third (38%) of non-retired Saskatchewanians do not commit to any type of regular savings. Those who save, do so mainly for retirement, for financial security, and for vacation / entertainment activities. As may be expected though, the stated purpose of regular savings was influenced by the age of respondents. For instance, when Saskatchewan respondents were divided into the two age groups of less than 55 years of age and 55 years of age and older, the younger group was understandably much more likely to make regular savings for education and mortgage payments than their older counterparts who were more likely to save for vacation and entertainment activities and unexpected circumstances (Figure 19).

Figure 19 – Purpose of Regular Saving



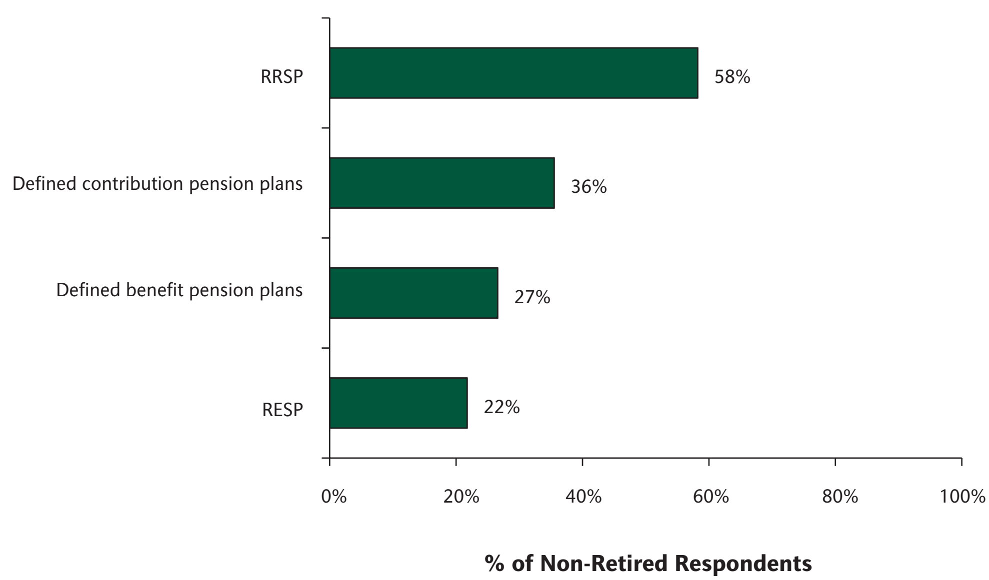
Some differences existed between Saskatchewan and other provinces. For instance, younger Saskatchewanians were noticeably less likely to make regular savings for retirement. While 68% of younger respondents in the rest of Canada were saving for that purpose, only 58% of Saskatchewanians did so. Younger Saskatchewan respondents were also somewhat less likely to regularly save for unexpected circumstances than those in the rest of Canada.

The public opinion survey was intentionally conducted in the aftermath of the global financial crisis and the recession that unfolded throughout late 2008 and most of 2009. The respondents were asked to reflect on the impact this financial and economic instability had on their saving habits. The majority (80%) of surveyed in Saskatchewan told us they did not change saving habits in order to build (or rebuild) the financial cushion to the size they believed right for them. Another 11% told us they decreased the usual rate of savings as their confidence in the financial markets and growth opportunities decreased. Only a small group of Saskatchewanians (9%) said they accelerated the usual pace of saving. A similar attitude was observed in other Canadian provinces.

2.4.4. Participation in Tax-Preferred Savings Plans

The survey incorporated several questions regarding respondents' participation in tax-preferred savings plans. Although only 23% of non-retired Saskatchewanians expected RRSPs to be their primary source of retirement income, some 58% of respondents said they use this saving tool. Roughly one in three Saskatchewanians participate in defined benefit and/or defined contribution employer-sponsored pension plans (Figure 20). Compared to the rest of Canada, respondents from Saskatchewan tended to be somewhat better represented in the use of defined contribution pension plans.

Figure 20 – Participation in Tax-preferred Savings Plans



A noticeable inconsistency (common to all regions) lies in the large proportion of respondents reporting participation in defined contribution pension plans. While national statistics show that only 6% of those employed are covered by defined contribution pension plans,[4] some 36% of non-retired Saskatchewanians indicated their participation in this type of plan. One of the possible explanations may lie in the fact that Canadians in general have a low level of awareness when it comes to the type of pension arrangements offered by their employers.[5]

As may be expected, participation in RRSPs depended greatly on respondent's income. Less than one third (31%) of non-retired lower-income Saskatchewanians (household income less than $35,000) reported RRSP investment while some 84% of higher-income respondents (those with household income of $75,000 and over) did so. A similar situation was observed in other provinces.

Some of the respondents used their RRSP savings prior to retirement. One in five (21%) of non-retired Saskatchewanians with RRSPs said they have withdrawn money from their RRSPs for reasons other than purchasing an annuity, participating in Home Buyers' Plan or participating in Lifelong Learning Plan. The majority of them (76%) did not repay this money.

2.4.5. Attitudes to Tax-Free Savings Accounts (TFSAs)

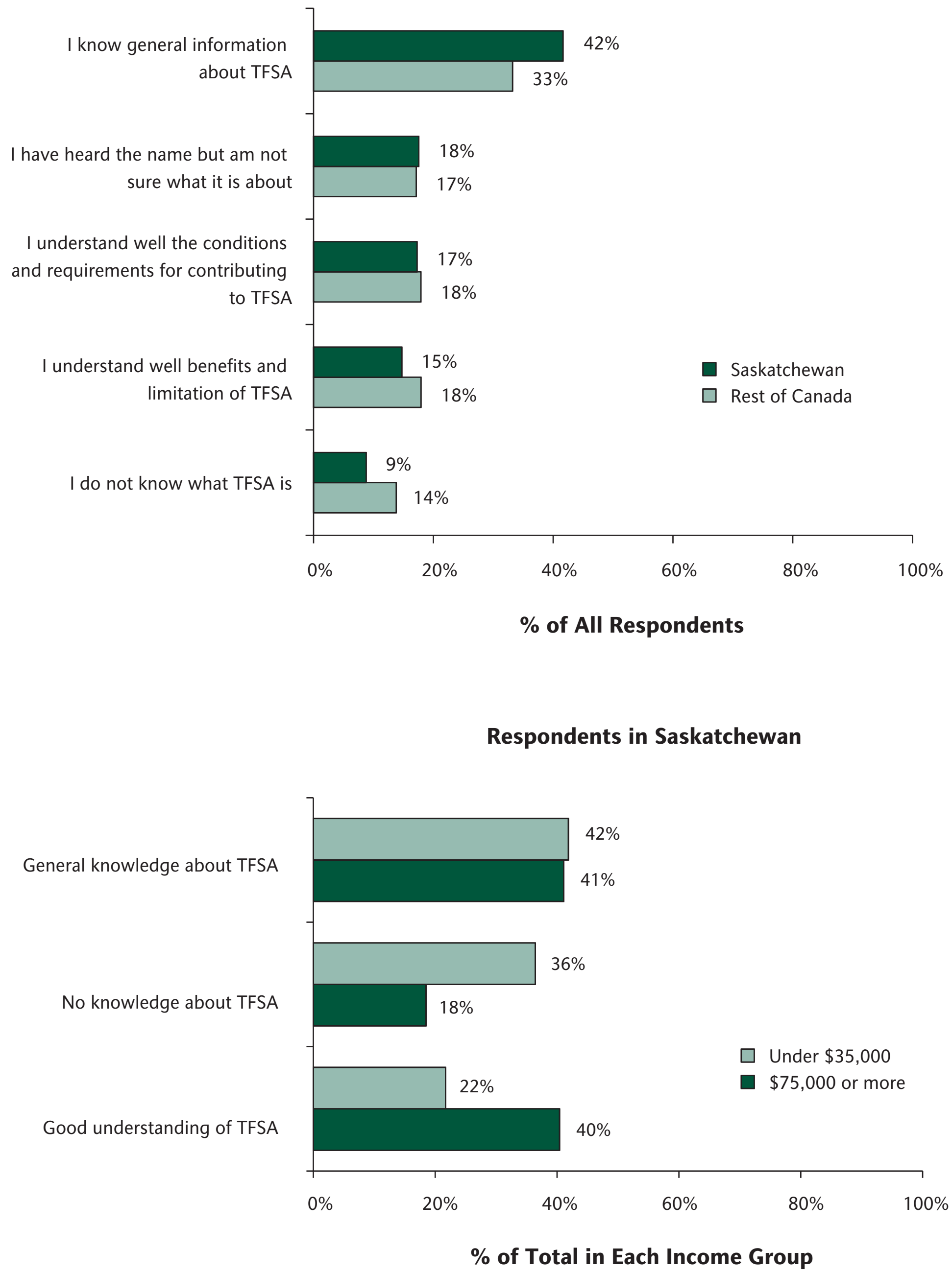
A new savings instrument – TFSAs – was made available to Canadians as of January 2, 2009. Survey respondents were asked to reflect on their awareness of and attitude towards this new type of instrument. Slightly more than a year after the launch of TFSAs, one quarter (26%) of Saskatchewanians did not know what a TFSA was, or were familiar with the term but unaware of its function. In the rest of Canada, the proportion of those not knowing about TFSAs was even higher accounting for 31%. Only 32% of Saskatchewan respondents agreed that they understood well the conditions of contributing to TFSAs and could appreciate the benefits associated with using these accounts. The situation was fairly similar in the rest of Canada (top graph of Figure 21).

Participants' level of income influenced their awareness regarding TFSAs. Lower-income Saskatchewanians (those with household income of $35,000 and under) were nearly twice less likely to be either aware of TFSAs or to have good understanding of this savings instrument. Interesting to note that nearly one fifth (18%) of those Saskatchewan respondents who may be thought of as having the financial means to contribute to TFSAs (i.e. higher-income respondents with household income of $75,000 and over) did not know or were not sure of what a TFSA was (bottom graph of Figure 21). Compared to the rest of Canada though, Saskatchewanians showed a somewhat higher level of awareness of TFSAs across all income groups.

4 Based on Statistics Canada (2008). *Pension Plans in Canada,* The Daily, June 8, 2009.

5 See, for instance, Morissette, R. and Zhang, X. (2004). *Retirement Plan Awareness,* Statistics Canada, Perspectives on Labour and Income, Vol. 16, no. 1.

Figure 21 – Awareness Regarding TFSAs



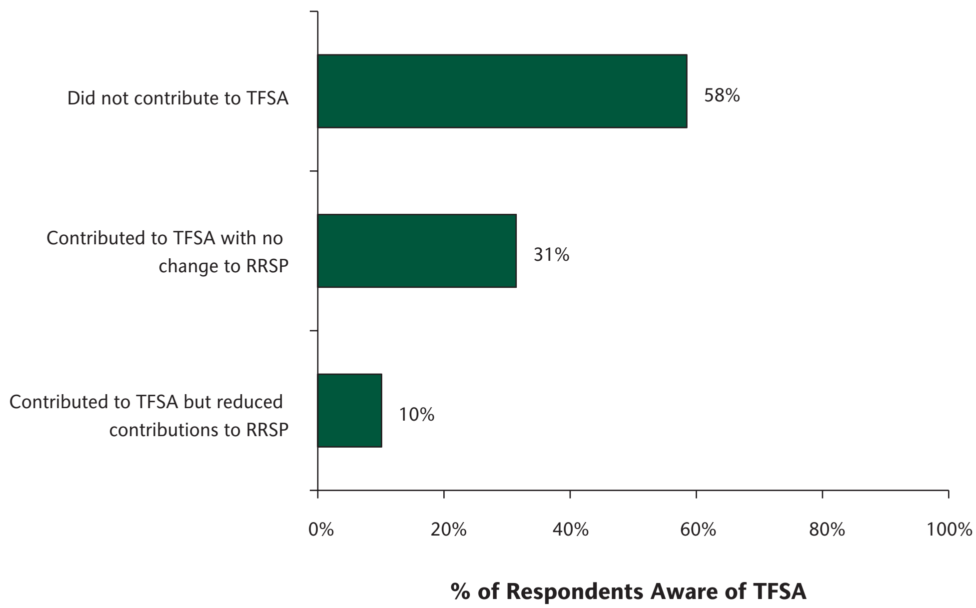
The participants' age had a mixed influence on the level of awareness regarding TFSAs. For instance, all age groups were similarly likely to have general knowledge about TFSAs. However, younger Saskatchewan respondents were noticeably more likely to have no knowledge about TFSAs: 3 in 10 respondents under 35 years of age and those of middle age (aged 35 to 55) were not familiar with TFSAs. For older respondents (aged 55 and over), only 2 in 10 were unfamiliar.

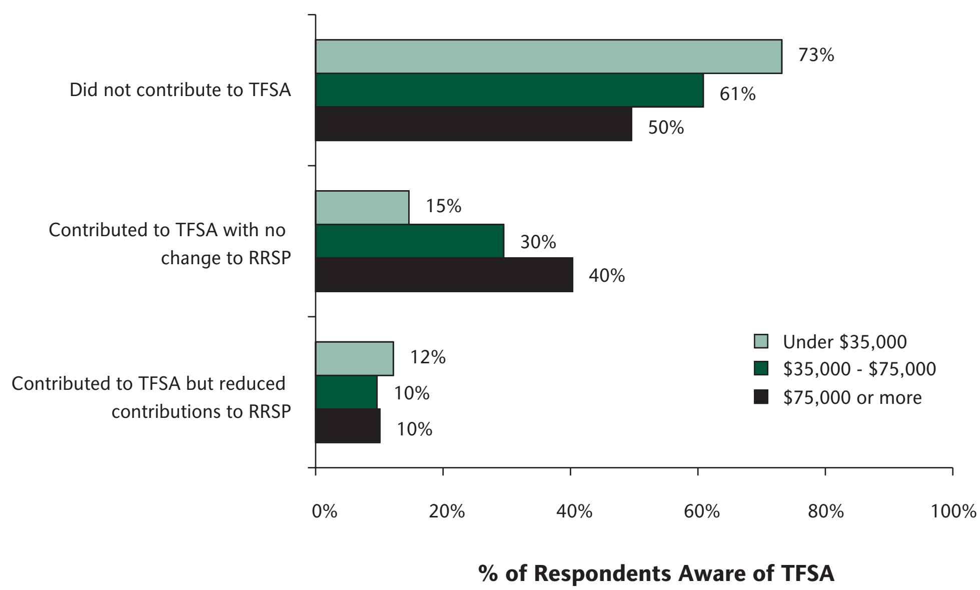
Although TFSAs offer some tax advantages, survey respondents were fairly reserved in using TFSAs: more than half (58%) of Saskatchewanians who had at least general knowledge and understanding of TFSAs said they did not contribute to TFSAs (top graph of Figure 22). In the rest of Canada, surveyed individuals were somewhat more likely to use TFSAs. For instance, 45% of respondents in provinces outside Saskatchewan contributed to TFSAs (with or without tapping into their RRSP contributions) compared to 41% of Saskatchewanians.

Income was an important factor influencing individual's attitude to TFSAs. Only one quarter (27%) of Saskatchewanians with household income under $35,000 contributed to TFSAs, whereas one half (50%) of higher-income respondents (those earning $75,000 or more) did so (bottom graph of Figure 22).

Reasonably expected, the level of awareness regarding TFSAs affected individuals' decision as to whether to use these new savings accounts. Some 54% of Saskatchewanians who had good understanding of the account's attributes and potential benefits told us they contributed to TFSAs (with or without tapping into their RRSPs for that reason). In turn, as few as 15% of those who had only general knowledge about TFSAs said they used this savings instrument.

Figure 22 – Respondents' Contribution to TFSAs





3. APPENDIX A: SURVEY METHODOLOGY

The survey was administered by Synovate from February 1 to 9, 2010. The interview questionnaire was designed by CGA-Canada in collaboration with senior staff of Synovate and pre-tested. The sampling methodology was designed to accommodate an on-line interview process with respondents making up a representative sample of Canadian adults aged 25 years and over.

The survey sample was drawn using Synovate's online panel which includes approximately 110,000 individuals. A total of 1,530 on-line interviews were conducted with households living in the ten Canadian provinces. With this sample size, sampling error of plus or minus 2.51% is produced at a 95% confidence level (19 times in 20). The data was statistically weighted to accurately reflect the composition of Canadians by region, gender and age based on Statistics Canada's 2006 Census. A Saskatchewan booster representative sample (total of 546 respondents) was included in the survey which allows analyzing data for the province of Saskatchewan with sampling error of plus or minus 4.19% at a 95% confidence level (19 times in 20). Table 1 below presents the profile of the survey respondents.

Table 1 – Profile of Survey Respondents (% of Total Sample for Each Region)

Characteristics	Saskatchewan	Rest of Canada
Sex		
Male	47.7%	48.0%
Female	52.3%	52.0%
Age		
25 - 34 years old	19.6%	18.5%
35 - 44 years old	21.0%	22.1%
45 - 54 years old	23.2%	22.8%
55 - 64 years old	16.2%	16.9%
65 years of age and over	20.0%	19.7%
Income		
Under $15,000	4.8%	6.0%
$15,000-$24,999	8.5%	9.8%
$25,000-$34,999	10.3%	10.5%
$35,000-$49,999	20.1%	13.7%
$50,000-$74,999	20.9%	17.7%
$75,000-$99,999	13.4%	16.4%
$100,000 or more	13.2%	15.6%
Don't know	8.8%	10.3%
Education		
High school or less	30.9%	29.0%
Community college/ Technical school	28.2%	32.7%
Some university	14.5%	9.9%
University degree and above	26.4%	28.4%
Employment status		
Employed	59.8%	59.3%
Unemployed	5.5%	5.1%
Retired	24.2%	24.7%
Not in Labour Force (other than retired)	10.5%	10.9%
Household size		
One	17.5%	19.4%
Two	44.2%	45.5%
Three	15.9%	16.9%
Four or more	22.4%	18.2%

4. APPENDIX B: SURVEY QUESTIONNAIRE

Q.1 Thinking of the level of your overall household debt over the past 3 years, would you say it has… (Please select one)

a. Decreased a lot
b. Decreased a little
c. Remained about the same
d. Increased a little
e. Increased a lot
f. I don't have any debt

[prog: if "I don't have any debt" in Q.1, skip to Q.8]
[prog: if "Decreased a lot", "Decreased a little" or "Remained about the same" in Q.1, skip to Q.4]

Q.2 Which of the following best describes the level of your concern regarding the increasing debt? (Please select one)

a. Very concerned
b. Somewhat concerned
c. Not very concerned
d. Not at all concerned

Q.3 Which of the following best describes the main reasons for the increase in your household debt? (Please select all that apply)

a. Purchase of a new residence
b. Purchase of a new car or other motor vehicle
c. Enrolling in an educational program (you or any other member of your household)
d. Health care related expenses
e. Expenses for travel, leisure and entertainment
f. Purchase of consumer durables (e.g. appliances, electronic equipment, furniture, recreational/sporting goods, etc.)
g. Day-to-day living expenses (e.g. food, clothing, transportation)
h. Interest charges
i. Other

Q.4 Please describe any changes in the level of outstanding debt for the following types of your household's loans and credits over the past 3 years: (Please select one response for each item)

[prog: grid]

a. Decreased a lot
b. Decreased a little
c. Remained about the same
d. Increased a little
e. Increased a lot
f. Do not have
g. Don't know

[prog: list]

a. Mortgage
b. Credit card
c. Car loan
d. Student loan
e. Home equity line of credit
f. Line of credit other than home equity
g. Bank loan other than car and student loan

Q.5 Which of the following best describes the way you feel about your household debt level? (Please select one)

a. I could take on more debt and still manage my finances well
b. I can manage my debt well
c. I have too much debt and am having trouble managing it

[prog: if "I could take on more debt" or "I can manage my debt well" in Q.5, skip to Q.7]

Q.6 Which of the following best describes the reasons for having troubles managing your debt? (Please select one)

a. Lower than expected income
b. Large unexpected expenses
c. Inadequate financial planning
d. Difficulties in keeping spending within planned limits
e. Other

Q.7 Would you say that your household debt negatively affects your ability to reach your goals in any of the following areas? (Please select all that apply)

a. Your education
b. Education of your children
c. Retirement
d. Leisure and travel
e. Financial security for unexpected circumstances
f. None of these apply

Q.8 What would best describe the main source of your household income? (Please select one)

a. Wages, salaries and commissions
b. Business income
c. Investment income
d. Government transfer payments other than pension (e.g. employment insurance, social assistance, workers compensation benefits, child tax benefits, etc.)
e. Retirement income
f. Other

Q.9 Thinking of the level of your household income over the past 3 years, would you say it has… (Please select one)

a. Increased a lot
b. Increased a little
c. Remained about the same
d. Decreased a little
e. Decreased a lot

Q.10 Which of the following would have noticeable negative implications for your financial wellbeing? (Please select all that apply)

a. An increase in interest rates of 2 percentage points
b. A decrease in housing prices of 10 percent
c. A decrease in the stock market of 10 percent
d. A reduced access to credit
e. A salary decrease of 10 percent
f. None of these

Q.11 Please describe any changes in the value of your household assets over the past 3 years… (Please select one response for each item)

[prog: grid]

a. Decreased a lot
b. Decreased a little
c. Remained about the same
d. Increased a little
e. Increased a lot
f. Don't know
g. Do not have household assets

[prog: list]

a. Principal residence or other residential structures
b. Mutual funds, stocks or bonds that are not part of RRSPs
c. Private pension assets (e.g. RRSPs, RRIF)
d. Assets associated with your business
e. Deposit accounts, currency holdings

Q.12 Which of the following best describes changes in your household expenditures over the past 3 years? My household expenditures have… (Please select one)

a. Decreased a lot
b. Decreased a little
c. Remained about the same
d. Increased a little
e. Increased a lot

[prog: if "Decreased a lot", "Decreased a little" or "Remained about the same" in Q.12, skip to Q.14]

Q.13 Which were the reasons for the increase in your household expenditures? (Please select all that apply)

a. Increased mortgage payments
b. Increased rent payments
c. Increased spending on health and medical services
d. Increased spending on education
e. Increased day-to-day expenditures (e.g. food, clothing, transportation)
f. Increased leisure and travel expenses
g. Increased credit/loan payments other than mortgage
h. Changes in household characteristics (e.g. addition of a new member, moving to another location, etc.)
i. Other

Q.14 Would you say your household expenditures usually... (Please select one)

a. Exceed your household income
b. Equal your household income
c. Are less than your household income

Q.15 How would you handle an unforeseen expenditure of… (Please select one for each expenditure level)

[prog: grid]

$500
$5,000

[prog: list]

a. Pay with a credit card or line of credit
b. Borrow against home equity
c. Borrow from a friend / relative
d. Sell an asset
e. Use savings
f. Other
g. Could not handle unforeseen expenditure

Q.16 What do you expect will be the main source of your pension income? (Please select one)

a. Government transfers (e.g. CPP / QPP, OAS, GIS)
b. Defined benefit pension plan provided by employer
c. Defined contribution pension plan
d. RRSP savings
e. Savings outside RRSP
f. Inheritance
g. Other

Q.17 How confident you are that your financial situation at retirement will be adequate? (Please select one)

a. Very confident
b. Somewhat confident
c. Not very confident
d. Not at all confident

Q.18 For which of the following purposes would you say you make regular savings (e.g. bi-weekly, monthly, every paycheque, etc.)? (Please select all that apply)

a. Retirement
b. Education (yours or your children)
c. Mortgage down payment
d. Purchase of durable goods (e.g. furniture, appliances, electronic equipment, sporting goods, etc.)
e. Vacation / entertainment
f. Financial security for unexpected circumstances (e.g. unexpected loss of income, unexpected health care expenses, etc.)
g. Other purpose(s)
h. I do not save on a regular basis

Q.19 Do you participate in any of the following savings plans? (Please select one response for each plan)

[prog: grid]

Yes
No

[prog: list]

a. Registered Retirement Savings Plan (RRSP)
b. Defined-benefit pension plan provided by employer
c. Defined-contribution pension plan provided by employer
d. Registered Education Savings Plan (RESP)

[prog: if "No" for "Registered Retirement Savings Plan (RRSP)" and "Registered Education Savings Plan (RESP)" in Q.19, skip to Q.21]

Q. 20 Which of the following best describes your situation (Please select one response for each item)

[prog: grid]

Yes, but I repaid them back
Yes, but I have not repaid them back
No
Don't have this savings plan

[prog: list]

a. I have withdrawn money from my RRSP for reasons *other* than purchasing an annuity (or a RRIF), participating in the Home Buyers' Plan, or participating in the Lifelong Learning Plan
b. I have withdrawn money from RESP to which I contribute as a subscriber for reasons *other* than transferring money to my RRSP

Q. 21 How familiar you are with the Tax-Free Savings Account (TFSA)? (Please select one)

a. I don't know what that is
b. I have heard the name but am not sure what it is about
c. I know general information about this account
d. I understand well the conditions and requirements for contributing to this account
e. I understand well benefits and limitation of this account for my finances

[prog: if "I don't know what that is " or "I have heard the name but am not sure what it is about" in Q.21, skip to Q.23]

Q. 22 Which of the following would best describe your attitude to Tax-Free Savings Account (TFSA)? (Please select one)

a. I contribute to RRSP at the same rate as before and supplement this with additional savings through the Tax-Free Savings Account
b. I reduced my contributions to RRSP but started contributing to the Tax-Free Savings Account instead
c. I don't have RRSP but contribute to the Tax-Free Savings Account
d. I don't contribute to the Tax-Free Savings Account

Q. 23 Which of the following would best describe the impact the recent financial and economic instability had on your saving habits? (Please select one)

a. I accelerated the usual pace of saving in order to build/rebuild the financial cushion to the size I believe is right for me
b. I decreased the usual pace of saving as my confidence in the financial markets and growth opportunities decreased
c. I did not change my saving habits

Q.24 Please indicate which of the following statements applies to you…

[prog: grid]

Yes
No

[prog: list]

a. I have a clear idea of the amount of personal savings I need to accumulate in order to assure that my financial situation at retirement will be adequate
b. I am wealthier today compared to 3 years ago
c. My parents or other individuals provide a substantial financial and/or in-kind support of my household's day-to-day living

These last questions are for classification purposes only.

Ask all:

Q.25 Please tell us, altogether, including yourself, how many people live in your household? (Please select one answer only)

a. One
b. Two
c. Three
d. Four
e. Five
f. Six or more

[prog: if 'One' in Q.26, skip to Q.28]

Q.26 And, how many people in your household are under 18 years? (Please select one)

a. None
b. One
c. Two
d. Three
e. Four
f. Five
g. Six or more

Q.27 Which of the following best describes your employment status? (Please select one answer only)

a. Employed full time
b. Employed part time
c. Self employed
d. Full time student
e. Homemaker
f. Retired
g. Temporarily unemployed
h. Other

Q.28 Which of the following best describes your total annual household income, in 2009? (Please select one answer only)

a. Under $15,000
b. $15,000 - $24,999
c. $25,000 - $34,999
d. $35,000 - $49,999
e. $50,000 - $74,999
f. $75,000 - $99,999
g. $100,000 or more
h. Don't know

Thank and close interview