



Sands & Associates  
Proposal Administrators & Trustees in Bankruptcy

# 2013

## BC CONSUMER DEBT STUDY

REPORT ON FINDINGS

JANUARY 2014

## INTRODUCTION

Sands & Associates' 2013 BC Consumer Debt Study is our second annual study profiling trends and key information regarding the consumer debt levels of British Columbians, specifically focused on markets throughout Vancouver and the Fraser Valley.

The 2013 BC Consumer Debt Study is the only BC-specific study to gather responses from more than 1,000 debtors from the area and take an in-depth look at consumer debt, to better understand the factors pushing the province's population towards insolvency.

A full summary of Sands & Associates services and locations can be found at [www.sands-trustee.com](http://www.sands-trustee.com)

## METHODOLOGY & DEMOGRAPHICS

### METHODOLOGY

The 2013 BC Consumer Debt Study was conducted as a comparative look at consumer debt levels, causes of insolvency, and financial outlooks across three different generations of British Columbia's in-debt population: Debtors aged 30 and under ("Youth Generation"); Debtors between the ages of 31 and 54 ("Mid-Life/Sandwich Generation"); and Debtors aged 55 and older ("Pre-Retirement and Retirement Generation").

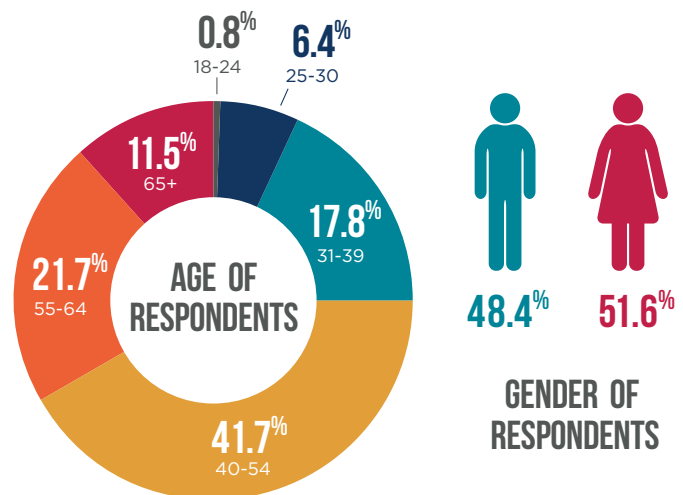
Respondents were drawn from individuals who had previously contacted Sands & Associates and included those who chose to formally restructure their financial affairs by utilizing a Consumer Proposal or a Personal Bankruptcy, as well as those who sought counselling from Sands & Associates but did not make a formal restructuring filing.

With in-depth responses from more than 1,000 individuals throughout the lower mainland, the report provides insight into three generations struggling with varying debt, credit and financial challenges.

### DEMOGRAPHICS

The 2013 BC Consumer Debt Study saw the largest proportion (60 per cent) of survey respondents range in age from 31 to 54. Following this, seniors both pre-retirement (55-64 years) and those 65 years and older, accounted for 33 per cent of survey respondents.

Men and women were nearly evenly split, with men making up 48 per cent of respondents and women 52 per cent.



# BC DEBT ANALYSIS

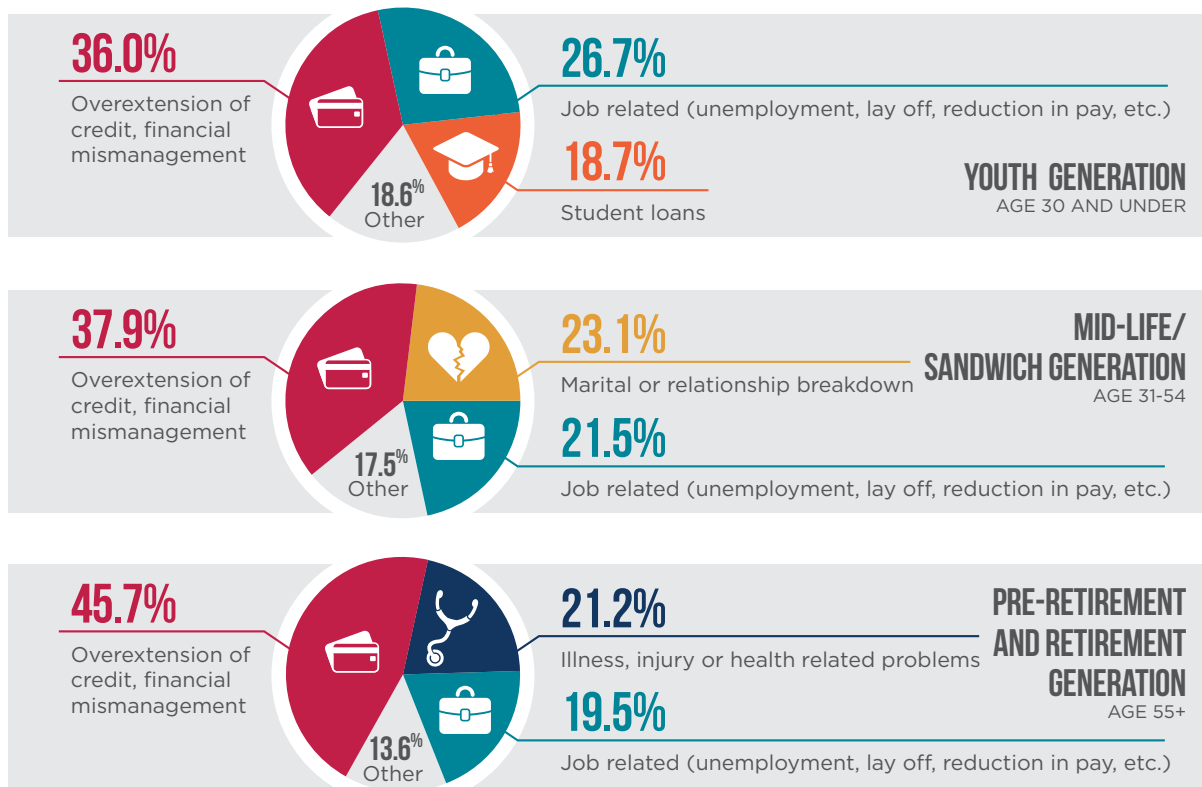
## AMOUNT OF UNSECURED CONSUMER DEBT

The 2013 BC Consumer Debt Study found that as age increased so did the proportion of consumer debtors who could be viewed as extremely financially over-extended. For example, more than 40 per cent of respondents aged 55 and over admitted to carrying debts in excess of \$50,000, compared to just 12 per cent of respondents aged 30 and under. One in five debtors over age 55 carried unsecured consumer debt in excess of \$100,000 prior to filing a personal bankruptcy or making a consumer proposal with Sands & Associates. By comparison, just four per cent of respondents age 30 and under carried such a significant debt burden prior to restructuring their financial affairs.

## CAUSE OF INDEBTEDNESS

Report findings noted that while the primary cause of debt was related to overextension of credit and financial mismanagement, the majority of respondents specifically attributed their financial difficulties to an inability to cover essential living costs, including mortgage, rent, transportation, and child care.

### CAUSES OF CONSUMER DEBT BY GENERATION



# YOUTH GENERATION DEBT ANALYSIS

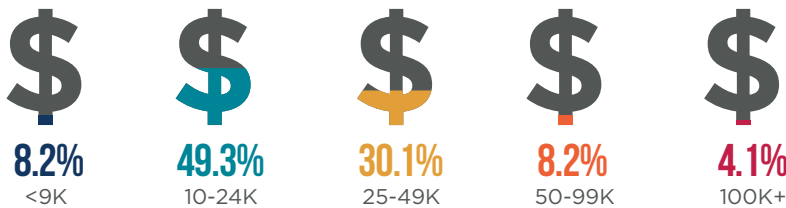
## AMOUNT OF CONSUMER DEBT

Ranging in age from 18-30 years old, nearly half of BC's youngest group of debtors were juggling between \$10,000 and \$24,000 in debt, before seeking help from a licensed Trustee. A further 30 per cent of youth respondents reported that their financial burden was in the range of \$25,000 to \$49,000. Only 12 per cent of youth respondents reported being overextended by debts of more than \$50,000.

### BREAKDOWN OF DEBT

FOR THE YOUTH GENERATION

HOW MUCH DEBT DID BC CONSUMERS IN THE YOUTH GENERATION HAVE BEFORE THEY FILED FOR BANKRUPTCY OR MADE A CONSUMER PROPOSAL?



## STRATEGIES TO DEAL WITH THIS DEBT PRIOR TO CONTACTING SANDS & ASSOCIATES

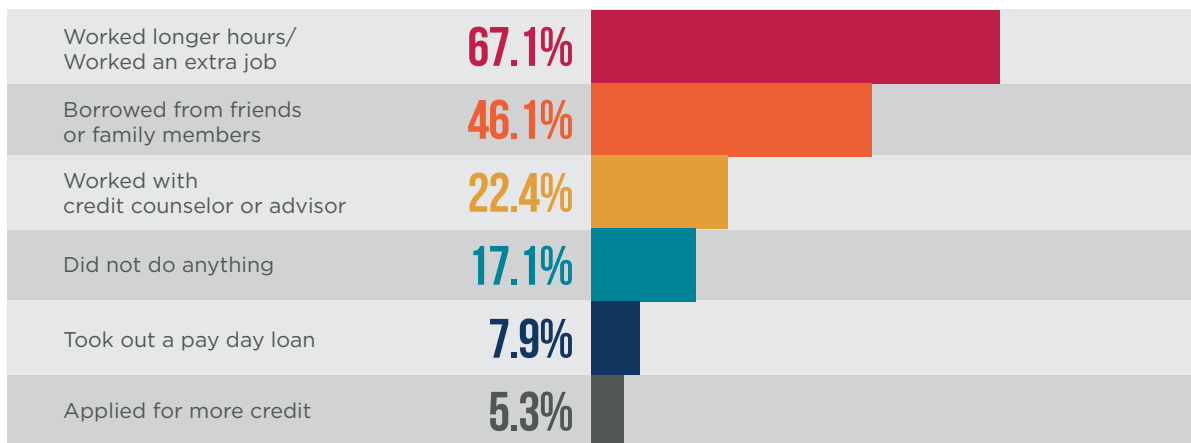
Overwhelmingly, consumer debtors under the age of 30 first tried to deal with their financial challenges by working longer hours or working an extra job, with more than two-thirds of respondents employing this strategy.

Nearly half of respondents admitted to also borrowing money from a friend or family member to combat their debt.

### STRATEGIES FOR DEALING WITH DEBT

FOR THE YOUTH GENERATION

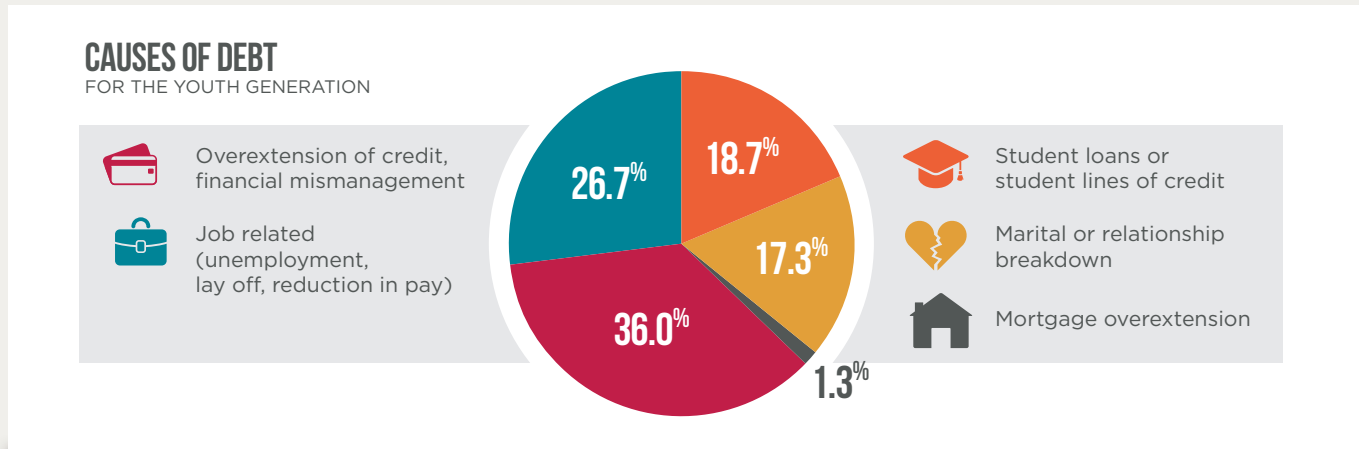
WHAT MEASURES DID BC CONSUMERS IN THE YOUTH GENERATION TAKE TO DEAL WITH THEIR DEBT BEFORE THEY FILED FOR BANKRUPTCY OR MADE A CONSUMER PROPOSAL?



## CAUSES OF CONSUMER DEBT - YOUTH GENERATION

When asked about the primary cause of debt, 36 per cent reported overextension of credit and financial mismanagement as the leading cause.

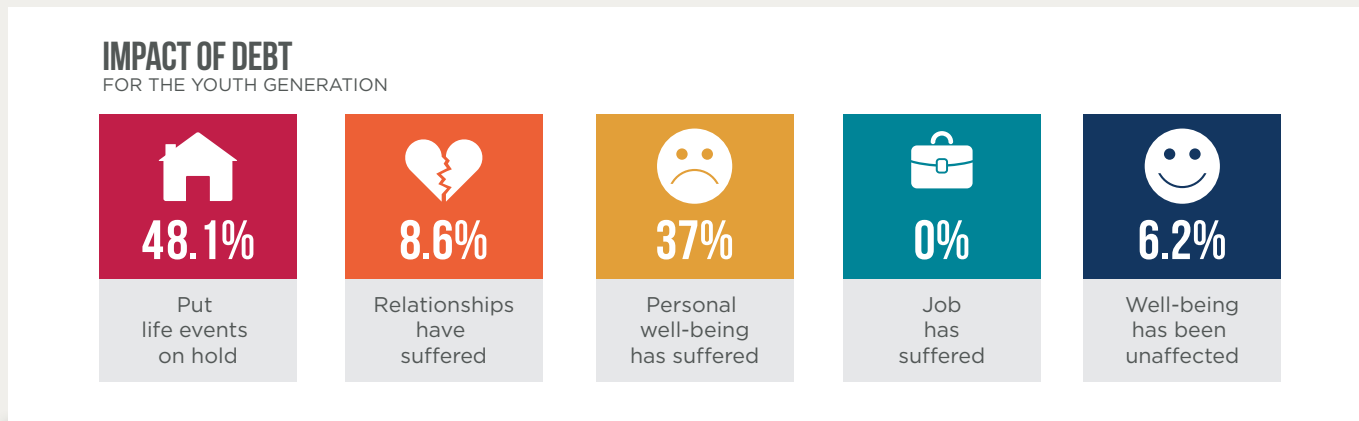
More than 25 per cent of respondents indicated that the primary cause of their debt was job related (reduction in pay, job loss), with student loans being cited by nearly 20 per cent of respondents as the primary cause of their financial difficulties.



## YOUTH FINANCIAL SITUATION AND OUTLOOK

### Impact of debt on future plans

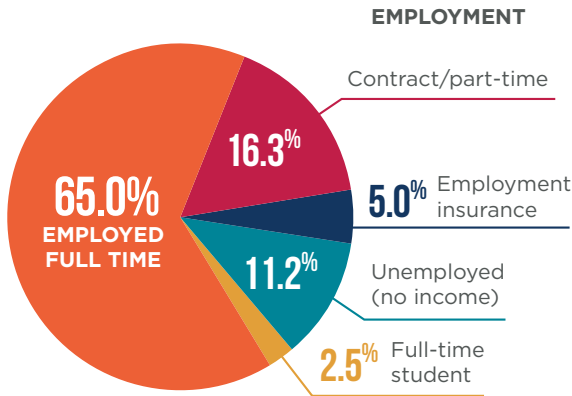
When planning for the future, nearly half (48.1 per cent) of the 30-and-under population noted they have had to put major life events on hold, including the purchase of a home or starting a family because of their debts. A significant cohort (37 per cent) reported that their personal well-being suffered as a result of being in debt.



Interestingly, more than half of youth surveyed would consider leaving the lower mainland to take a resource job elsewhere in BC, or work in another province if circumstances were right, in order to pay down debts and get ahead financially.

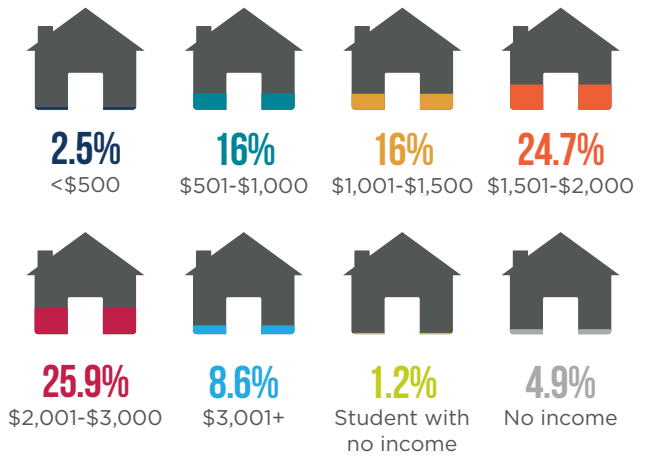
Looking forward to their financial future, it is extremely encouraging to note that more than 80 per cent of youth respondents viewed their financial future optimistically, indicating that they believe their present financial challenges will not persist for them indefinitely.

**PROFILE**  
OF THE YOUTH GENERATION



**MONTHLY TAKE HOME PAY BETWEEN**

**\$2,001-\$3,000**



# MID-LIFE / SANDWICH GENERATION DEBT ANALYSIS

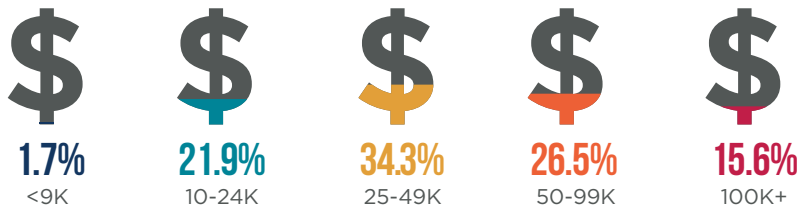
## AMOUNT OF CONSUMER DEBT

BC residents 31 to 54 years old represented the largest category of survey respondents. These individuals are largely considered part of the province’s “Sandwich Generation” – a term describing the portion of the workforce who are juggling their own financial matters while often simultaneously caring for the generations before and after them. When it came to average debt loads, the most common range of consumer debt was between \$25,000 and \$49,000, with approximately one-third of respondents falling in this range. Of particular note is the fact that more than 40 per cent of respondents carried debts in excess of \$50,000, well above the BC provincial average of \$38,682.

### BREAKDOWN OF DEBT

FOR THE MID-LIFE/SANDWICH GENERATION

HOW MUCH DEBT DID BC CONSUMERS IN THE SANDWICH GENERATION HAVE BEFORE THEY FILED FOR BANKRUPTCY OR MADE A CONSUMER PROPOSAL?



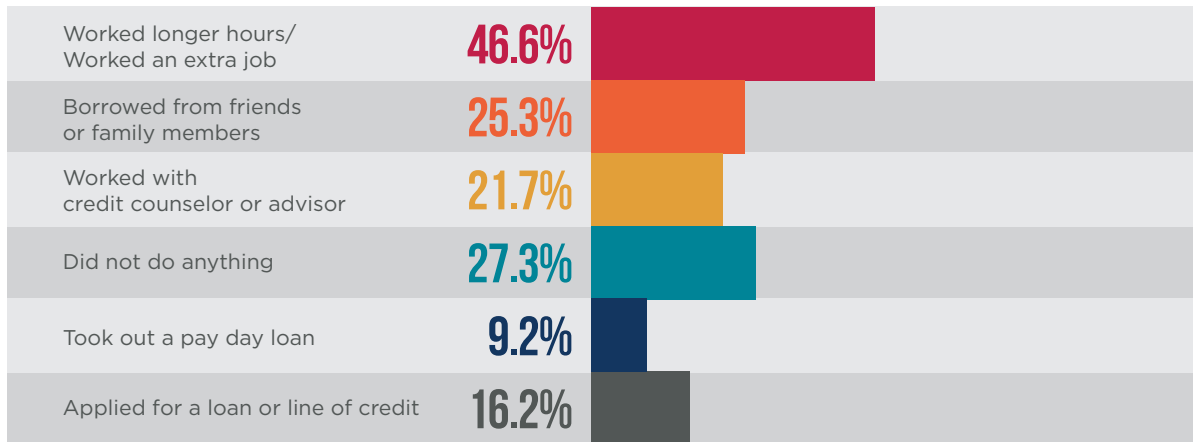
## STRATEGIES TO DEAL WITH THIS DEBT PRIOR TO CONTACTING SANDS & ASSOCIATES

Similar to the Youth Generation, the overwhelming strategy of respondents between the ages of 31 to 54 to deal with their consumer debt was to first try to work longer hours and/or take on additional employment.

### STRATEGIES FOR DEALING WITH DEBT

FOR THE MID-LIFE/SANDWICH GENERATION

WHAT MEASURES DID BC CONSUMERS IN THE SANDWICH GENERATION TAKE TO DEAL WITH THEIR DEBT BEFORE THEY FILED FOR BANKRUPTCY OR MADE A CONSUMER PROPOSAL?

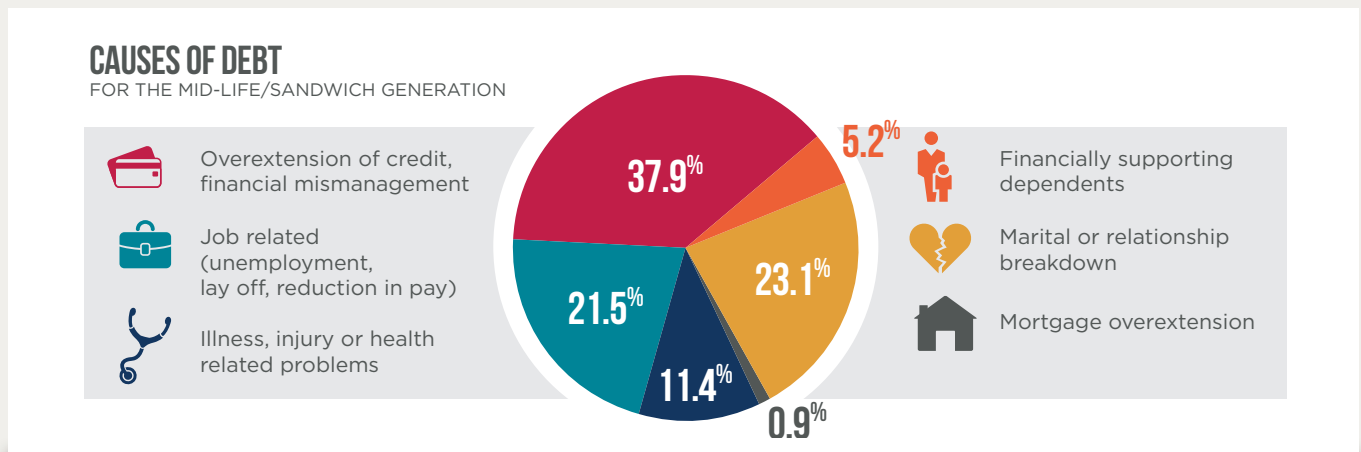


It is notable that more than 25 per cent of respondents admitted to trying to solve their financial problems by incurring additional debt, either through loans, lines of credit or pay day loan services. This indicates an opportunity for better financial education in appropriate strategies for dealing with debt – in many cases, incurring additional debt may make an already precarious financial situation even worse.

In contrast to the Youth Generation, where more than 46 per cent of people tried to deal with their financial situation by borrowing from family and friends, just 25 per cent of respondents between the ages of 31 and 54 employed this strategy.

### CAUSES OF CONSUMER DEBT - MID-LIFE/SANDWICH GENERATION

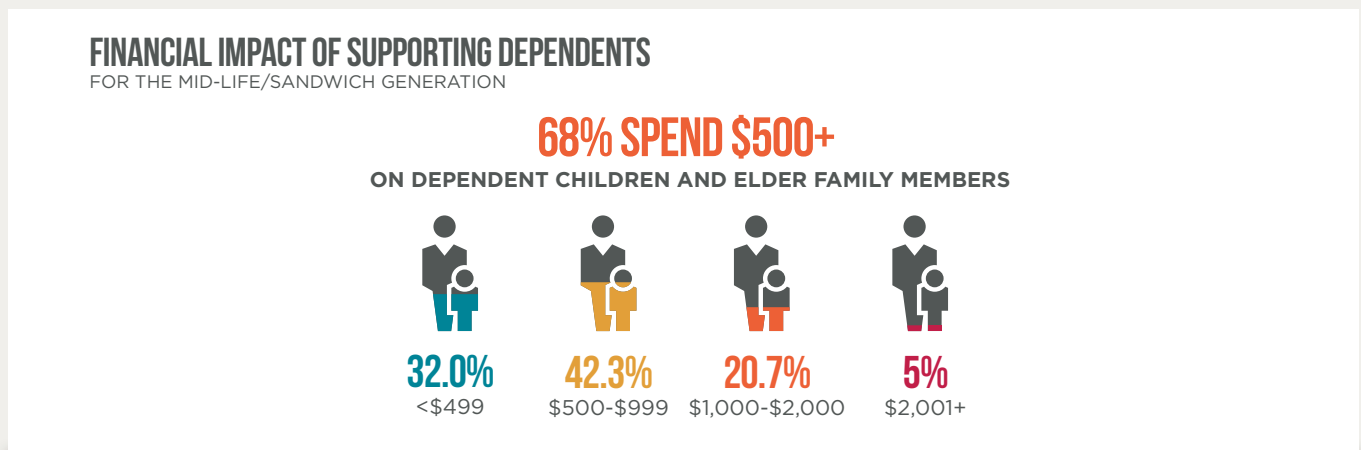
While the primary cause of debt for most respondents was reported as overextension of credit and financial mismanagement, 23 per cent attributed marital or relationship breakdown as the significant cause for their debt.



### FINANCIAL IMPACT OF SUPPORTING DEPENDENTS

For those who fall into the Mid-Life/Sandwich Generation age range, financial support of multiple generations of dependents is often a reality. Nearly 60 per cent of respondents of this survey aged 31-54 had dependents relying on them for financial support; most commonly children under 18.

When asked how much they spend monthly on dependents, more than 40 per cent of respondents indicated that on average they spend between \$500-\$999 each month, including both monetary support, as well as increased household expenditures.



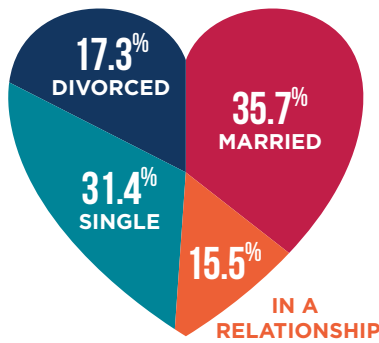


## FINANCIAL OUTLOOK LEADING TO RETIREMENT

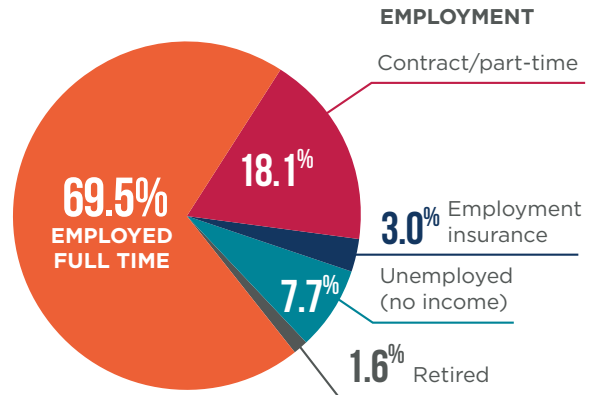
When asked about their financial outlook leading into retirement, more than half of respondents reported being concerned about their ability to comfortably retire, with 27 per cent feeling 'extremely concerned' that they would not reach their retirement goals.

### PROFILE

OF THE MID-LIFE/SANDWICH GENERATION



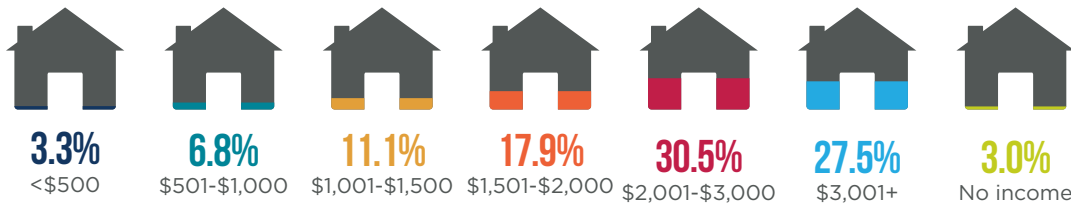
**51% MARRIED**  
OR IN A RELATIONSHIP



**69.5% EMPLOYED**  
FULL TIME

72.5% OF RESPONDENTS

### EARN LESS THAN \$3,000 MONTHLY



# PRE-RETIREMENT AND RETIREMENT GENERATION DEBT ANALYSIS

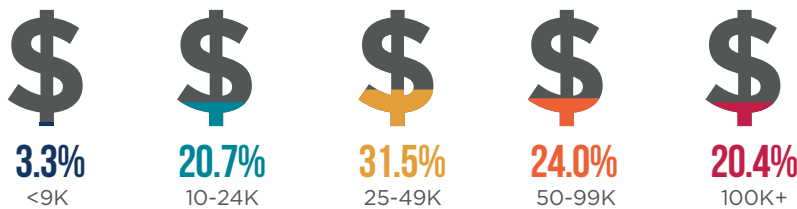
## AMOUNT OF CONSUMER DEBT

Respondents aged 55 years and older varied widely in the amount of debt load carried. The most common amount of debt carried ranged between \$25,000-\$49,000, with more than 30 per cent of respondents falling within this category. Surprisingly, more than 20 per cent of respondents admitted they had over \$100,000 in debt. This amount of consumer debt carried by individuals approaching or at the end of their working lives is extremely concerning.

### BREAKDOWN OF DEBT

FOR THE PRE-RETIREMENT AND RETIREMENT GENERATION

HOW MUCH DEBT DID BC CONSUMERS IN THE PRE-RETIREMENT AND RETIREMENT GENERATION HAVE BEFORE THEY FILED FOR BANKRUPTCY OR MADE A CONSUMER PROPOSAL?



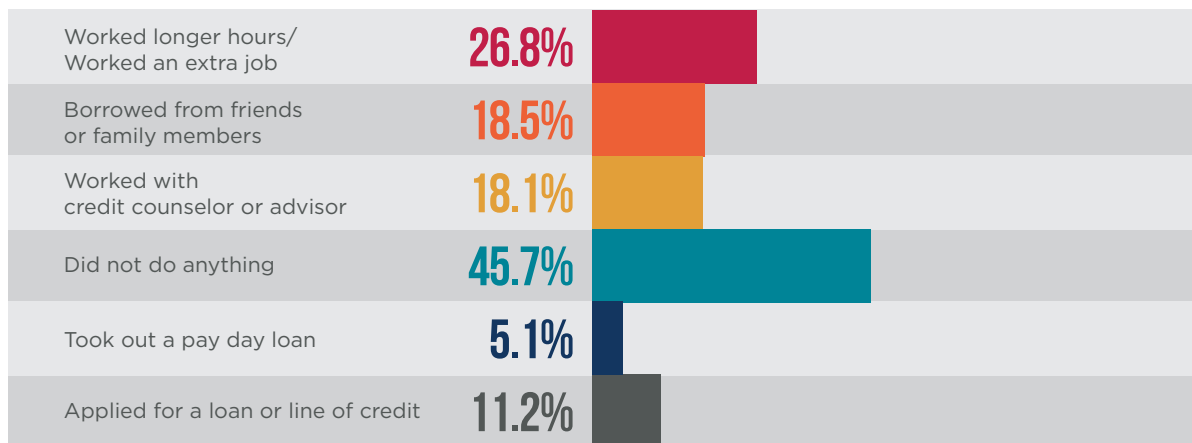
## STRATEGIES TO DEAL WITH THIS DEBT PRIOR TO CONTACTING SANDS & ASSOCIATES

The overwhelming strategy of this demographic group when it came to debt was to seek the advice of a licensed Trustee, with more than 45 per cent of respondents indicating that they 'did not do anything' to deal with these debts prior to working with a Trustee at Sands & Associates.

### STRATEGIES FOR DEALING WITH DEBT

FOR THE PRE-RETIREMENT AND RETIREMENT GENERATION

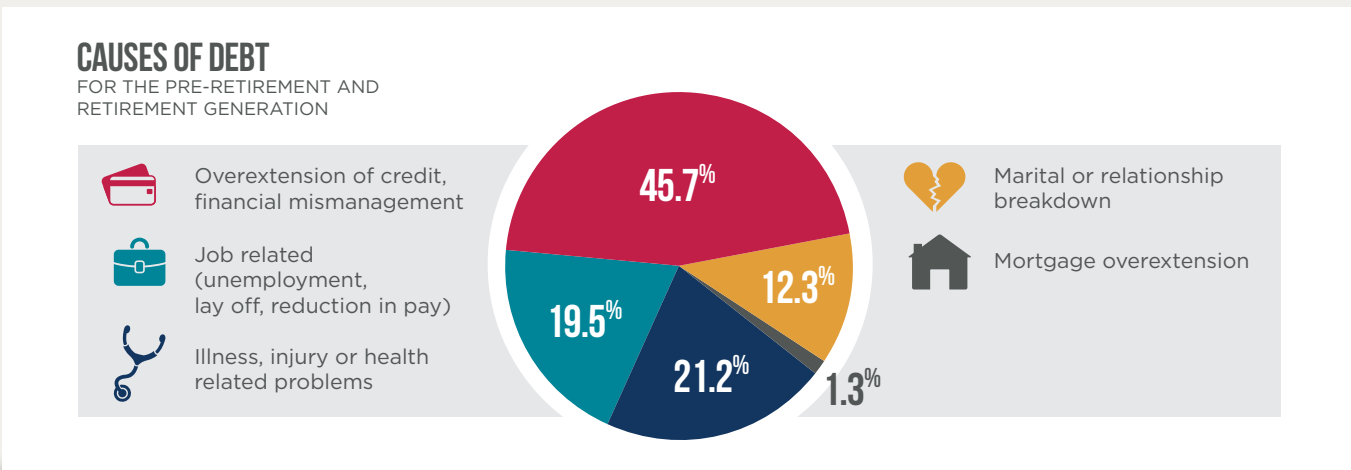
WHAT MEASURES DID BC CONSUMERS IN THE PRE-RETIREMENT AND RETIREMENT GENERATION TAKE TO DEAL WITH THEIR DEBT BEFORE THEY FILED FOR BANKRUPTCY OR MADE A CONSUMER PROPOSAL?



As to be expected, a much lower proportion of this generation tried to solve their financial issues by working longer hours or taking on an extra job. This may have been driven by age and health concerns as well as some impact of age discrimination, which many Sands & Associates clients cite as a reality that impacts their ability to earn income after age 55.

### CAUSES OF CONSUMER DEBT - PRE-RETIREMENT AND RETIREMENT GENERATION

The primary cause of debt cited by 46 per cent of respondents was overextension of credit and financial mismanagement. Of note, more than one in five respondents in the Pre-Retirement and Retirement Generation cited medical issues (illness, injury, or health-related problems) as the primary cause of their insolvency. This incidence rate was almost double that of the Mid-Life/Sandwich Generation respondents and indicates that a significantly greater proportion of Pre-Retirement and Retirement debtors find themselves unable to meet their financial obligations as a result of their health.



### PRE-RETIREMENT AND RETIREMENT FINANCIAL SITUATION AND OUTLOOK

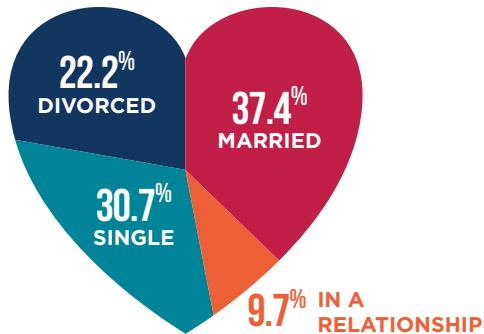
When asked about their financial situation, respondents aged 55 and over indicated that they are financially independent, by choice or by necessity. Nearly 80 per cent of Pre-Retirement and Retirement debtors reported that they are not financially dependent on anyone, while just 10 per cent responded that they are dependent on a friend or family member for amounts greater than \$500 per month.

In addition, one in five survey respondents aged 55 and over indicated that they still have a mortgage, with only 30 per cent of those mortgages anticipated to be paid off in 10 years or less.

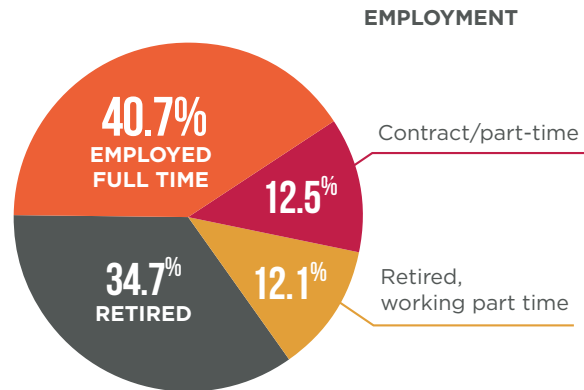
Looking ahead, Pre-Retirement and Retirement respondents' current income falls below what they believe necessary to live comfortably in retirement. Nearly half of respondents aged 55 and over believed that they would need a monthly income of \$2,001 to \$3,000 per month in retirement. For more than 30 per cent of survey respondents aged 55 and over, their actual monthly income was below \$1,500, indicating that day-to-day financial struggles are a reality for many seniors on low, fixed incomes.

## PROFILE

OF THE PRE-RETIREMENT AND RETIREMENT GENERATION



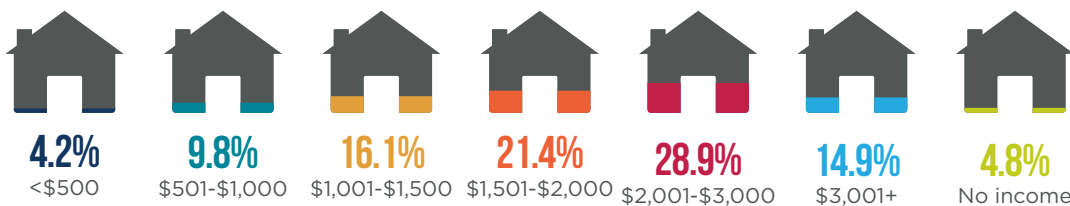
**52.9% SINGLE OR DIVORCED**



**65.3% STILL WORKING**

### MONTHLY TAKE HOME PAY BETWEEN

**\$2,001-\$3,000**



## CONCLUSION

Results from the 2013 BC Consumer Debt Study show that an equal number of men and women struggle with debt – but the amount of debt increases drastically after the age of 40. BC consumers ages 31-54 hold the largest proportion of debt loads in the province. Most accumulated this debt due to overextension of credit or unexpected expenses and attempted to remedy their situation on their own before seeking help from a licensed Trustee.

One of the major findings from the 2013 BC Consumer Debt Study showed a trend amongst younger consumers. While this generation is often criticized for being self-entitled and financially irresponsible, nearly half noted that they are holding off on major life events, including the purchase of a home or starting a family, and would even consider a move out of province if it meant better earning opportunities to improve their financial situation.

Interestingly, with age and the demands of life, sentiments around one's financial future begin to deteriorate. As a result, the Sands & Associates BC Consumer Debt Study indicates that financial problems need to be identified and dealt with in the preliminary stages to allow BC residents to live more comfortably into the future. Through continued education of the public, specifically the younger demographics, the hope is that there is an eventual decline in consumer debt, a decrease in the proportion of bankruptcies versus consumer proposals, and an improvement in the overall financial health of the BC consumer.

## LOCATIONS

### VANCOUVER

#1370 – 1100 Melville St.  
Vancouver, BC V6E 4A6  
TEL: 604-684-3030  
FAX: 604-684-7277

### BURNABY

Metrotower II  
#2600 – 4720 Kingsway  
Burnaby, BC V5H 4N2  
TEL: 604-451-5799  
FAX: 604-451-9636

### LANGLEY

#205 – 20651 56th Ave.  
Langley, BC V3A 3Y9  
TEL: 604-539-0200  
FAX: 604-539-0201

### ABBOTSFORD

#300 – 31935 South Fraser Way  
Abbotsford, BC V2T 1V5  
TEL: 604-864-5799  
FAX: 604-864-5797

### WHITE ROCK

#202 – 15388 24th Ave.  
South Surrey, BC V4A 2J2  
TEL: 604-684-3030  
FAX: 604-684-7277

### NEW WESTMINSTER

#200 – 500 Sixth Ave.  
New Westminister, BC V3L 1V3  
TEL: 778-735-0585  
FAX: 604-583-0797

### RICHMOND

#926 – 6081 No. 3 Rd.  
Richmond, BC V2Y 2B2  
TEL: 604-303-8732  
FAX: 604-583-0797

### SURREY

#203 – 10366 136A St.  
Surrey, BC V3T 5R3  
TEL: 604-583-5499  
FAX: 604-583-0797

### TRI-CITIES

#209B – 2099 Lougheed Hwy.  
Shaughnessy Square  
Port Coquitlam, BC V3B 1A8  
TEL: 604-945-5799  
FAX: 604-945-5798

### CHILLIWACK

#211 – 45480 Luckakuck Way  
Chilliwack, BC V2R 2X5  
TEL: 604-824-5794  
FAX: 604-824-5790

### MAPLE RIDGE

#200 – 11830 223rd St.  
Maple Ridge, BC V2X 5Y1  
TEL: 604-463-9599  
FAX: 604-539-0201

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