



SANDS
& ASSOCIATES

Licensed Insolvency Trustees



2017

**British Columbia
Consumer Debt Study
Report on Findings**

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Introduction

The 2017 BC Consumer Debt Study is the fifth annual study conducted by Sands & Associates. Our study examines trends and key information regarding consumers' debt levels and financial habits, and the strategies they pursue to resolve their financial difficulties. The only study of its kind specific to the province, we gathered responses from over 1,300 British Columbia (BC) consumers facing financial challenges.

News headlines continue to report soaring consumer debt levels, but we have found that real insights into the psychological and physical effects of debts on an individual have been lacking in published reports. This year's BC Consumer Debt Study aims to shed much-needed light on the non-financial impacts of being in debt.

A full summary of Sands & Associates' services and locations can be found at www.sands-trustee.com



Demographics

Survey Population

Respondents of the 2017 BC Consumer Debt Study were individuals who had previously contacted Sands & Associates, and included those who chose to formally restructure their debts via legislated options – using either a Consumer Proposal (49%) or Personal Bankruptcy (35%) – as well as those who did not proceed with a formal restructuring process (16%).

Study respondents varied in age, with the largest proportion (40%) falling into the age range of 40 to 54. The respondent population leaned more-so female, with women making up 55% of respondents. Marital status varied, with the highest proportion of respondents (40%) stating they were married or in a common-law relationship.

Collectively, the responses gathered in this study offer a view into the primary financial challenges BC residents face, as well as strategies they may employ to get out of debt. Study participants provided information concerning their debt levels and their causes, and shed light on the significant physical and emotional side effects they have experienced as a result of financial difficulty.

Segmentation of Respondents

As with previous years' studies, respondent data has been segmented into three populations for comparison within certain sections of this report:

Youth Generation – Individuals aged 30 and under

Mid-Life/Sandwich Generation – Individuals between the ages of 31 and 54

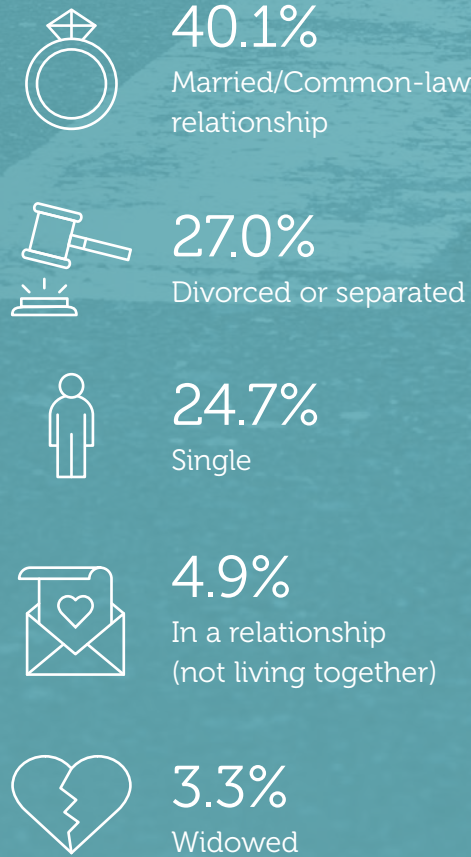
Why "Sandwich Generation"?
 In addition to being burdened with unsecured debt, this group often supports dependents and sometimes, elderly parents as well leading them to feel a 'sandwich' of financial pressures.

Pre-Retirement/Retirement Generation – Individuals aged 55 and older

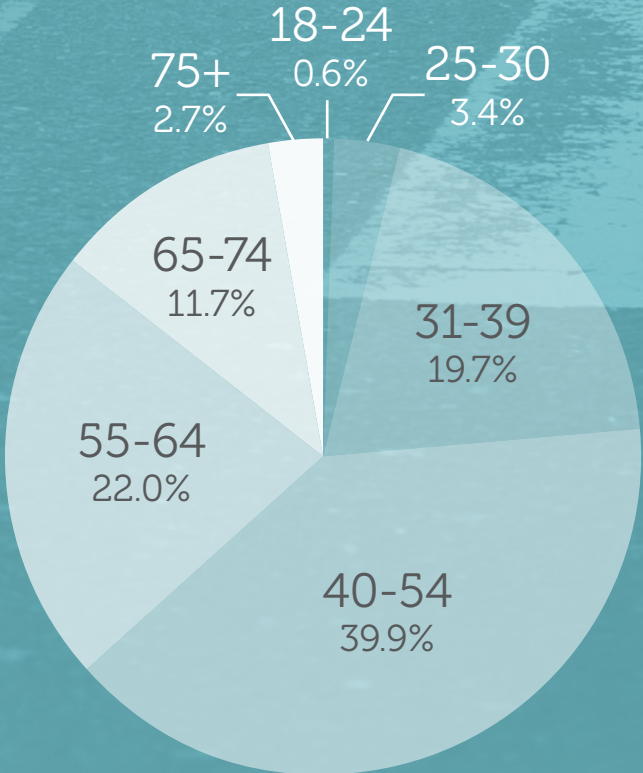
Gender



Marital Status



Age of Respondents



BC Debt Analysis

Amount and Causes of Consumer Debt

Similar to findings in the 2016 BC Consumer Debt Study, the highest proportion of BC residents indicated they were carrying between \$25,000 and \$49,999 worth of debt (excluding vehicle loans and mortgages) at the time they sought assistance with their debts.

While debt-level categories of the Mid-Life/Sandwich Generation and Pre-Retirement/Retirement Generation show similar results, the majority of the Youth Generation reported owing less than \$25,000 at the time they sought professional financial assistance.

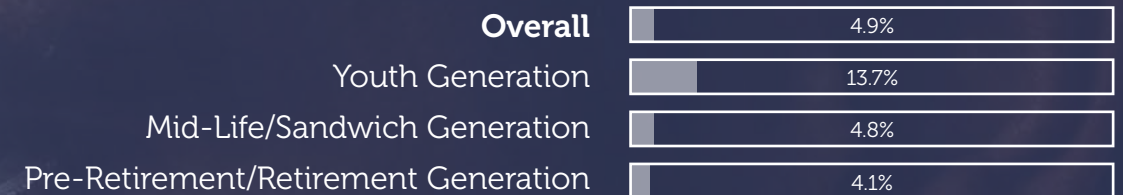
Given that the wage/salary-earning potential of the Youth Generation may arguably be the lowest of the three demographics, this may also explain why this demographic had a substantially higher amount of respondents seeking debt assistance with the lowest amount of accumulated debt.

The Pre-Retirement/Retirement Generation had the largest proportion of respondents holding debts of \$100,000 or more. This trend is consistent with findings uncovered in last year's study.

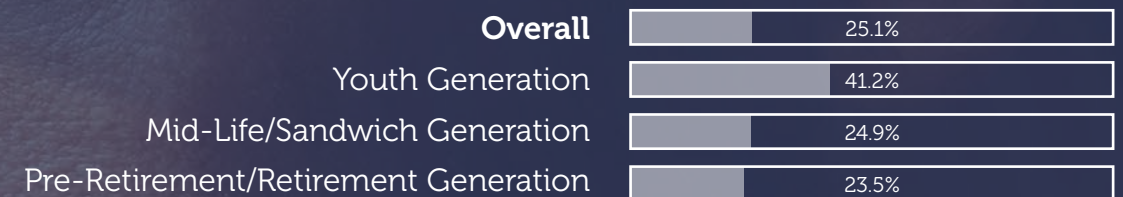
As noted later in this report, the Pre-Retirement/Retirement Generation employed two primary strategies to resolve their debts that were unique to this demographic. Given that this segment is older than the other two generations surveyed, they may have had more time to accumulate assets that could be used/disposed of, and possessed a more mature credit history, allowing for further credit to be obtained. These considerations could possibly explain the higher debt loads. (For more information on respondents' strategies to deal with debt, see page 24.)

How much consumer debt did you have when you contacted or met with Sands & Associates? (Excluding your vehicle loan and/or mortgage)

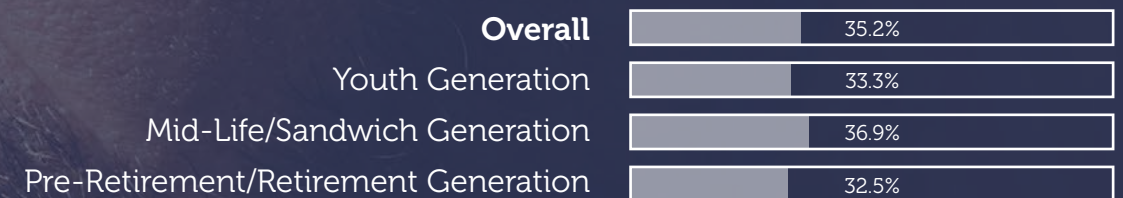
Less than \$10,000



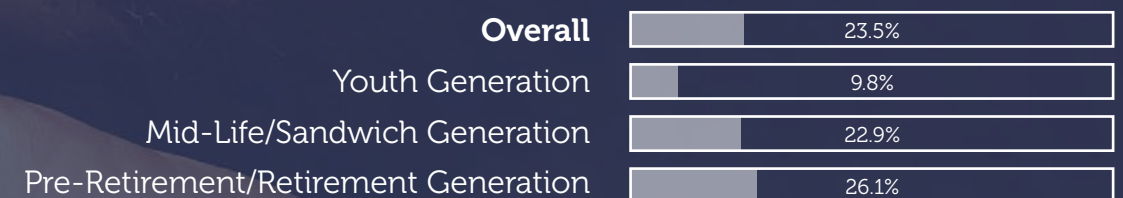
\$10,000-\$24,999



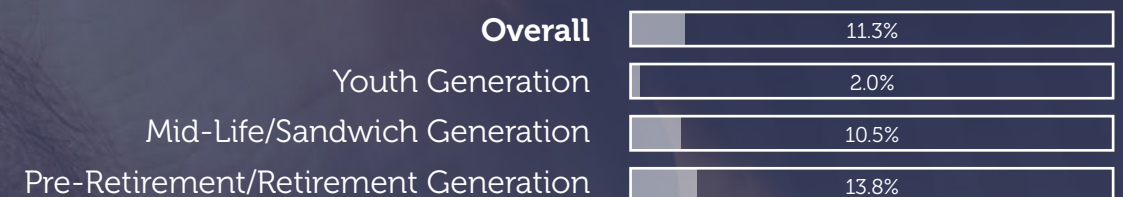
\$25,000-\$49,999



\$50,000-\$99,999



\$100,000+



BC Debt Analysis

Causes of Debt

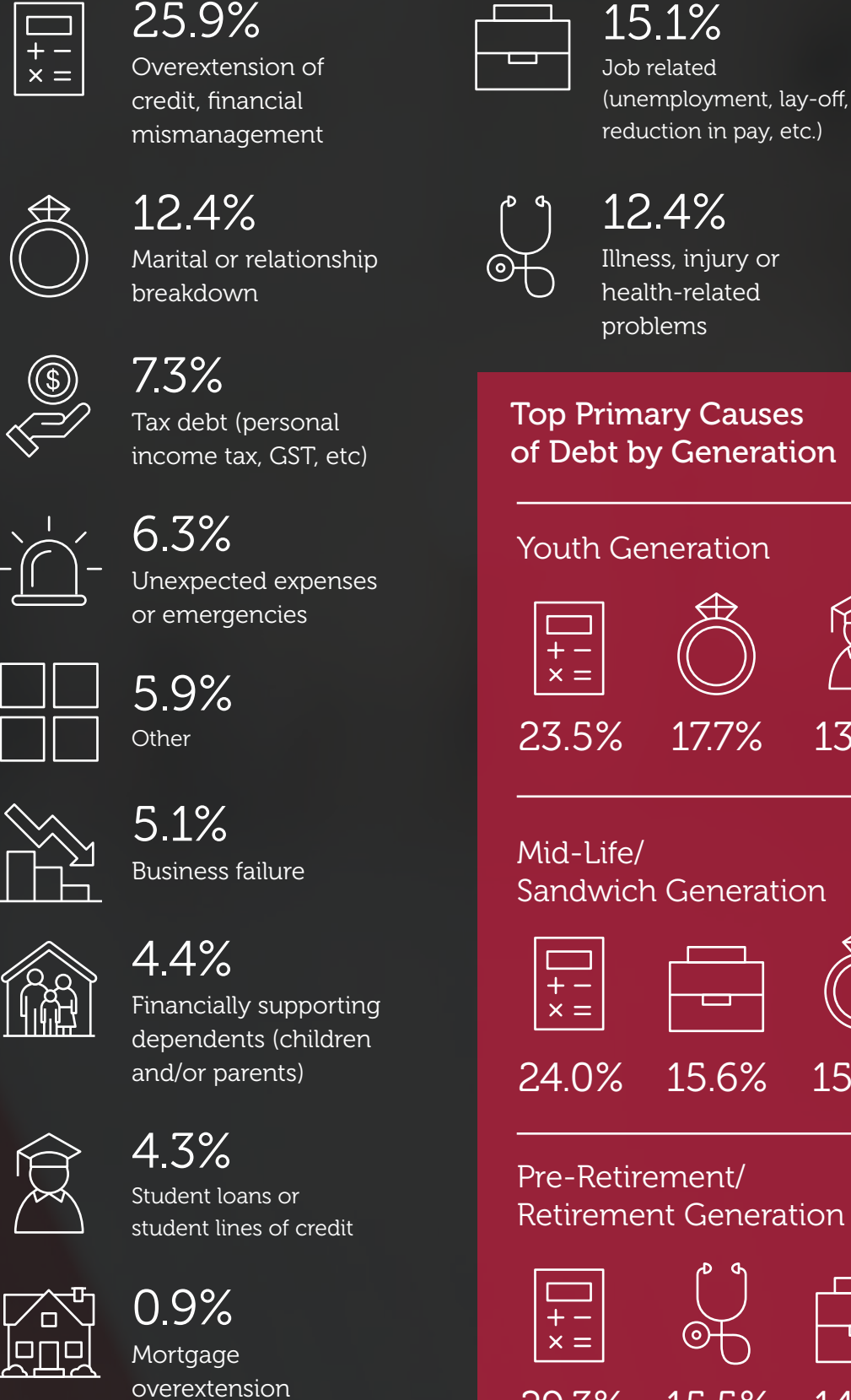
Survey respondents cited the following as the top primary causes of their debts: Overextension of credit, financial mismanagement (26%); Job related (unemployment, lay-off, reduction in pay, etc.) (15%); Marital or relationship breakdown (12%); and Illness, injury or health-related problems (12%).

When comparing the generations' top three causes of debt, it is interesting to note that the Youth Generation and Pre-Retirement/Retirement Generation cited causes unique to their demographics. More specifically, Student loans or student lines of credit was the third top cause for the Youth Generation (14%); while Illness, injury or health-related problems (15%) was the second primary cause for the Pre-Retirement/Retirement Generation.

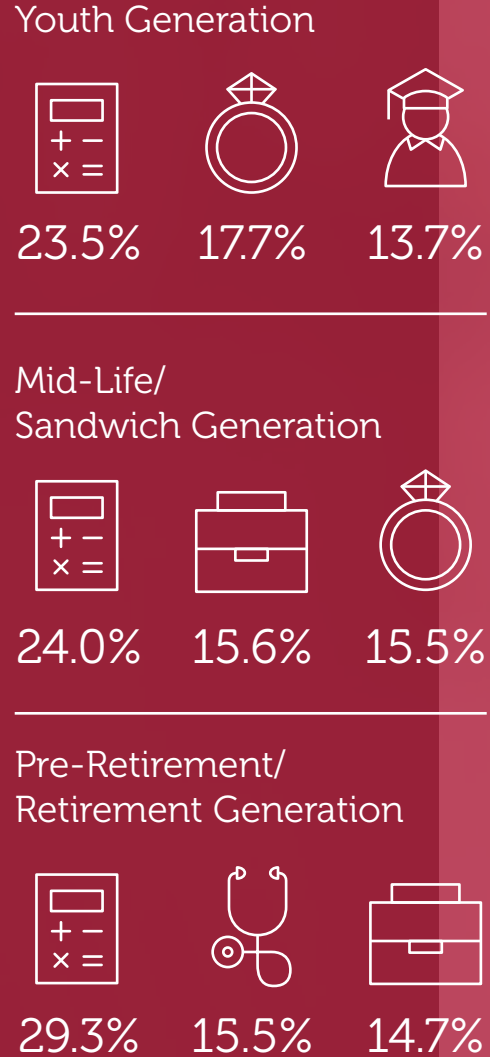
HIGHLIGHT OF RESPONSES SUBMITTED AS 'OTHER'

- "Child diagnosed with chronic illness"
- "Lost money in the housing market; had to sell at a loss due to family growth"
- "Attempt at another debt consolidation that was fraudulent."
- "My husband passed away and I was left with no money and a child."

What was the primary cause for your debt?



Top Primary Causes of Debt by Generation








BC Debt Analysis

The Role of Budgeting

While general financial mismanagement was shown as the leading cause of debts, survey respondents appear to have mixed sentiments on how much of a role budgeting played in relation to their debt levels. One quarter of respondents claimed that they felt budgeting played a large role, and a slightly larger segment (27%) claimed they felt it played only some role. Note that respondents in these groups reported always overspending and sometimes overspending, respectively.

This is in contrast to 17% of respondents who said budgeting played no role in their debt levels and that they always kept to their budgets.

How much do you feel that budgeting played a role in your financial difficulties? (Please select the statement you feel is most accurate)

- 
27.1%
 I feel budgeting played some role. My budget was sometimes overspent.
- 
25.1%
 I feel budgeting played a large role. My budget wasn't balanced and I was always overspending.
- 
19.8%
 I didn't have a budget at all.
- 
16.9%
 I don't feel budgeting was a factor. I always kept to my budget.
- 
11.1%
 I'm not sure.

HIGHLIGHT OF RESPONSES SUBMITTED AS 'OTHER'

"I reduced grocery expenses, stopped making donations, cancelled memberships with 2 organizations."







"Life insurance premiums"

"Food, clothing, entertainment, prescription drugs and medical treatment."

"Delayed house repairs."

Nearly all survey participants attempted to reduce or eliminate some type of expense from their budget as a strategy to deal with their debts. The number one expense respondents cut back on, or removed from their budget, was entertainment or dining out (75%).

Which of the following types of expenses did you attempt to reduce or eliminate from your budget as a strategy to deal with your debts? (Choose all that apply)

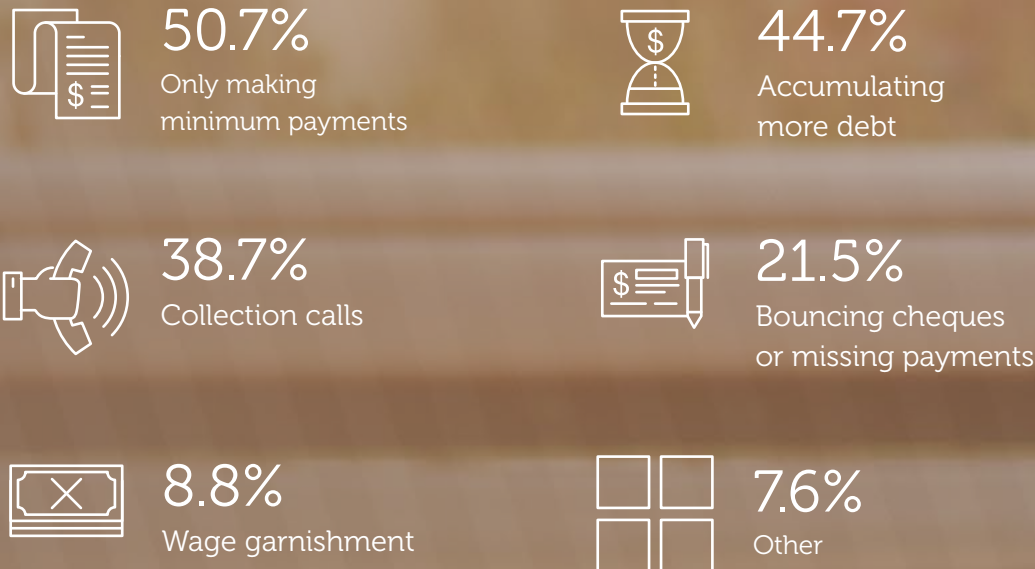
- 
74.5%
 Entertainment or dining out
- 
72.4%
 Clothing and/or personal shopping
- 
44.8%
 Savings and/or retirement contributions
- 
25.4%
 Housing costs/rent
- 
25.3%
 Transportation/commuting costs
- 
8.1%
 I did not reduce or eliminate any expenses
- 
7.2%
 Other

Warning Signs and General Impact of Debt

For survey respondents, only making minimum payments and/or accumulating more debt were the top two warning signs indicating that debts were becoming a problem.

Since 2010, federal regulations have required banks to give consumers credit card statements that clearly show an estimate of how long it will take to pay off a balance if only minimum payments are made. This is perhaps one tool that has assisted consumers in becoming more aware of their financial position. It is encouraging to see that more obvious and serious warning signs of financial difficulties (wage garnishment, missing payments) were the lesser-chosen warning signs that individuals noticed.

How did you know your debts were becoming a problem? (Choose all that apply)



HIGHLIGHT OF RESPONSES SUBMITTED AS 'OTHER'

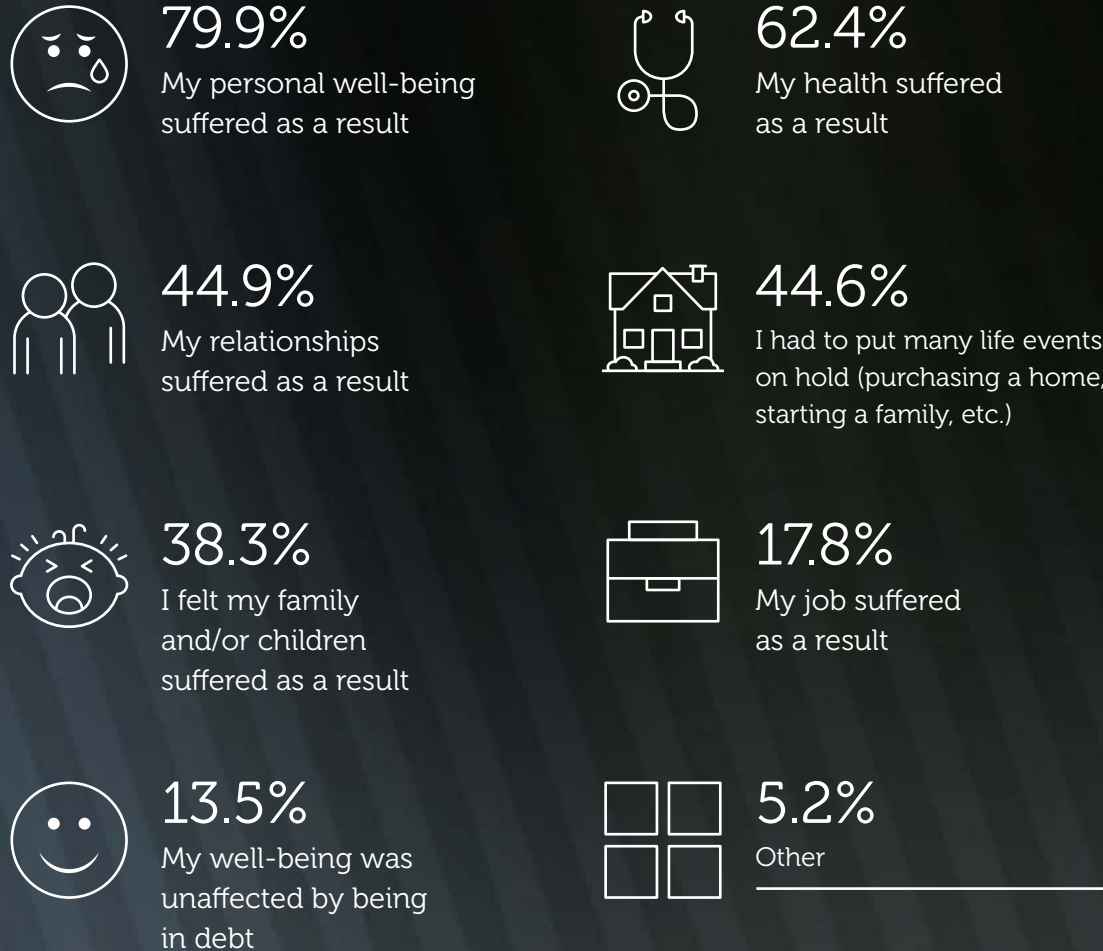
- "Stress levels rising; wasn't able to consolidate."
- "After paying mortgage, utilities and food there was nothing left"
- "Making more than minimum payments but still not enough."
- "Interest was more than any spending on the credit cards."

"All my money was going towards debt trying to keep my head above water"

Psychological and Physical Effects of Debt

As with past studies, the overwhelming majority of survey participants indicated that their well-being was negatively affected by being in debt. Respondents noted that carrying debts not only impacted them, but also impacted their family and/or children (38%). Given that 18% of individuals surveyed noted their job suffered, there may be an even broader reach, with a ripple effect extending into the workplace.

How would you say being in debt affected you? (Choose all that apply)



“My self-esteem was completely depleted.”

HIGHLIGHT OF RESPONSES SUBMITTED AS 'OTHER'

- “My sense of responsibility and confidence suffered.”
- “I kept my financial situation to myself, and it weighed heavily...”
- “I felt stupid for allowing myself to get into debt”
- “I felt like a failure and that others thought so as well.”
- “I had a level of stress that was always present, waiting for the next level of collection.”

Psychological and Physical Effects of Debt continued

Debt Stress is Real Stress

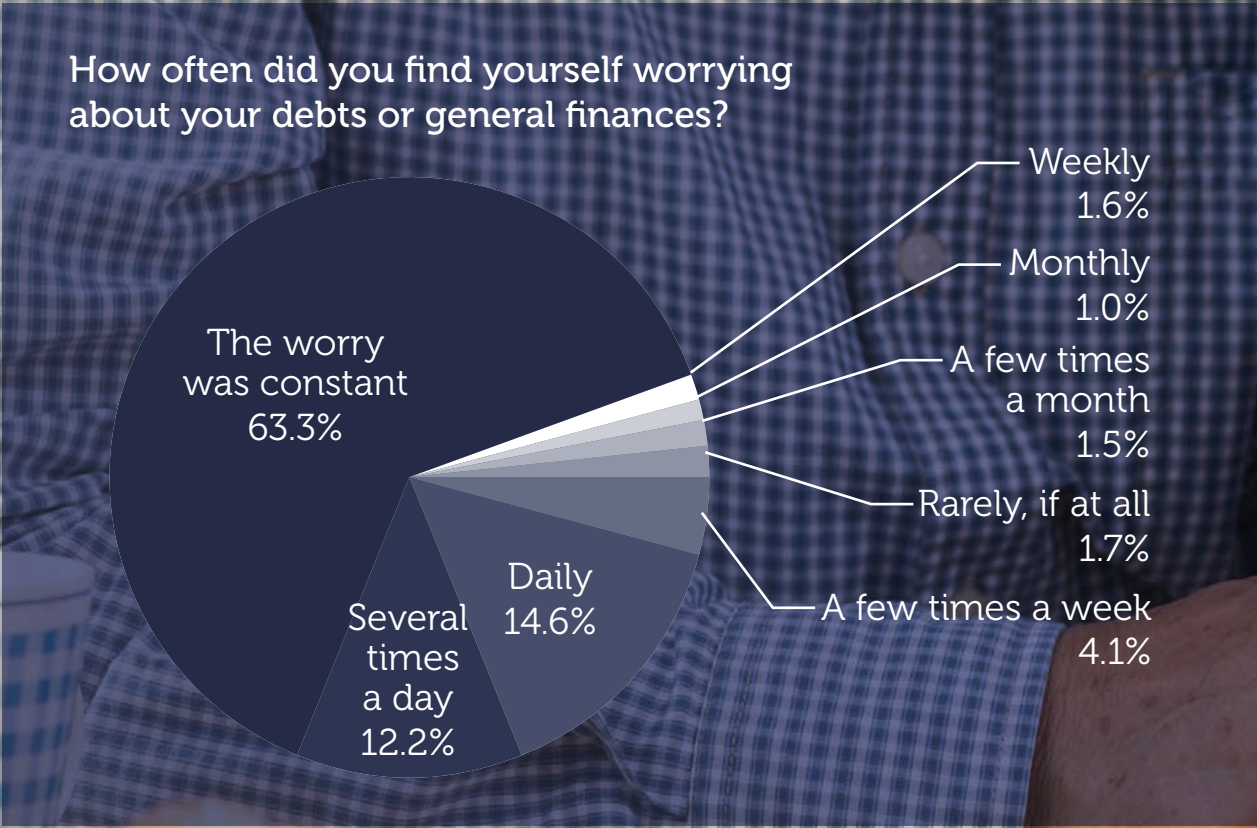
While data and statistics are widely available concerning debt-levels carried by Canadians, as well as some individual demographics, Sands & Associates found that there was little information published about the day-to-day realities of those burdened by debt. Understanding the real experiences and perspectives of those managing debt is essential if we are to truly assist consumers. As BC's largest firm of Licensed Insolvency Trustees focused exclusively on helping individuals and small businesses, we are often privy to individuals sharing their concerns and anxieties relating to their financial situations. We recognize that debt stress is real stress.

How often were consumers plagued by worrying thoughts? How did their financial situations influence their outlooks? What emotions did they grapple with? While these sensitive questions may be difficult to address, we felt it was imperative to highlight the often devastating consequences of debt stress.

The overwhelming majority of respondents indicated a constant worry about their debts or general finances. Participants also shared that they experienced anxiety (83%), discouragement (70%) general sadness (67%), and fear (51%) as a result of their debts. The constant worrying and anxiety expressed by significant proportions of the survey population suggest that consumers experience daily disturbances to their emotional well-being as a result of their financial challenges.

Do you feel that your debts caused you to experience any of the following? (Choose all that apply)

 83.0% Anxiety	 69.7% Discouragement	 66.5% General sadness
 51.3% Fear	 46.2% Panic	 2.6% None of the above



Psychological and Physical Effects of Debt continued

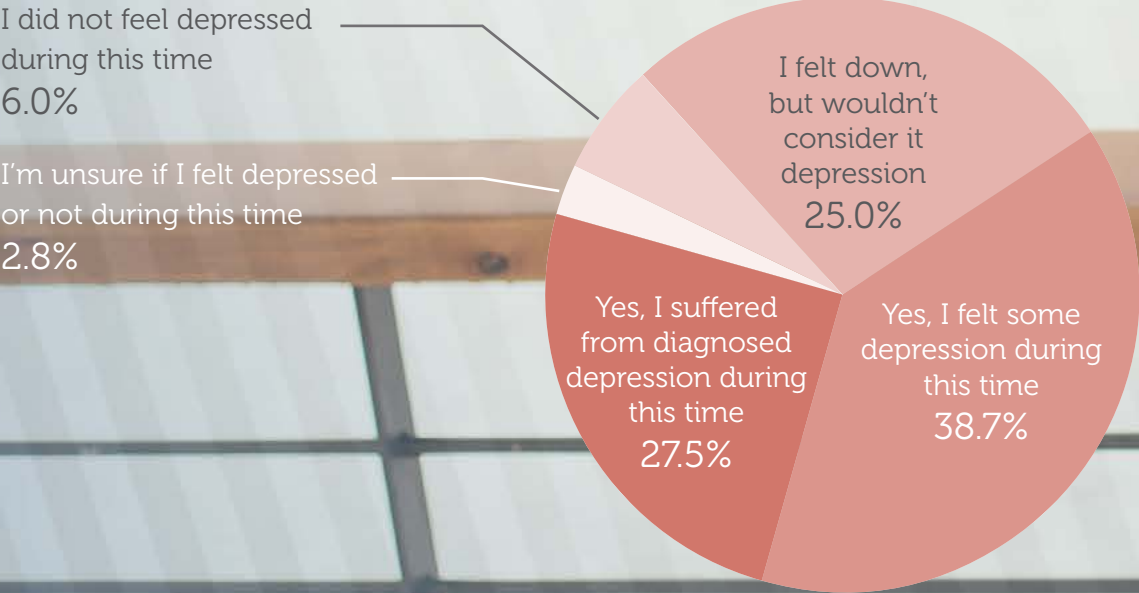
The Debt-Depression Link

All three survey demographics were overwhelmingly faced with some type of depression due to their debts.

When asked whether they felt that being in debt contributed to experiencing feelings of depression, over one-quarter of survey participants said they suffered from diagnosed depression while struggling with their debts and 39% reported experiencing some feelings of depression.

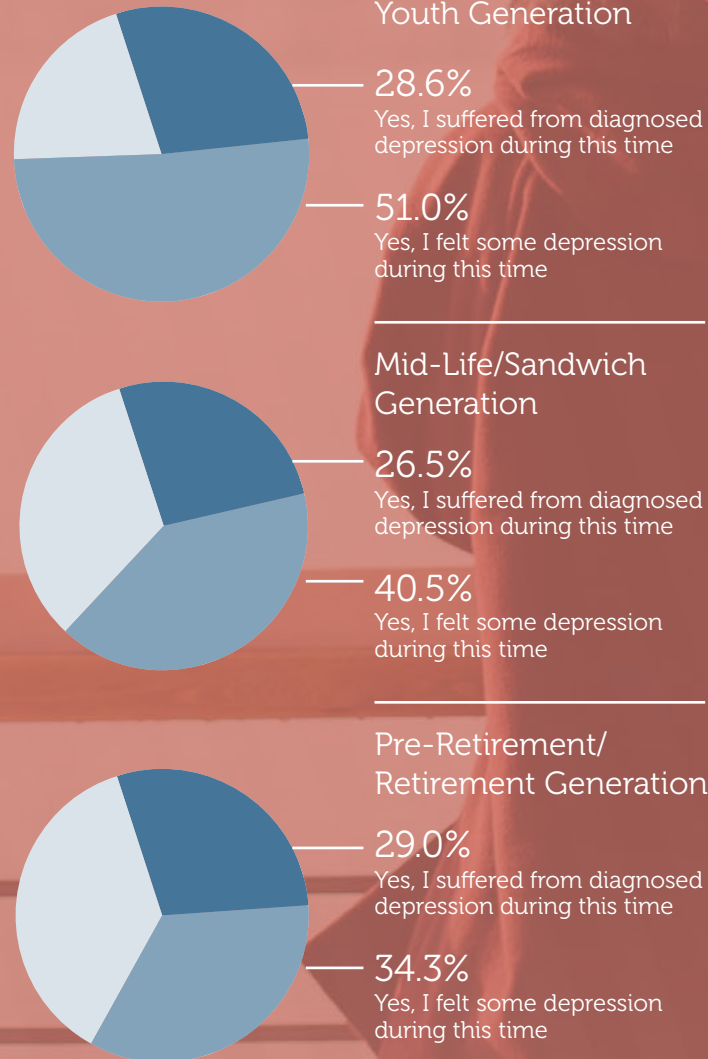
While 66% reported suffering from diagnosed depression or some depression while in debt, a further 25% claimed to feel down - together, this is a staggering 91% of all respondents.

Do you feel that being in debt contributed to you experiencing feelings of depression?



Broken down by demographic, over three-quarters of the Youth Generation (80%) said they felt at least some depression, as did 67% of the Mid-Life/Sandwich Generation and 63% of the Pre-Retirement/Retirement Generation.

Breakdown by generation



Psychological and Physical Effects of Debt continued

Common Symptoms of a Debt Burden


Although the physical manifestations of stress vary by individual, we have attempted to highlight some of the prevalent signs and symptoms experienced by survey participants. Very few respondents (less than 5%) stated they were unaffected by common stress indicators noted.


Dealing with debt impacted respondents in a number of ways that ultimately hampered their quality of life. Poor sleep or disruption of sleep habits; feelings of helplessness and/or hopelessness; and anger or irritability were the top three symptoms of carrying debts, according to participants. Both the Mid-Life/Sandwich Generation and Pre-Retirement/Retirement Generation noted experiencing the same top three effects of debt, and both groups cited poor sleep or disruption of sleep habits as the number one effect. The number one effect the Youth Generation experienced as a result of debt was suffering from feelings of helplessness and/or hopelessness (77%).


In addition to the primary effects of debt that respondents cited, they also reported behavioural disruptions that affected their day-to-day lives. Looking across all demographics, 53% of survey participants experienced loss of interest in daily activities as a result of debt issues, and 50% reported appetite and/or weight changes. Further, 22% claimed they over-used substances (alcohol, drugs, food) or behaviours (shopping, gambling, technology) as a coping strategy.


For those experiencing these damaging effects day in and day out, especially over a sustained period, the implications for emotional and physical well-being are clear and significant.


Before resolving your financial situation, did you experience any of the following as a result of debt issues?
(Choose all that apply)


 **79.3%**
Poor sleep or disruption of sleep habits


 **69.3%**
Feelings of helplessness and/or hopelessness


 **58.2%**
Anger or irritability


 **52.6%**
Loss of interest in daily activities

 **49.6%**
Appetite and/or weight changes

 **38.0%**
Upset stomach

 **22.8%**
Heart problems and/or high blood pressure

 **22.1%**
Over-using substances (alcohol, drugs, food) or behaviours (shopping, gambling, technology) as a coping strategy

 **4.5%**
None of the above

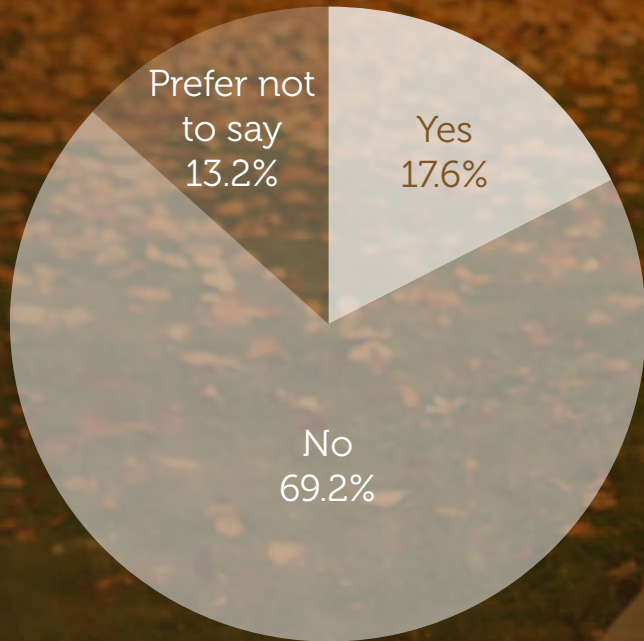
Psychological and Physical Effects of Debt continued

The Debt-Suicide Link

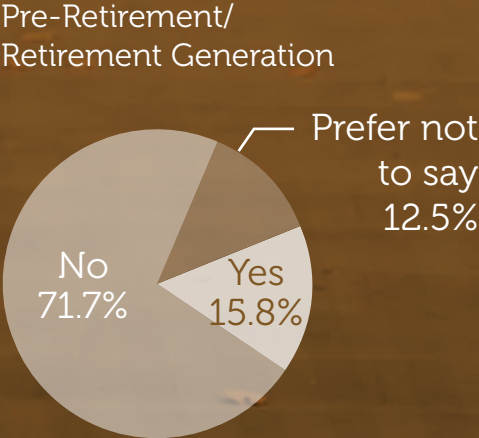
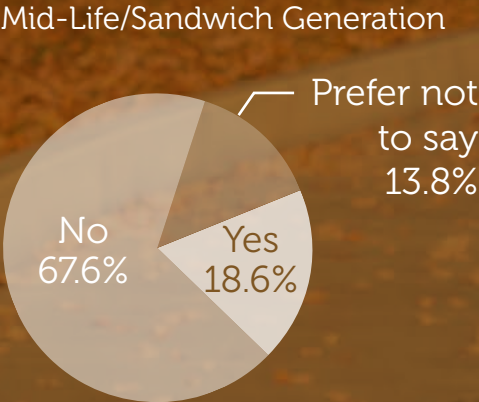
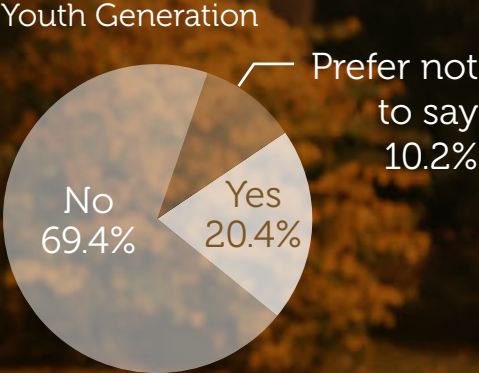
In what is perhaps the most arresting discovery of this study, 18% of respondents shared that they had experienced feelings of, or contemplated, suicide as a solution to their financial difficulties. A further 13% stated that they would prefer not to say.

The study found that, depending on generation, between one in five, or one in six respondents reported suicidal thoughts or feelings in relation to their financial difficulties.

Did your financial difficulties ever cause you to experience feelings of, or contemplate suicide as a solution?



Breakdown by generation



Strategies to Deal with Debt

Aside from contacting Sands & Associates, respondents took a number of measures to deal with their challenging financial situations. More than half of survey participants (53%) stated that they cut expenses to deal with their debts. Following this, borrowing from friends or family members (34%) and working longer hours/working an extra job (33%) were top strategies to deal with debts. With the exception of borrowing from friends or family members, the top employed strategies for debt resolution point to a strong desire to take a self-reliant approach. Alternatively, these responses could also be read as apprehension about seeking professional assistance, or simply, lack of consumer awareness.

One attempt at resolution may have turned into a warning sign for many respondents: More than one-quarter of respondents (29%) noted that they applied for more credit and/or used payday loans. This is interesting to note, as "Accumulating more debt" was stated as one of the most common warning signs of financial difficulty for survey participants (page 12).

Interestingly, the Youth Generation and the Mid-Life/Sandwich Generation reported the same top three solution strategies, in identical order. This is in somewhat stark contrast to the Pre-Retirement/Retirement Generation. This group's second and third-most cited solution strategies were using assets to pay down debt and applying for more credit and/or using payday loans, respectively.

It is extremely common for consumers to attempt to "fix" their financial situation by themselves. Unfortunately, this may result in even more challenges – emotionally and financially. The insights within this section highlight the specific and predominant ways individuals attempt to correct their financial situations.

What measures did you take to deal with your debt, besides contacting Sands & Associates? (Choose all that apply)

Cut expenses



Borrowed from friends or family members



Worked longer hours/Worked an extra job



Applied for more credit and/or used payday loans



Used assets to pay down debt

(ie Home equity loan/mortgage, redeemed RRSPs, etc)



Worked with a credit counsellor



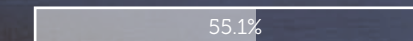
I did not do anything



Top strategies by generation

Youth Generation

Cut expenses



Borrowed from friends or family members



Worked longer hours/Worked an extra job



Mid-Life/Sandwich Generation

Cut expenses



Borrowed from friends or family members



Worked longer hours/Worked an extra job



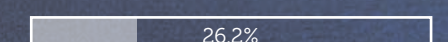
Pre-Retirement/Retirement Generation

Cut expenses

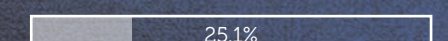


Used assets to pay down debt

(ie Home equity loan/mortgage, redeemed RRSPs, etc)



Applied for more credit and/or used payday loans



Sentiments on Consumer Proposal and Bankruptcy Filings

After filing a Consumer Proposal or Personal Bankruptcy, 92% of respondents indicated that filing either legislated debt option allowed them to feel good about the demands of their daily financial life; 89% stated they felt extremely satisfied, or mostly happy with the outcome of the choice they made to deal with their debts.

An overwhelming majority of respondents (82%) indicated that they would have taken action sooner had they been aware of the Consumer Proposal or Bankruptcy process details. This suggests the continued need for better awareness of consumers as to the legislated debt solutions at their disposal, should they require professional assistance managing their debts.



What is your current outlook on your financial situation?



Respondents who indicated they **have not filed** a Consumer Proposal or Personal Bankruptcy:



Respondents who indicated they **have filed** a Consumer Proposal or Personal Bankruptcy:



Conclusion

Given the immense emotional and physical trauma consumers experience as a result of being in debt, it is critical to arm them with knowledge about their resolution options.

The findings included in this study highlight the very real ways that debt impacts consumers' emotions, behaviours, day-to-day lives, and overall quality of life.

While Canadians' attitudes and behaviours relating to mental health issues are improving, debt and financial challenges continue to carry a general social taboo. It is our hope that the findings of the 2017 BC Consumer Debt Study serve as a further opportunity to take the shame away from debt. The severe symptoms and consequences of trying to cope with stress caused by debt are felt by many individuals in our community, in many painful ways. The sooner we end the stigma surrounding debt, the sooner those grappling with challenging financial situations will gain the confidence to take actionable steps to put themselves back on solid financial footing.



Locations

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Fax: 604-864-5797

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Fax: 604-451-9636

CHILLIWACK

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Chilliwack, BC V2R 2X5

Phone: 604-824-5794
Fax: 604-824-5790

LANGLEY

Suite 205 - 20651 56th Avenue
Langley, BC V3A 3Y9

Phone: 604-539-0200
Fax: 604-539-0201

MAPLE RIDGE

Suite 200 - 11830 223rd Street
Maple Ridge, BC V2X 5Y1

Phone: 604-463-9599
Fax: 604-539-0201

NEW WESTMINSTER

Suite 200 - 500 Sixth Avenue
New Westminster, BC V3L 1V3

Phone: 778-735-0585
Fax: 604-529-1047

RICHMOND

Suite 926 - 6081 No. 3 Road
Richmond, BC V6Y 2B2

Phone: 604-303-8732
Fax: 604-583-0797

SURREY

Suite 203 - 10366 136A Street
Surrey, BC V3T 5R3

Phone: 604-583-5499
Fax: 604-583-0797

TRI-CITIES

Shaughnessy Square
Suite 205 - 2099 Lougheed Highway
Port Coquitlam, BC V3B 1A8

Phone: 604-945-5799
Fax: 604-583-0797

VANCOUVER

Suite 1370 - 1100 Melville Street
Vancouver, BC V6E 4A6

Phone: 604-684-3030
Fax: 604-684-7277

WHITE ROCK

Suite 202 - 15388 24 Avenue
South Surrey, BC V4A 2J2

Phone: 604-684-3030
Fax: 604-684-7277

Vancouver Island

NANAIMO

The Network Hub
Suite 120 - 256 Wallace Street
Nanaimo, BC V9R 5B3

Phone: 778-841-3328
Fax: 604-583-0797

VICTORIA

The Atrium Building
Suite 301 - 1321 Blanshard Street
Victoria, BC V8W 0B6

Phone: 778-746-3328
Fax: 604-583-0797

Interior

KAMLOOPS

500 Victoria Street
Kamloops, BC V2C 2B2

Phone: 250-434-5988
Fax: 604-583-0797

KELOWNA

Suite 1100 - 1631 Dickson Avenue
Kelowna, BC V1Y 0B5

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