



Sands & Associates
Credit Counsellors & Trustees

2016

BC CONSUMER DEBT STUDY REPORT ON FINDINGS

MARCH 2016



INTRODUCTION

The 2016 BC Consumer Debt Study is the fourth annual study undertaken by Sands & Associates. Our annual study examines trends and key information regarding the consumer debt levels and financial habits of BC residents, and the strategies they pursue to resolve their financial difficulties.

Our annual study is the only BC-specific study to gather responses from over 1,000 consumers facing financial challenges in British Columbia. With Canadian consumer debt levels continuing to set records and dominating news headlines, Sands & Associates' annual debt study provides an in-depth look at consumers' debt levels, the factors causing their financial difficulties and provides additional focus on recent trends such as housing costs, payday loans and senior citizens' debt levels.

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

DEMOGRAPHICS

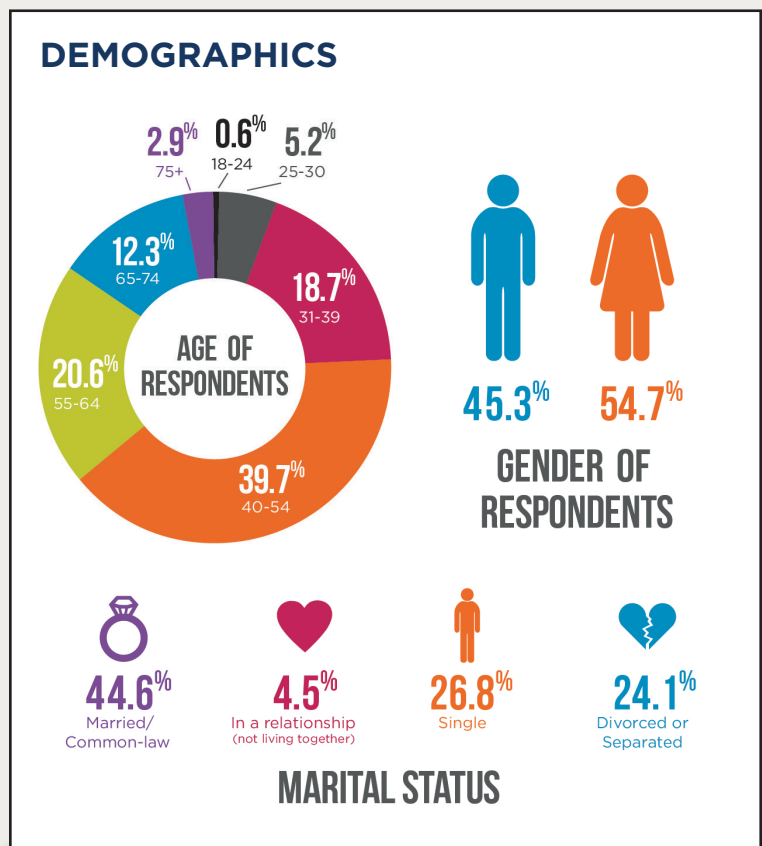
Respondents of the 2016 BC Consumer Debt Study were drawn from individuals who had previously contacted Sands & Associates and included those who chose to formally restructure their debts using either a Consumer Proposal (47%) or Personal Bankruptcy (39%), as well as those who did not proceed with a formal restructuring process (14%).

The gathered responses provide insight into the main financial challenges that BC residents face, as well as strategies they may employ to get out of debt. Specific information surrounding debt levels and causes was also relayed by respondents.

The 2016 BC Consumer Debt Study respondents varied significantly in age, although the largest proportion of survey respondents (40%) fell into the age range from 40 to 54. The population of respondents skewed slightly female, with women making up 55% of respondents and men 45%. Nearly half of respondents (45%) stated they were married or in a common-law relationship.

The following report highlights some of the different challenges and perspectives faced by respondents across various age-ranges and demographics. In certain sections we have segmented the data into three populations:

- **Youth Generation** — Debtors aged 30 and under
- **Mid-Life/Sandwich Generation** — Debtors between the ages of 31 and 54
- **Pre-Retirement/Retirement Generation** — Debtors aged 55 and older



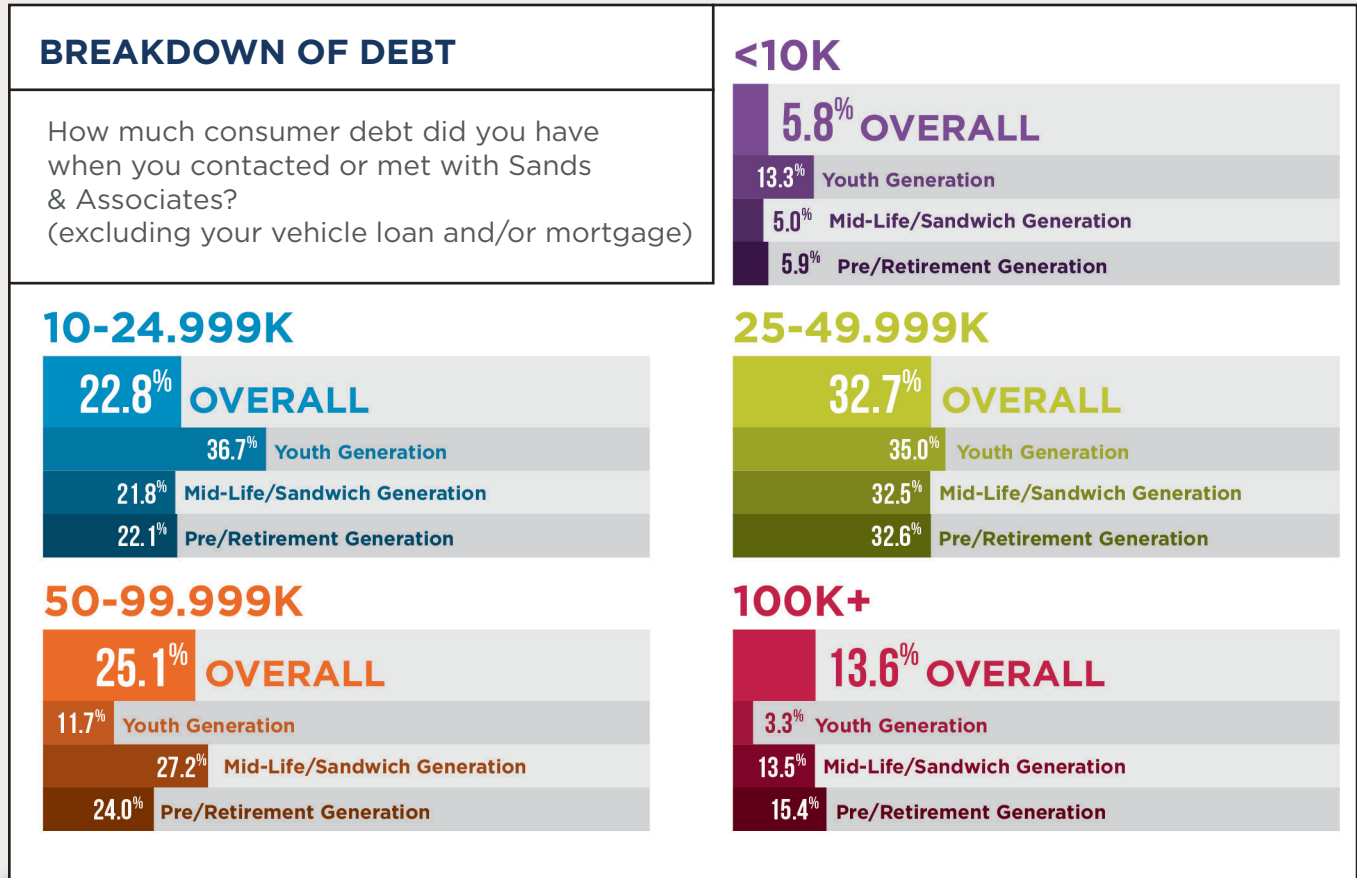
BC DEBT ANALYSIS

AMOUNT AND CAUSES OF CONSUMER DEBT

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 professional assistance with their debts.

Debt-levels varied considerably between the age-ranges. The majority of respondents between the ages of 18 to 24 indicated having owed up to \$24,999 of debts (67%); those aged 25 to 30 owed primarily between \$10,000 and \$49,999 (74%); while those aged 31 to 54 indicated owing between \$10,000 and \$49,999 of debts (64%); while respondents aged 55 to 74 held between \$25,000 and \$49,999 (64%).

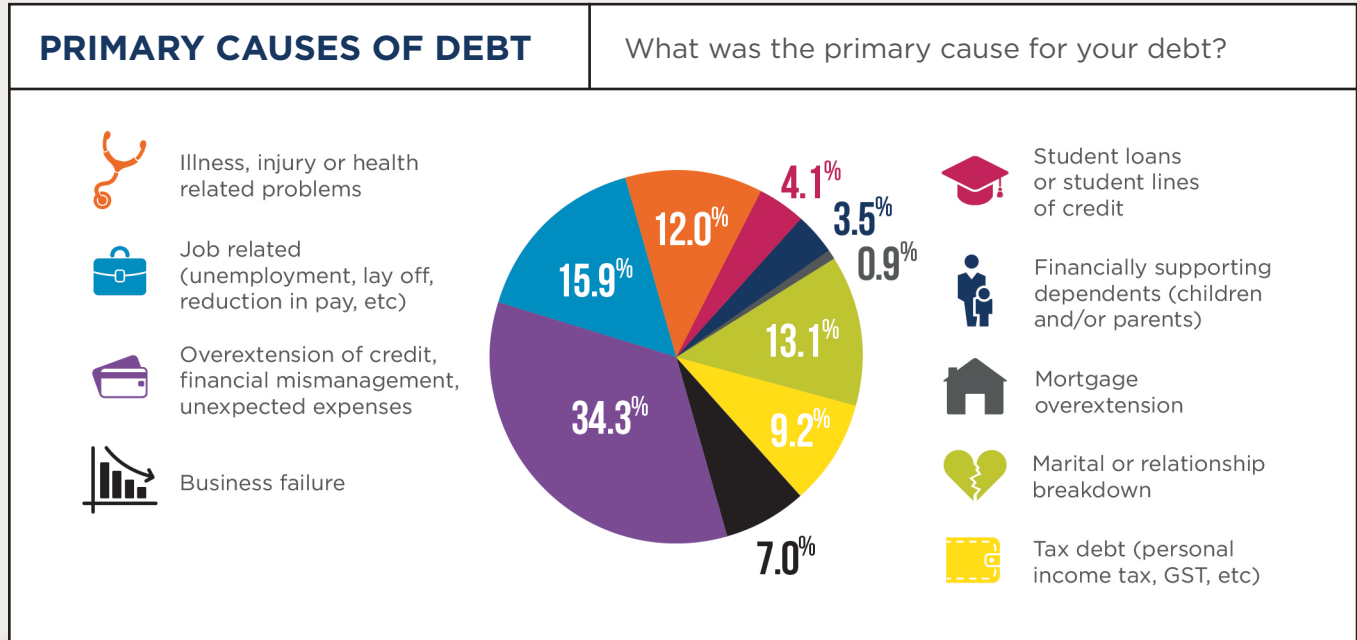
The 2016 BC Consumer Debt Study reflects the continuing trend of residents in retirement age carrying large debt-loads. The largest proportion of respondents aged 75 and over indicated that 37% owed between \$25,000 and \$49,999 at the time they contemplated professional debt solutions.



CAUSES OF DEBT

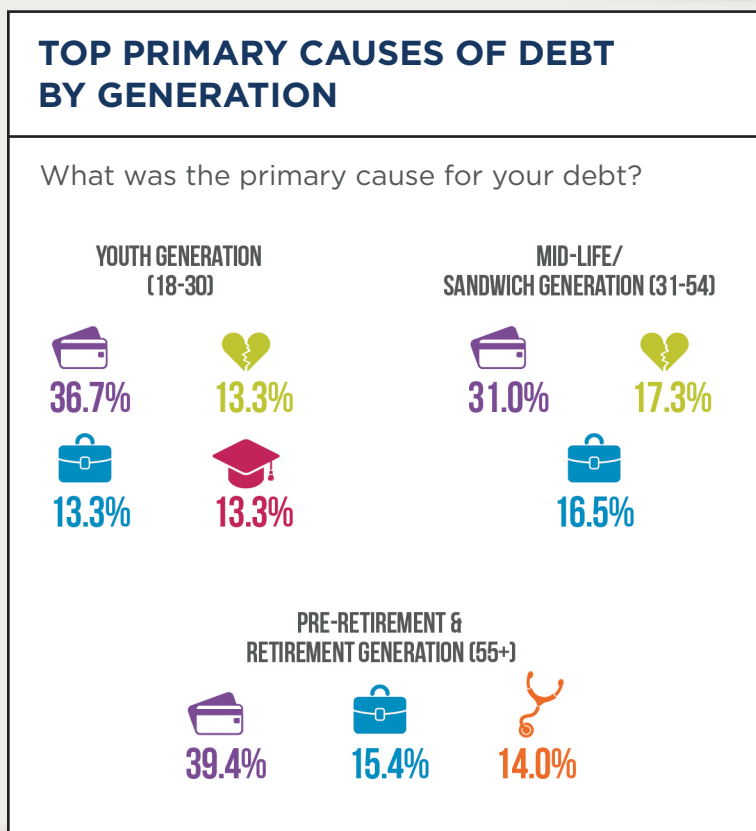
Overextension of credit and financial mismanagement, including unexpected expenses, was cited by 34% of all respondents as being the primary cause of their debt. Interestingly, this was the top cause of debt in each of the three generational demographics.

In addition, a variety of other causes were noted, including job-related issues (16%), marital or relationship breakdown (13%) and illness or health issues (12%).



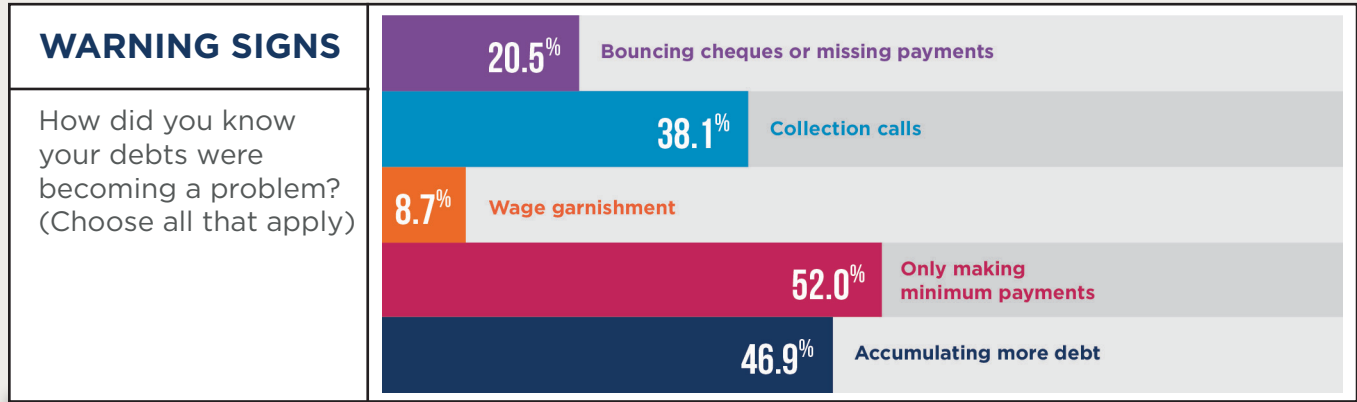
While each demographic shared a top cause of debt, the second and third most common cause varied depending on the demographic range. Job-related difficulties and relationship breakdown affected the Mid-Life/Sandwich Generation nearly evenly, while the Pre-Retirement/Retirement Generation was affected similarly by job-related problems and illness or injury. The Youth Generation noted top causes shared by the Mid-Life Generation and Pre-Retirement/Retirement Generation in addition to debt-loads primarily due to student loans or student lines of credit.

Interestingly, the Youth Generation had the highest proportion of respondents (6.7%) who indicated that supporting dependents financially (children and/or parents) was a factor in their indebtedness; followed by the Pre-Retirement/Retirement Generation (3.8%) and lastly the Mid-Life/Sandwich Generation the lowest proportion (2.9%).



WARNING SIGNS AND IMPACT OF DEBT

The top two warning signs by which respondents realized their debts were becoming a problem were: when they were only making minimum payments, and/or accumulating more debt.



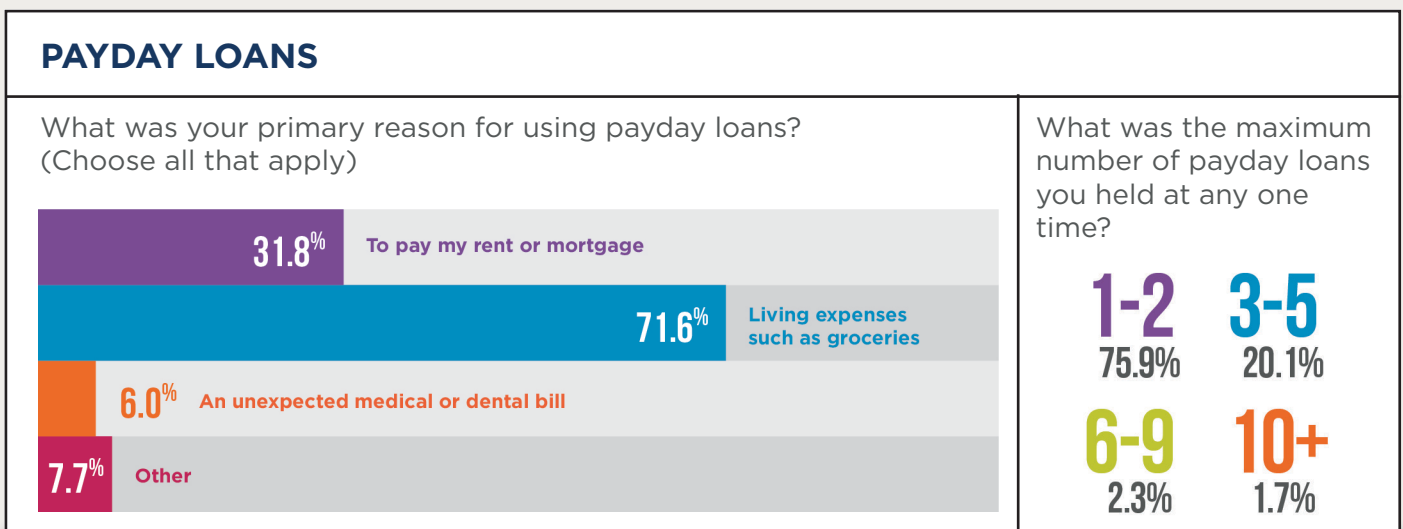
It is interesting that the majority of respondents were able to self-identify their debt issues with less than 10% of respondents experiencing the difficulty of a wage garnishment.

PAYDAY LOANS

In a recent report, VanCity found that payday loan usage by BC residents has increased by 58% in the past two years. While these short-term loans provide access to funds via non-traditional lenders, the interest or fees charged are often very high. Because of the nature of these loans it is very common for borrowers to have multiple payday loans due at once.

Nearly one third (30%) of the 2016 BC Consumer Debt Study respondents indicated they had used payday loans. Almost half of respondents who had used payday loans (48.8%) noted their first payday loan was for an amount between \$200 and \$499.

The Youth Generation had the highest proportion of respondents indicating they had used payday loans (38.3%), followed by the Mid-Life/Sandwich Generation (33.6%) and finally the Pre-Retirement/Retirement Generation (22.6%).

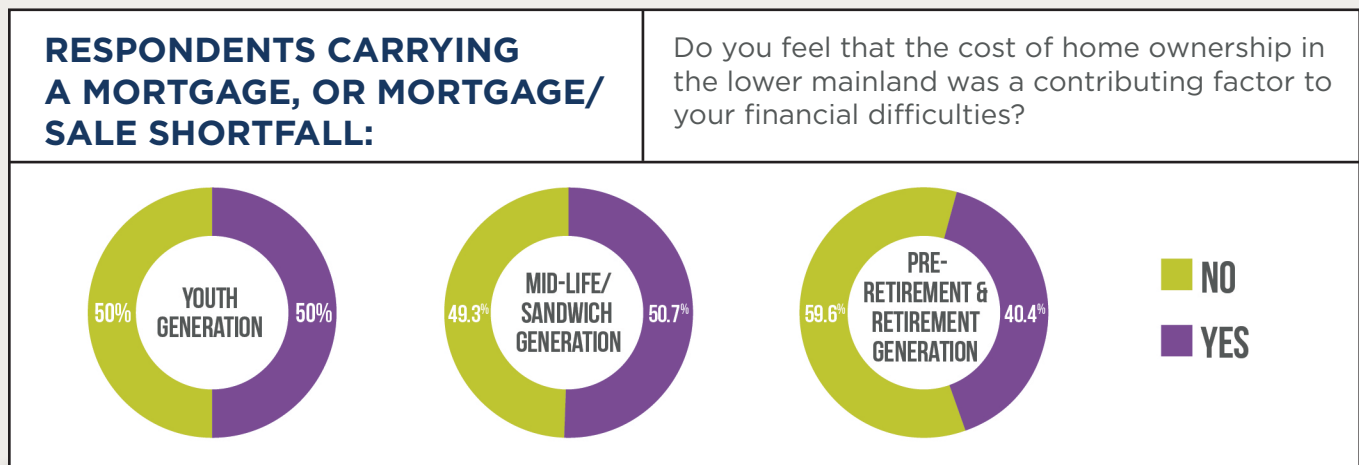


HOME OWNERSHIP

Near one quarter (24.5%) of survey respondents indicated that they were carrying a mortgage, or had a shortfall from a previous foreclosure or loss on a home sale at the time they sought assistance with their debts. Almost half of those respondents (46.6%) felt that the cost of home ownership in the lower mainland was a contributing factor to their financial difficulties.

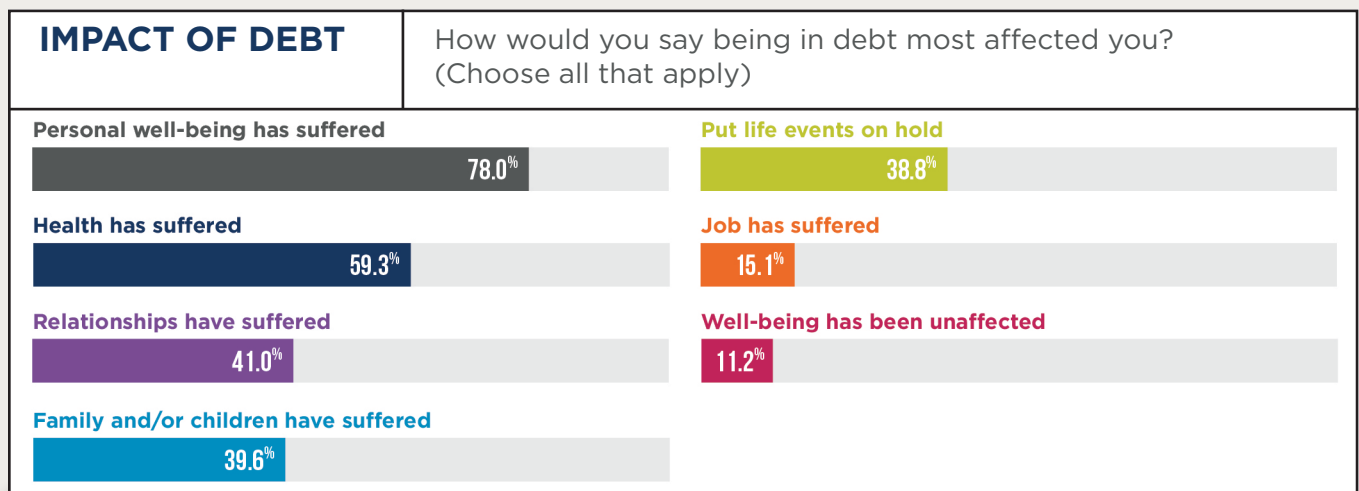


Perhaps surprising, given the popular debate of Vancouver's real estate market, was the sentiment respondents expressed when asked if they felt the cost of home ownership in the lower mainland contributed to their financial problems. Both the Youth and Mid-Life/Sandwich Generations were nearly evenly split on the answer, while slightly more of the Pre-Retirement & Retirement Generation leaned towards home ownership being a non-issue.



IMPACT OF DEBT

Unsurprisingly, few survey respondents (11%) indicated that their well-being was unaffected by being in debt. The impact of carrying debts had a variety of effects, from causing individuals to postpone life events, experiencing health issues, as well as debts causing family and/or children to suffer as a result.

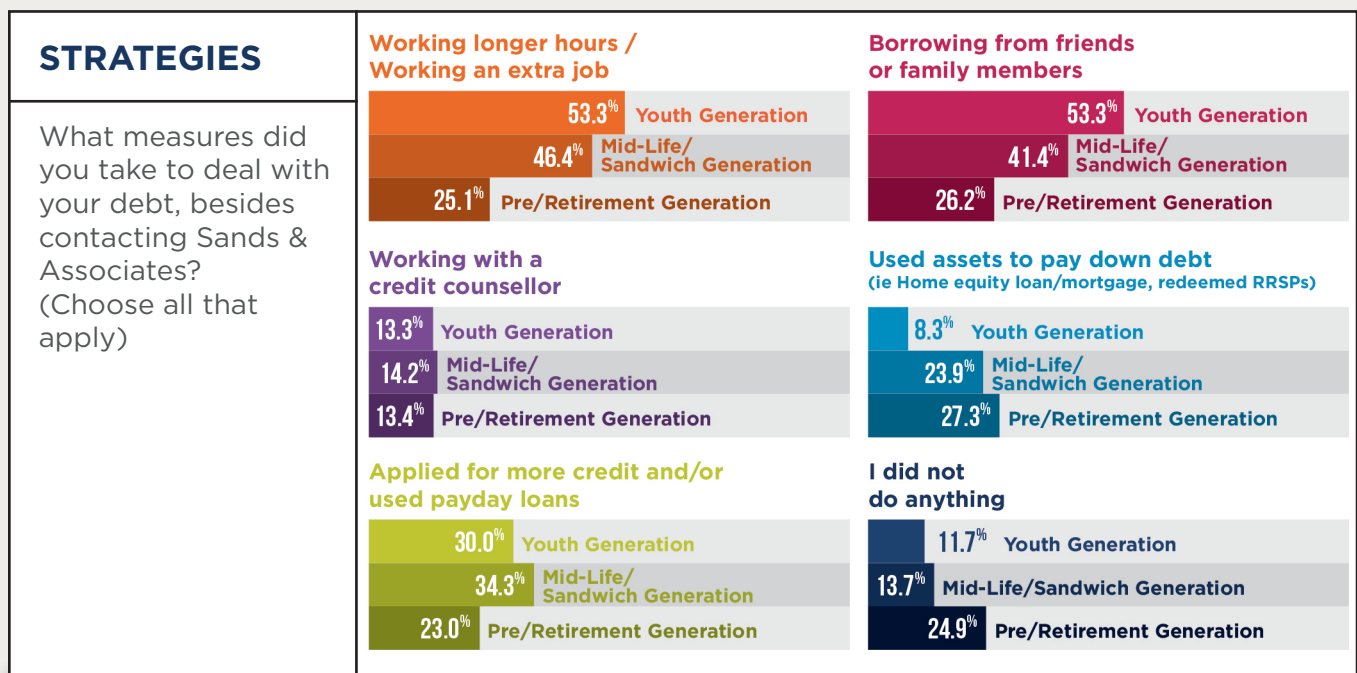


STRATEGIES TO DEAL WITH DEBT

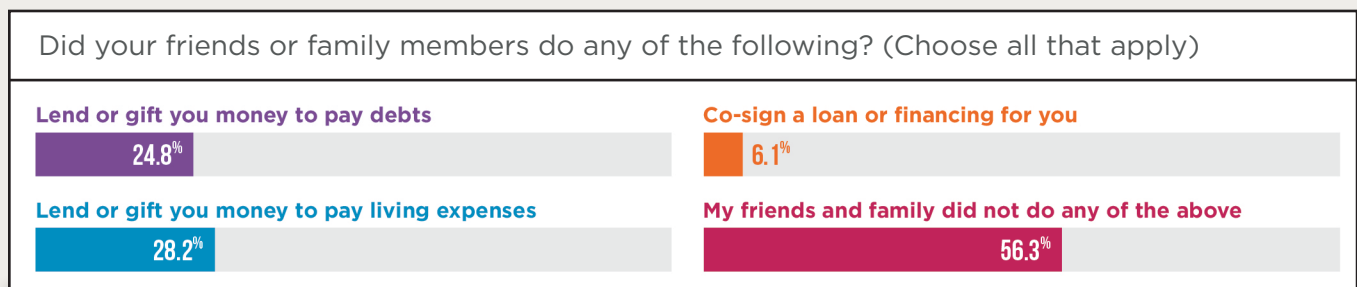
Few survey respondents (10.2%) indicated that they sought professional assistance as soon as they knew they were financially 'in trouble'. The majority of respondents overall (57.6%) said they waited between one and four years (42.8%), or five or more years (14.8%), before seeking professional assistance with their debt situation.

The top strategies taken by respondents to deal with their debts (besides contacting Sands & Associates) were: Working longer hours or an extra job; borrowing from friends or family members; applying for more credit or using payday loans; and using assets to pay down debt.

While the Youth and Mid-Life/Sandwich Generations were consistent in their top strategies to deal with debts, the Pre-Retirement & Retirement Generation was significantly more likely to use their assets to try to pay down their debts.

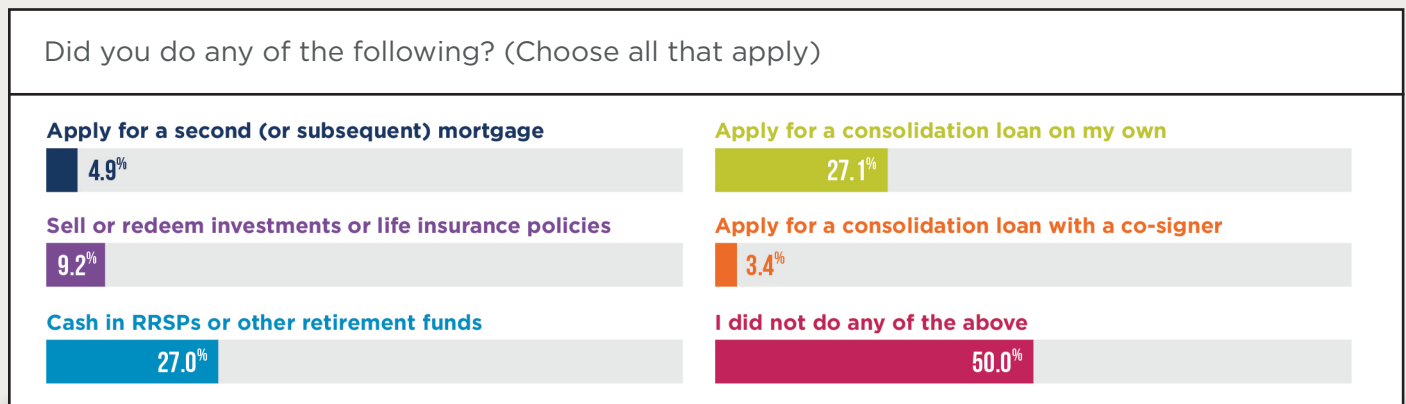


A large number of survey respondents had sought to resolve their financial difficulties with some form of financial help from family members or friends; or by utilizing their own assets.



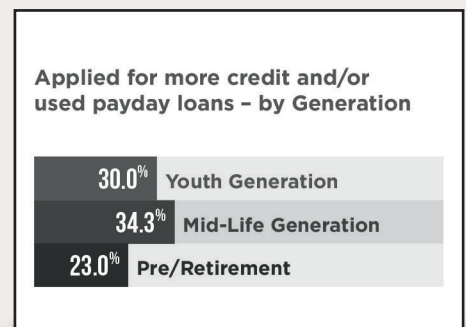
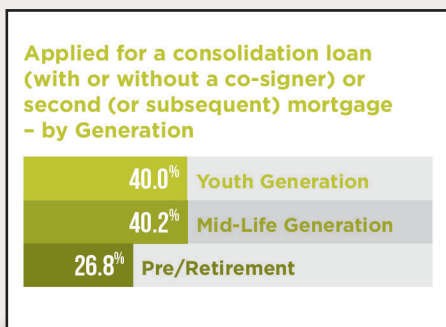
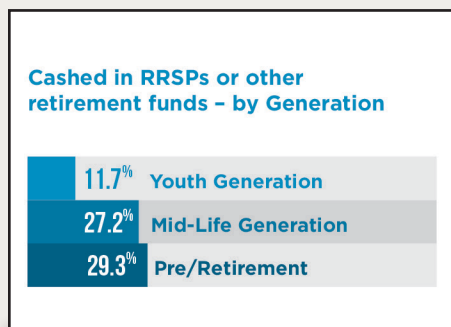
Both federal and provincial legislation provide protection for key assets in the event of a Bankruptcy or Consumer Proposal proceeding with the overall objective that an insolvent individual should be permitted to retain a base level of assets, sufficient for them to meet basic financial needs.

Of significant concern is the fact that many individuals are not aware of “exempt assets” and often undertake strategies to pay debts that are well intentioned but could be counterproductive. As outlined below, more than one-in-four respondents opted to cash in RRSPs or other retirement funds to deal with a pressing debt issue. Had these individuals been aware of the federally exempt nature of RRSPs, in many cases they may have made different choices. Given the debt levels of Pre-Retirement and Retirement demographics, this is particularly concerning as these funds most certainly would have been required to fund retirement needs in the future rather than liquidated to pay current debts.



We note that the propensity to cash in RRSPs increased in the older demographics studied, which could be a combination of both the availability of funds (i.e. individuals closer to retirement typically have more funds than those significantly younger) as well as inconsistent knowledge of individuals about the protected nature of various assets.

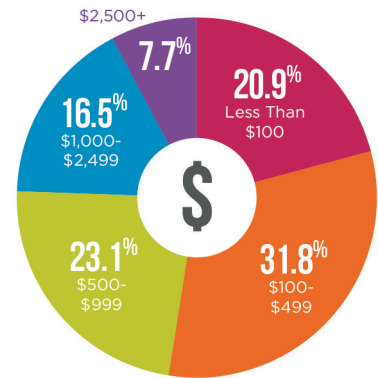
We further note that Pre-Retirement/Retirement demographics were typically much less likely to attempt to incur more debt through either a consolidation loan, second mortgage, or short term credit products such as payday loans.



Despite continued consumer alerts and new BC provincial government regulations surrounding the debt settlement industry, many in-debt individuals continue to enter into unregulated programs, which often carry large non-refundable upfront fees. Respondents who indicated they were charged fees for debt assistance by a professional other than Sands & Associates noted charges varying from less than \$100 (21%) to over \$2,500 (7.7%).

It is important for readers to clearly understand that Licensed Insolvency Trustees do not require referrals or up-front fees for advice. For any consumer facing financial difficulty, their best, first resource is to meet at no charge with a federally licensed Trustee.

How much were you charged for debt assistance by a professional other than Sands & Associates?



SENTIMENTS ON CONSUMER PROPOSAL AND BANKRUPTCY FILINGS

After filing a Consumer Proposal or Personal Bankruptcy, 87.9% of respondents indicate that they were extremely satisfied, or mostly happy with the outcome of their decision to file. 91% of those who had filed felt that the legislated solution they chose allowed them to feel good about the demands of their daily financial life.

More than three-quarters of respondents (76.4%) who had filed a Consumer Proposal or Personal Bankruptcy indicated that they would have taken action sooner if they had been aware of the process details.

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:



Very positive
optimistic about financial situation and future

Positive
optimistic about financial situation

Neutral
neither positive nor negative about financial situation

Negative
still struggle with finances

Very negative
can't manage financial situation/
don't see reaching retirement needs



CONCLUSION

While there are existing assumptions that filing a Personal Bankruptcy or Consumer Proposal may typically cause negative sentiments, comparing the current outlook of individuals who have filed versus those who have not appears to indicate the opposite effect. One-third of individuals who had not restructured their finances had a negative outlook on their current situation; whereas those who had filed either a Personal Bankruptcy or a Consumer Proposal felt positive, with an optimistic view of their current financial situation (45%), or very positive with a very optimistic view about their financial situation and future (22%).

Financial industry experts' commentary surrounding in-debt seniors continues to make headlines. With 39.2% of respondents aged 65 and over reporting debt levels of \$50,000 and upwards, attributing its causes primarily to an overextension of credit, financial mismanagement or unexpected expenses, the 2016 BC Consumer Debt Study illustrates that these concerns are valid.

Individuals could potentially avoid long-term periods of financial difficulties by seeking professional debt assistance and information at the onset of the issues. Taking steps to ensure legal obligations, financial solutions and asset exemptions are understood could prevent the depletion of retirement savings, reduced home equity and strain on friends and family.



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

NEW WESTMINSTER

#200 – 500 Sixth Ave.
New Westminister, BC V3L 1V3
TEL: 778-735-0585
FAX: 604-529-1047

RICHMOND

#926 – 6081 No. 3 Rd.
Richmond, BC V6Y 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: 604-583-0797

MAPLE RIDGE

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

LANGLEY

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

WHITE ROCK

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

ABBOTSFORD

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

CHILLIWACK

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

VICTORIA

The Atrium Building
#301 – 1321 Blanshard St.
Victoria, BC V8W 0B6
TEL: 778-746-3328
FAX: 604-583-0797

NANAIMO

Square One
38 Victoria Crescent
Nanaimo, BC V9R 5B8
TEL: 778-841-3328
FAX: 604-583-0797

KELOWNA

#1100 - 1631 Dickson Ave.
Kelowna, BC V1Y 0B5
TEL: 778-738-3328
FAX: 604-583-0797

KAMLOOPS

348 Tranquille Rd.
Kamloops, BC V2B 3G6
TEL: 250-434-5988
FAX: 604-583-0797

**KNOWING IS NOT OWING.
LEARN ABOUT CONSUMER PROPOSALS.**

