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ATTENTION: News, Business, Personal Finance

Survey Finds Employed Canadians Failing to Take Advantage of Improved Financial Picture to Reduce Debt or Save More for Retirement

Many at Risk in the Event of Higher Interest Rates or an Economic Downturn

TORONTO (September 5, 2018) – Working Canadians seem to be making some minor progress towards improving their financial health. But, while 66% report being in a better financial position than a year ago, their debt levels remain high, they chronically undersave for retirement, and put themselves at severe risk in the event of economic changes.

Some Positive Gains

Bolstered in large part by a stronger economy, confidence among working Canadians has increased recently. 39% believe their local economy will improve (up slightly from the three-year average of 36%), not surprising given the strong economic market conditions experienced in Canada in the past few years. The past few years have also seen a positive shift in the number of employees with total household incomes of over $125K, and the levels of full time employment to 90%.

According to the Canadian Payroll Association's tenth annual survey, released today, 44% of working Canadians report it would be difficult to meet their financial obligations if their pay cheque was delayed by even a single week (down from the three-year average of 48%). Gen Xers in their 40s report the highest level of difficulty (47%).

One in 5 working Canadians say they could not come up with just $2,000 within a month for an emergency expense (previously almost 1 in 4).

Fewer employees (35%) indicated that they spend all of or more than their net pay (down slightly from the three-year average of 40%).

While 69% of those who are trying to save more responded that they have been able to do so, still 65% said they save 10% or less of their earnings, below recommended savings levels.

However, while more working Canadians are in an economic position to save more, it seems Canadians still need a huge reality check when it comes to realizing the risks they face, and acting on them.

Debt Growing

In spite of these positive gains, debt levels among working Canadians have increased**.**

Forty per cent of working Canadians feel overwhelmed by their level of debt (up from 35% last year). More than one-third (34%) of respondents say their debt load increased over the year (up from 31%). And more are expecting to take longer to pay down that debt—43% say it will take more than 10 years to pay down their debt (up from 42% in 2017 and 36% in 2016). And 12% believe they will never be debt free.

Overall, 94% of respondents carry debt, with the most common debt being mortgages (28%), credit cards (18%), and car loans (18%). About one in 5 respondents carry debt through a line of credit. Mortgage debt on principal residences remains the most difficult debt to pay down, with 30% of respondents selecting this option, followed by credit card debt (25%).

Higher living expenses (27%) and unexpected expenses (20%) remain the top two reasons for increased spending, and most (96%) anticipate their cost of living will increase over the coming year.

Severe Risk Bolstered by Inaction

Despite the long-term risks of undersaving, carrying high debt, and their perception of an improved financial picture, working Canadians are not waking up to the harsh realities of what could happen in a sudden shift of financial circumstances.

“We would have hoped to see in the survey results that Canadians would do more to alleviate their debt and take control of their financial situation in strong economic times,” says Peter Tzanetakis, President of the Canadian Payroll Association. “Now is the time to pay down debt, contribute to retirement savings and take control of your financial future. Many Canadians seem to be complacent and are still not focused on the big picture.”

For the first year ever, the survey results indicate that employees are more concerned with work/life balance (33%) than on earning higher wages (26%). This is especially true of millennials in their 30s (38% rank work/life balance as most important).

However, when asked about the best way to improve their financial well-being, the number one response is higher wages (25%), versus spending less (19%). And while 72% concede they have only saved a quarter or less of what they feel they will need to retire (47% of those 50 and older), the target retirement age (61) has not changed from 2017 and half still feel they will need at least $1M to retire.

There is also a surprising avoidance displayed when assessing respondents' level of comfort discussing finances. Fully 47% indicate they would be uncomfortable talking about debt with a colleague or peer.

Ultimately, the results illustrate that in the event of higher interest rates, a market downturn or other economic factors beyond their control, working Canadians would struggle to recover and could face severe implications.

Employers should take note: currently 46% of employees say financial stress is impacting their workplace performance; this figure could get much worse.

Payroll as a Solution

Once Canadians understand that their financial futures are at stake, they need to seriously consider taking action. The Canadian Payroll Association recommends starting small, "Paying Yourself First" and putting away a portion of each pay cheque to pay down debt or contribute to long-term savings.

Within organizations, payroll is well positioned to help working Canadians take action by arranging automatic payroll deductions for employees. Currently, 53% of respondents indicated their employers offer this option to employees; however 44% of employees still do not participate.

Employers can leverage their payroll department to empower employees to improve their financial wellness through *Pay Yourself First* programs. And, given that 84% of employees indicate they would be interested in receiving financial education programs through the workplace, employers are uniquely positioned to provide financial literacy tools and resources to help employees take action.

"National Payroll Week, September 10-14, is the perfect opportunity for employers and employees to take stock of their financial situation in view of these survey results," says Sandra Morrison, CPM, CPHR, and Chair of the Canadian Payroll Association's Board of Directors. "Payroll has the power to help employees contribute to financial priorities, to lessen personal stress which manifests in the workplace. Powerful payroll is a win-win across the board."

The Canadian Payroll Association's National Payroll Week website provides free financial literacy resources for working Canadians, employers and payroll professionals. Visit payroll.ca/npw for more.

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Regional survey findings are available. Go to payroll.ca/npw for full media results.

Canadian Payroll Association spokespersons are available across Canada for interviews.

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Canadian Payroll Association 2018 Survey of Employed Canadians

A total of 5,074 employees from across Canada, and from a wide range of industry sectors, responded to an online research survey between Friday, June 22nd, 2018 and Wednesday, August 1st, 2018, using a convenience sampling methodology. The survey was developed by the Canadian Payroll Association and conducted by Framework Partners. The survey is consistent with a margin of error of plus or minus 1.38% 19 times out of 20, but as a non-probabilistic methodology was used, a definitive margin of error cannot be expressed.

Payroll Has the Power

Canada's 1.5 million employers rely on payroll practitioners to ensure the timely and accurate annual payment of $929 billion in wages, $310 billion in statutory remittances to the federal and provincial governments, and $180 billion in health and retirement benefits, while complying with more than 200 federal and provincial regulatory requirements. Since 1978, the Canadian Payroll Association has annually influenced the payroll compliance practices and processes of over five hundred thousand organizational payrolls. As the authoritative source of Canadian payroll knowledge, the Canadian Payroll Association promotes payroll compliance through education and advocacy.