

## Cost of living a harsh reality

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Homeowners are well aware of the costs associated with running a household.

With a new school year starting, our teens and 20-somethings are getting a reality check.

My oldest daughter Lexie is in her second year at Western, and we moved her into a shared condo in London. This is the first time these girls will be on their own, and responsible for things like rent, utilities, water heater rental and groceries.

It's an eye-opener to be sure. There were a couple of bumps with hydro as the girls were not aware of late fees or new hook-up charges. Lexie called us the other day asking if lamps and appliances, plugged in but not in use, draw electricity. Cute.

What this demonstrates, though, is our young people, in spite of their academic prowess and 'smarts,' have much to learn.

And yes, living independently does teach our youth some valuable life lessons. These are things we all need to know and come to grips with.

Lexie will begin to understand the whole concept of household debt and why her parents aren't rolling in crisp \$20 bills spread out over the carpet.

Total Canadian household debt has reached its pinnacle, rising just above \$2 trillion, up from \$357 billion in 1990. Two-thirds of this debt is for mortgages; the remaining third is split between consumer credit (29 per cent) and other loans (five per cent).

Despite the preoccupation with overheated real estate markets, the mortgage share of total household debt has remained stable. The \$2-trillion-plus in household debt now equals approximately 170 per cent of household disposable income compared to just 90 per cent in 1990.

The growth in household debt has partly been a response to plummeting interest rates. We're asset rich, but cash poor, so many of us are taking advantage of leveraging our home's value through things like lines of credit.

Back in 1997, the average house price in Canada was \$154,620. This represented almost 5 times the average pre-tax annual income (\$31,484) of an individual with a full-time job.

In the past 17 years, incomes have risen by an average annual rate of 2.6 per cent, while house prices have gone up 5.4 per cent.

House prices have more than doubled over that period, while incomes are up by just a bit more than half.

The Toronto Real Estate Board notes in 1990, the average annual price of a home was \$255,020. That's about \$428,000 in 2017 dollars. The last 'housing bubble' in Toronto occurred in 1989. Between 1985 and 1989, the prices increased by about \$258,000 in today's money.

The TREB reported in February 2017 that the average selling price of a home was \$875,983, almost 28 per cent more than it was a year ago.

Average Canadian family spent more on taxes in 2016 than housing, food and clothing combined, according to a study released by the Fraser Institute.

Many Canadians may think housing is their biggest household expense, but in fact the average Canadian family spent more on

taxes last year than on life's basic necessities ??including housing,? said Charles Lammam, director of fiscal studies at the Fraser Institute and co-author of the Canadian Consumer Tax Index, which tracks the total tax bill of the average Canadian family from 1961 to 2016.

Last year, the average Canadian family earned \$83,105 and paid \$35,283 in total taxes, compared to \$31,069 on housing (including rent and mortgage payments), food and clothing combined.

In fact, the average Canadian family paid nearly twice as much of their income in taxes (42.5 per cent) as they did for housing (22.1 per cent). The basic necessities of life, which include food, clothing and housing, amounted to just 37.4 per cent of income ??still less than the percentage of income going to taxes.

This represents a marked shift since 1961, when the average Canadian family spent much less on taxes (33.5 per cent) than on food, clothing and housing (56.5 per cent).

Since 1961, the average Canadian family's total tax bill has increased by a staggering 2,006 per cent, dwarfing increases in annual housing costs (1,527 per cent), clothing (677 per cent), and food (639 per cent).

Even after accounting for inflation, the tax bill has still increased 157.6 per cent over this period.

Let's not forget the costs of keeping this home running. Since 2006, the price in Ontario for off-peak electricity has gone from 3.5 to 8.7 cents per kilowatt hour (kWh) ??an increase of almost 150% Mid-peak and on-peak usage also saw some increases, with prices going up by 80%? and 70% from 2006.

Hydro rates are the highest they have been since 2006. Adjusted to inflation, users pay 8.7 cents per kWh during off-times, 13.2 cents per kWh in mid-peak and 18 cents per kWh during on-peak times.

We Baby Boomers run our fingers through our thinning hair, shaking our heads at these astronomical costs.

My kids grew up during this current dilemma. As they prepare to meet the world head-on, they have to be prepared for what's in store. Honestly, I?don't think any of us are prepared for what's in store.

A learning experience to be sure, but not one that I?wish on anyone!