

Taking more than a passing interest in our debt woes

Mark Pavilons



If you only have one oar in the water, you won't make much progress. In fact, the best you can hope to achieve is going around in circles.

And that, my friends, seems to be our plight, according to studies on wealth distribution and personal debt in this country. Wealth in Canada is concentrated heavily in the top 10% with the bottom 50% combined accounting for less than 6% of all wealth, according to the Broadbent Institute.

The report, appropriately called Haves and Have-Nots, is based on Statistics Canada data and offers a snapshot of the distribution of assets, debts, and net worth of Canadians.

Contrary to rosy reports of rising net worth and a post-recession recovery, these new numbers sound the alarm on Canada's wealth inequality problem, said Rick Smith, Broadbent executive director.

Key findings include:

The top 10% of Canadians accounted for almost half (47.9%) of all wealth in 2012.

The bottom 30% of Canadians accounted for less than 1% of all wealth.

The median net worth of the top 10% rose by 41.9% since 2005 (to \$2.1 million) compared to a 150% drop in the median net worth of the bottom 10% (to negative \$5,100).

The concentration of wealth for the top 10% was highest in British Columbia at 56.2% and lowest in Atlantic Canada (31.7%) and Quebec (43.4%).

There are so many people being left behind, and there's simply no excuse for this kind of deep and persistent wealth inequality in Canada, said Smith.

But wait, it gets better.

More Canadians are living paycheque to paycheque and are feeling overwhelmed by debt.

The sixth annual National Payroll Week Research Survey, conducted by the Canadian Payroll Association (CPA), points to a weakening financial picture for working Canadians across the country.

More employed Canadians are living paycheque to paycheque, saving less and falling further behind in meeting their retirement goals.

More than half of employees (51%) report that it would be difficult to meet their financial obligations if their paycheque was delayed by a single week. This is up from an average of 49% over the past three years.

For those aged 18-29, the number is even higher 63% report living pay to pay.

Another finding confirms that more than a quarter of those surveyed are living very close to the edge. A total of 26% say they probably could not pull together \$2,000 over the next month if an emergency expense arose.

The low savings rate has become even more prevalent this year. Half of all employees are putting away just 5% or less of their pay.

Financial planning experts generally recommend a retirement savings rate of 10% of net pay.

Ultimately, planning for the financial side of retirement is something that almost everyone has to go through at some point.

Accordingly, although no one wants to spend too long thinking about what might happen when they are no longer around, setting up a living trust can often prove to be beneficial.

Put simply, a living trust is a legal document created during your lifetime.

Just like a will, a living trust explains exactly what your desires are with regard to your assets, your dependents, and your heirs.

The big difference is that a will becomes effective only after you die and your will has been entered into probate.

Correspondingly, a living trust bypasses the costly and time-consuming process of probate, enabling your trustee to carry out your wishes as documented in your living trust at your death.

A living trust can also be used if you are unable to manage your financial, healthcare, and legal affairs due to incapacity.

You can find more information about living trusts by taking a look at this guide to the [benefits of a trust](#).

Additionally, of those who indicate they are trying to save more today than a year ago, fewer are able to do so (65%, down from an average of 67% over the past two years). Part of the reason for low savings is that 44% of employees are spending all of, or more than, their net pay. Among the top reasons for increased spending, the survey identifies children, home renovations, and education. Fully 79% expect to delay retirement until age 60 or older up from 70% over the past three years. The number one reason cited for retiring later in life is that employees are not able to save enough money. There is a lot to pay for in retirement, such as the care home you may need to stay in so that you can get the help and support you need in old age. You can [learn about assisted living here](#) to see if it's something you might want to save for. Among employees closer to retirement (50 and older), a disturbing 47% is still less than a quarter of the way there, indicating a significant retirement savings gap, according to Culhane.

Well over one-third of employees (39%) say they feel overwhelmed by their level of debt (up from an average of 32% over the past two years). In fact, 12% of respondents this year indicate they do not think they will ever be debt-free, and one-third of respondents this year say their debt has increased from last year.

The number one step that employees believe they can take to improve their financial situation is to earn more (27%), while spending less dropped to second place from last year and decreasing debt remained flat.

A lot of facts and figures to be sure. The reality is on the faces of friends, family, and acquaintances.

There's also no shortage of experts who are more than willing to suggest ways to scrimp, save, and prepare for retirement. Social security is talked about widely to help with retirement payments, but there are other facets to this and this can be linked with spouses too. There is a [Social Security spousal benefits calculation method](#) that can be done for those couples who need to be on top of their financials on both sides and require that help.

Take it from someone who knows how to do basic math. If we could save and stretch our dollars, we would!

In my family, we are working spouses with three children ages 16, 13, and 9. The eldest is learning to drive. The middle child plays video games. They all eat, wear running shoes and participate in extra-curricular activities.

My wife owns her own business and I'm just a working stiff. Our income is limited and not likely to go up any time soon.

And yet, the cost of living inches higher each and every year. The price of gas is at record levels. While interest rates are fairly decent at the moment, most working families have taken advantage of that and leveraged their homes and lines of credit.

Many of us are maxed out, in almost every way.

I was out of work for almost two years. That almost devastated us. In some ways, we're still recovering financially.

I don't have any savings or RRSPs. I have an old car and holes in most of my socks.

Those who've been around for some time on this planet fully understand harsh economic realities post-war struggles; cyclical economic recessions and the current record-high housing prices.

My point is not to paint a gloomy picture, but rather to make others aware. At the coffee shop, gas station, pizza place, or bank, consider the plight of others who may be on the brink. Be compassionate toward our fellow men and women who may be raising families on a shoestring. Be generous, polite, courteous and most of all, be grateful.

Life can change in an instant. Trust me on that one.

I may have a lot of company in that proverbial spinning rowboat. But I'm happy to row for others when their arms get tired.

How about you?