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## Is the debt collector getting your holiday bonus?

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*Survey finds that almost half of Canadians plan to use the extra cash to pay down household debt*

More than half of Canadians who expect to get a bonus this year say they will use the extra money to pay down their credit card bill, line of credit, car loan or mortgage, says a new poll.

The Bank of Montreal survey [<http://newsroom.bmo.com/press-releases/one-third-of-working-canadians-expect-to-receive-y-tsx-bmo-201112190753779001?print=1>] found that among working Canadians who are eligible to receive a holiday bonus, 53 per cent said they would use the money to pay down household debt, which, as just about everyone has by now heard, has reached dangerously high levels.

Financial planner Rona Birenbaum said the findings are a reflection of the sorry state of Canadian household balance sheets. "It is comforting to see that people want to pay down debt but to be thinking about it at Christmastime is a reflection of the fact that there is a fair amount of over-indebtedness out there."

A report released last week showed that Canadians have set a new record for household debt [<http://www.theglobeandmail.com/globe-investor/personal-finance/household-finances/record-high-household-debt-in-canada-triggers-alarm/article2269210>] and that debt burdens among households here have surpassed those in the United States. Bank of Canada Governor Mark Carney said "our greatest domestic risk relates to household finances."

His concern is that Canadians have piled on so much debt that any kind of a shock, such as job losses or rising interest rates, will make it difficult for people to meet their debt repayment obligations. Canadians appear to be getting the message - at least some of them.

Among those who will not use their bonus to pay down debt, the BMO survey found that 23 per cent said they would use it for holiday spending, 17 per cent said they would reward themselves with a consumer purchase while 15 per cent said they would take a vacation.

Ms. Birenbaum said that historically, bonuses have been used for consumption, to pay for things like trips. They have also traditionally been used for investment purposes.

"That is what bonuses should be for. The salary you get is supposed to pay for the necessities of life. The bonus is supposed to be just that - a bonus."

Given the uncertain global economic climate, just how many Canadians expect to get a bonus this Christmas?

Among those polled by BMO, just under a third, or 29 per cent, of those in the workforce said they expect to get a year-end bonus. Among those who believe that they are likely to receive year-end compensation, half anticipate it will be the

same as last year, 22 per cent believe it will be less, and 28 per cent think it will likely be more than last year.

One thing employees lucky enough to get a bonus should remember is that the extra money will be taxed, which means a fair chunk will end up in government coffers. So for an example an Ontario worker earning between \$83,000 and \$129,000 will have his or her bonus taxed at a rate of 43 per cent.

The BMO survey of 1,542 Canadians was conducted online by LegerWeb in early December.

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