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Canadians spend more income on housing than almost anyone in the world

By Roma Luciw

We spend 43% of household income on housing, third highest among the 20 countries surveyed, leaving little room for savings

Canadians are struggling with steep housing costs, according to a large global survey which found that high mortgage, rent and utility payments are leaving little for saving and investing.

The global investor pulse survey, released Thursday morning¹ by money manager BlackRock Inc., found that "many Canadians feel that they are in a financial squeeze – hard pressed to save amid what they perceive as a high cost of living, including devoting much of their income to paying for their homes."

On average, Canadian poll respondents said they spend 43 per cent of each dollar of household income on housing-related costs, which include mortgage and rent, as well as paying for utilities.

Among the 20 countries surveyed, only the Netherlands and Sweden had higher housing costs, at 51 per cent and 45 per cent, respectively, according to the BlackRock release. China had among the lowest housing costs, at 15 per cent, while the U.S. was just below Canada at 42 per cent and Germany came in at 35 per cent.

Rona Birenbaum, a financial planner with Caring for Clients in Toronto, says research shows mortgage repayment periods in Canada have shrunk over the last two decades. "In my experience, most Canadians are in a hurry to be mortgage-free, using tactics such as bi-weekly payments and making additional lump sum payments, when possible."

"So the high percentage of income Canadians allocate to housing-related costs could be driven partly by the rush to pay off their mortgages quickly, at least by retirement," Ms. Birenbaum says, adding that Americans might not feel that same sense of urgency, in part because in the U.S. mortgages are tax deductible.

According to the BlackRock survey, the high cost of housing leaves Canadians with just 13 per cent for saving and 10 per cent for investing. It noted that the combined 23 per cent was "among the lowest rates in the world." (The remaining 35 per cent of each Canadian dollar of household income went into a general category called "money to spend.")

The survey also found that 29 per cent of Canadians use a financial adviser. Among the majority who do not, "the main reason given is that they do not have enough money," BlackRock said.

The biggest financial risk those polled identified was the high cost of living in Canada – 68 per cent said it was the biggest threat to their financial future, compared with 46 per cent that cited inflation and 45 per cent that pointed to the state of the economy.

Concern over the high cost of living shows how much expectations around housing have changed over the past few generations, Ms. Birenbaum says. "Home owners expect to have granite countertops and beautiful hardwood floors – and they want it all now. I believe that if lifestyle expectations were moderated, the cost of living would not be considered as high."

The 2014 BlackRock survey of 27,500 investors from 20 countries was conducted online in August. When asked to list their top financial priority, 53 per cent of the 1,000 Canadian investors polled said saving money, 42 per cent said saving for retirement and 41 per cent said paying off debt.

A majority of Canadians polled – 59 per cent – said they are currently saving for retirement, although just only 30 per cent said they are well

prepared financially for their golden years and 33 per cent said they will likely never be able to retire.

Nearly half of respondents said they are concerned that they will outlive their savings in retirement, and half are concerned that future generations will not be able to save enough for a comfortable retirement.

References

1. www.marketwired.com/press-release/blackrock-survey-canadians-prioritize-long-term-financial-goals-but-their-short-term-1962637.htm

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