Economic Uncertainty and the Financial State of Canadian Households

Thursday, October 26, 2023

Lynne Wolfson

Larry Filler

ENVIRONICS ANALYTICS

Today's Presenters

Larry Filler

Senior Vice President & Practice Leader

Lynne Wolfson

Research Lead, Financial Data Products

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Housekeeping Items

- Throughout the entire webinar, all participants will be in listen-only mode

- However, you can submit a question at any time via the Q&A window at the bottom of the Zoom window

- Your questions may be viewable by other attendees so if you do not wish to have your name attached to a question, please select the "Anonymous" option.

- I'd also like to mention that we are recording this presentation and the recording will be available on our website within the next day or so.
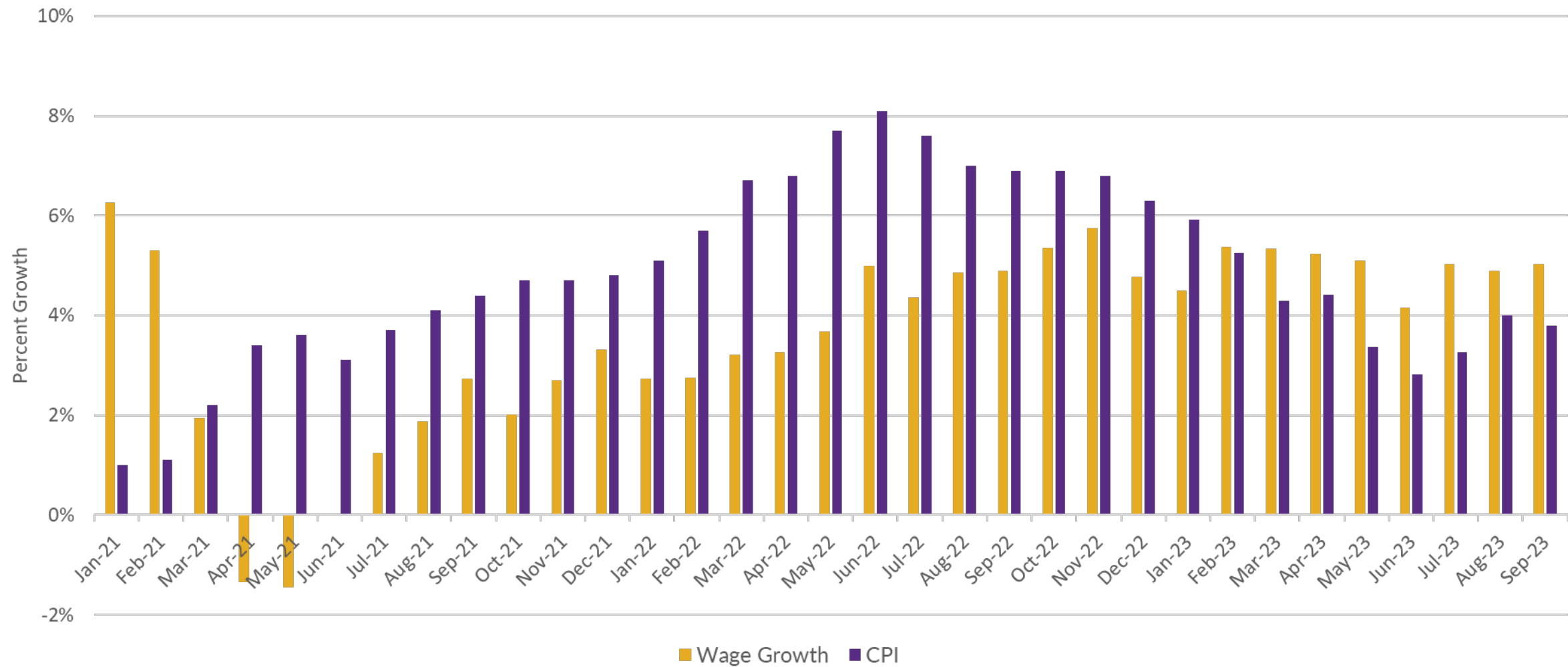
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Economic Landscape in Canada

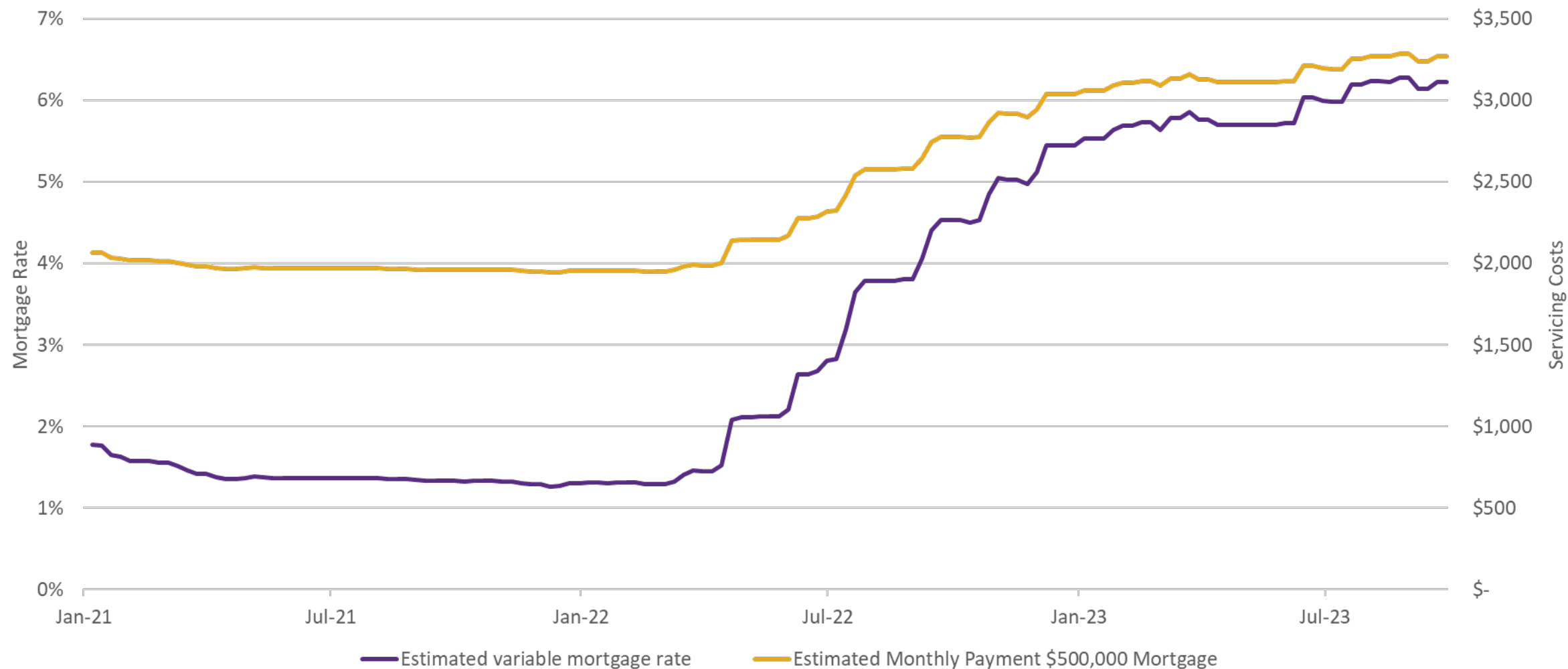Canadian households are feeling the effects of a rapidly changing economy

Wages Catching Up with Inflation

Annualized CPI and Wage Growth

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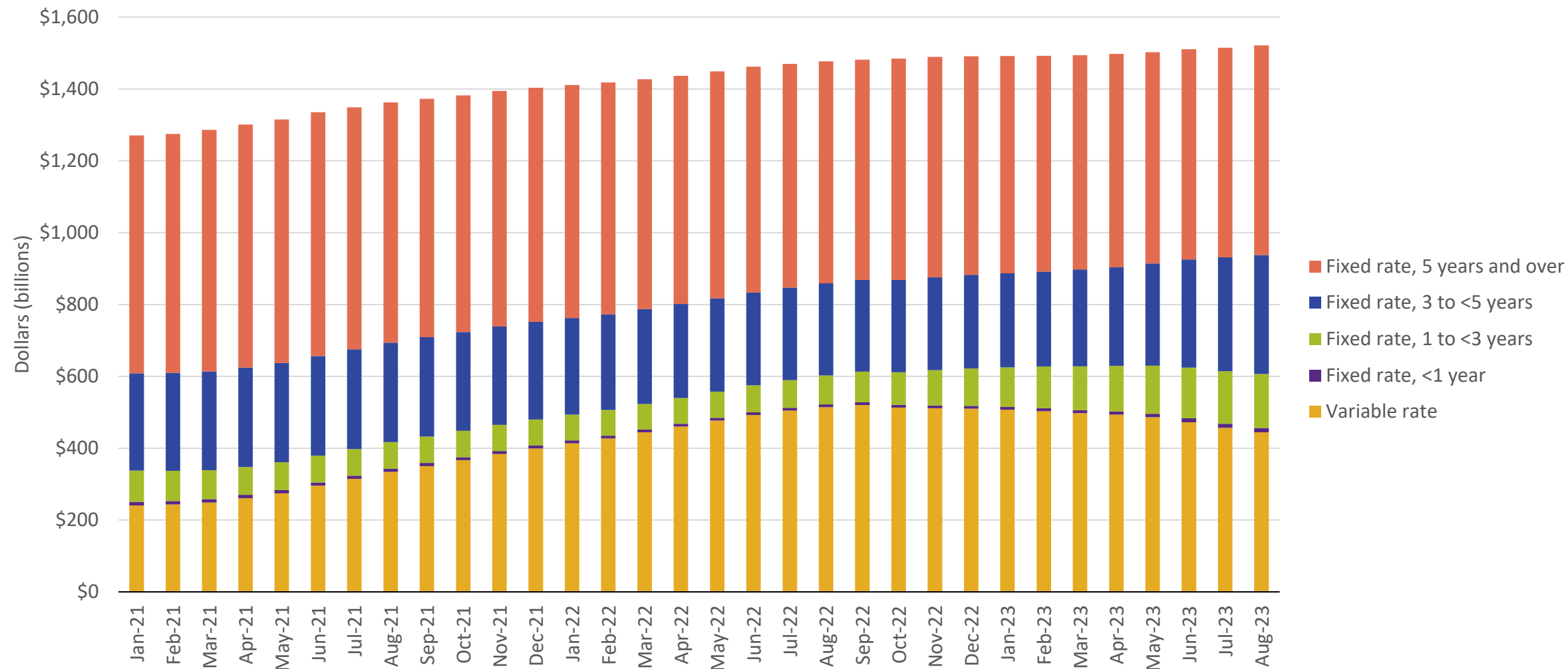
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Soaring Interest Rates and Mortgage Servicing Costs

Variable Mortgage Rates and Servicing Costs

Legend: Estimated variable mortgage rate — Estimated Monthly Payment $500,000 Mortgage

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Mortgage Pipeline Refinancing Into Higher Rates

Chartered Banks – Outstanding Mortgage Balances

Legend:
- Fixed rate, 5 years and over
- Fixed rate, 3 to <5 years
- Fixed rate, 1 to <3 years
- Fixed rate, <1 year
- Variable rate

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Unprecedented Variable Rate Mortgage Originations

Chartered Banks – New Mortgage Funds

Legend:
- Fixed rate, 5 years and over
- Fixed rate, 3 to <5 years
- Fixed rate, 1 to <3 years
- Fixed rate, <1 year
- Variable rate

Y-axis: Dollars (billions), ranging from $0 to $60

X-axis: Jan-21 through Aug-23

Mortgage Pipeline Refinancing Into Higher Rates

Chartered Banks – Outstanding Mortgage Balances

Legend:
- Fixed rate, 5 years and over
- Fixed rate, 3 to <5 years
- Fixed rate, 1 to <3 years
- Fixed rate, <1 year
- Variable rate

Y-axis: Dollars (billions) — $0, $200, $400, $600, $800, $1,000, $1,200, $1,400, $1,600

X-axis: Jan-21, Feb-21, Mar-21, Apr-21, May-21, Jun-21, Jul-21, Aug-21, Sep-21, Oct-21, Nov-21, Dec-21, Jan-22, Feb-22, Mar-22, Apr-22, May-22, Jun-22, Jul-22, Aug-22, Sep-22, Oct-22, Nov-22, Dec-22, Jan-23, Feb-23, Mar-23, Apr-23, May-23, Jun-23, Jul-23, Aug-23

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Markets Going Sideways Amid Uncertainty

Market Performance Indicators

Legend:
- S&P/TSX Composite Total Return_Index
- Teranet HPI
- FTSE TMX Canada Universe Bond_Index

Y-axis: Dollars ($80 – $140)

X-axis: Jan-21 through Jul-23

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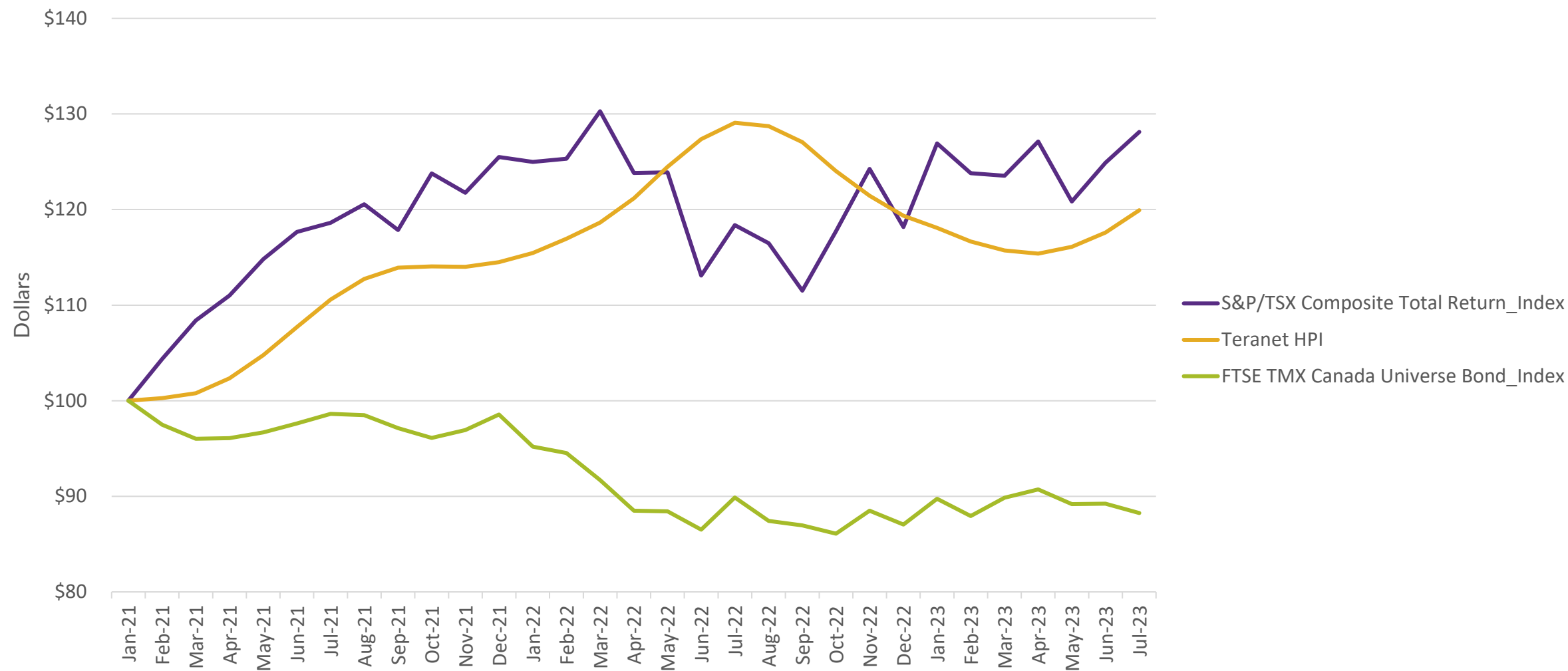
WealthScapes Suite of Products

Targeted geodemographic view of household wealth to give your organization the insights it needs
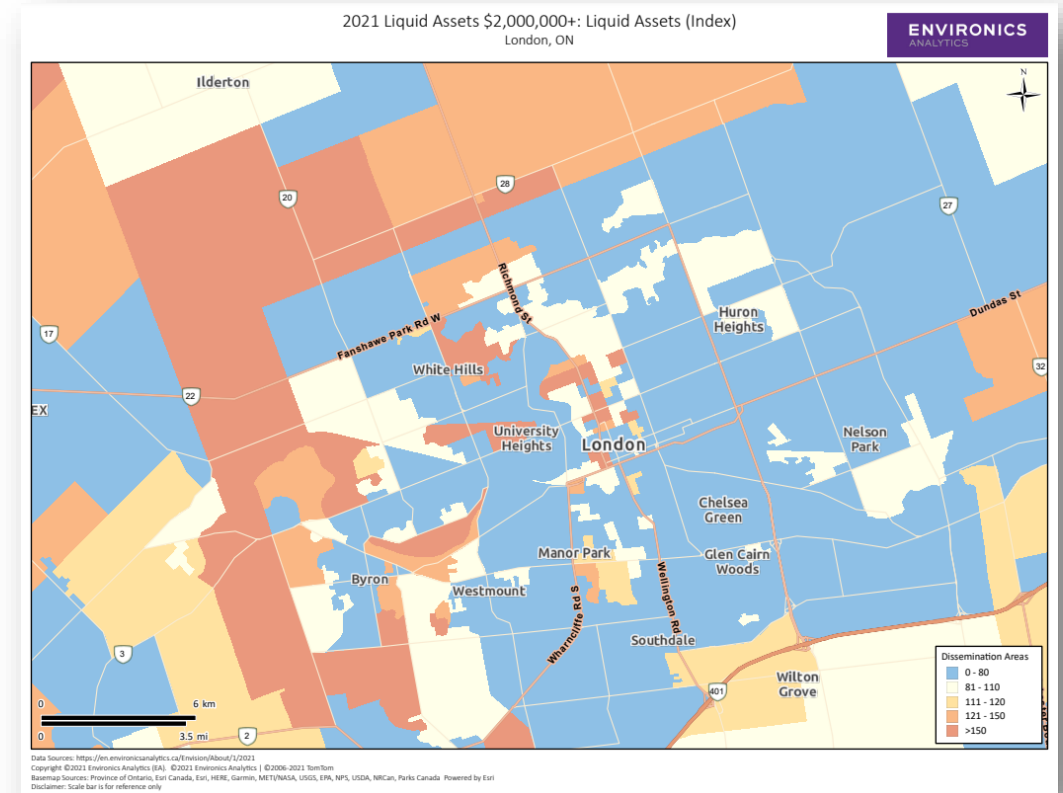
What Is It?

- 216 key financial and investment variables to understand Canadian's assets, liabilities, and income

- Recently rebuilt using a new methodology that allows for easier integration for new data sources, increases stability in our micro estimates, and improves the alignment of the product across geography

- Built using sophisticated modelling techniques and controlled with data from authoritative sources (e.g., Bank of Canada, Canada Revenue Agency, and Statistics Canada)

- Financial institutions, charitable organizations, and large retailers can use WealthScapes to better understand the financial and investment behaviour of their customers

CY Households with Income $200,000 Or Over- Incidence (%)
Victoria, BC
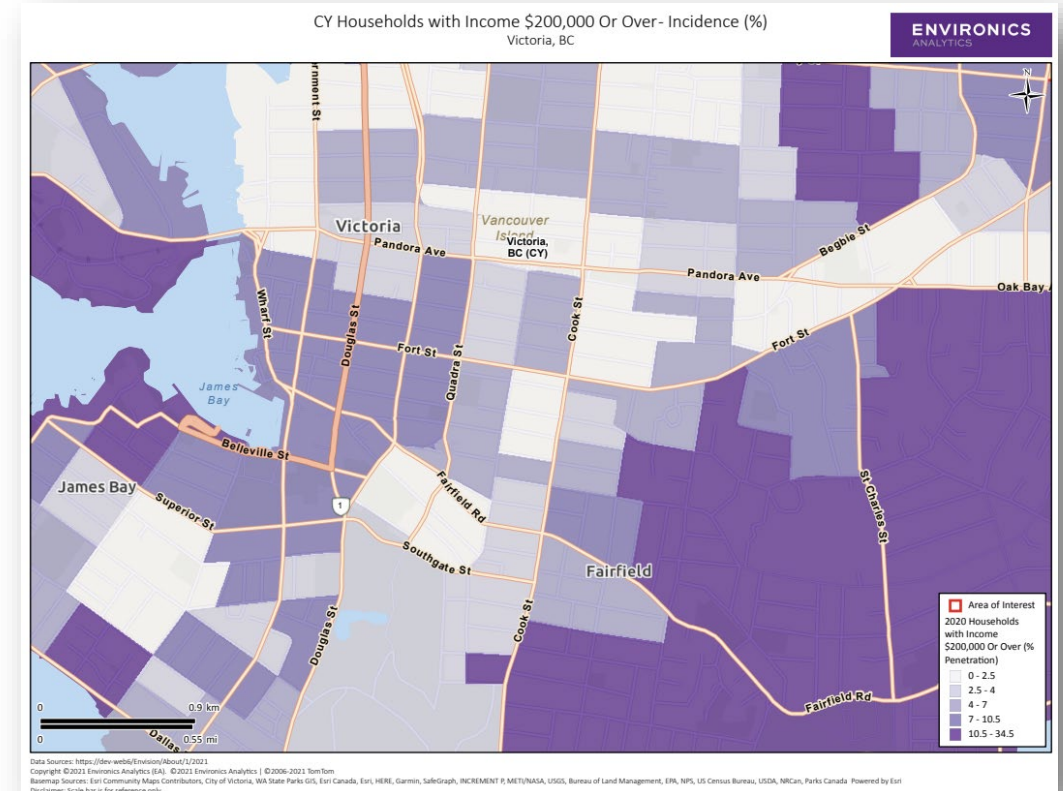
What Is It?

- LiquidAssets measures the distribution of households by liquid asset holdings and further classifies the distribution by maintainer age or household income

- Provides a detailed view of the liquid asset value of Canadian households as well as their overall financial position down to the dissemination area level

- Use LiquidAssets with PRIZM to calculate potential sales opportunities and find high-value prospects based on high-income levels and accumulated assets
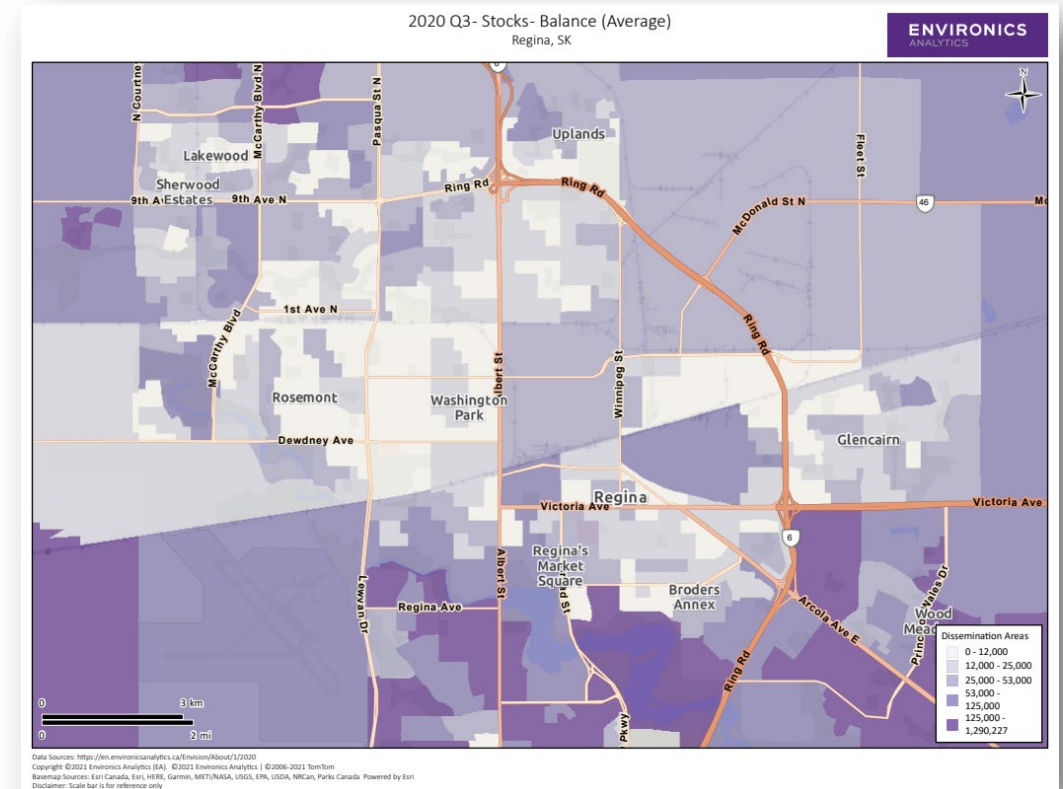

2021 Liquid Assets $2,000,000+: Liquid Assets (Index)
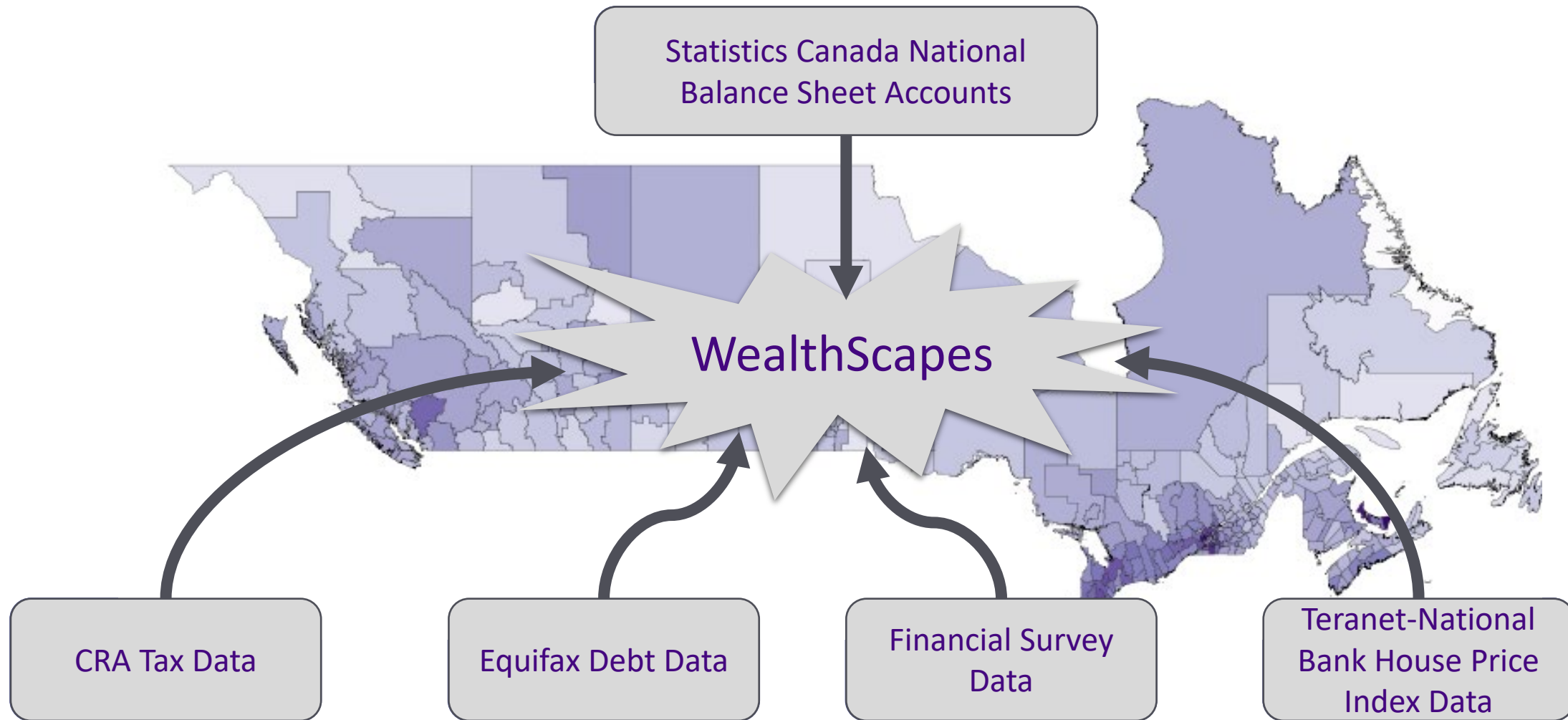London, ON

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What Is It?

- Set of 33 variables updated quarterly at the dissemination-area level

- Quarterly estimates are modelled using inputs and control totals from:

  - Equifax

  - Teranet

  - Canadian Financial Monitor

  - Bank of Canada

  - Labour Force Survey

  - National Economic Accounts

  - DemoStats

- WealthTrends can be used by financial institutions, retailers, and governments to adjust strategies to reflect the most recent economic conditions

2020 Q3- Stocks- Balance (Average)
Regina, SK

From Disparate Data to WealthScapes

Statistics Canada National Balance Sheet Accounts

WealthScapes

CRA Tax Data

Equifax Debt Data

Financial Survey Data

Teranet-National Bank House Price Index Data

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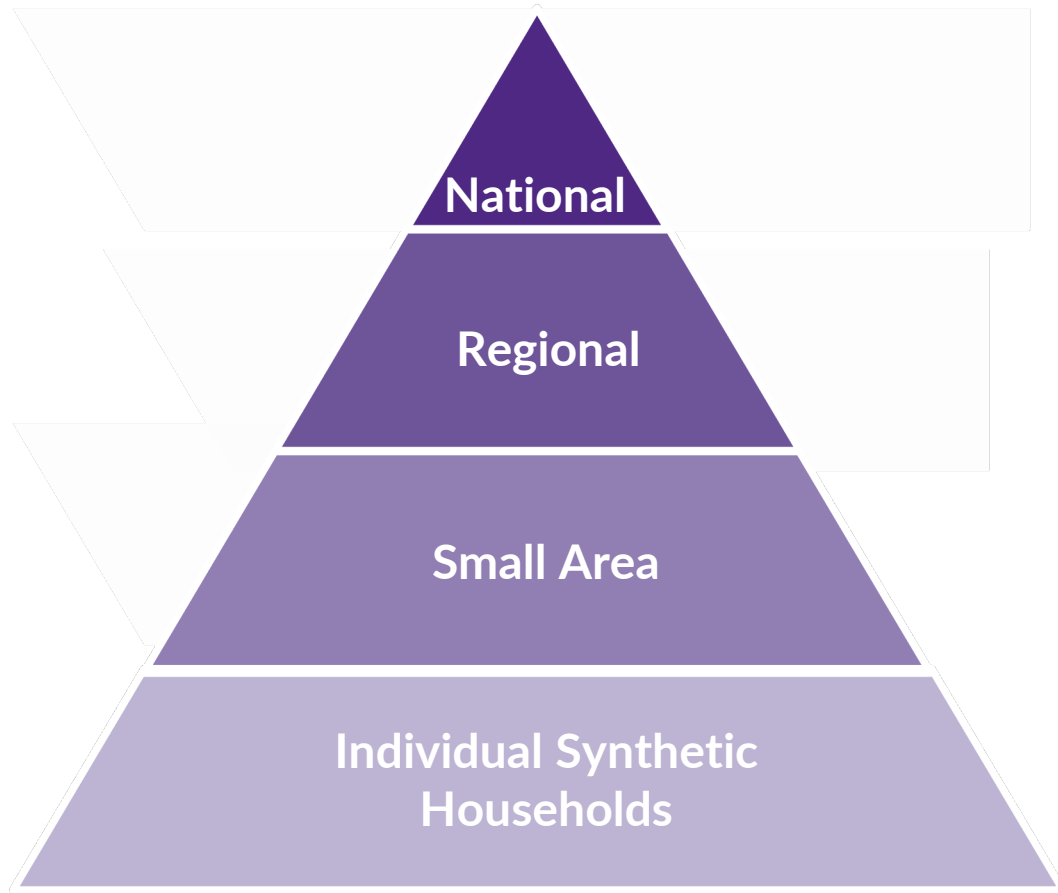
WealthScapes - Built On a Geodemographic Base

Data Sources
- Statistics Canada National Balance Sheet Accounts
- Pension Satellite Account
- Bank of Canada
- CANSIM

- Teranet HPI
- CREA HPI

- Equifax
- CRA Income Tax Data & Longitudinal Administrative Data
- CensusPlus
- Census

- Demostats Hypercube
- Statistics Canada Survey of Financial Security
- Canadian Financial Monitor
- Statistics Canada Canadian Income Survey

Pyramid levels (top to bottom): National, Regional, Small Area, Individual Synthetic Households

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WealthScapes Suite of Products

Breaking down the household balance sheet

WealthScapes' View of the Household Balance Sheet 2022Q4

Financial Assets	**$ 430,993**
Pensions	**$ 157,147**
Real Estate	**$ 507,624**
Debt	**$ 180,726**
Net Worth	**$ 915,037**
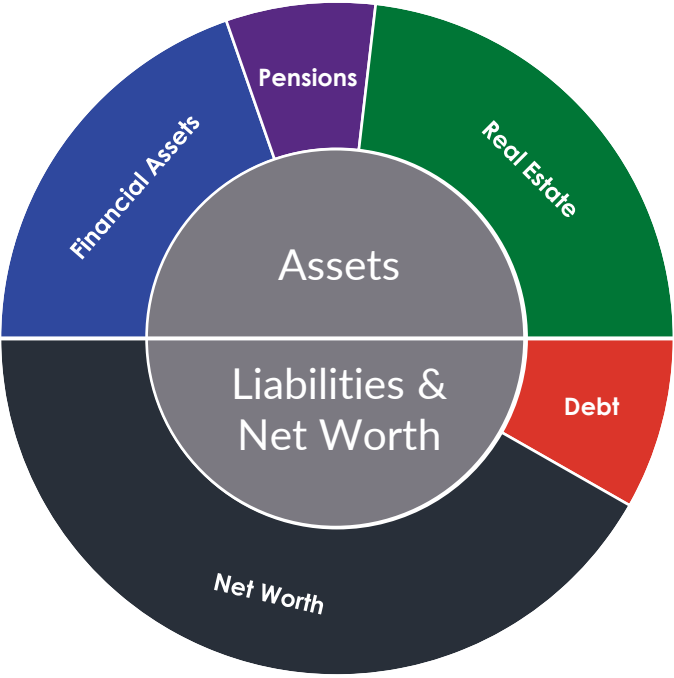
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WealthScapes' View of the Household Balance Sheet 2022Q4

Financial Assets	**$ 430,993**
Unlisted Shares	$ 98,503
Savings	$ 130,419
Investments	$ 202,070
Pensions	**$ 157,147**
Real Estate	**$ 507,624**
Primary	$ 409,409
Other	$ 98,215
Debt	**$ 180,726**
Mortgages	$ 134,000
Consumer Debt	$ 46,726
Net Worth	**$ 915,037**
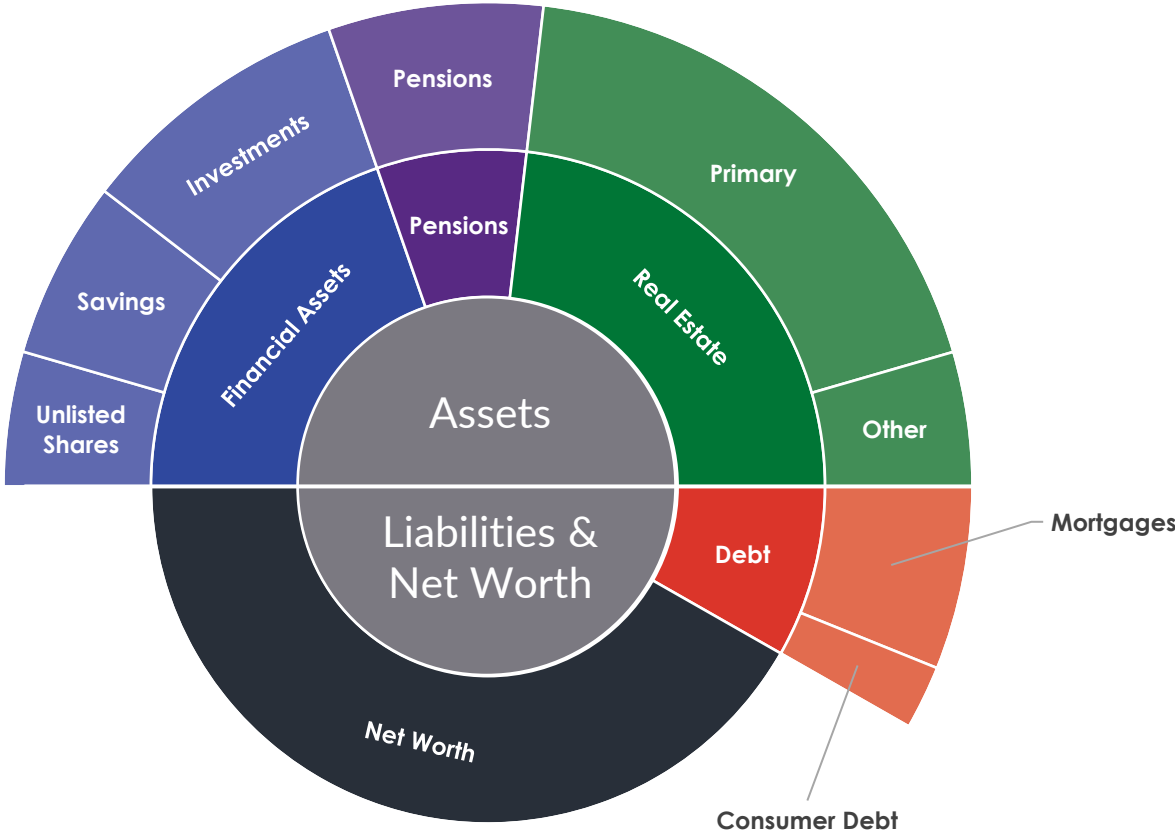
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WealthScapes' View of the Household Balance Sheet 2022Q4

Financial Assets	**$ 430,993**
Unlisted Shares	$ 98,503
Savings	$ 130,419
Demand Deposits	$ 76,173
Term Deposits	$ 54,246
Investments	$ 202,070
Bonds	$ 7,665
Stocks	$ 47,753
Mutual Funds	$ 108,819
Segregated Funds	$ 25,377
ETFs	$ 12,456
Pensions	**$ 157,147**
Real Estate	**$ 507,624**
Primary	$ 409,409
Other	$ 98,215
Debt	**$ 180,726**
Mortgages	$ 134,000
Consumer Debt	$ 46,726
Credit Cards	$ 7,786
Loans	$ 17,938
Lines of Credit	$ 21,003
Net Worth	**$ 915,037**

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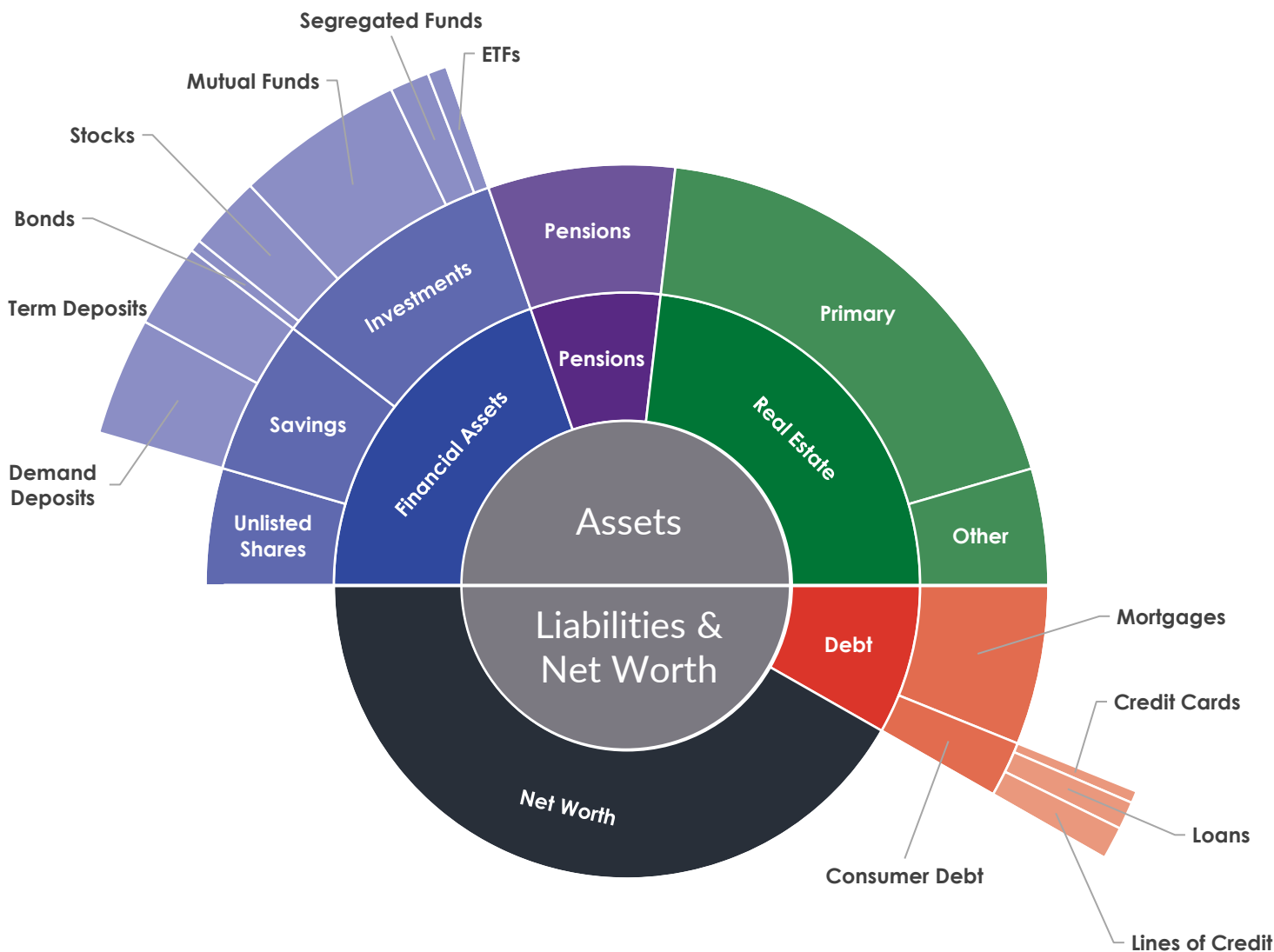
Net Worth Trend by Region and CMA
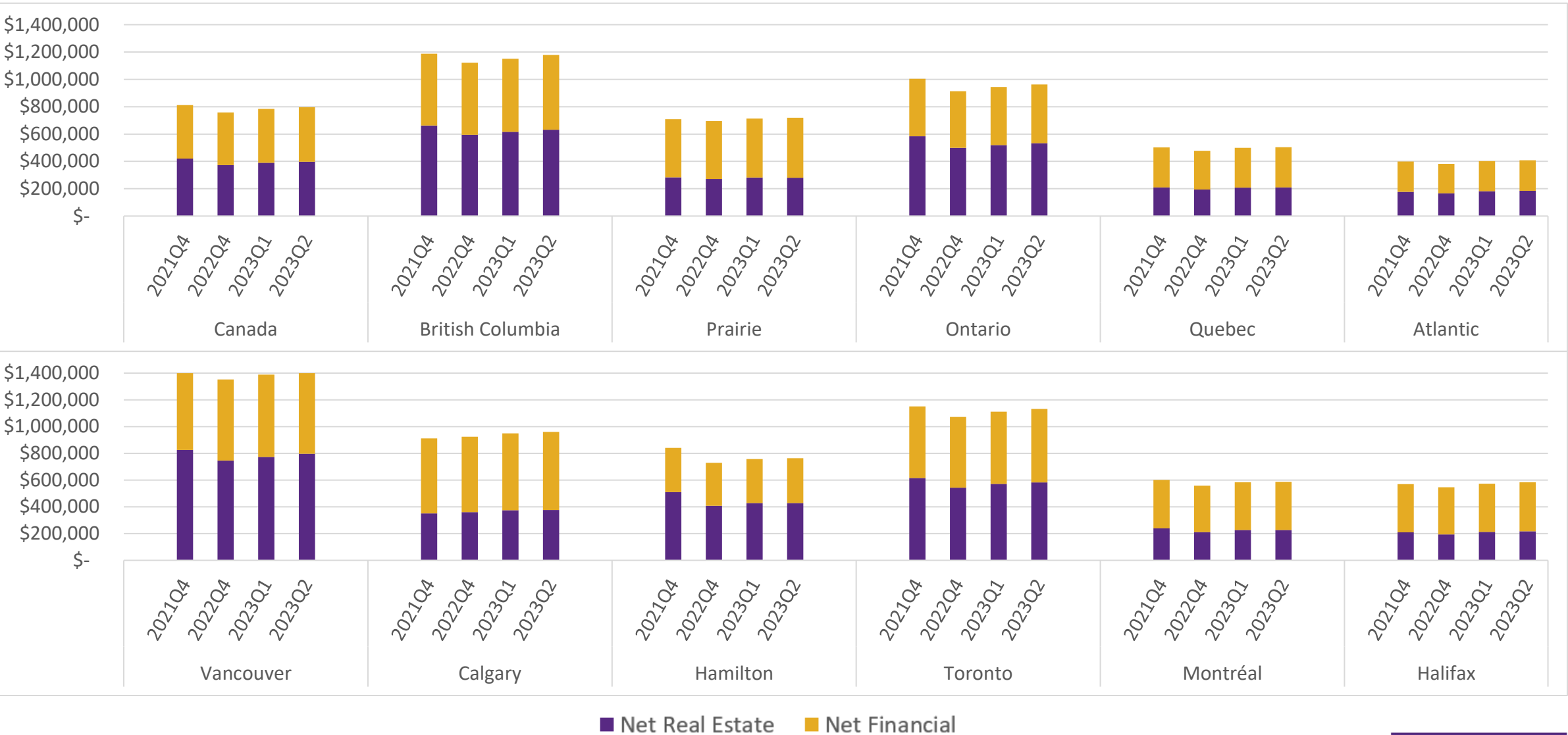
■ Net Real Estate ■ Net Financial

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Regional Differences Between Average Household Balance Sheets

Quebec

BC

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PRIZM Profiles

01 THE A-LIST
U1 URBAN ELITE — OLDER FAMILIES & EMPTY NESTS **M1**

Very wealthy cosmopolitan families and couples

67 JUST GETTING BY
U5 YOUNGER URBAN MIX — YOUNGER SINGLES & COUPLES **Y2**

Younger, low-income city singles and families

11 MODERN SUBURBIA
S2 HIGH-INCOME SUBURBAN DIVERSITY — YOUNG FAMILIES **Y3**

Multi-ethnic younger and middle-aged suburbanites

21 SCENIC RETIREMENT
S6 OLDER SUBURBAN — MATURE SINGLES & COUPLES **M2**

Older middle-income suburbanites

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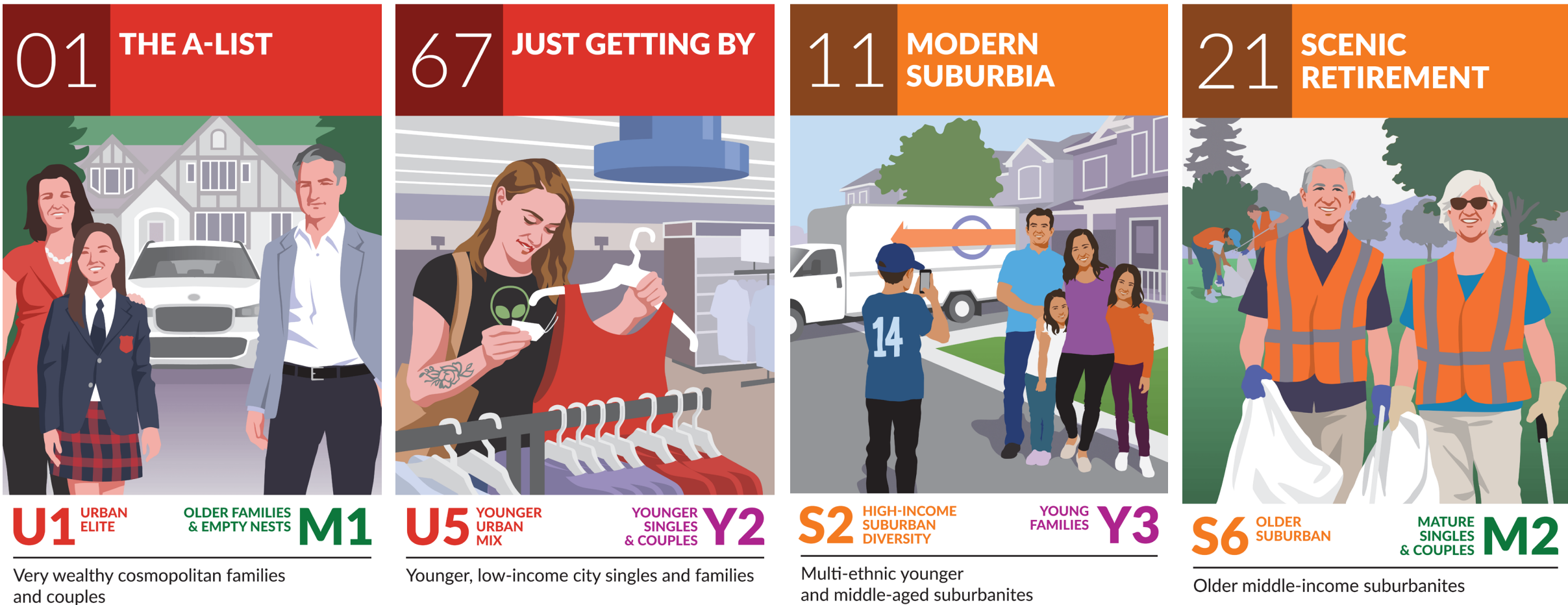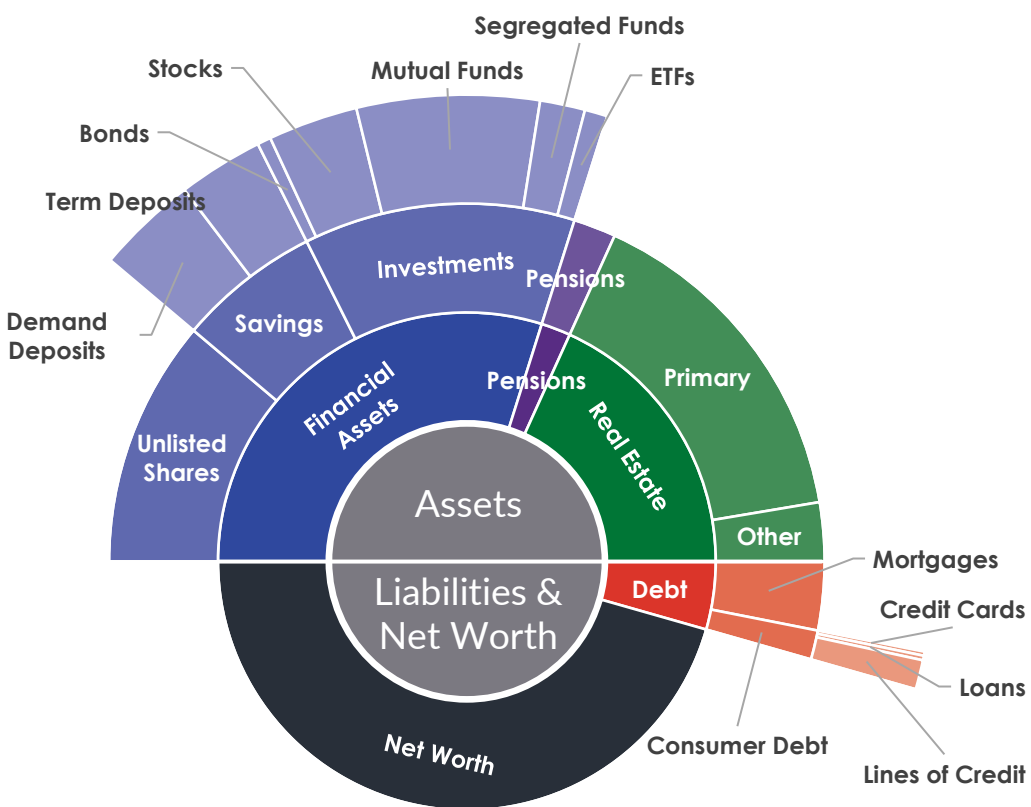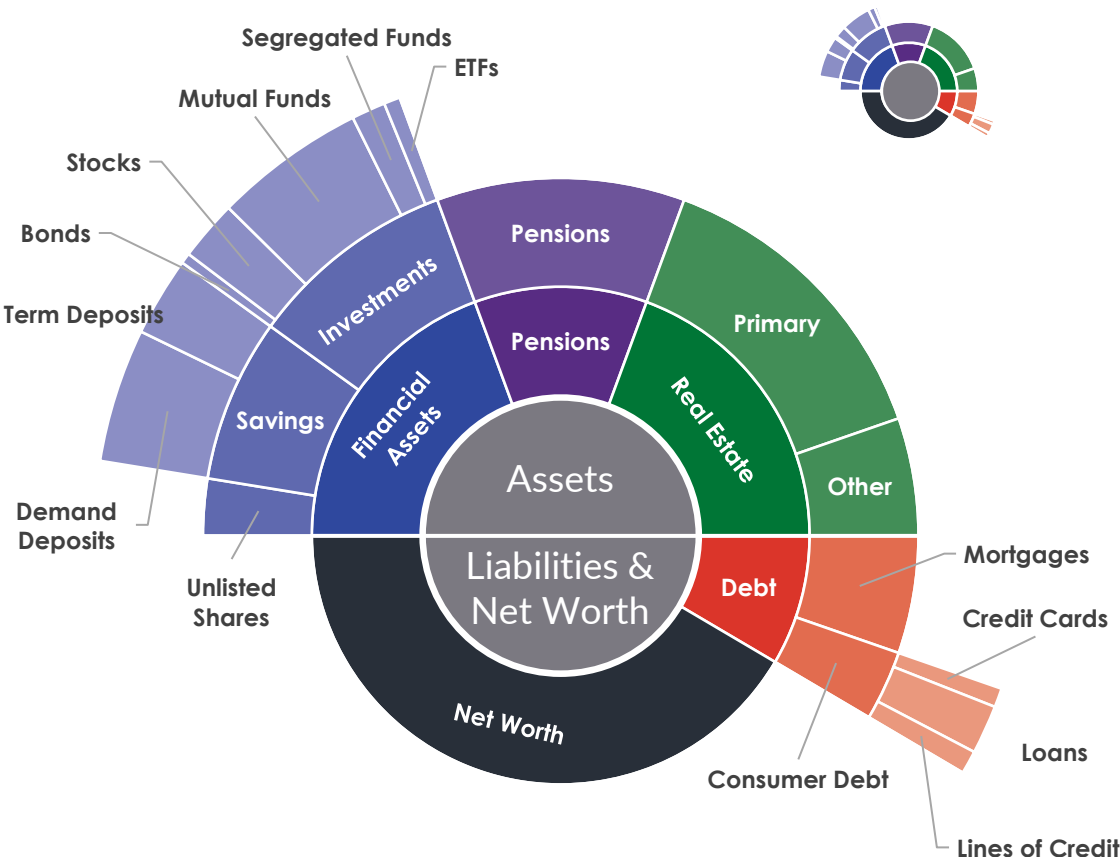
Household Wealth – Contrasting PRIZM Segments

A-List (Disposable Income 300k)

Just Getting By (Disposable Income 30k)

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Household Wealth – Contrasting PRIZM Segments

Modern Suburbia

Scenic Retirement

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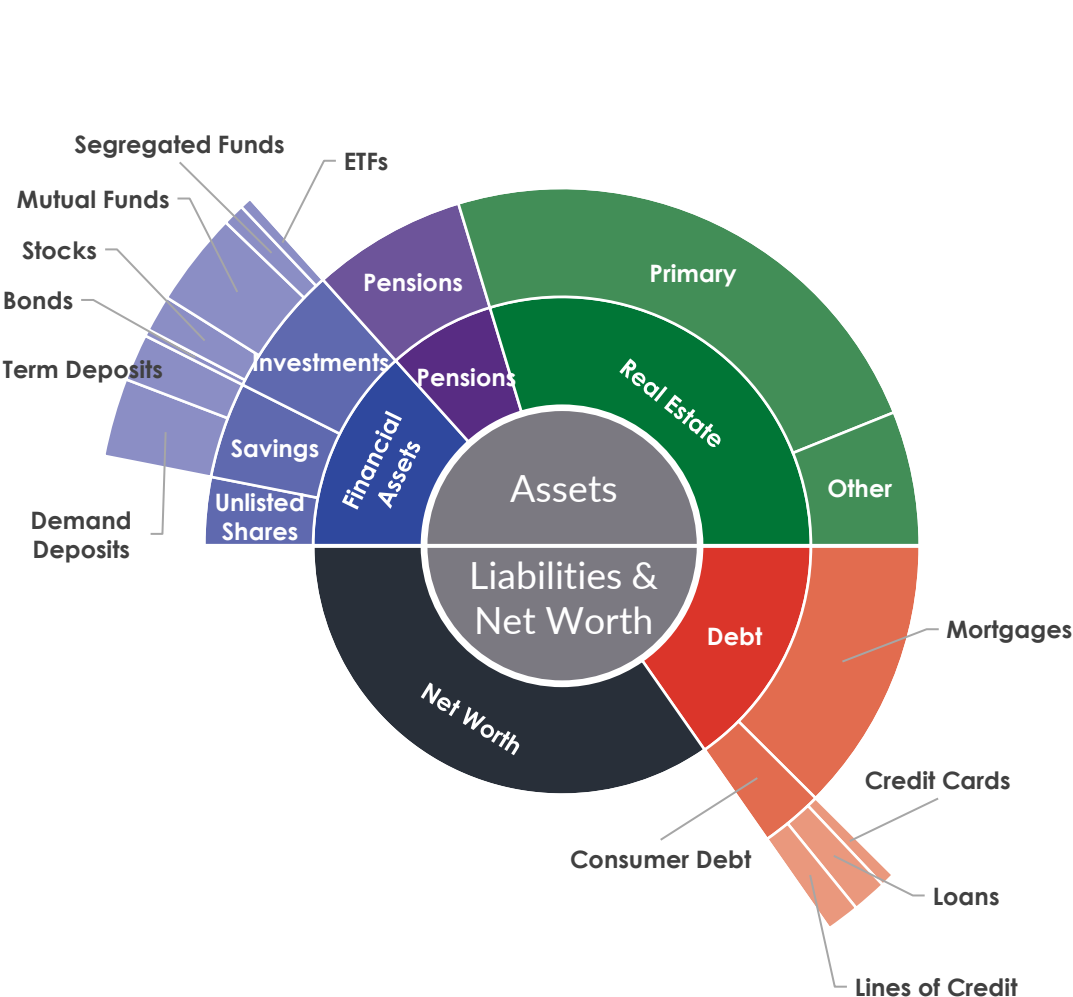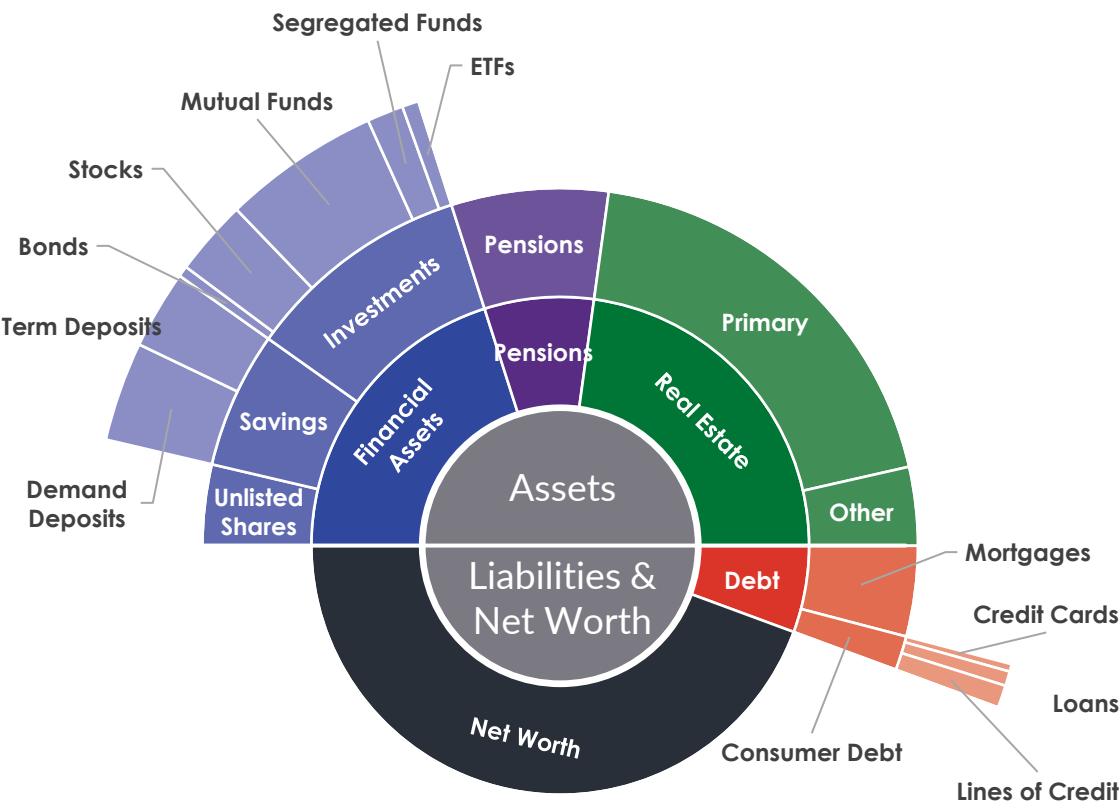
Rising Borrowing Costs

WealthScapes and LiquidAssets Insights

Mortgage Balance Trends Across Regions and CMAs

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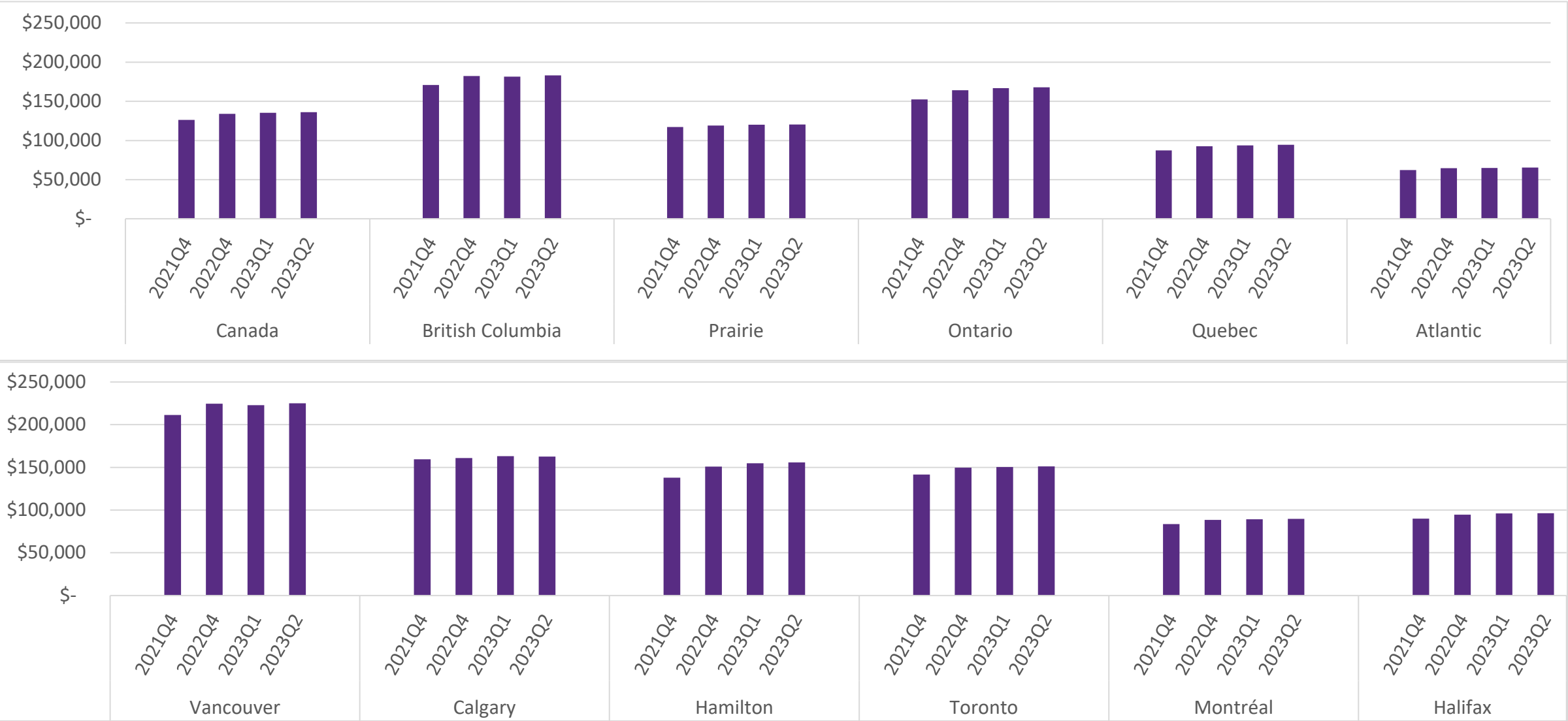
Real Estate, Mortgages and Net Equity Across Regions and CMAs

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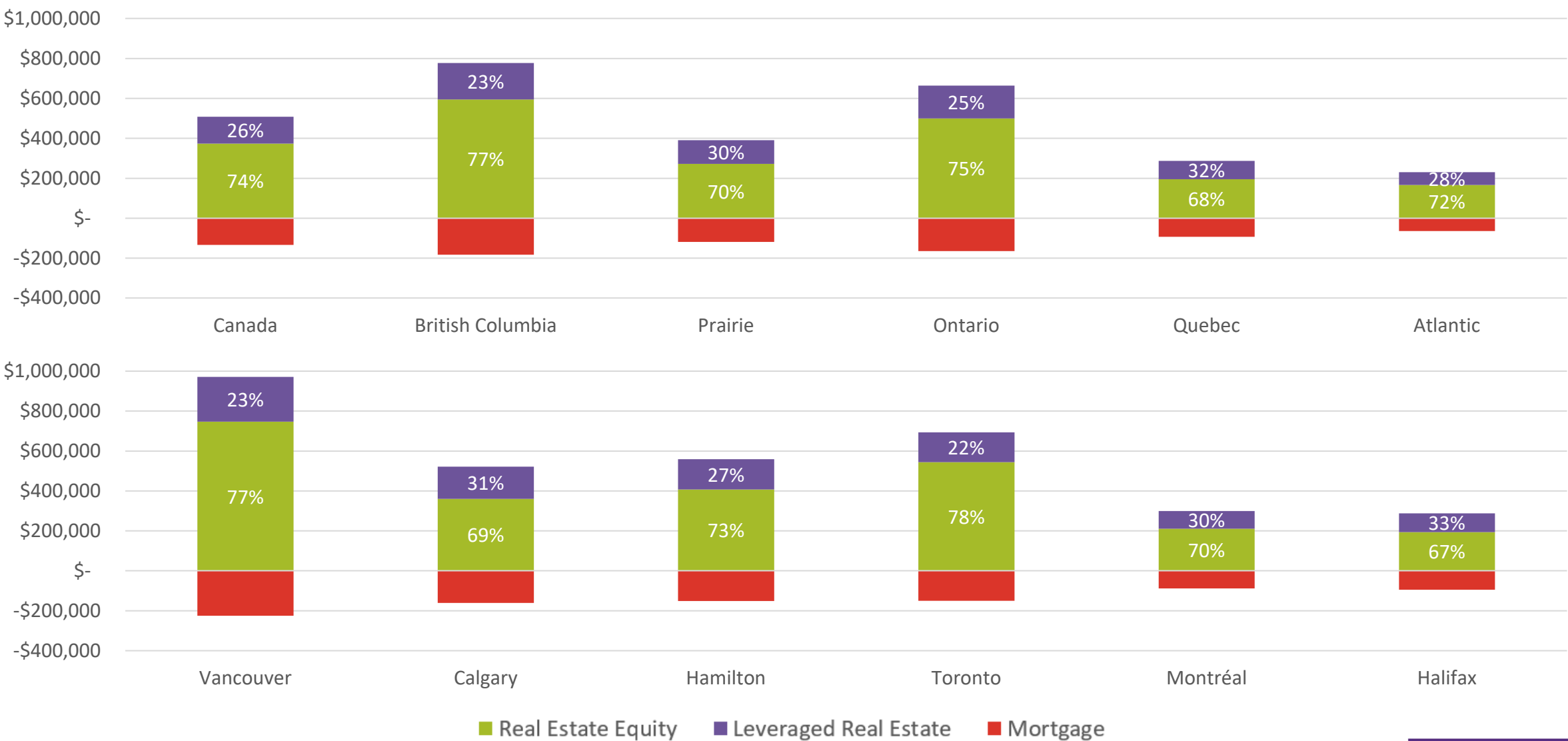
Mortgage to Disposable Income Across Regions and CMAs

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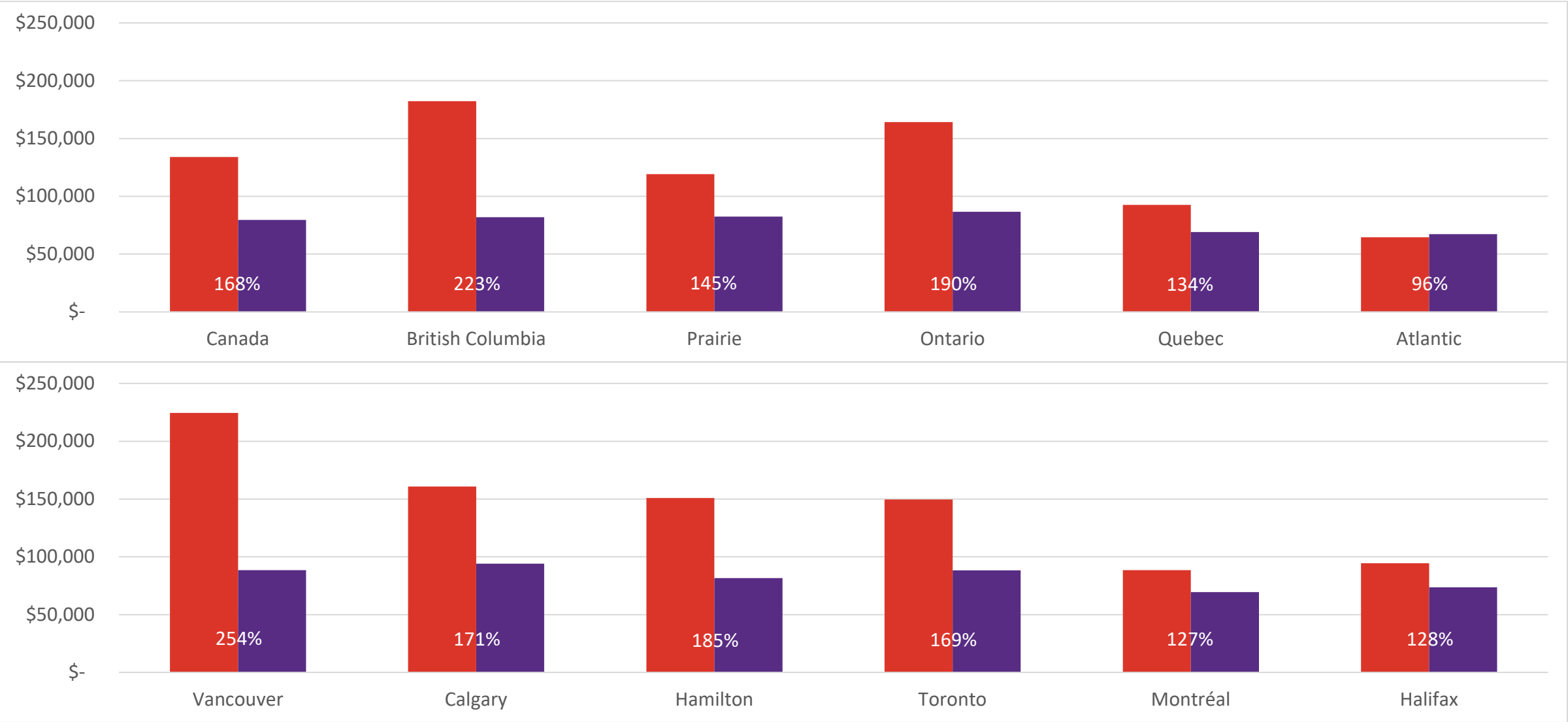
Peaking Into The Distributions – Finding Vulnerable Households

Mortgage Balance by Income, # Households
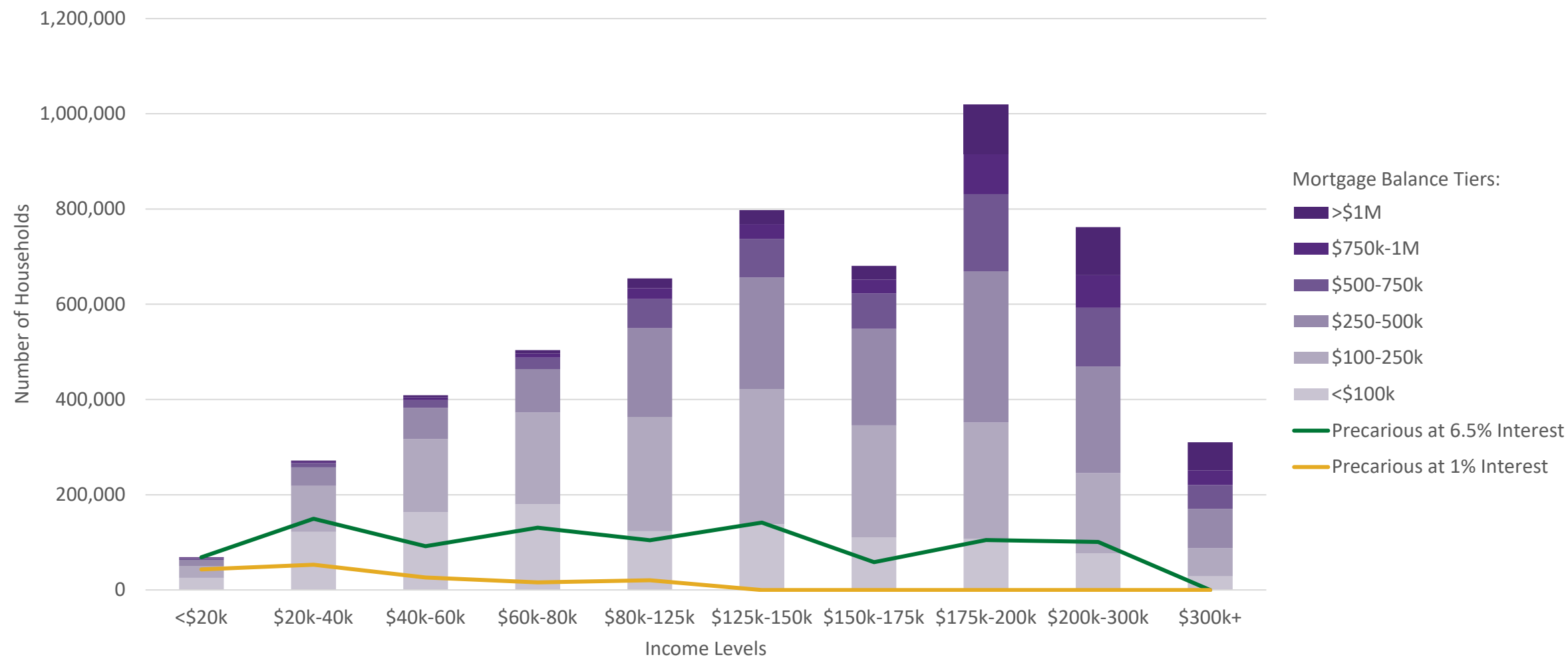
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Peaking Into The Distributions – Finding Vulnerable Households

Debt to disposable income

Percent at-risk households

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Peaking Into The Distributions – Finding Vulnerable Households

Debt to disposable income

Percent at-risk households

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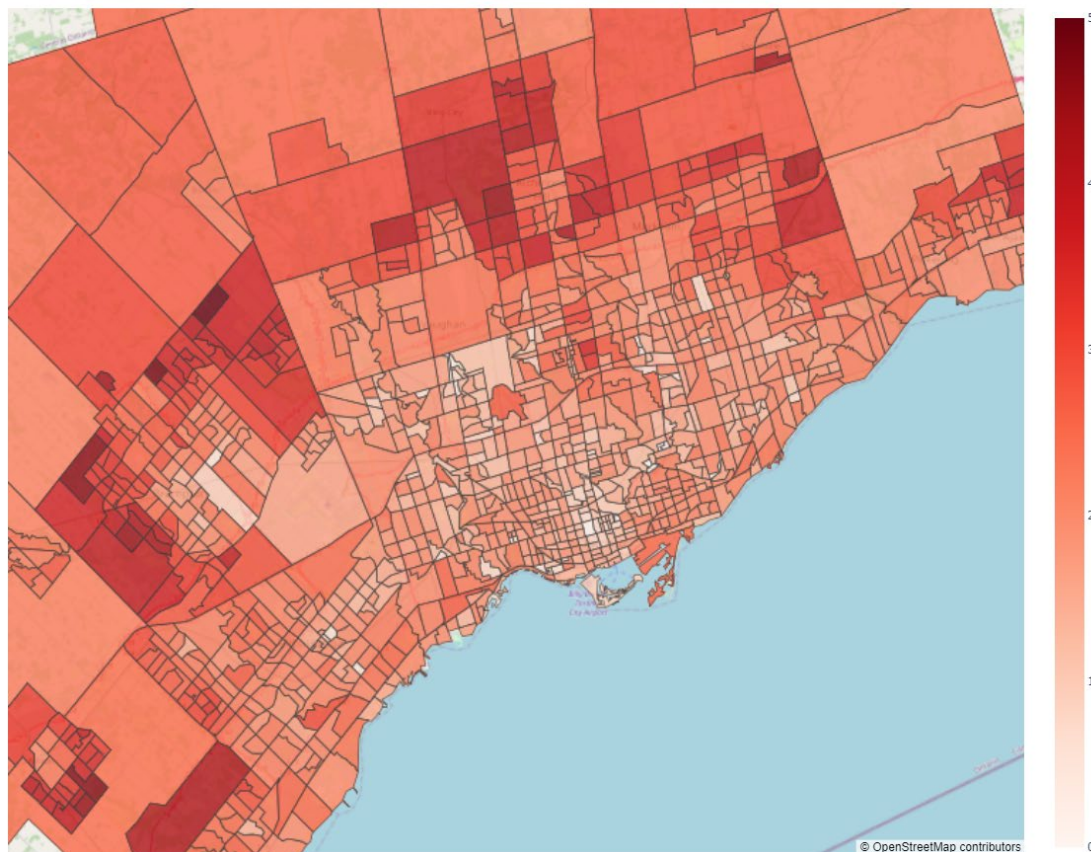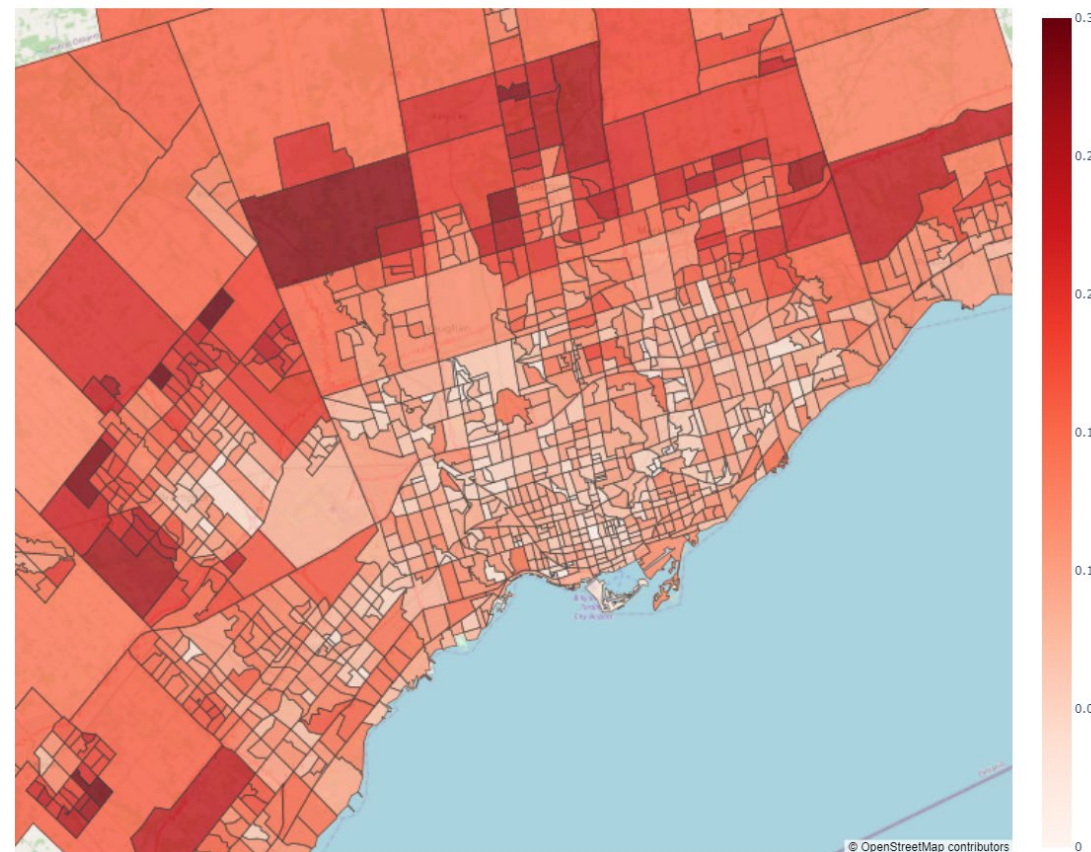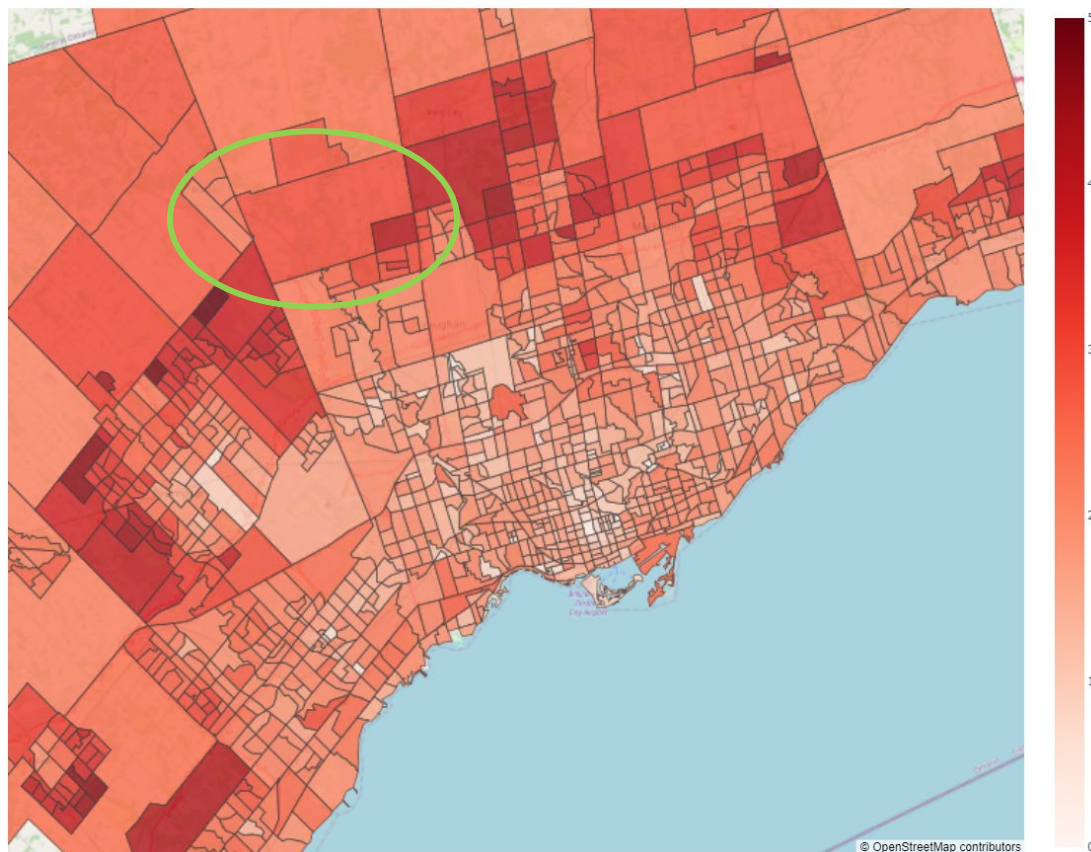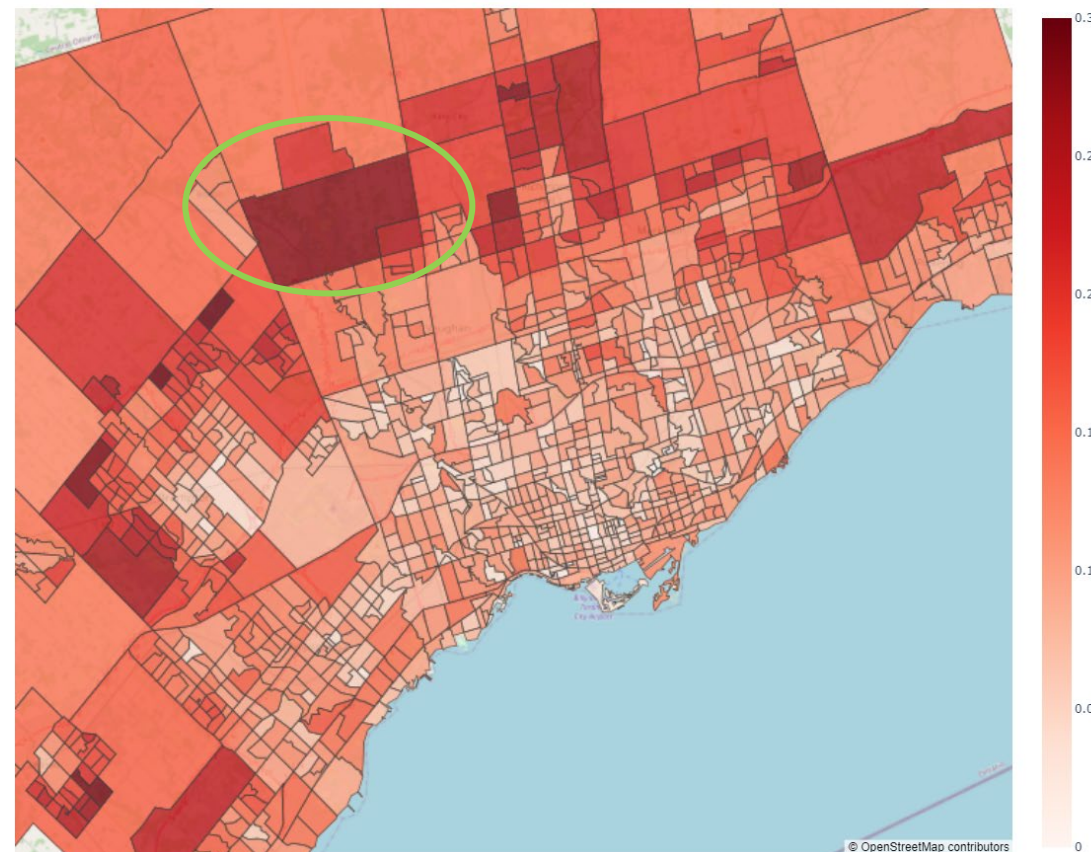
WealthScapes Suite of Products

Savings buffers and emergency funds

LiquidAssets and Consumer Debt by Region and CMA

Top chart:

Category	Canada	British Columbia	Prairie	Ontario	Quebec	Atlantic
Investments	254%	321%	251%	254%	233%	185%
Savings	164%	200%	162%	162%	156%	129%
Consumer Debt	59%	60%	61%	59%	55%	65%

Bottom chart:

Category	Vancouver	Calgary	Hamilton	Toronto	Montréal	Halifax
Investments	330%	280%	220%	290%	261%	247%
Savings	203%	174%	143%	184%	171%	165%
Consumer Debt	60%	60%	55%	51%	43%	60%

■ Savings ■ Investments ■ Consumer Debt

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Average LiquidAssets Balances – Financially Vulnerable or Resilient?

Average Liquid Assets

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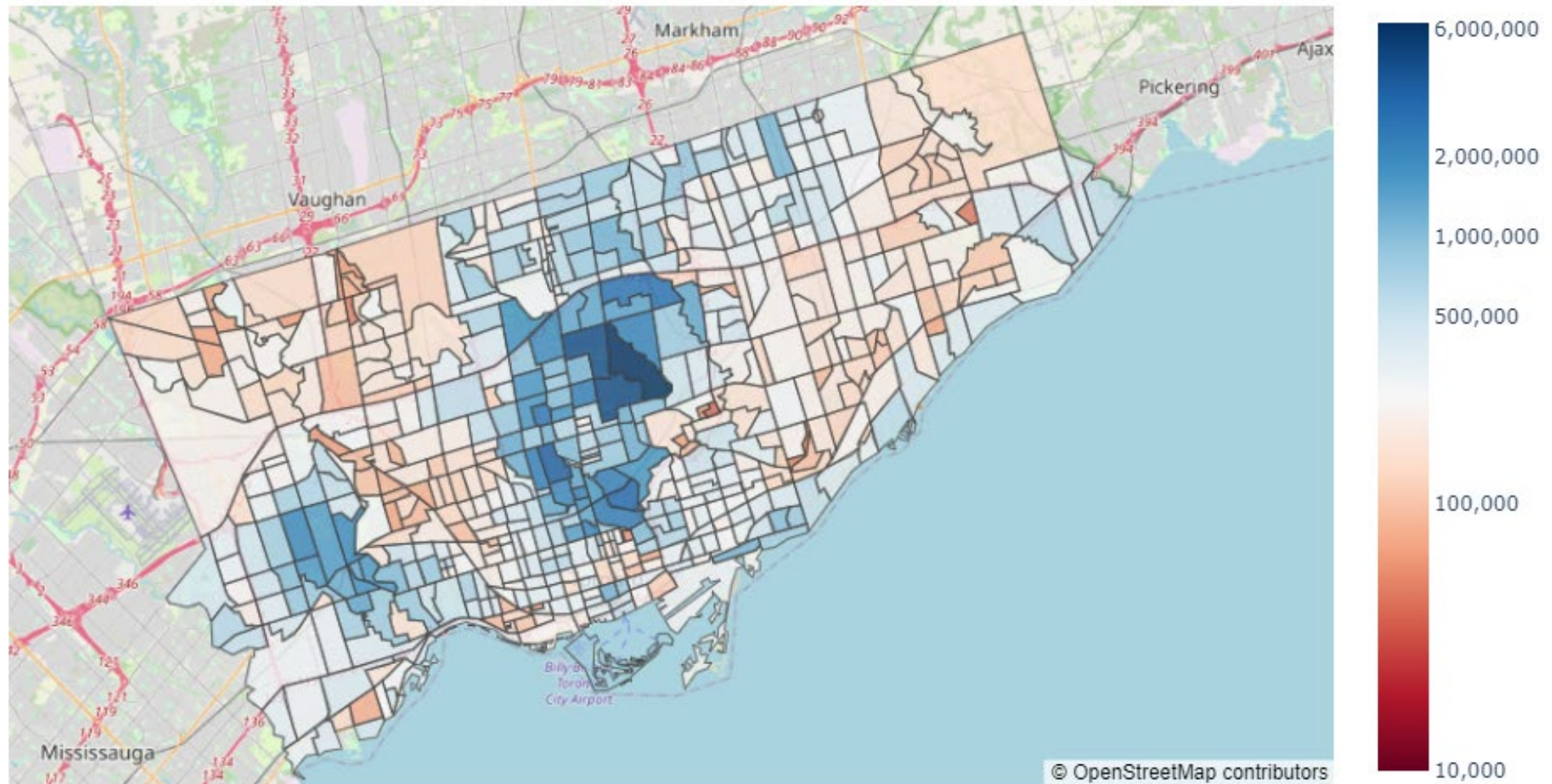
Using LiquidAssets to Look Beyond the Averages
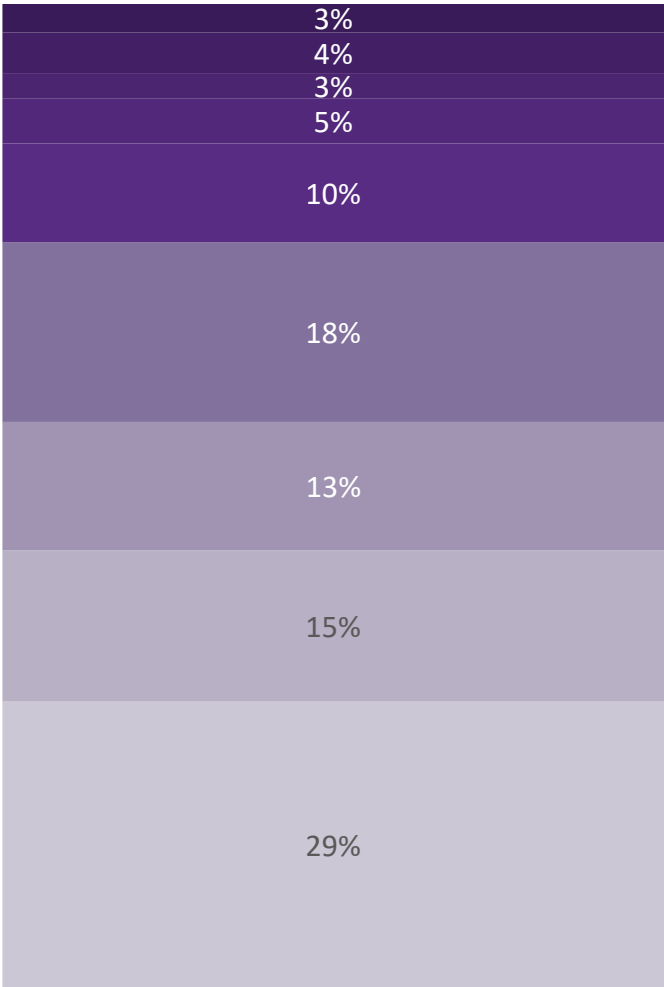
Liquid Asset Tiers:
- ■ >$2M
- ■ $1M to $2M
- ■ $750k to $1M
- ■ $500k to $750k
- ■ $250k to $500k
- ■ $100k to $250k
- ■ $50k to $100k
- ■ $20k to $50k
- ■ <$20k

% OF HOUSEHOLDS (left chart):
- 3%
- 4%
- 3%
- 5%
- 10%
- 18%
- 13%
- 15%
- 29%

% OF TOTAL LIQUID ASSET HELD (right chart):
- 47%
- 16%
- 6%
- 8%
- 10%
- 8%
- 3%
- 1.4%
- 0.5%

% OF HOUSEHOLDS

% OF TOTAL LIQUID ASSET HELD

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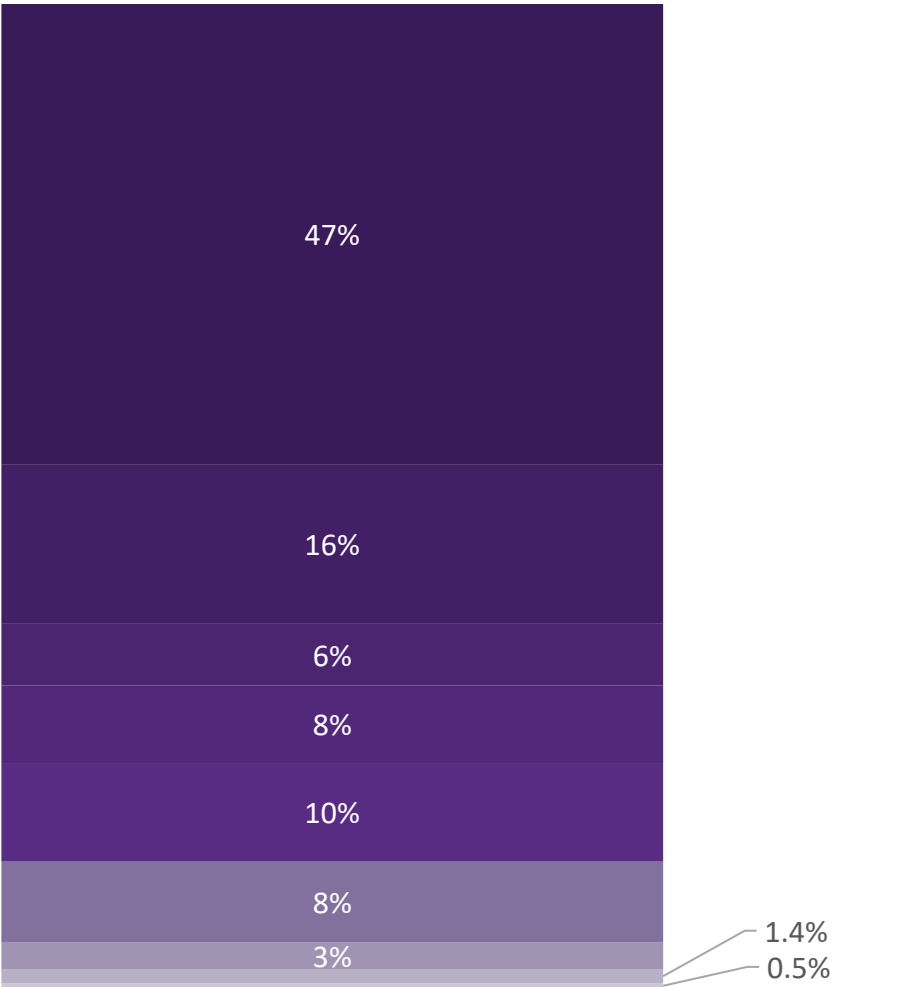
LiquidAssets by Contrasting PRIZM segments
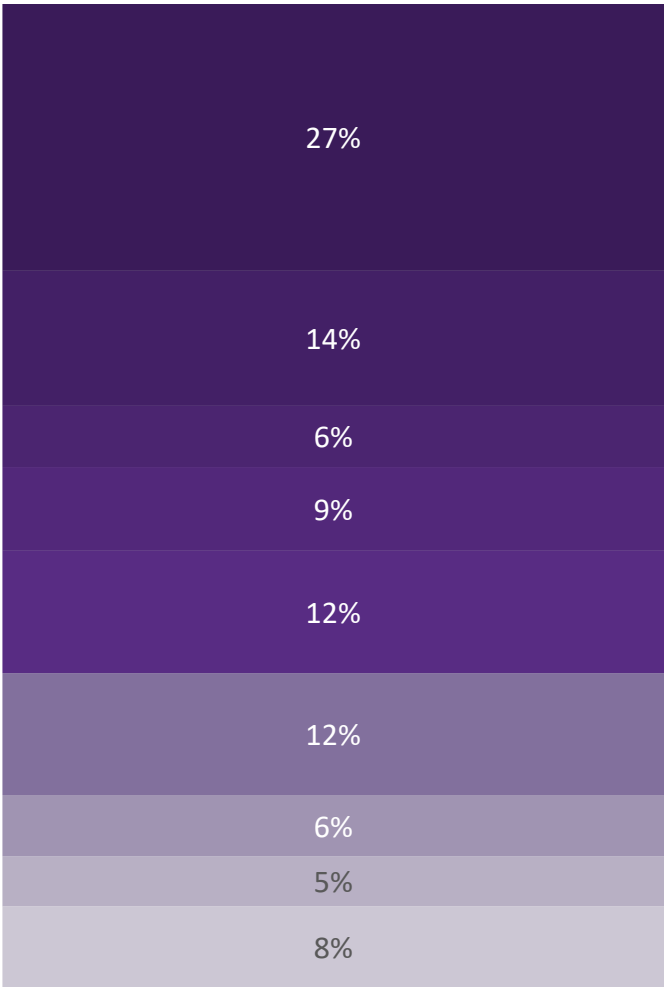
THE A-LIST

- 27%
- 14%
- 6%
- 9%
- 12%
- 12%
- 6%
- 5%
- 8%

Liquid Asset Tiers:
- ■ >$2M
- ■ $1M to $2M
- ■ $750k to $1M
- ■ $500k to $750k
- ■ $250k to $500k
- ■ $100k to $250k
- ■ $50k to $100k
- ■ $20k to $50k
- ■ <$20k

JUST GETTING BY

- 1%
- 1%
- 1%
- 2%
- 5%
- 10%
- 10%
- 14%
- 55%

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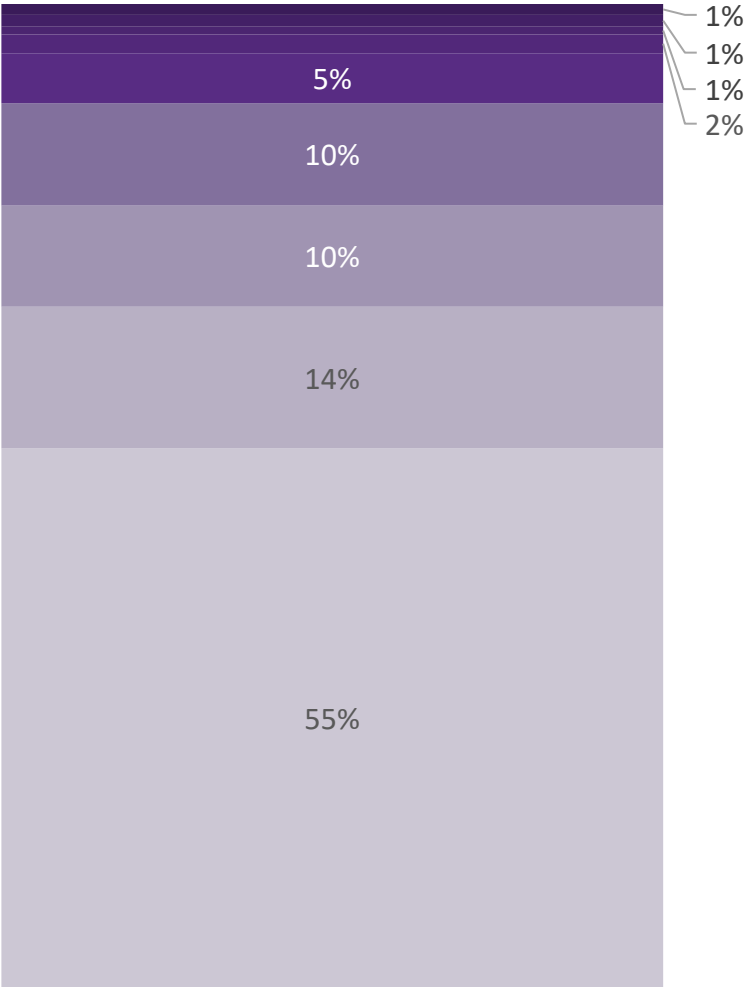
A Better Way to Look – Financially Vulnerable or Resilient?

Percent of Households with Less than $20,000 of Liquid Assets

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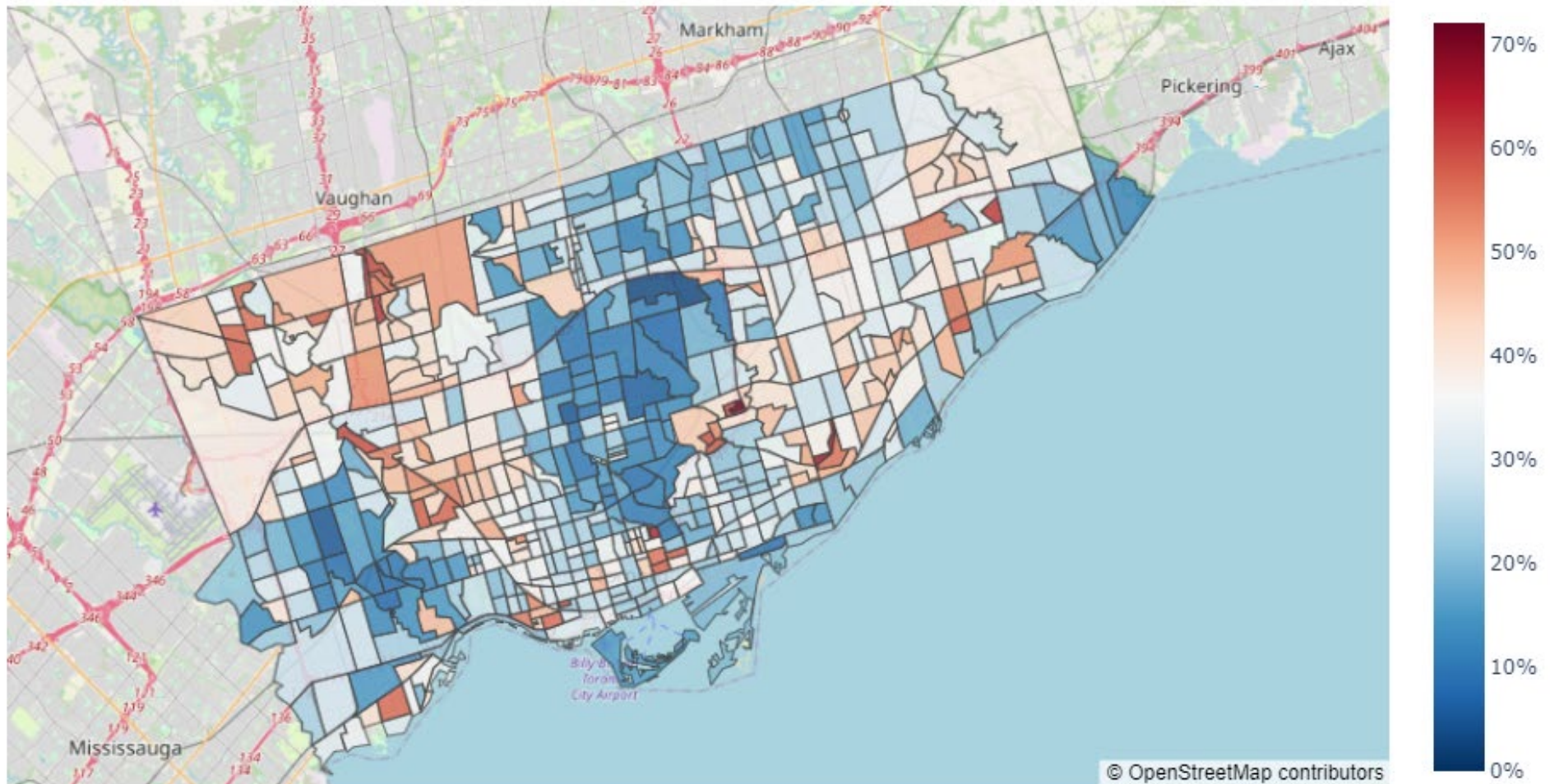
Term Deposit Balances Surge Across the Country (Regions and CMAs)

Legend: ■ Term ■ Demand

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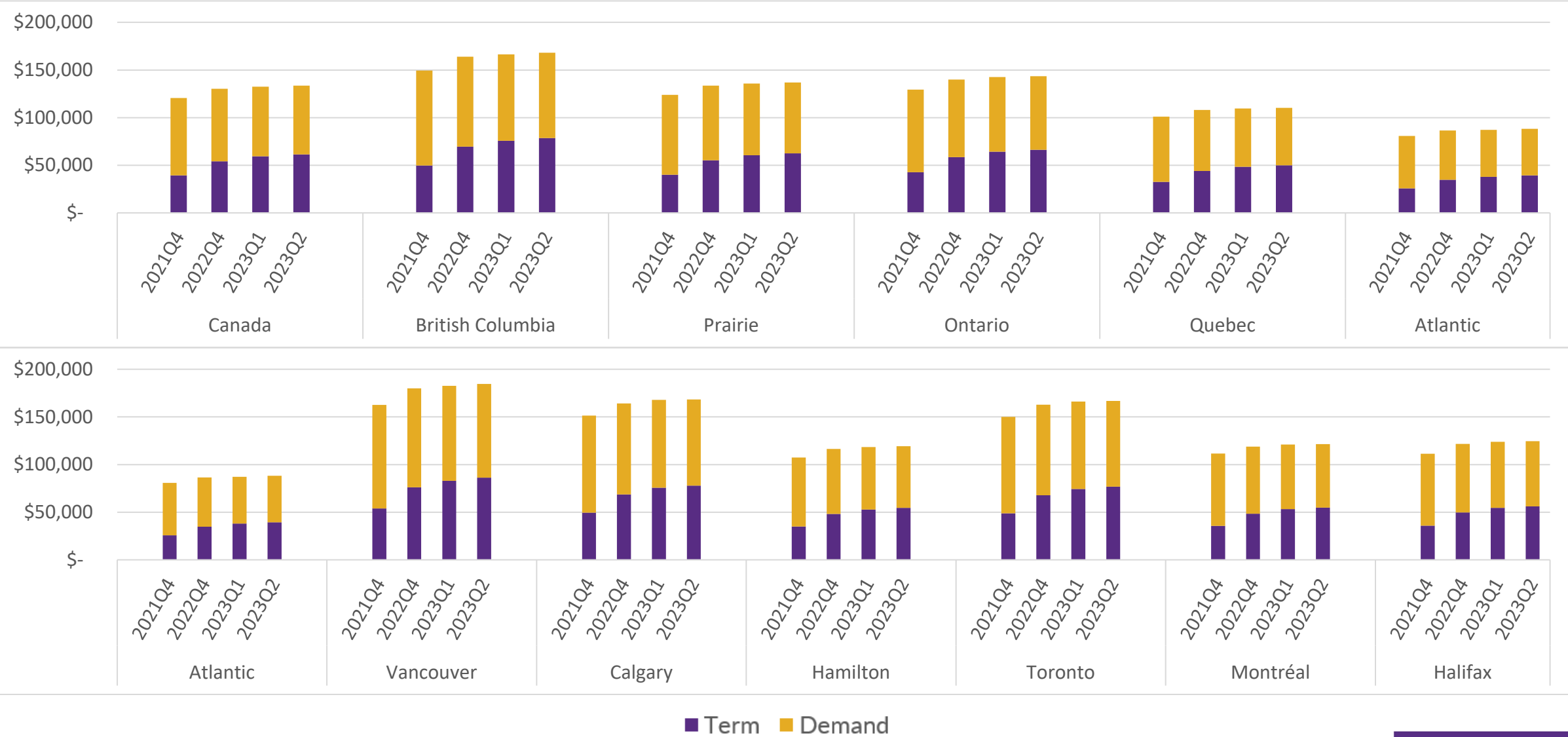
WealthScapes Use Cases

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Using WealthScapes to Intentionally Grow & Inform Strategy

Evaluate Market & Product Opportunities

Understand product penetration, market share and average wallet share nationally and regionally to identify growth opportunity and inform strategy

Advisor Trade Area Analysis & Goal Setting

Inform Advisors and Brokers of the available dollars by neighborhood to enable them to target new customers and neighbourhoods tactically

Enhance Growth & Retention Strategies

Evaluate the current and potential value of your clients and identify servicing strategies that will help to deepen your relationships and grow intentionally

Modeling

Use financial data at the postal code to identify lift and enhance offers and predict upsell, cross-sell, and acquisition strategy

Debt Highest in Areas in B.C and Ontario

Debt to Disposable Income Ratio, 2022

Top 20 CMAs, Montreal and Winnipeg

CMA	Ratio
Abbotsford - Mission, B.C.	3.35
Vancouver, B.C.	3.14
Chilliwack, B.C.	3.00
Oshawa, Ont.	2.96
Toronto, Ont.	2.88
Barrie, Ont.	2.73
Kelowna, B.C.	2.71
Hamilton, Ont.	2.56
Victoria, B.C.	2.54
Guelph, Ont.	2.43
Kitchener - Cambridge - Waterloo, Ont.	2.39
Kamloops, B.C.	2.35
Nanaimo, B.C.	2.35
Calgary, Alta.	2.31
Canada	2.27
Brantford, Ont.	2.25
Edmonton, Alta.	2.21
Saskatoon, Sask.	2.10
St. Catharines - Niagara, Ont.	2.10
London, Ont.	2.05
Ottawa - Gatineau, Ont./Que.	2.05
Montréal, Que.	2.02
Winnipeg, Man.	1.87

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Using PRIZM to Identify Financial Assets
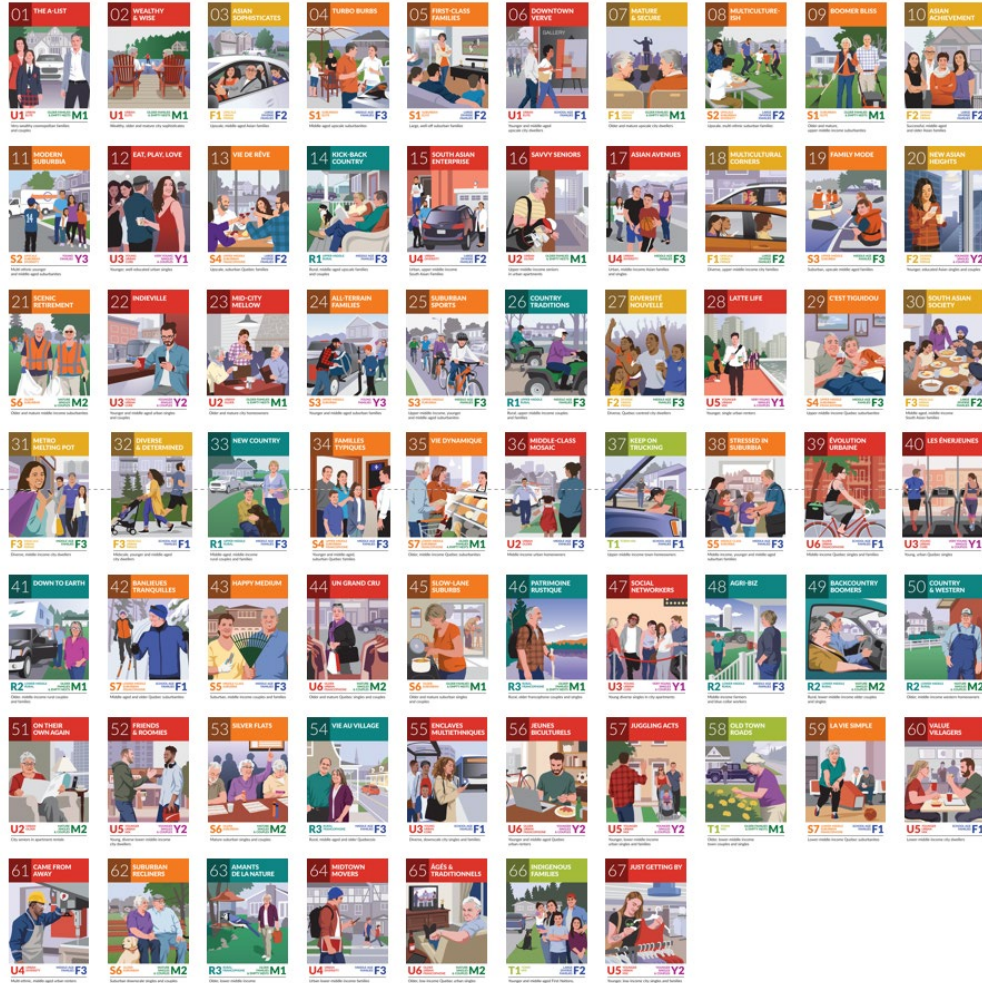
The PRIZM segmentation system classifies Canada's neighbourhoods at a postal code-level into actionable, lifestyle segments.

PRIZM Captures:

Aging population

Increased cultural diversity

More urban lifestyles; Emerging urban Fringe

Emergence of Millennial lifestyles

Evolving household types

M4W 3H1   Uniqueness of each 6-digit postal code

PRIZM acts as a data currency/common language that can be used across the organization to align on targeting priorities

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Savings & Investment Vehicles Vary by Demographics

		RRSP	RESP	TFSA	GIC	Stocks	Bonds	Debt to Discretionary Income
15	South Asian Enterprise	104	190	97	96	96	95	157
10	Asian Achievement	110	164	119	120	127	131	139
30	South Asian Society	80	151	80	85	84	83	134
9	Boomer Bliss	118	120	119	126	133	135	95
16	Savvy Seniors	105	90	121	121	128	127	89
21	Scenic Retirement	100	81	114	121	122	118	88
11	Modern Suburbia	129	159	107	96	101	103	145
22	Indieville	107	96	113	103	109	115	92
12	Eat, Play, Love	114	42	117	104	119	132	81
29	C'est Tiguidou	123	116	109	113	111	109	91
27	Diversité Nouvelle	113	128	107	107	106	104	97

Index: <80 | 80-89 | 90-109 | 110-119 | 120+

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Comparing Opportunities by Province

British Columbia

	Product Penetration	Market Share	Wallet Share
Customer Penetration			
Household Penetration	21.2%		
Deposits			
Investments			
Consumer Debt			
Mortgages			

Ontario

	Product Penetration	Market Share	Wallet Share
Customer Penetration			
Household Penetration	19.4%		
Deposits			
Investments			
Consumer Debt			
Mortgages			

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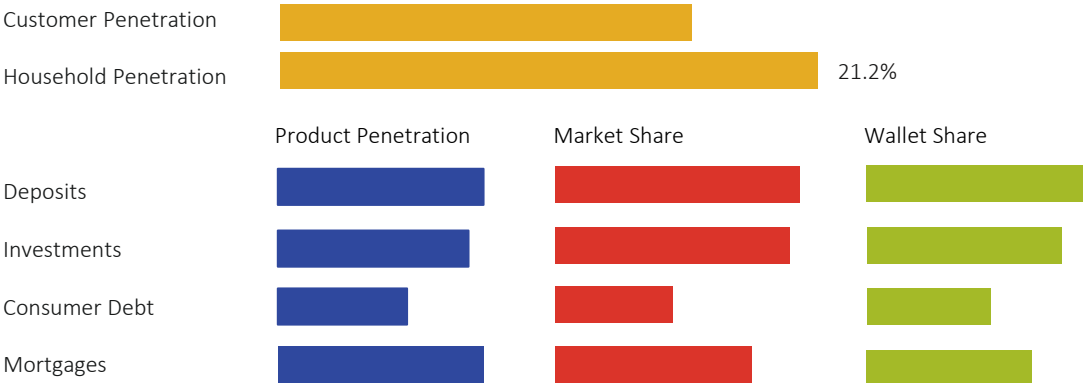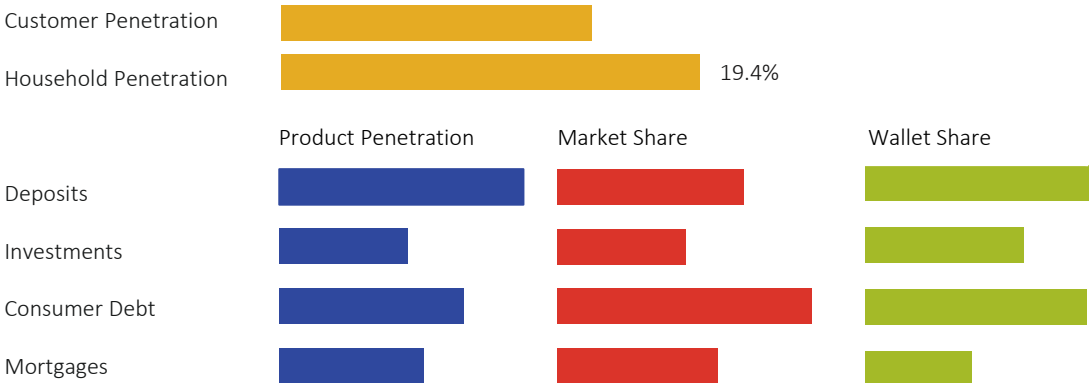
Understand Wealth Profiles by Trade Areas for Advisor Intelligence
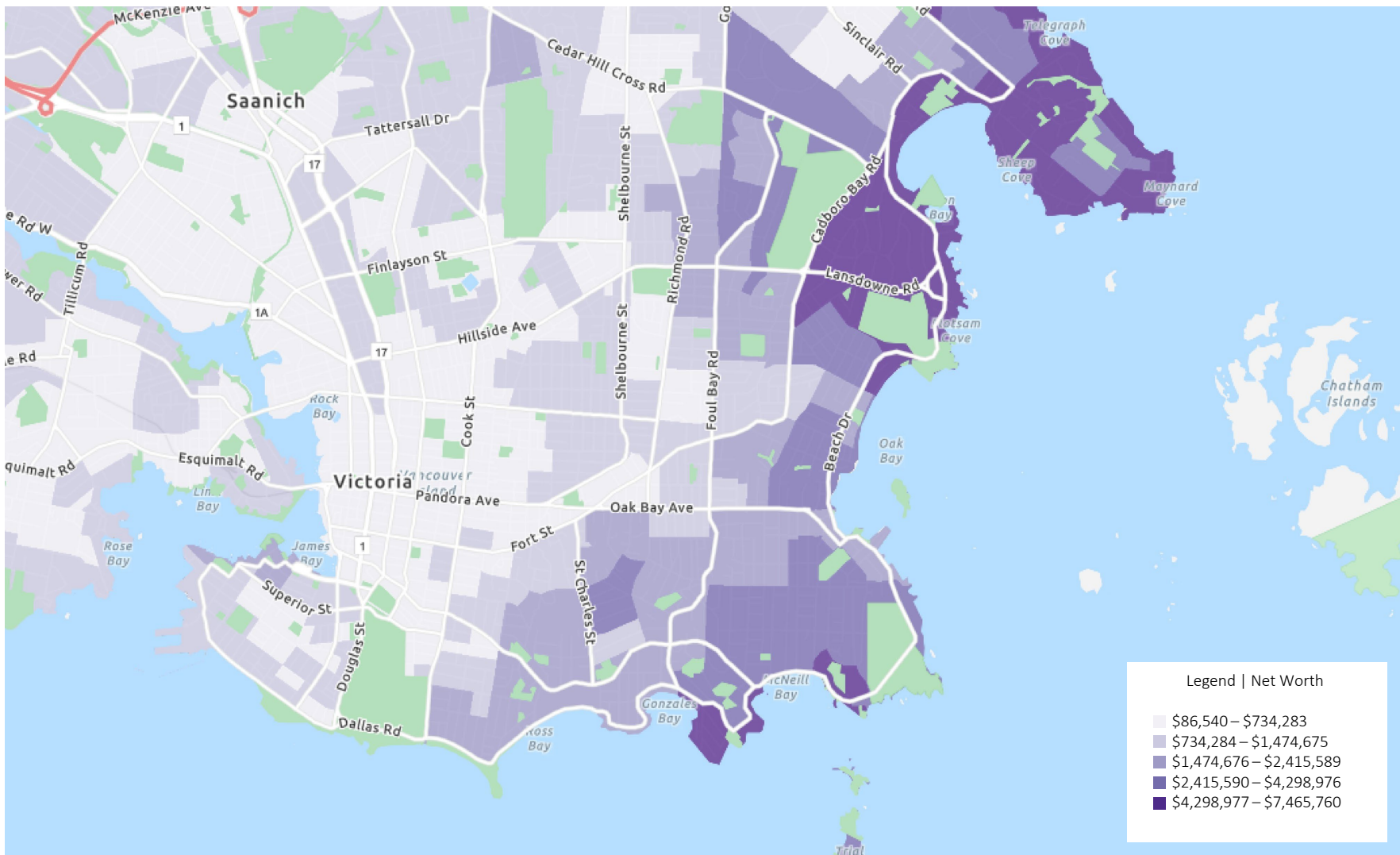
Inform Advisors & Brokers about current and prospective clients by understanding custom key markets of interest in terms of their wealth profile to understand opportunities and inform approach

Legend | Net Worth

- $86,540 – $734,283
- $734,284 – $1,474,675
- $1,474,676 – $2,415,589
- $2,415,590 – $4,298,976
- $4,298,977 – $7,465,760

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Overlay Demographic & Behavioural Data for a 360° Lens

Legend | PRIZM Segments

- 52 – Friends & Roomies
- 16 – Savvy Seniors
- 25 – Suburban Sports
- 09 – Boomer Bliss
- 22 – Indieville
- 21 – Scenic retirement
- 19 – Family Mode
- 57 – Juggling Acts
- 07 – Mature & Secure
- 32 – Diverse & Determined
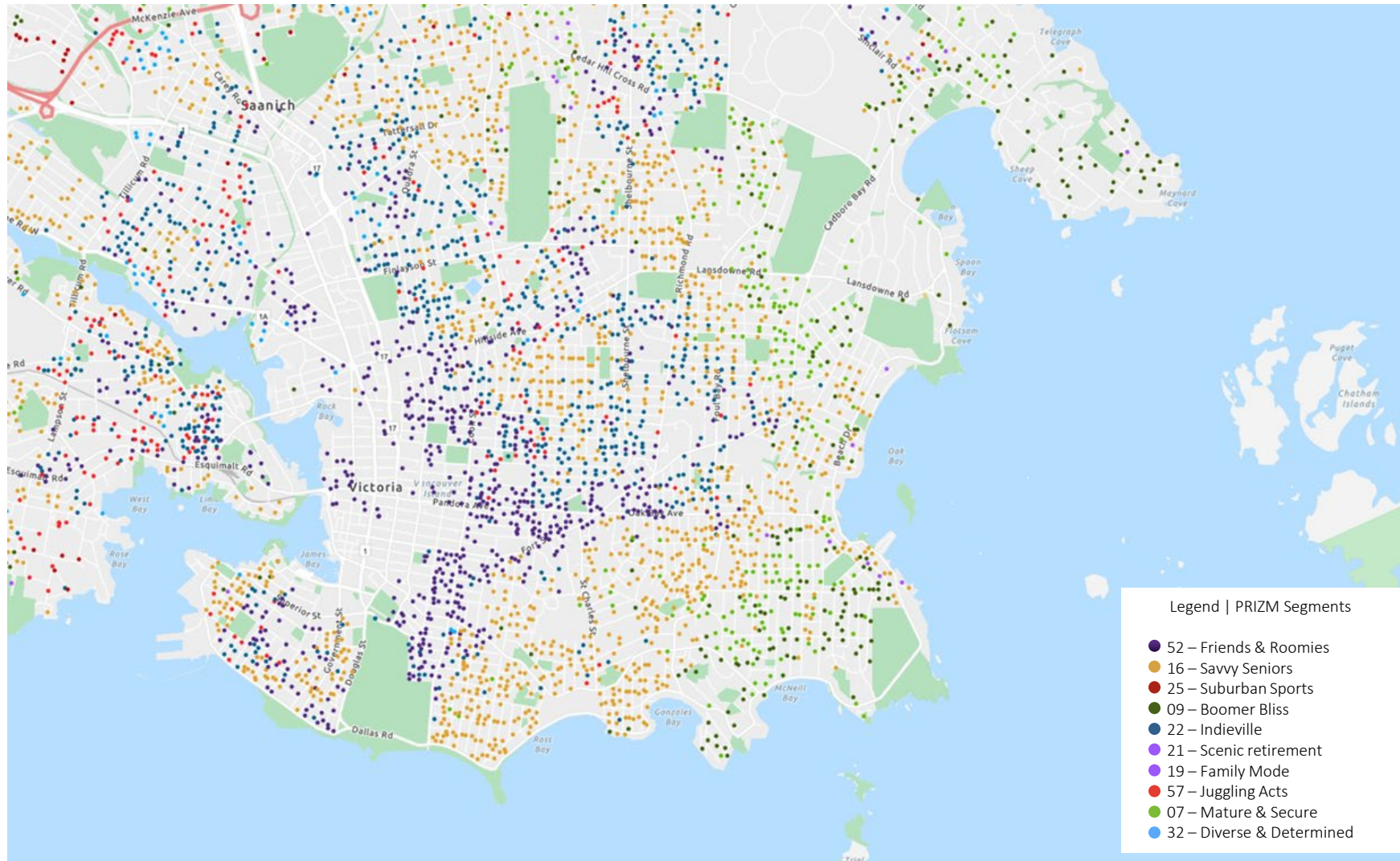
Understand the opportunity holistically, and inform approach, by overlaying lifestyle and demographic data

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Strategically Segment Your Customer Portfolio

Potential Value (y-axis) / Current Value (x-axis)

Grow
- 36% (% of customers)
- 16% (% of Total Funds Managed)
- $33,000 (Average Funds Managed)

Retain
- 16% (% of customers)
- 44% (% of Total Funds Managed)
- $326,500 (Average Funds Managed)

Service
- 39% (% of customers)
- 11% (% of Total Funds Managed)
- $24,300 (Average Funds Managed)

Maintain
- 9% (% of customers)
- 29% (% of Total Funds Managed)
- $289,800 (Average Funds Managed)

% of customers   % of Total Funds Managed   Average Funds Managed

ENVIRONICS ANALYTICS

Predictive Modeling

Harness historical and current first- and third-party data to predict behaviour and inform strategy for upsell, cross sell and acquisition efforts

Acquisition
Predict who is likely to become a customer or acquire a specific product

Cross Sell
Forecast who of your customers is likely to use a service or acquire a specific product

Upsell
Anticipate who has a propensity to increase use of a service or increase value of a product

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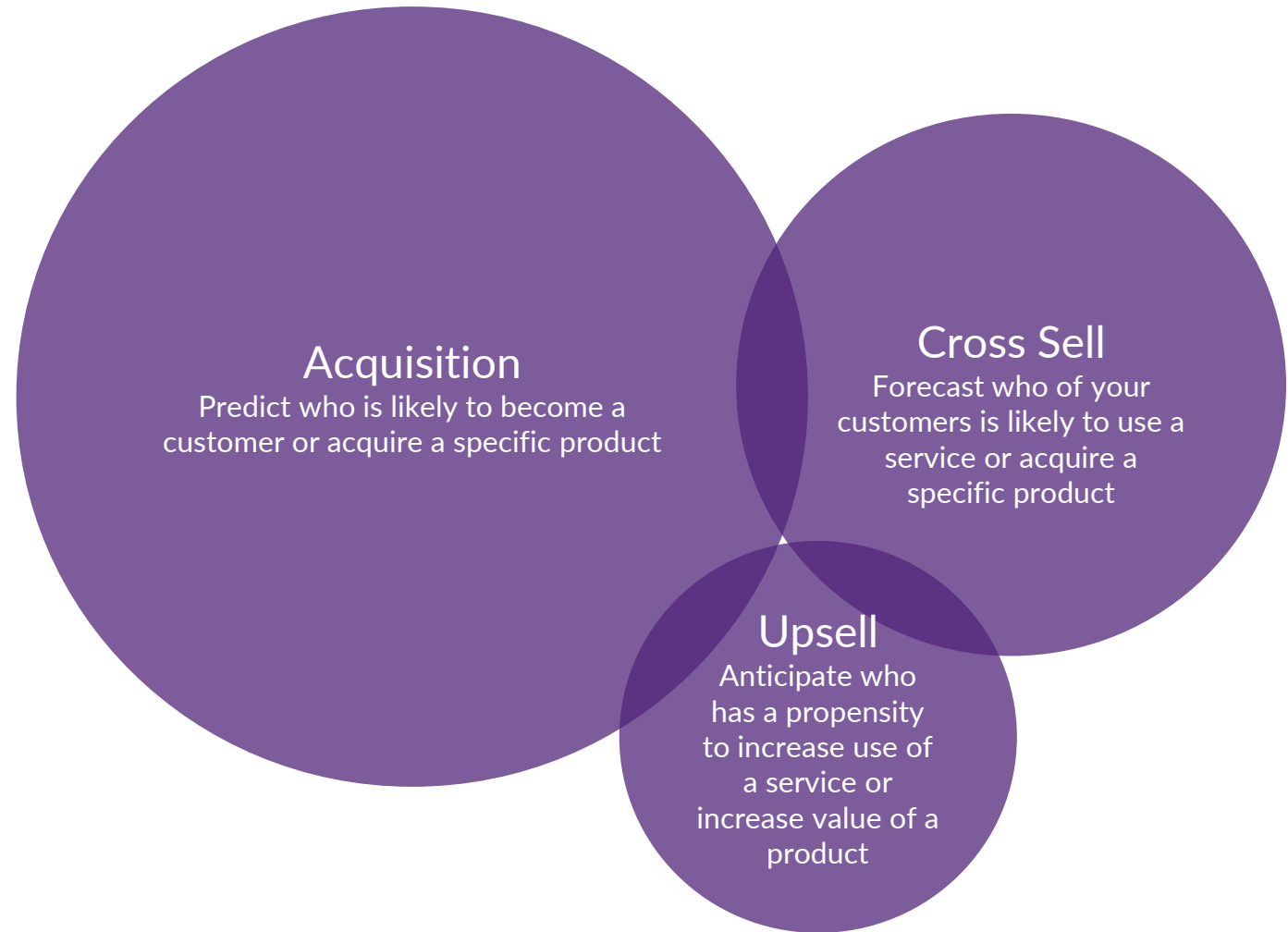
Questions

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