

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**

ENVIRONICS
ANALYTICS

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.

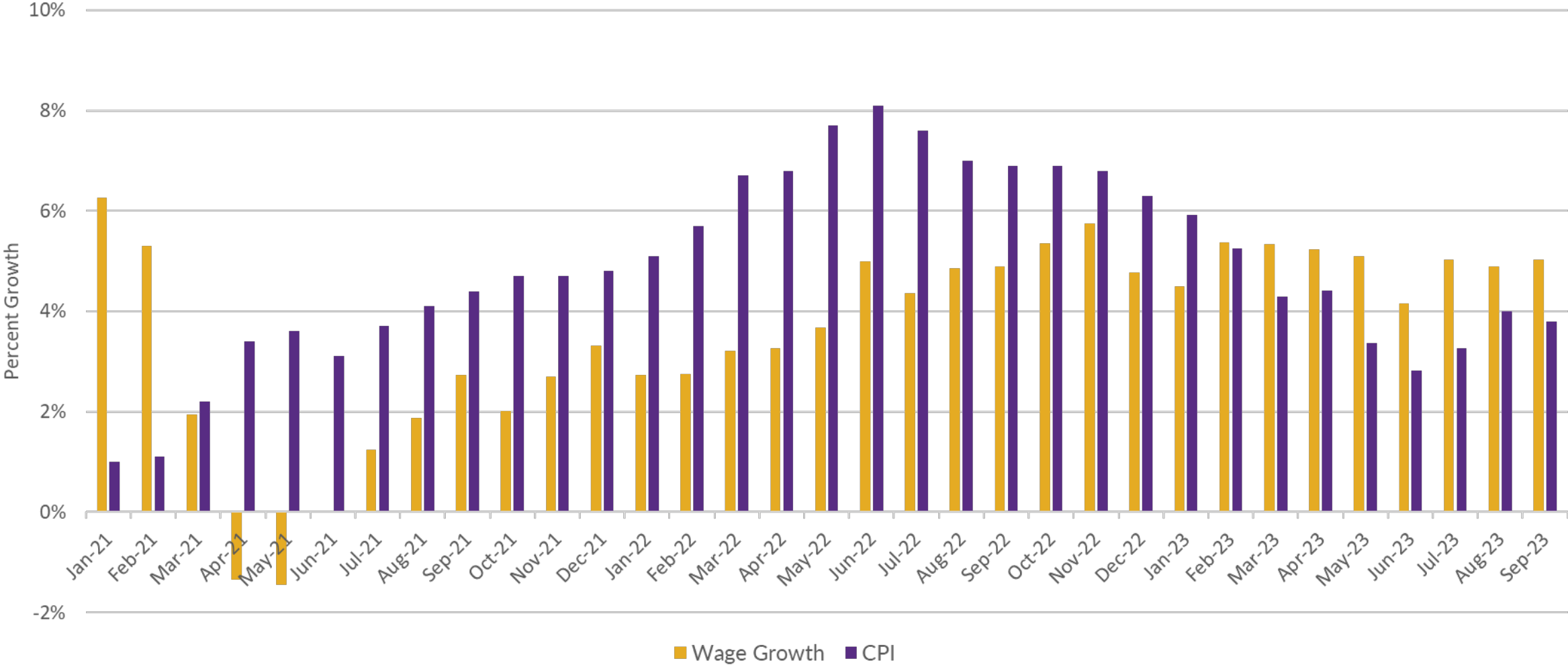
Economic Landscape in Canada

Canadian households are feeling the effects of a rapidly changing economy

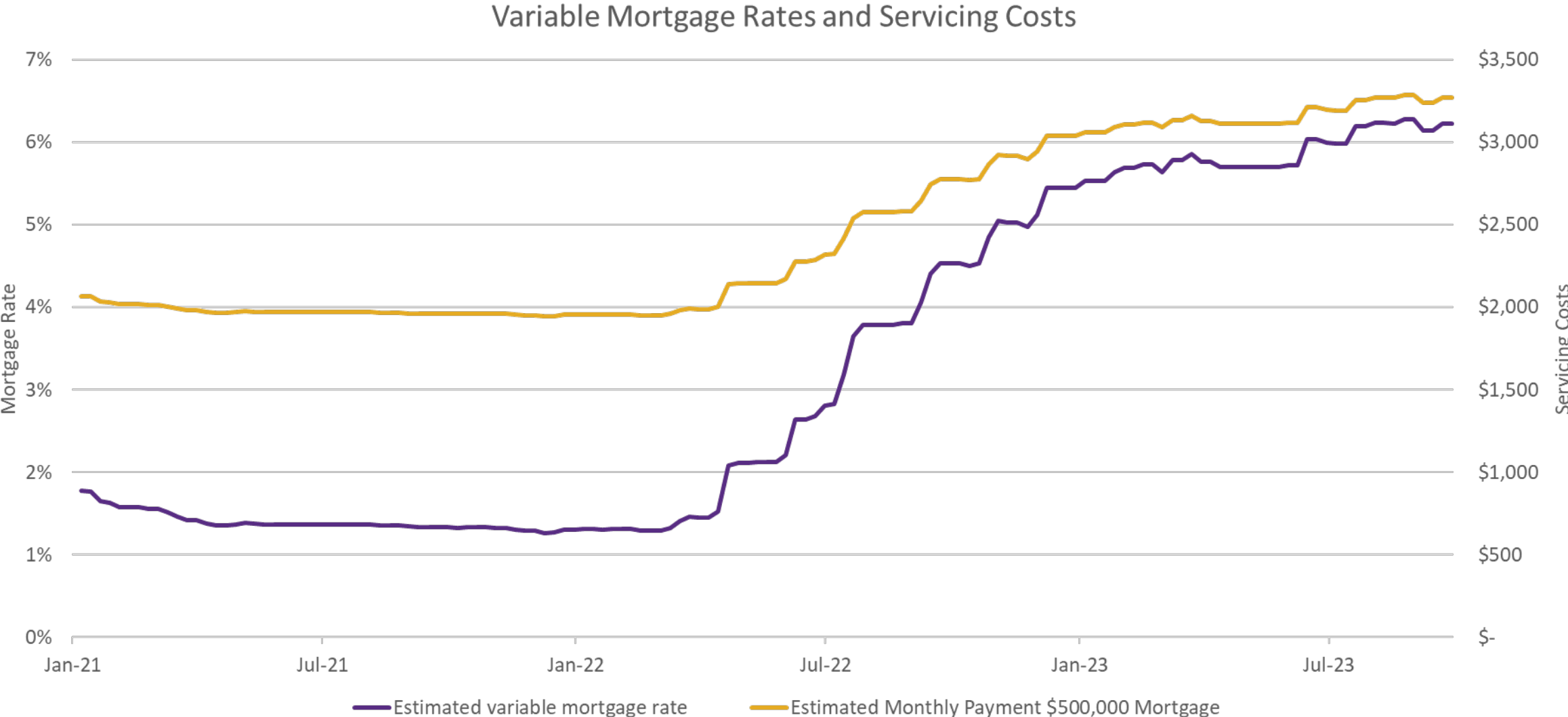


Wages Catching Up with Inflation

Annualized CPI and Wage Growth

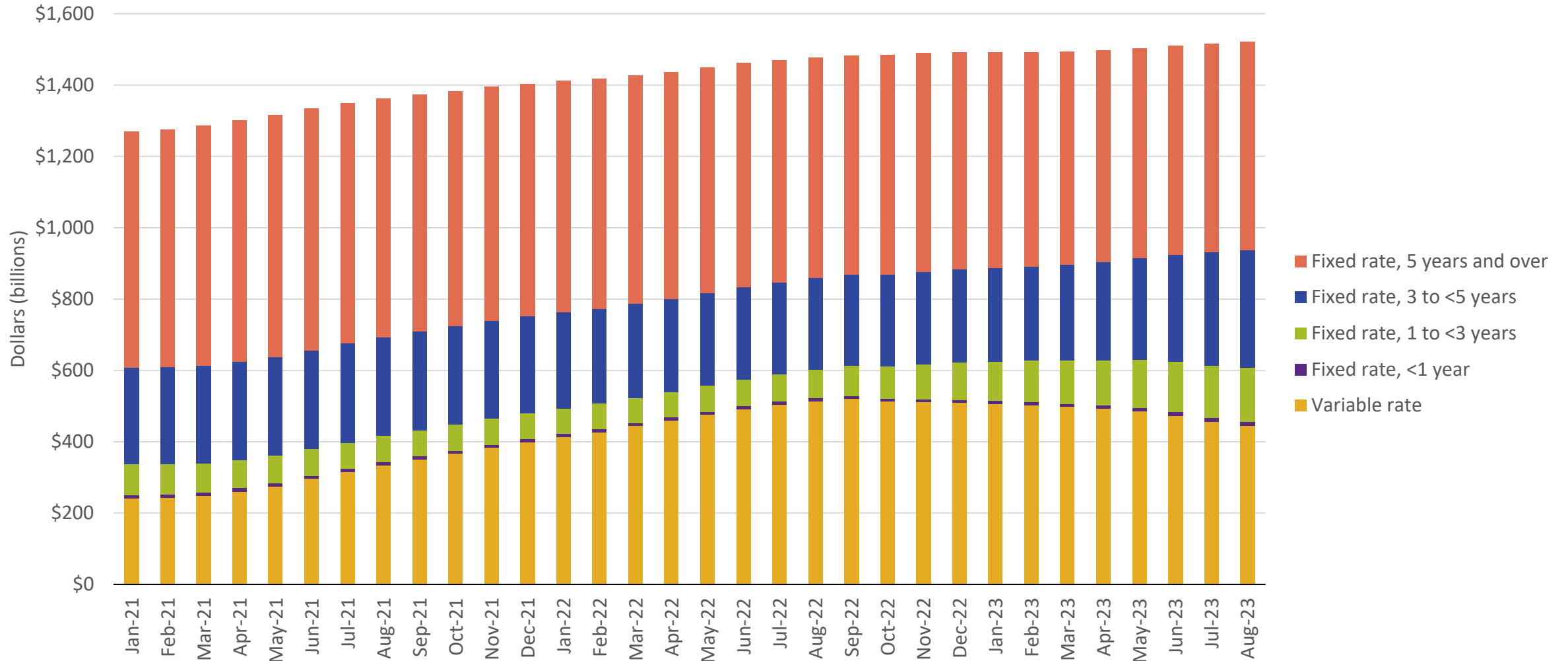


Soaring Interest Rates and Mortgage Servicing Costs



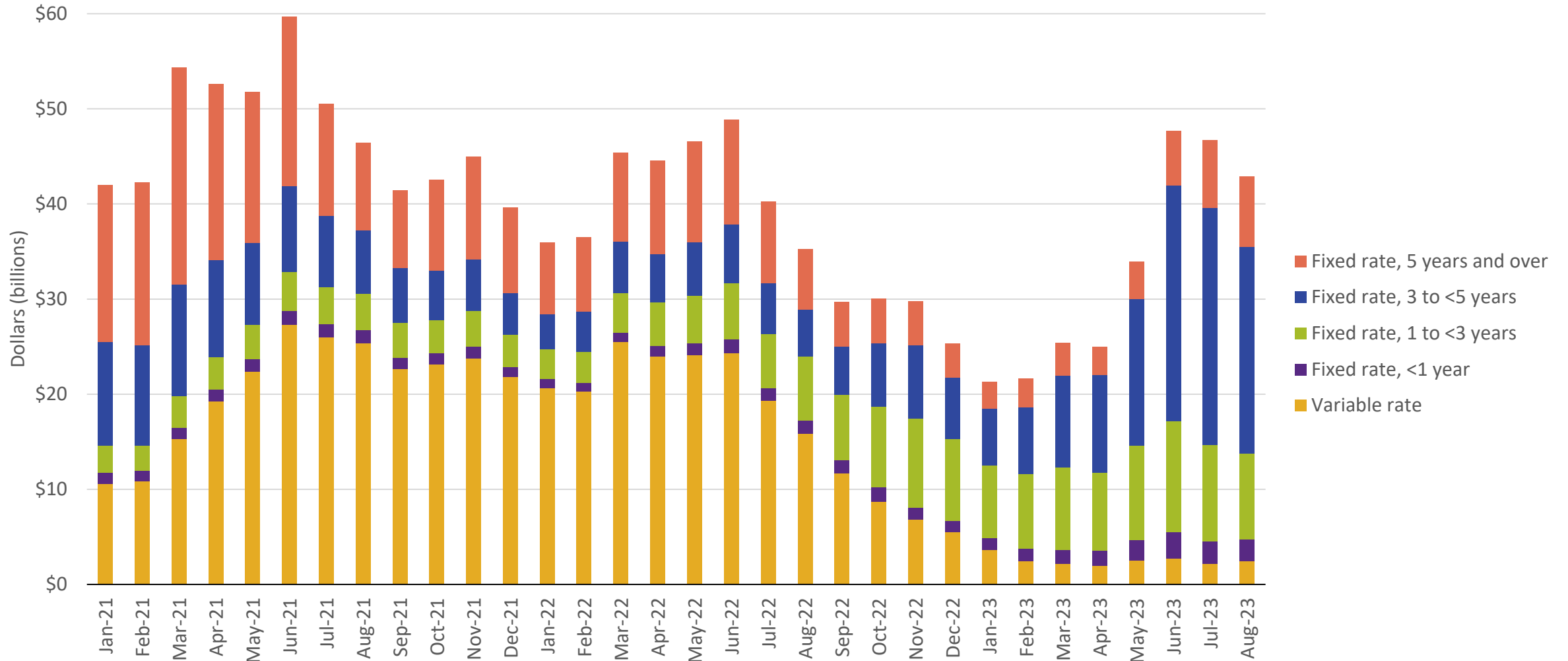
Mortgage Pipeline Refinancing Into Higher Rates

Chartered Banks – Outstanding Mortgage Balances



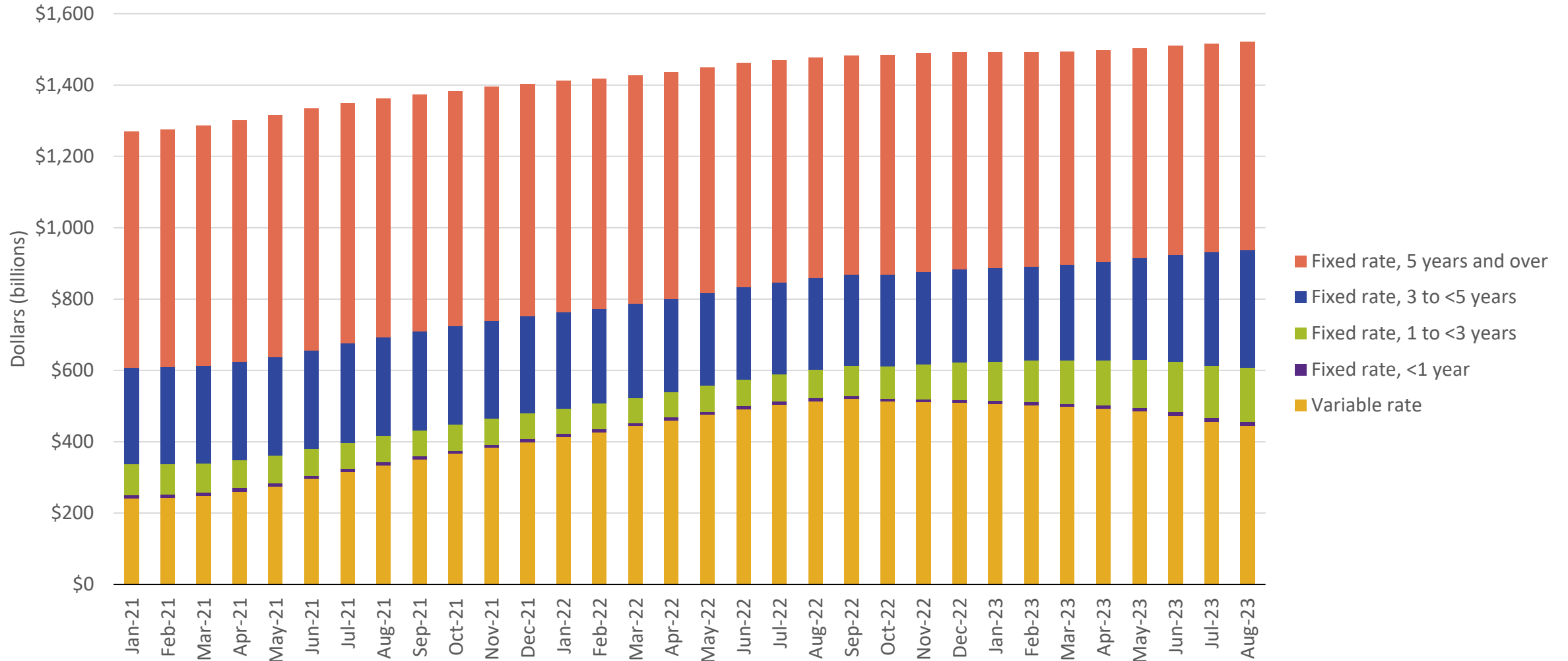
Unprecedented Variable Rate Mortgage Originations

Chartered Banks – New Mortgage Funds



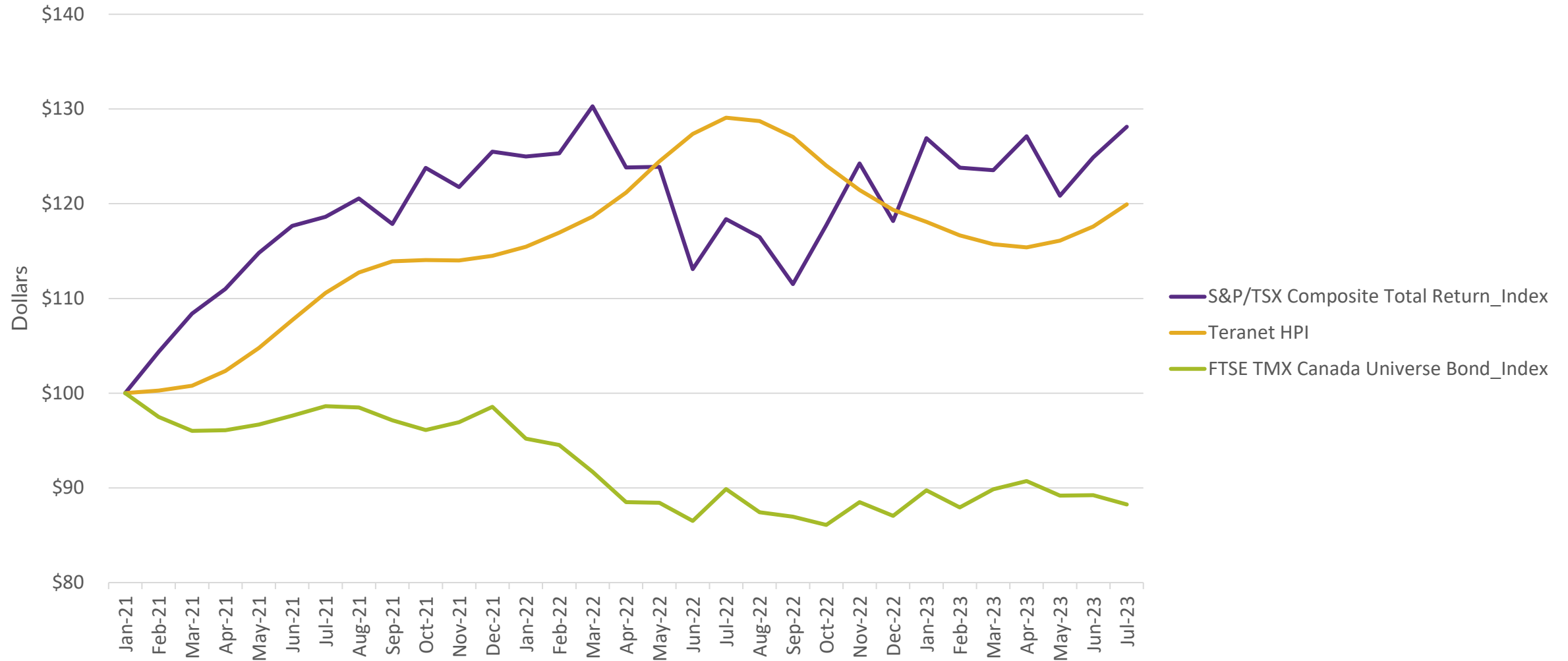
Mortgage Pipeline Refinancing Into Higher Rates

Chartered Banks – Outstanding Mortgage Balances



Markets Going Sideways Amid Uncertainty

Market Performance Indicators



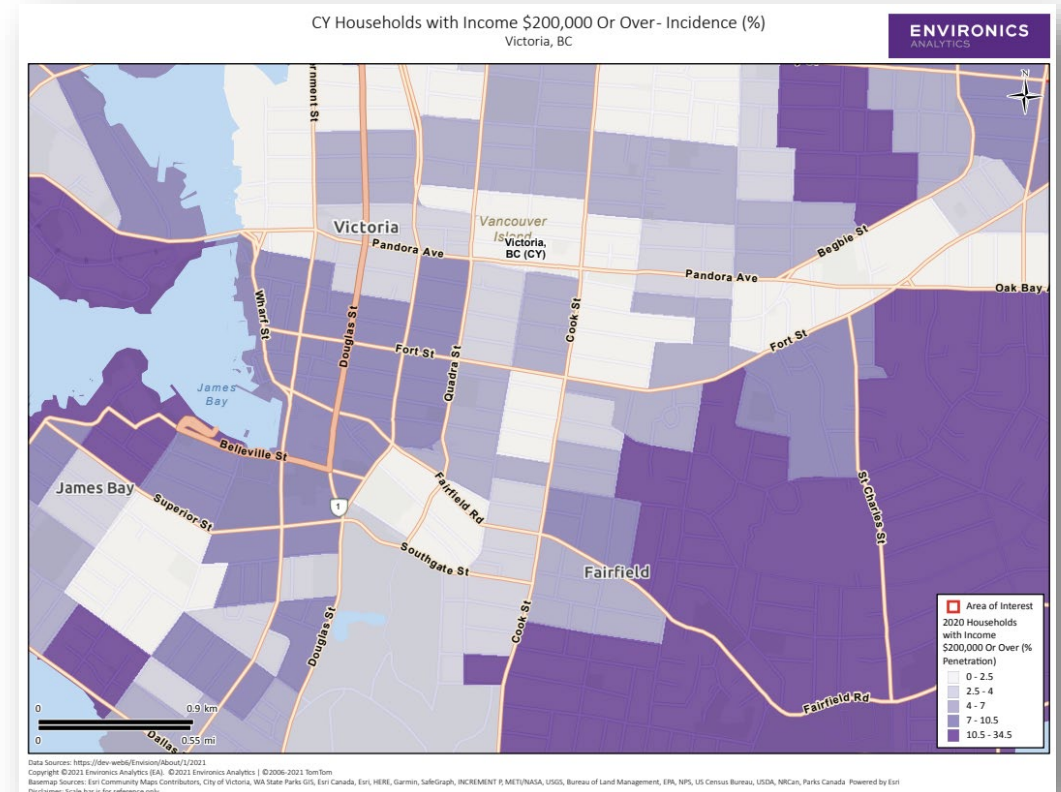
WealthScapes Suite of Products

Targeted geodemographic view of household wealth to give your organization the insights it needs



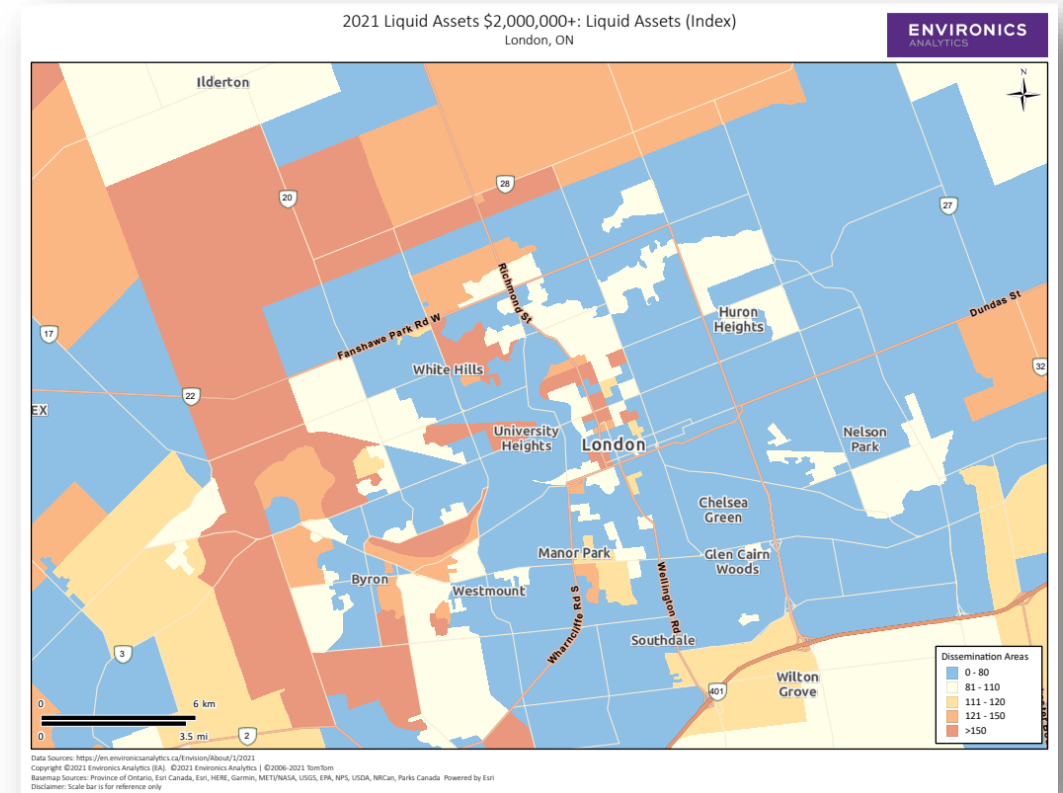
What Is It?

- 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



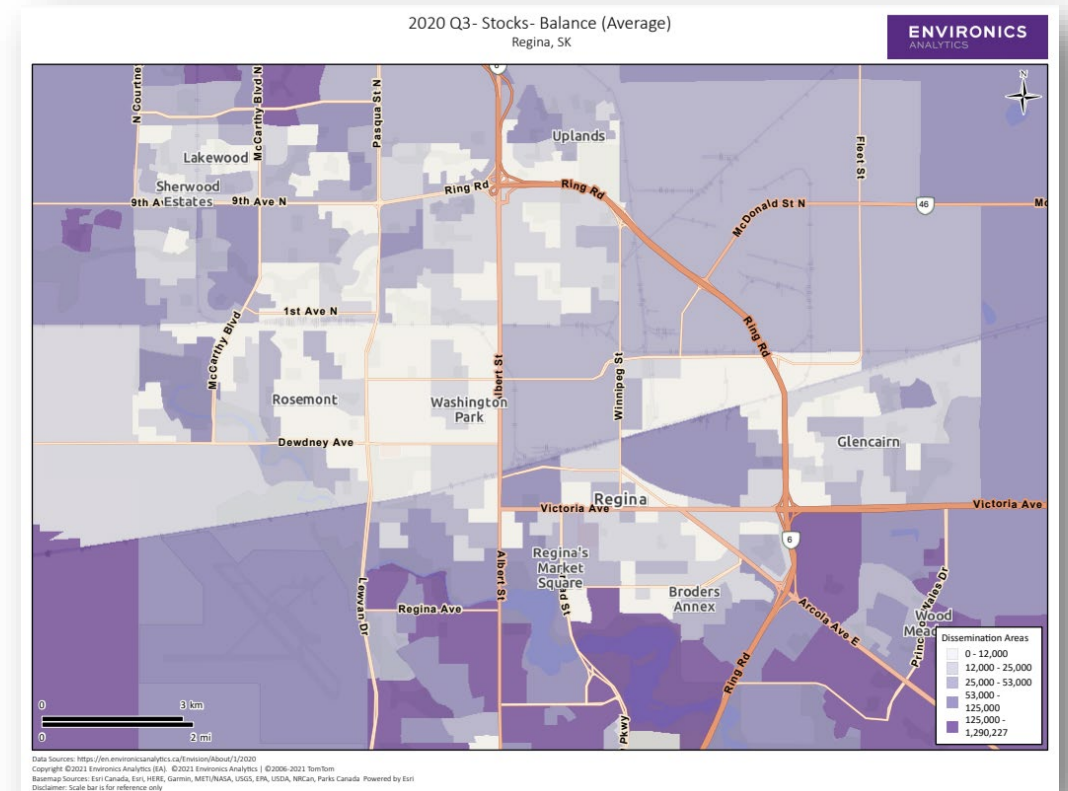
What Is It?

- 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

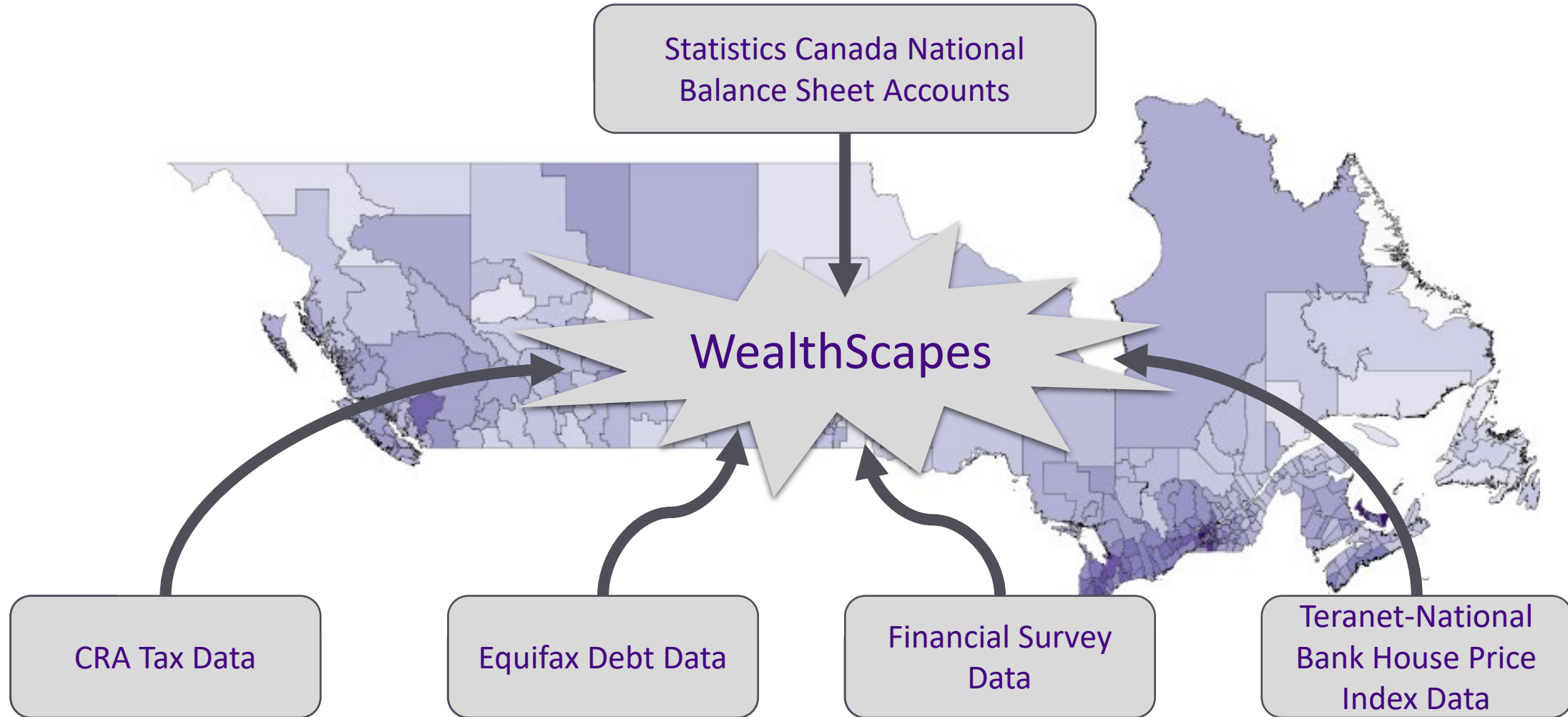


What Is It?

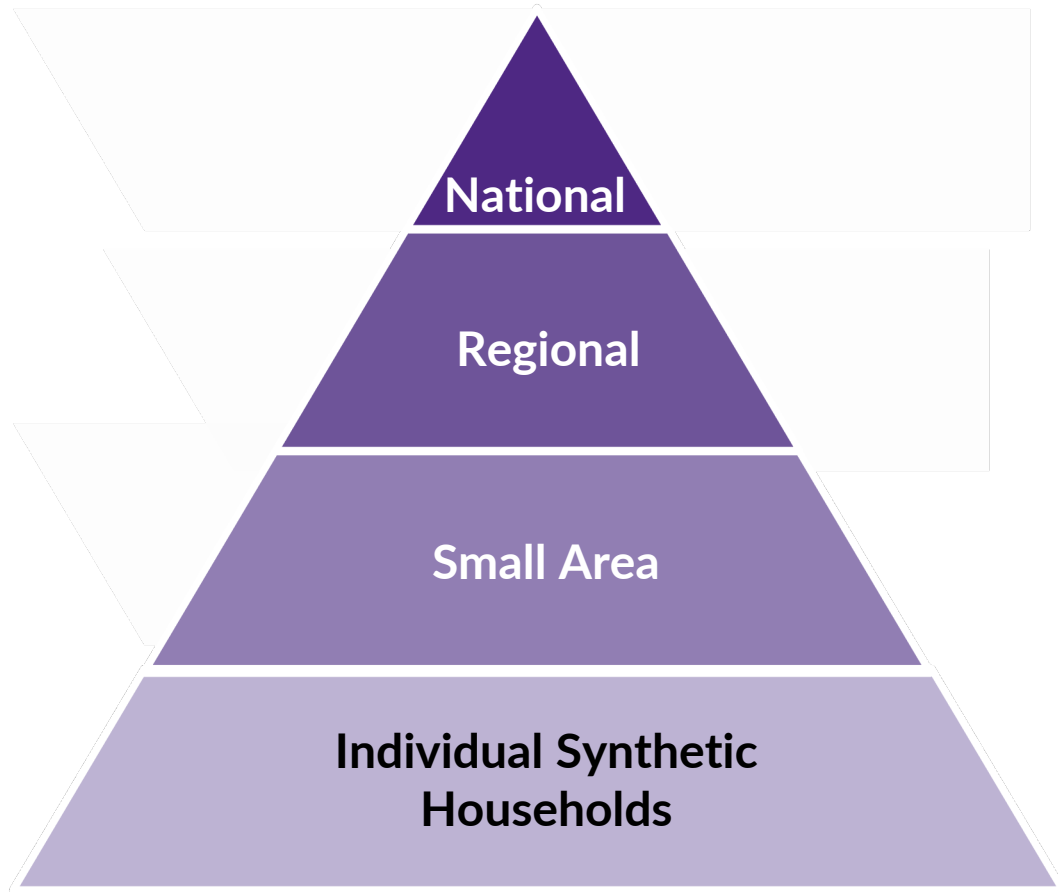
- Set of 33 variables updated quarterly at the dissemination-area level
- Quarterly estimates are modelled using inputs and control totals from:
 - Equifax
 - Teranet
 - Canadian Financial Monitor
 - Bank of Canada
 - Labour Force Survey
 - National Economic Accounts
 - DemoStats
- WealthTrends can be used by financial institutions, retailers, and governments to adjust strategies to reflect the most recent economic conditions



From Disparate Data to WealthScapes



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

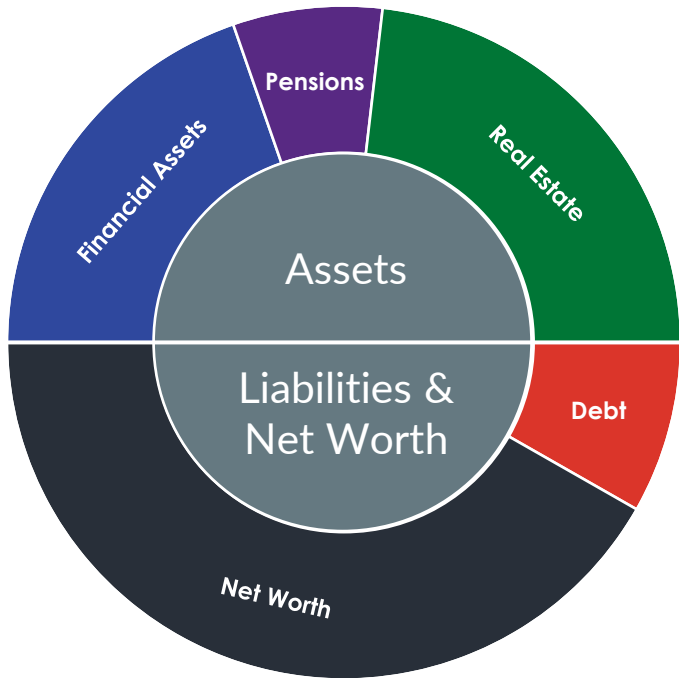
WealthScapes Suite of Products

Breaking down the household balance sheet



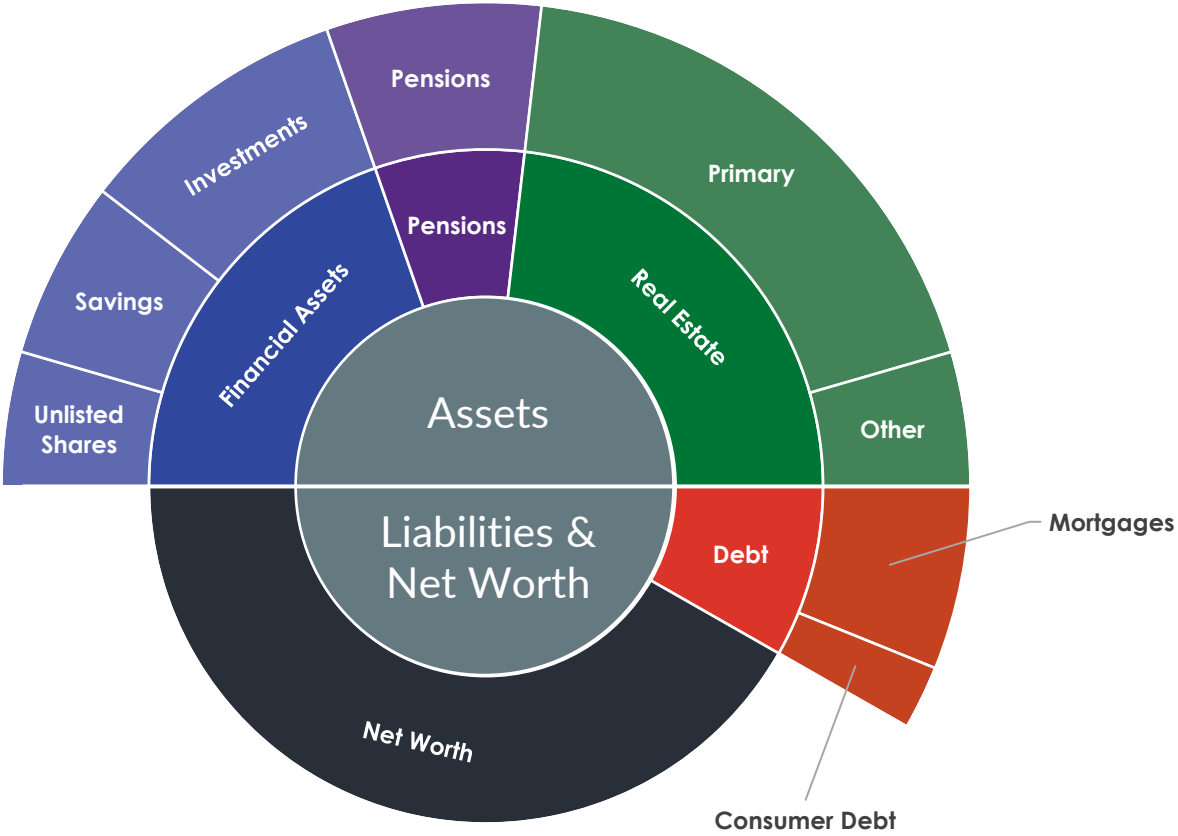
WealthScapes' View of the Household Balance Sheet 2022Q4

Financial Assets	\$ 430,993
Pensions	\$ 157,147
Real Estate	\$ 507,624
Debt	\$ 180,726
Net Worth	\$ 915,037



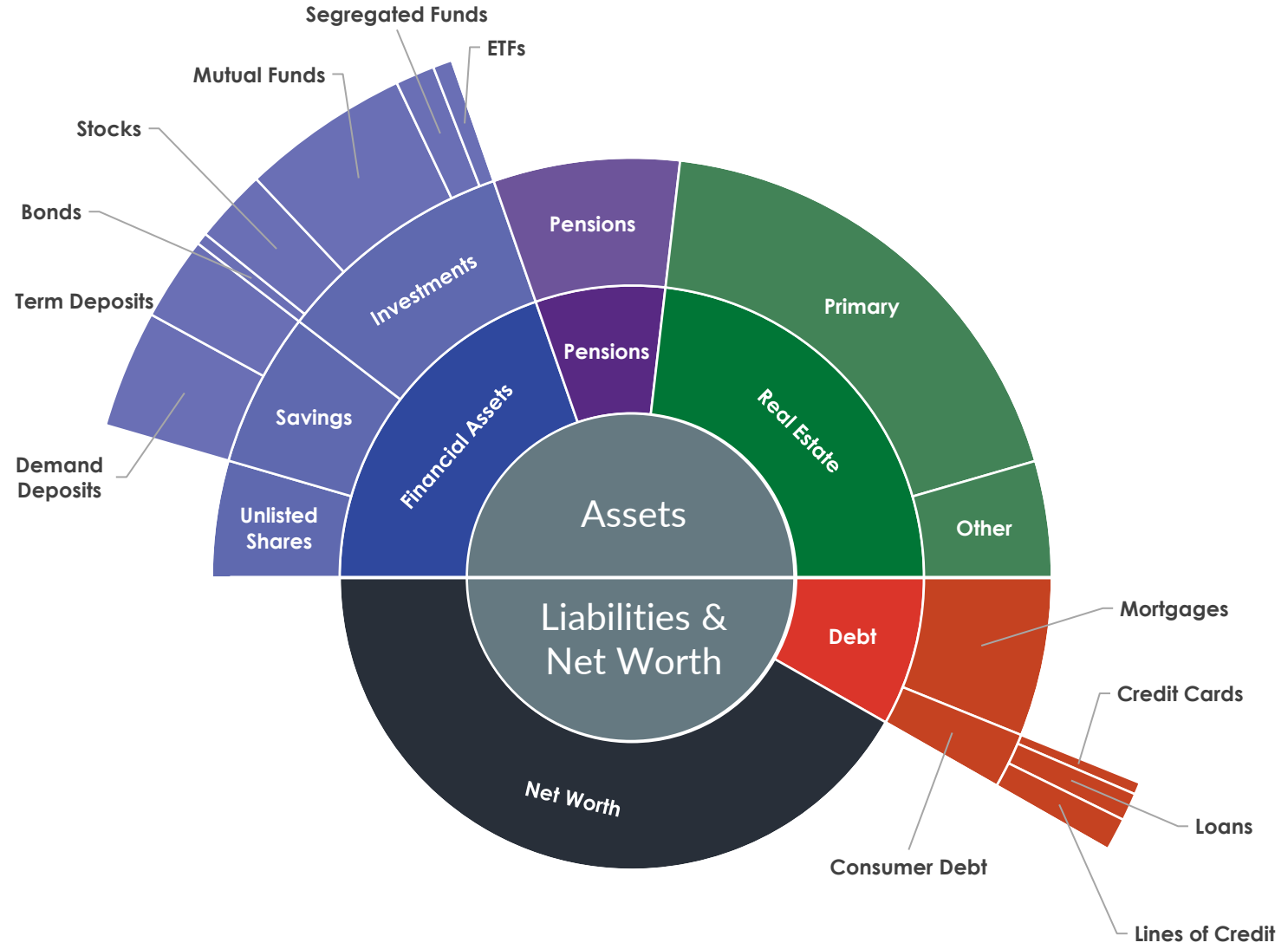
WealthScapes' View of the Household Balance Sheet 2022Q4

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

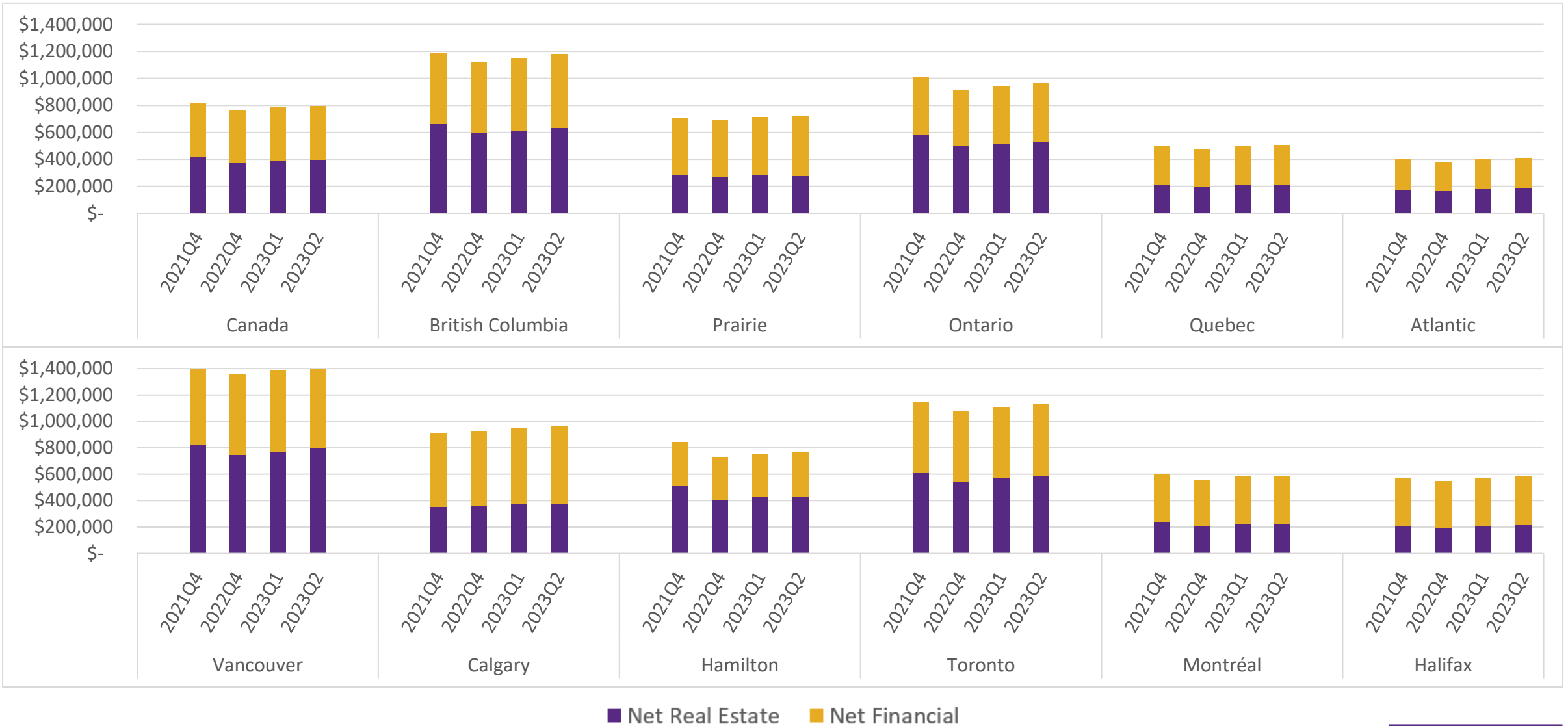


WealthScapes' View of the Household Balance Sheet 2022Q4

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



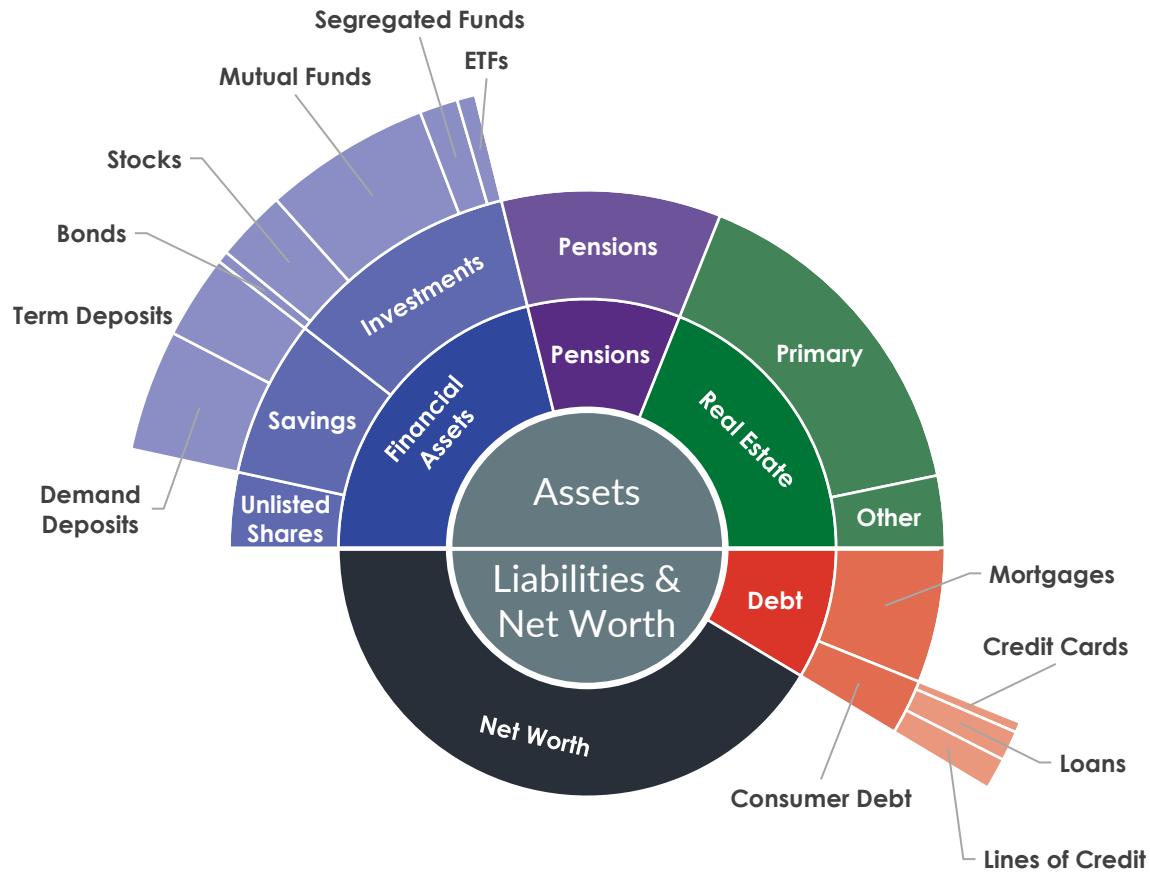
Net Worth Trend by Region and CMA



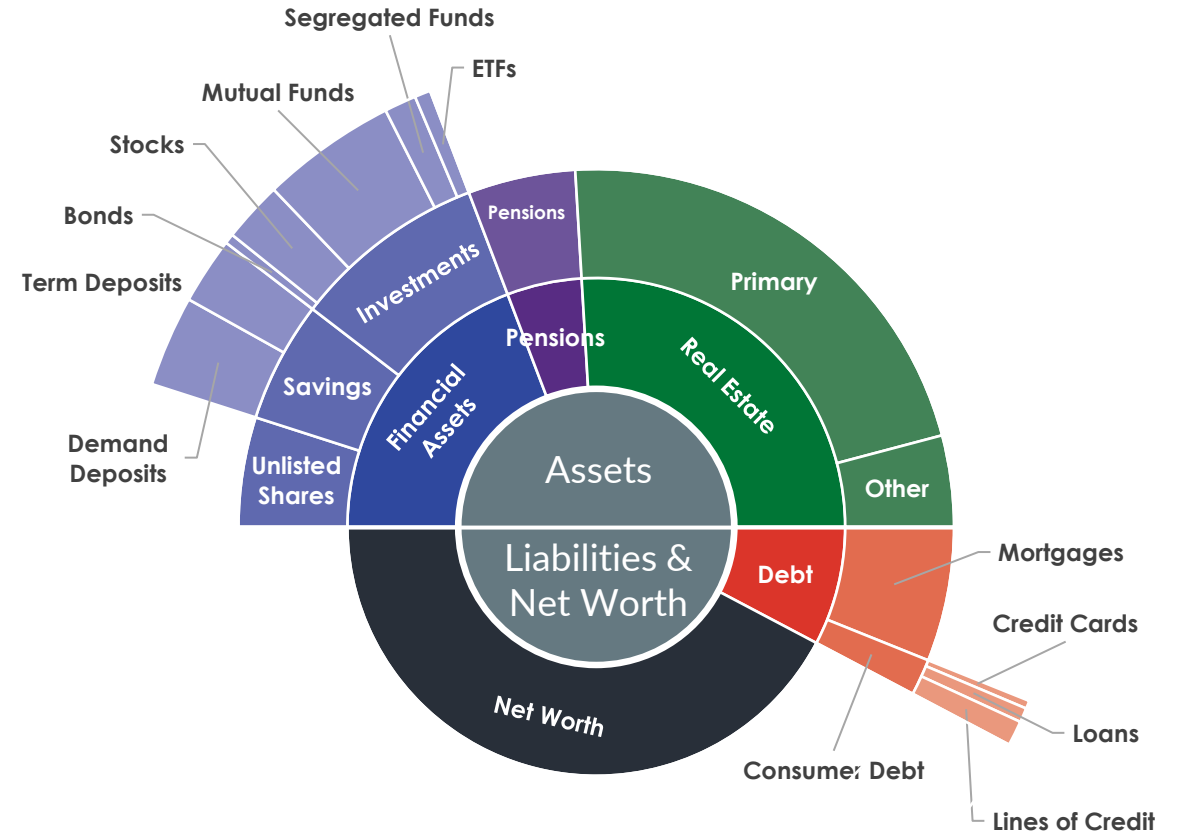
■ Net Real Estate ■ Net Financial

Regional Differences Between Average Household Balance Sheets

Quebec



BC



PRIZM Profiles

01 THE A-LIST



U1 URBAN ELITE **M1** OLDER FAMILIES & EMPTY NESTS

Very wealthy cosmopolitan families and couples

67 JUST GETTING BY



U5 YOUNGER URBAN MIX **Y2** YOUNGER SINGLES & COUPLES

Younger, low-income city singles and families

11 MODERN SUBURBIA



S2 HIGH-INCOME SUBURBAN DIVERSITY **Y3** YOUNG FAMILIES

Multi-ethnic younger and middle-aged suburbanites

21 SCENIC RETIREMENT

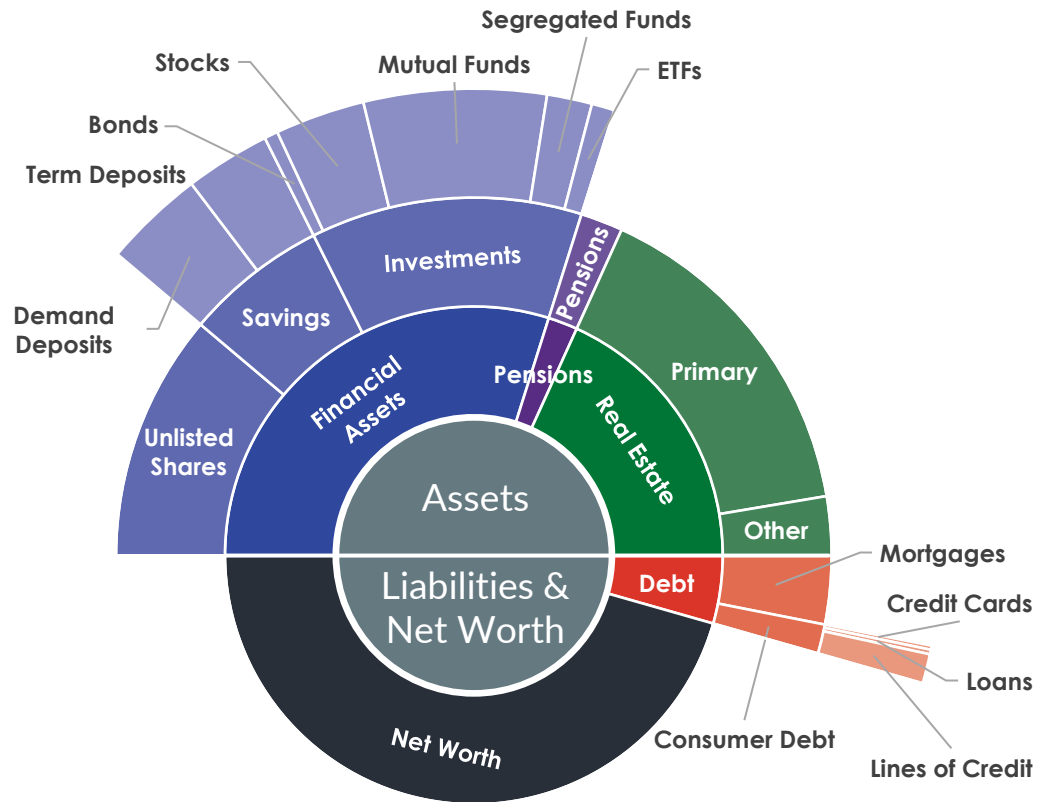


S6 OLDER SUBURBAN **M2** MATURE SINGLES & COUPLES

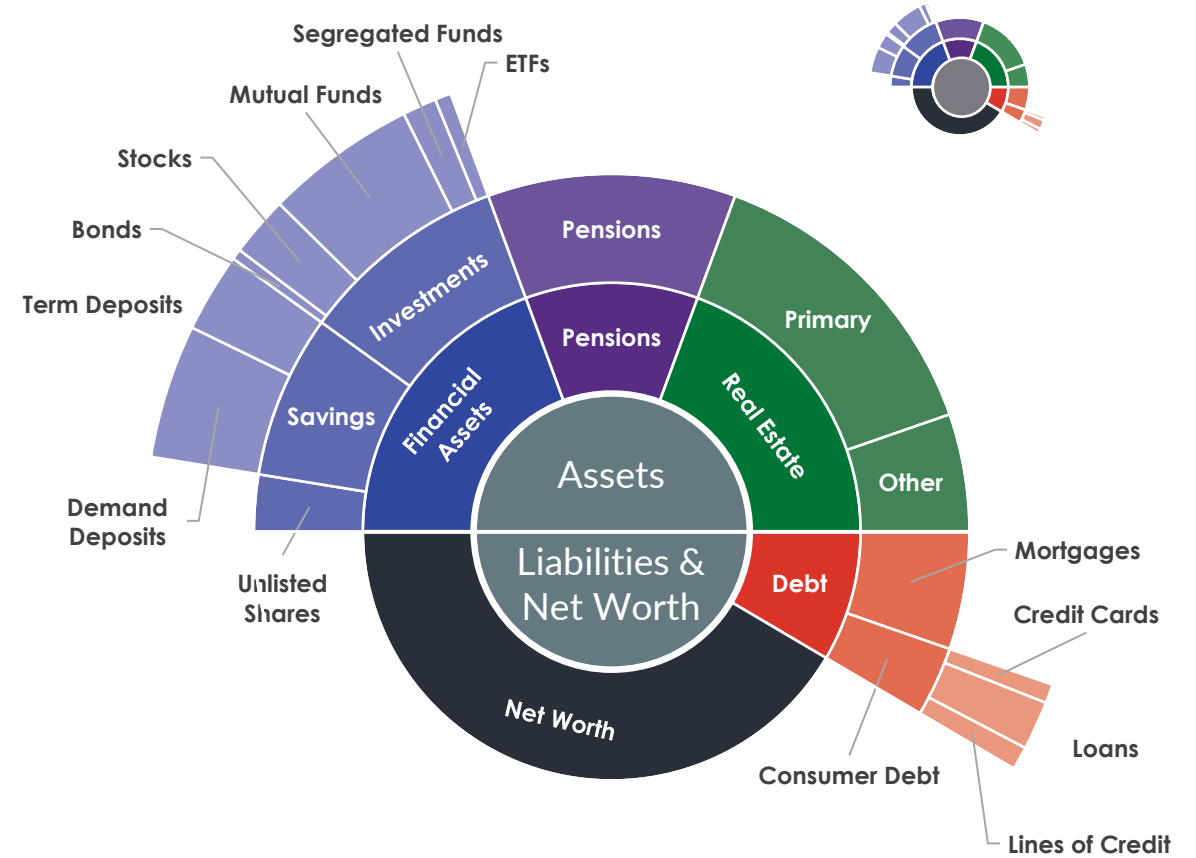
Older middle-income suburbanites

Household Wealth – Contrasting PRIZM Segments

A-List (Disposable Income 300k)

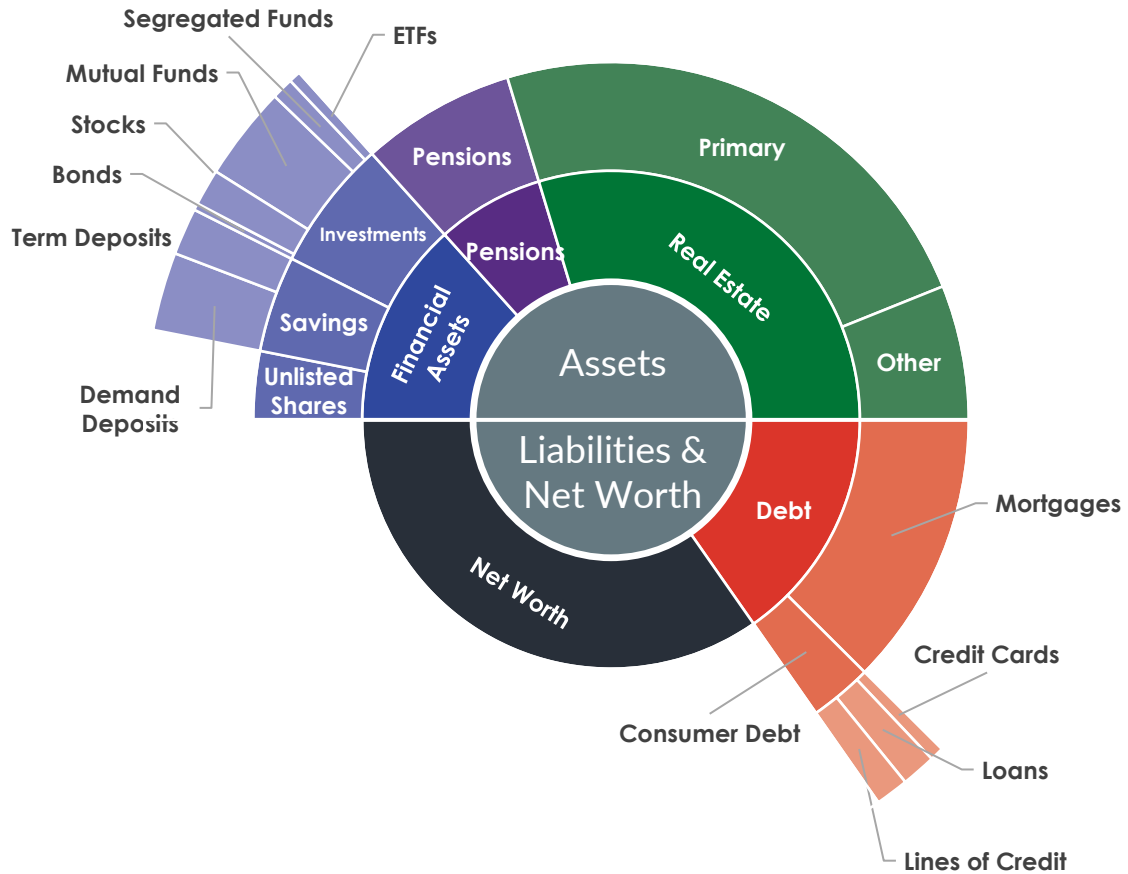


Just Getting By (Disposable Income 30k)

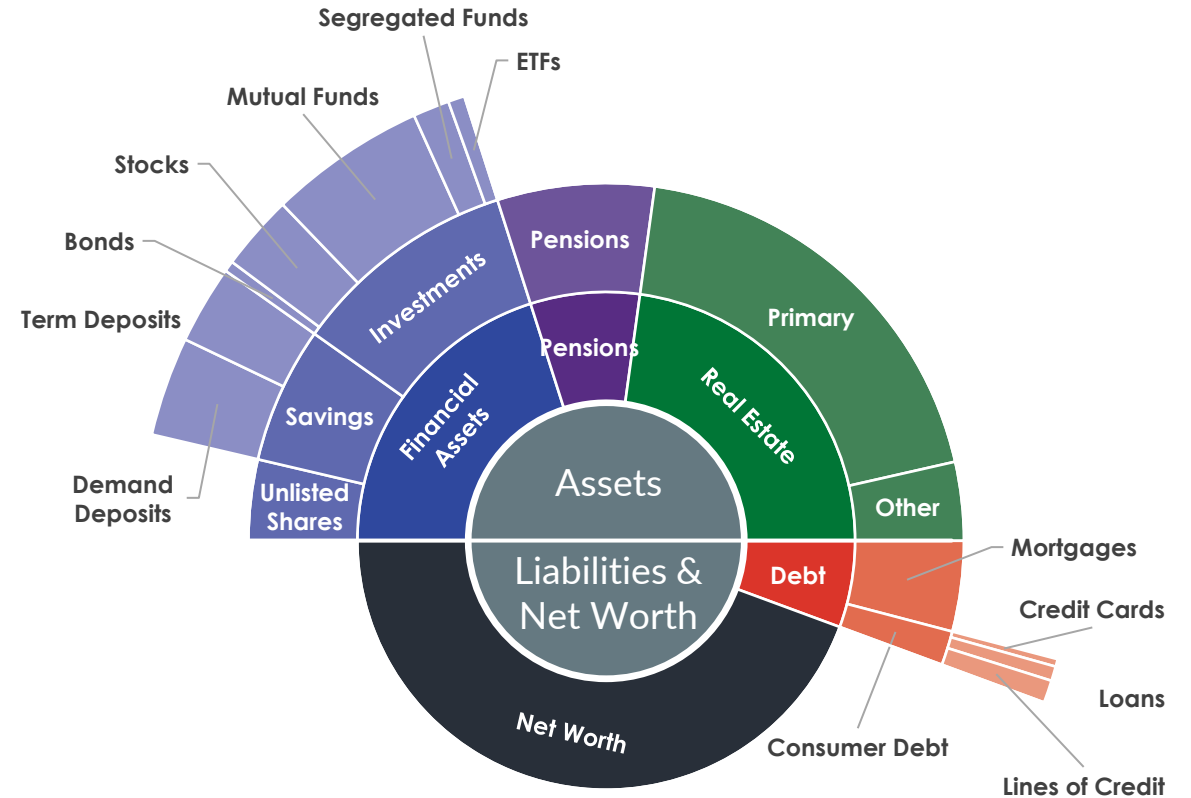


Household Wealth – Contrasting PRIZM Segments

Modern Suburbia



Scenic Retirement

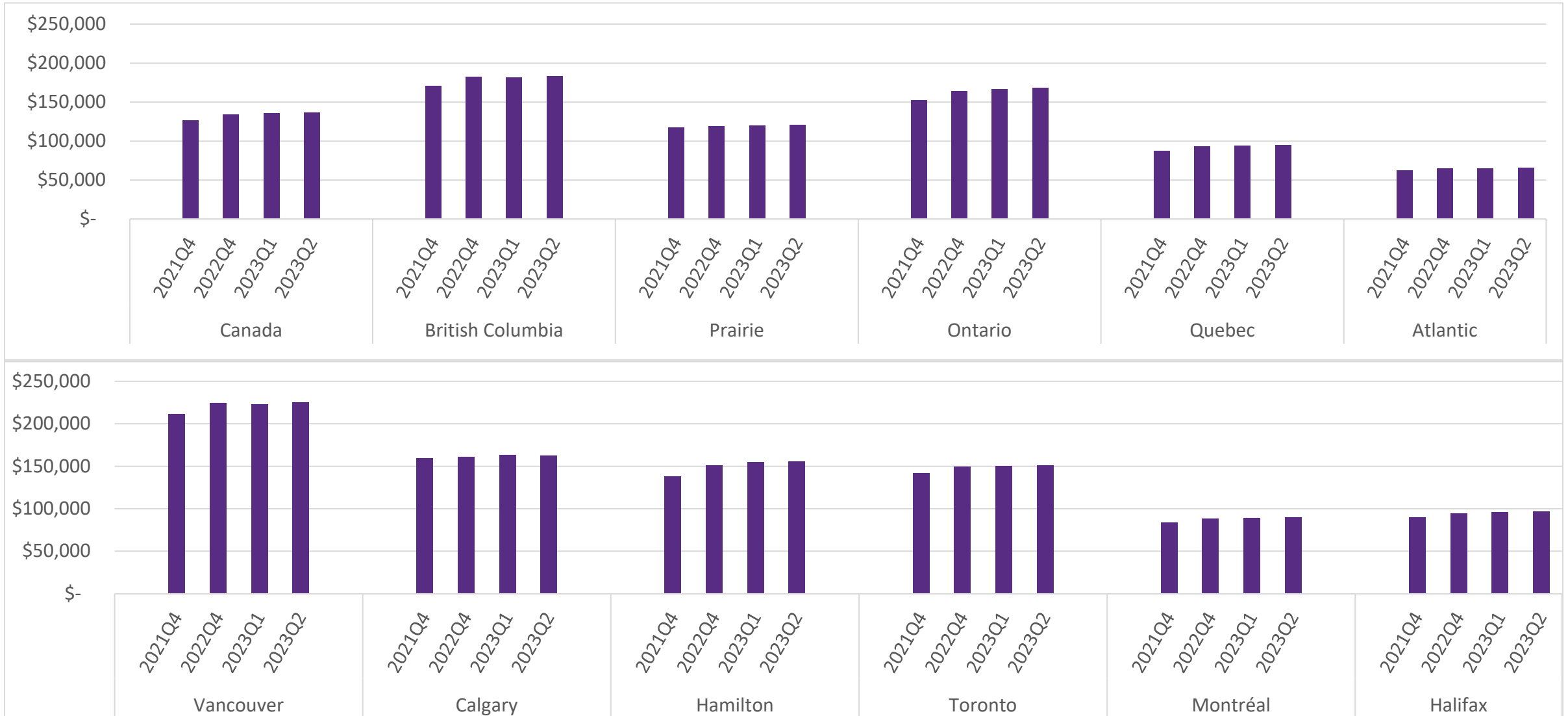


Rising Borrowing Costs

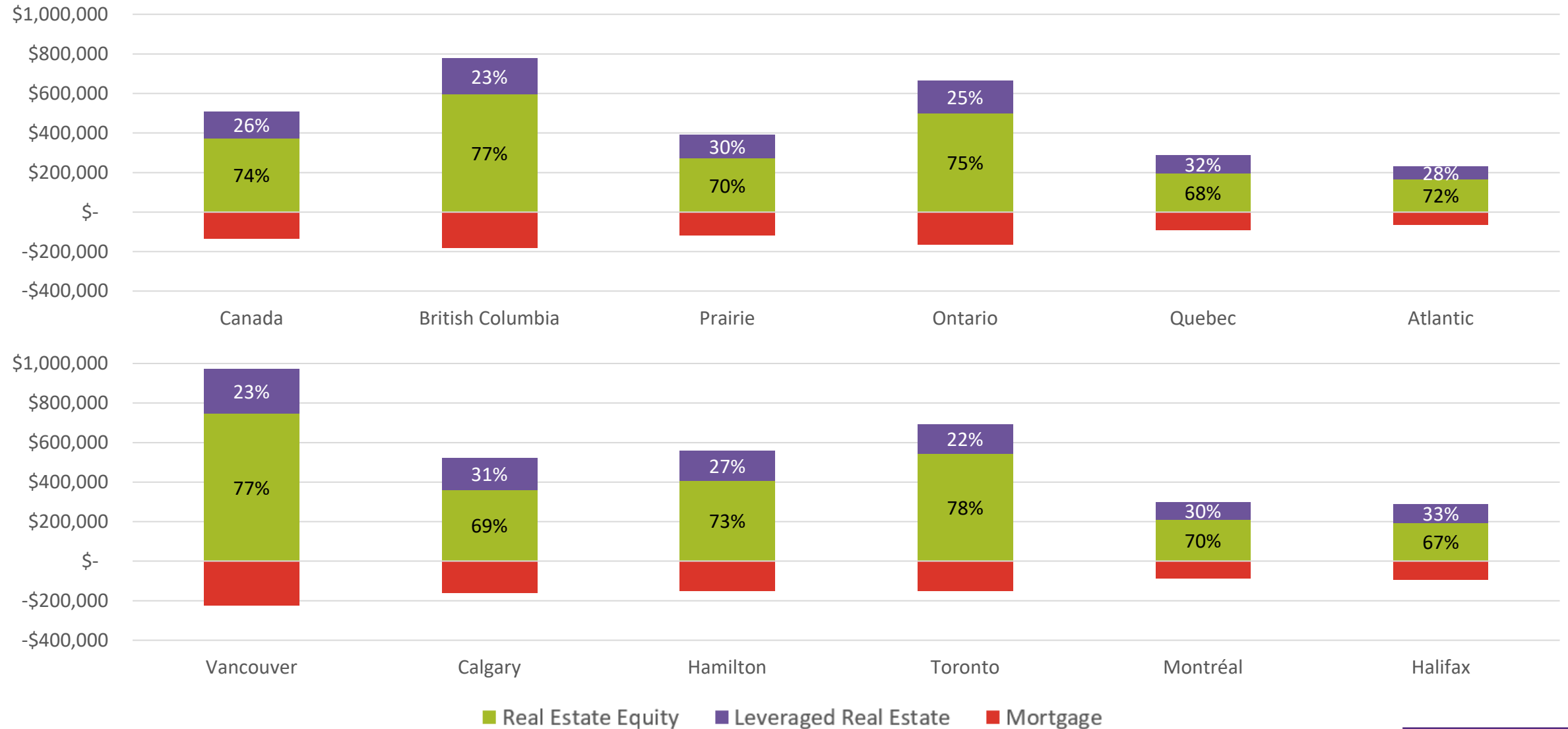
WealthScapes and LiquidAssets
Insights



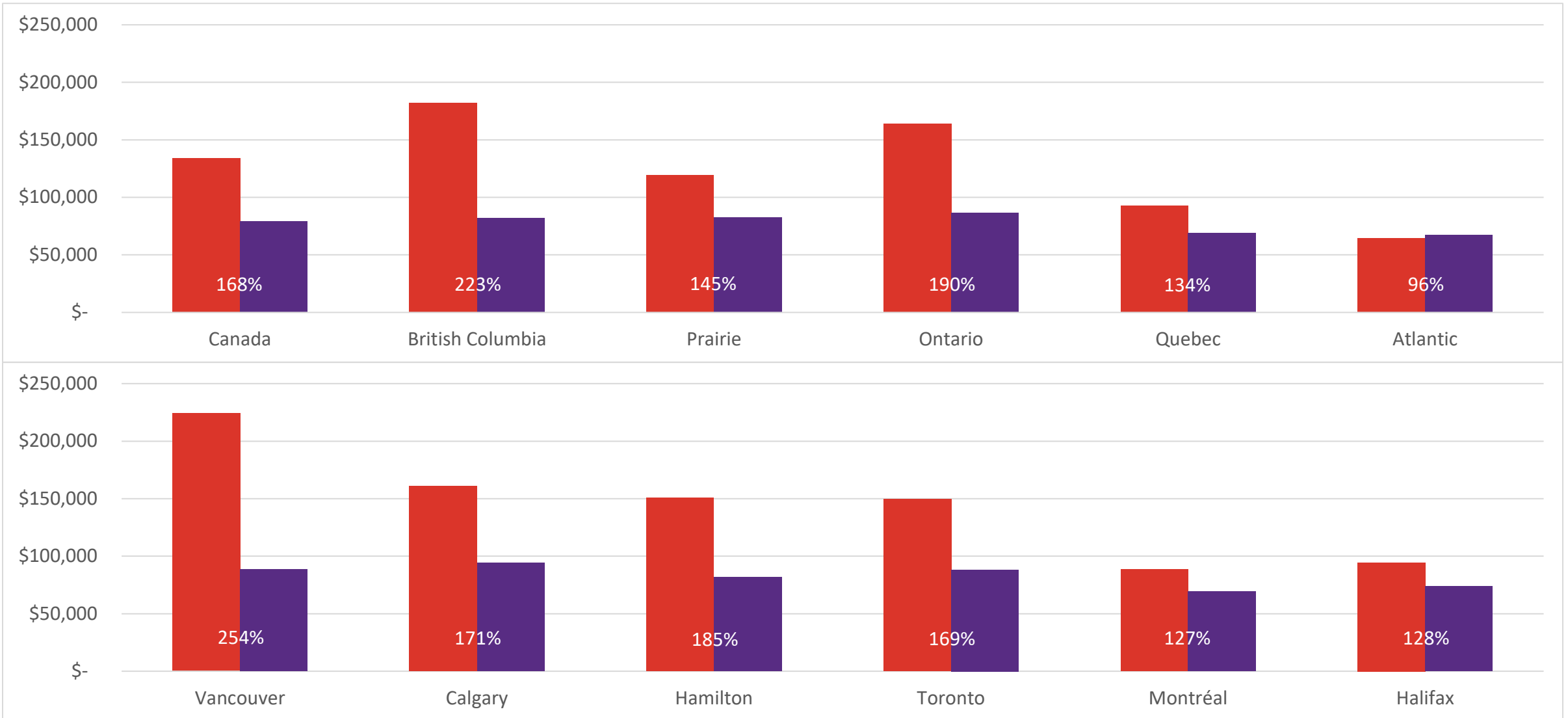
Mortgage Balance Trends Across Regions and CMAs



Real Estate, Mortgages and Net Equity Across Regions and CMAs

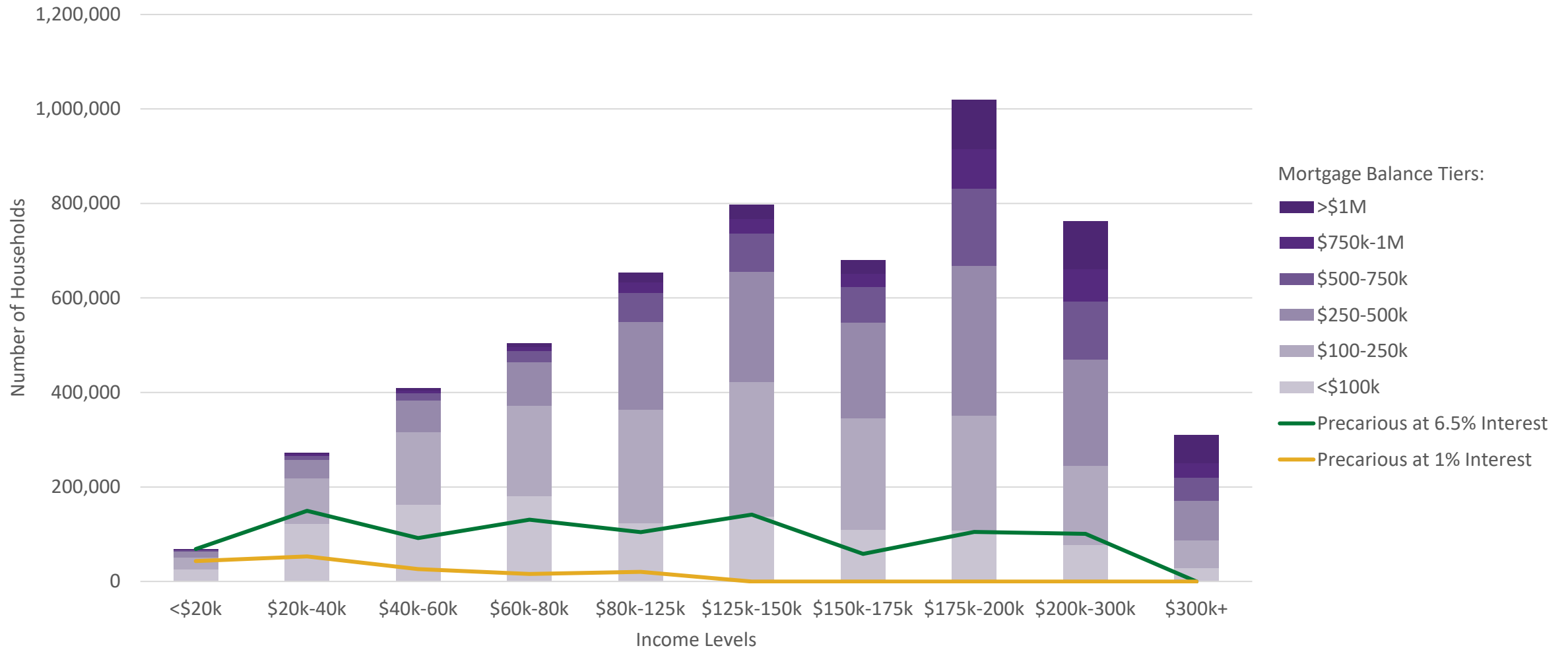


Mortgage to Disposable Income Across Regions and CMAs



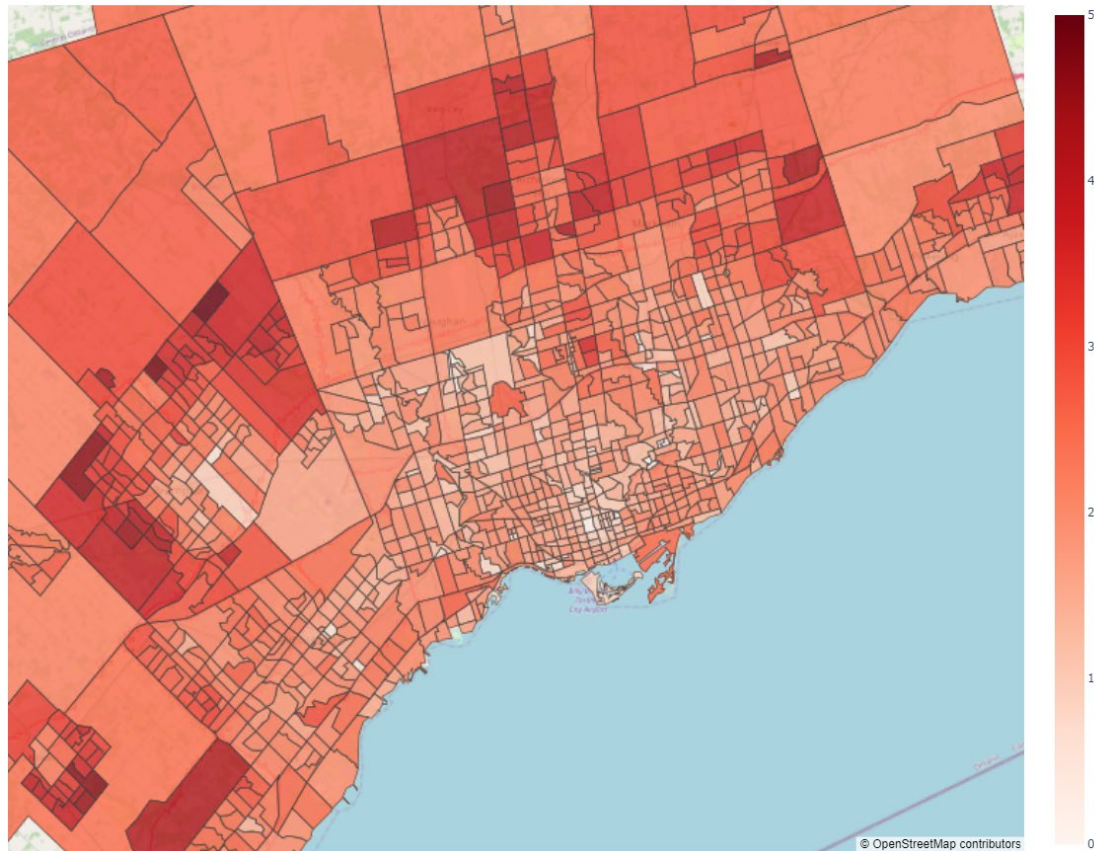
Peaking Into The Distributions – Finding Vulnerable Households

Mortgage Balance by Income, # Households

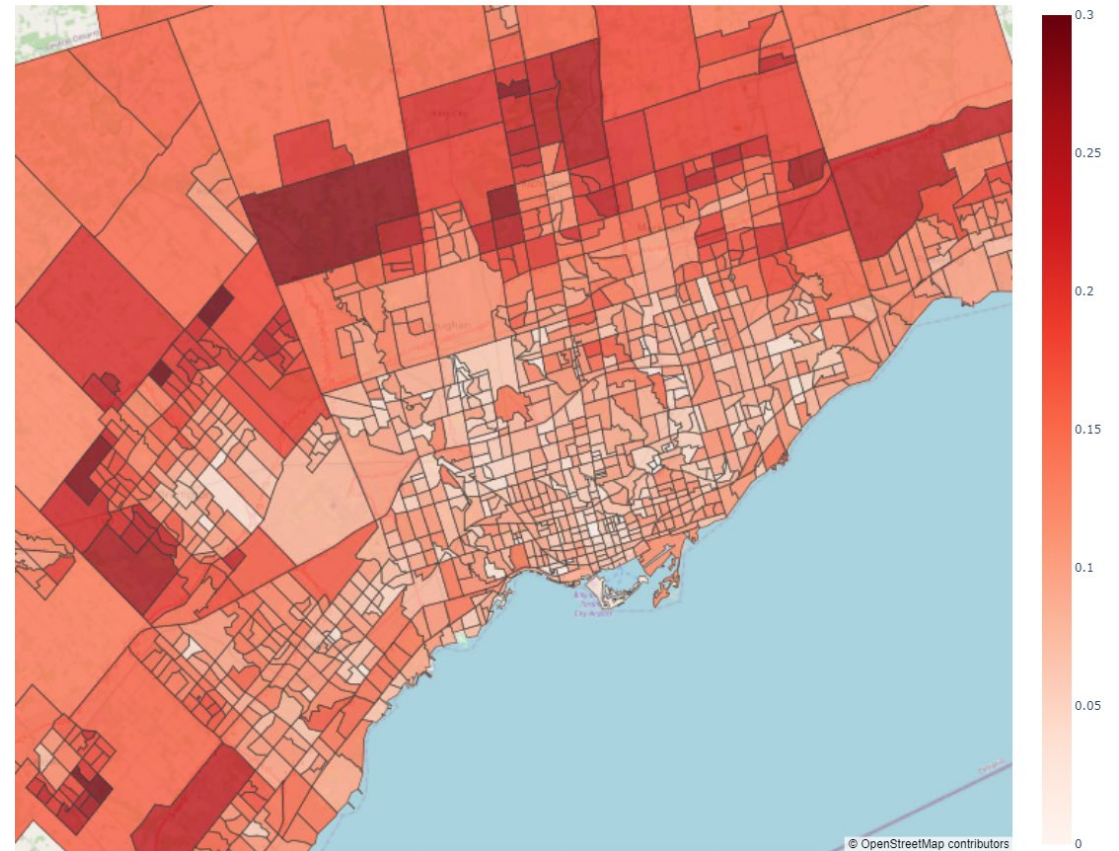


Peaking Into The Distributions – Finding Vulnerable Households

Debt to disposable income

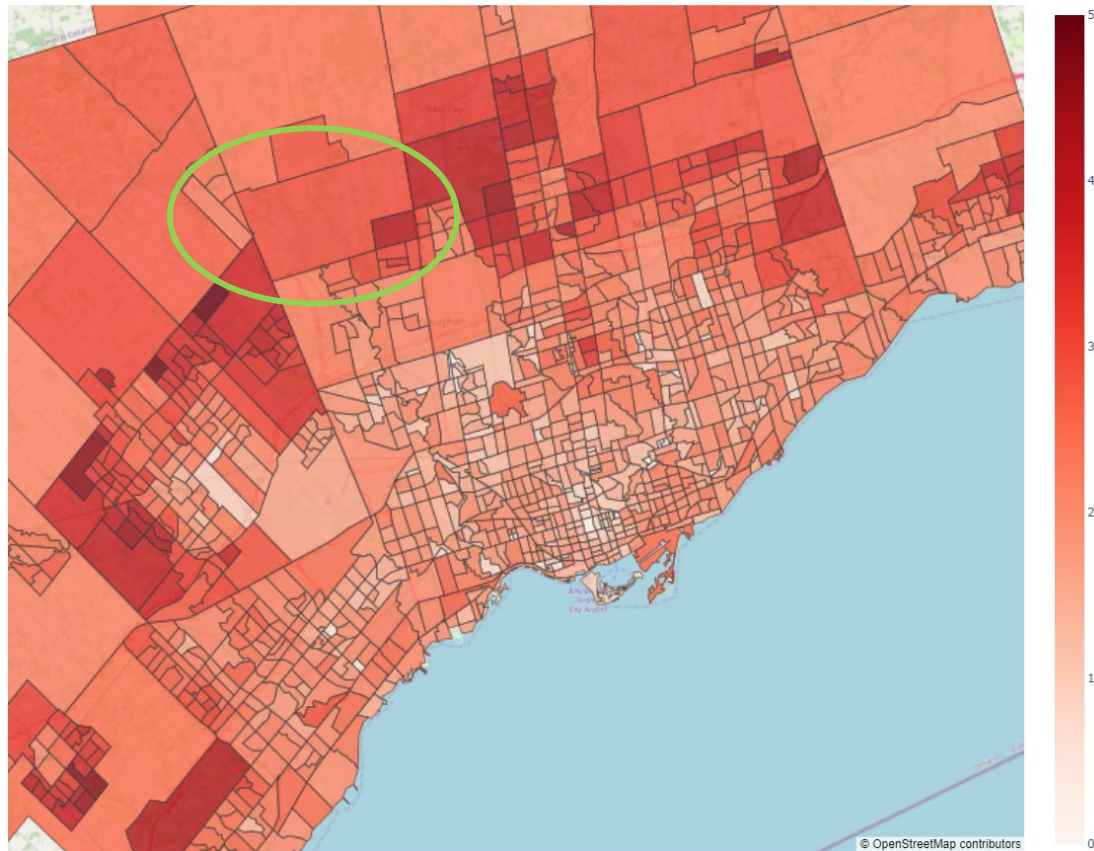


Percent at-risk households

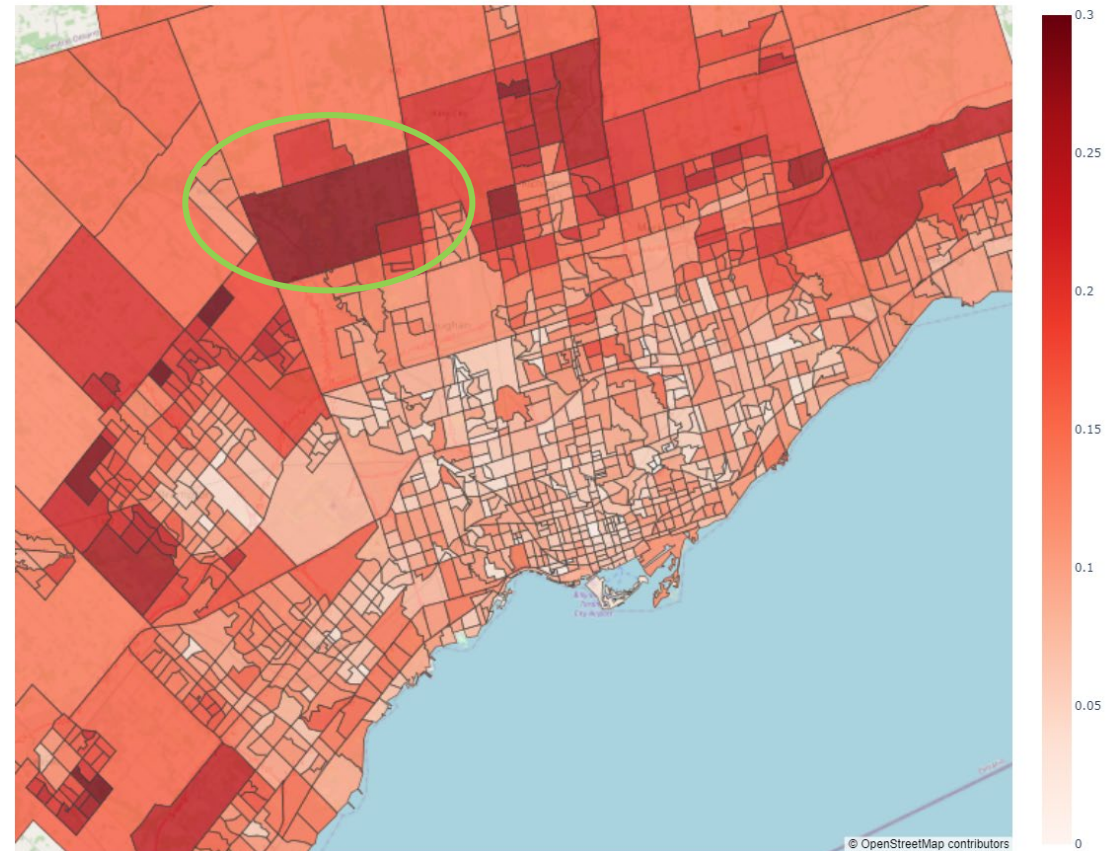


Peaking Into The Distributions – Finding Vulnerable Households

Debt to disposable income



Percent at-risk households

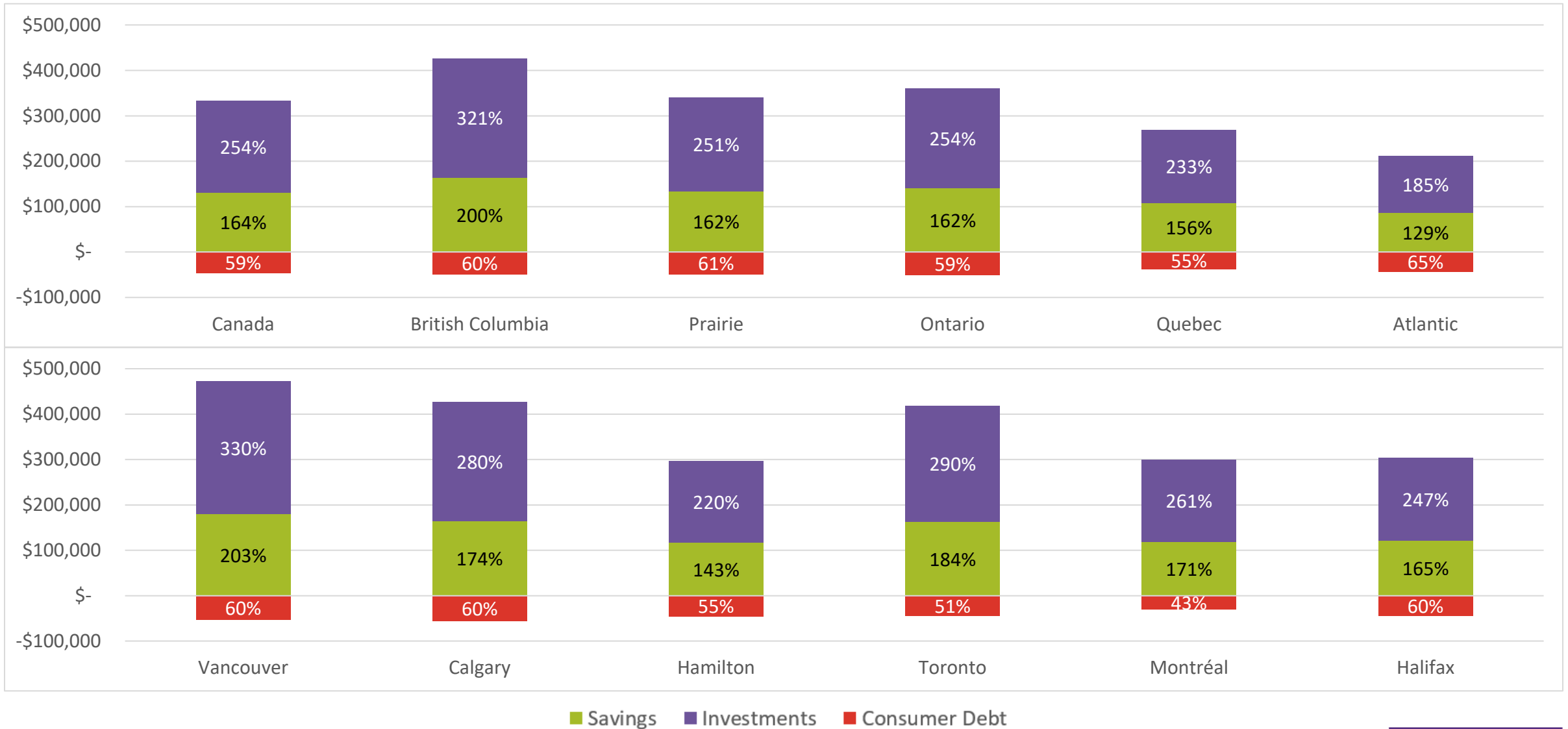


WealthScapes Suite of Products

Savings buffers and emergency funds

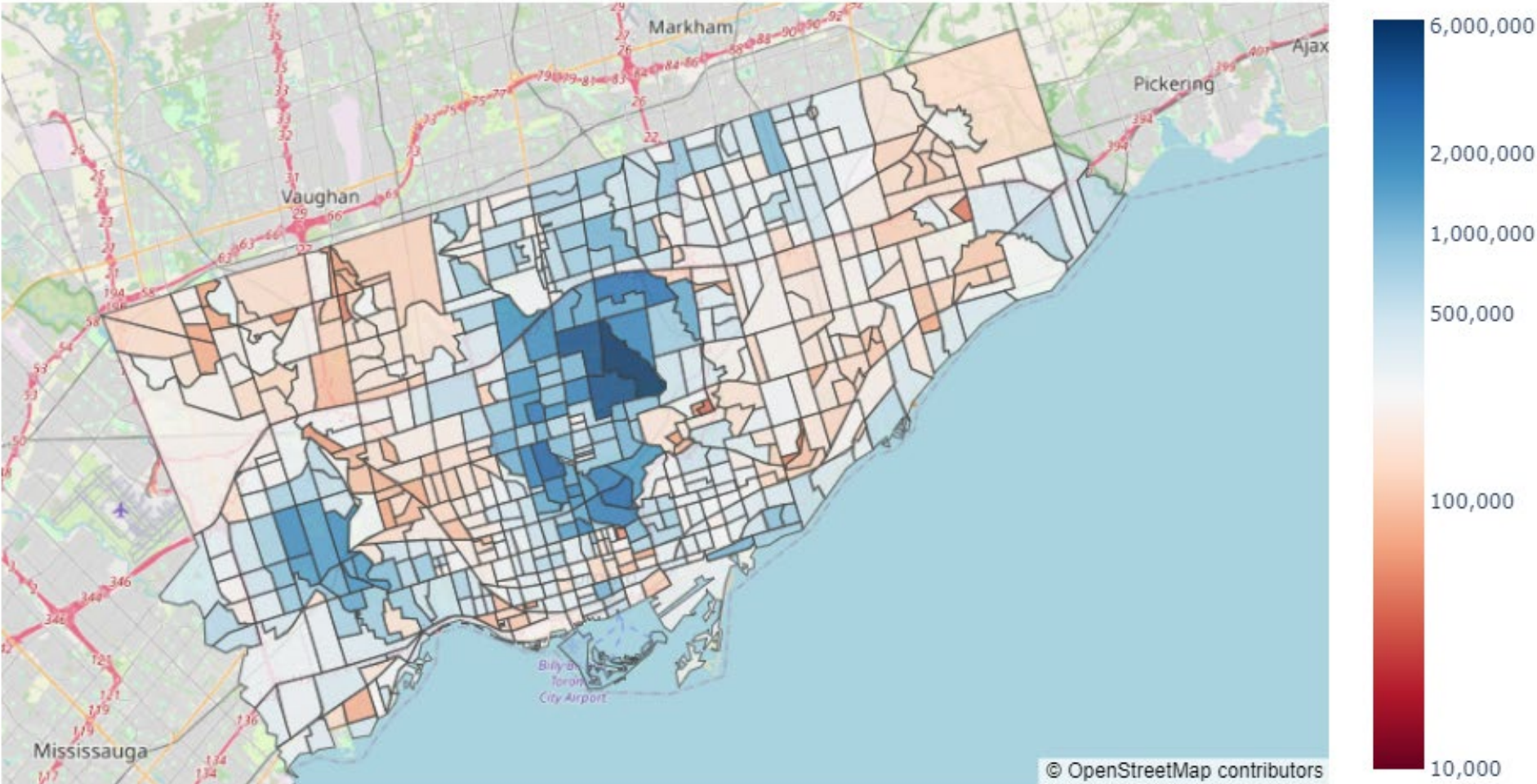


Liquid Assets and Consumer Debt by Region and CMA

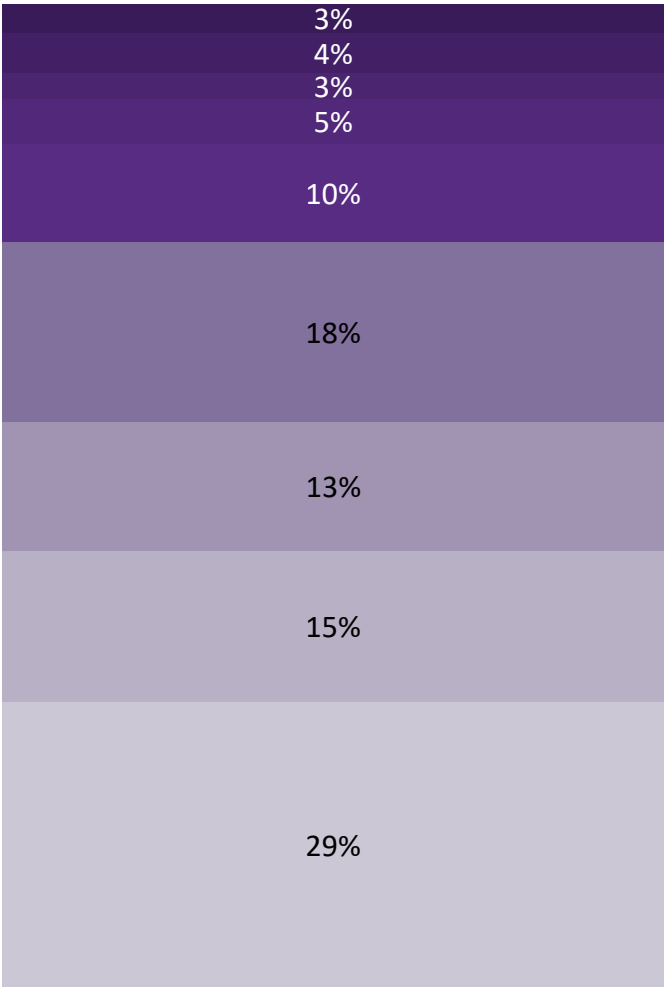


Average Liquid Assets Balances – Financially Vulnerable or Resilient?

Average Liquid Assets



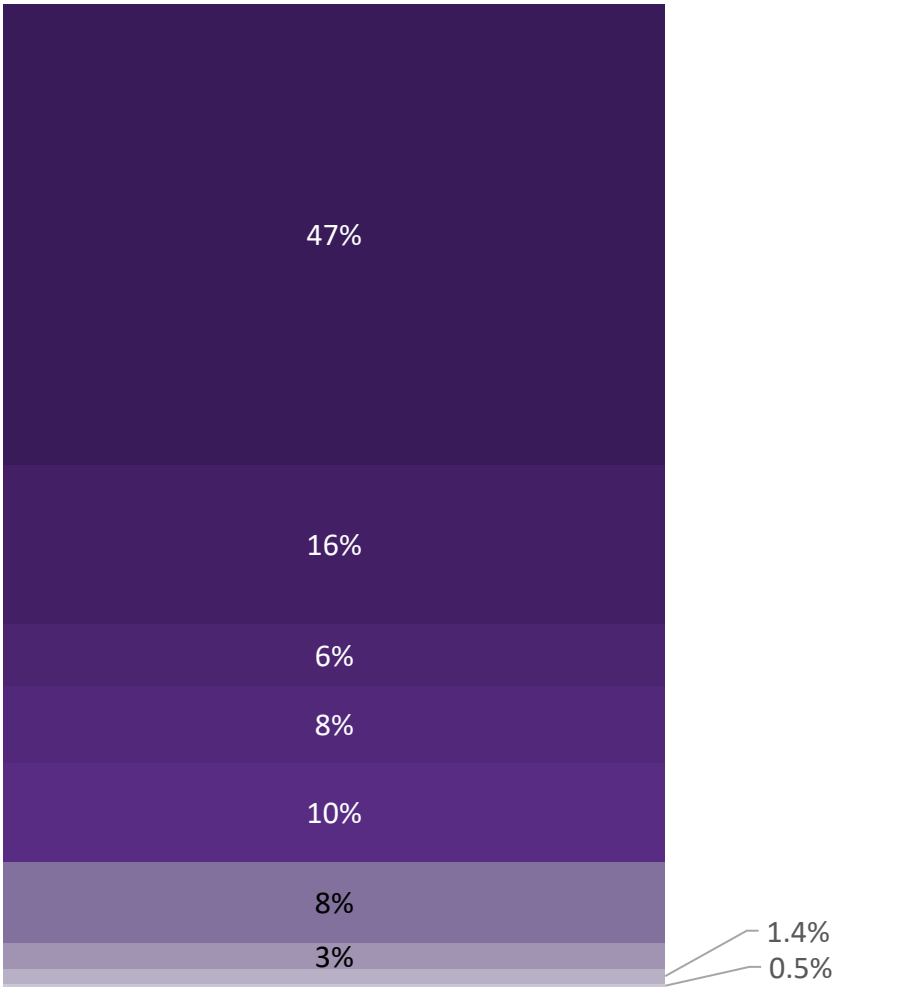
Using LiquidAssets to Look Beyond the Averages



% OF HOUSEHOLDS

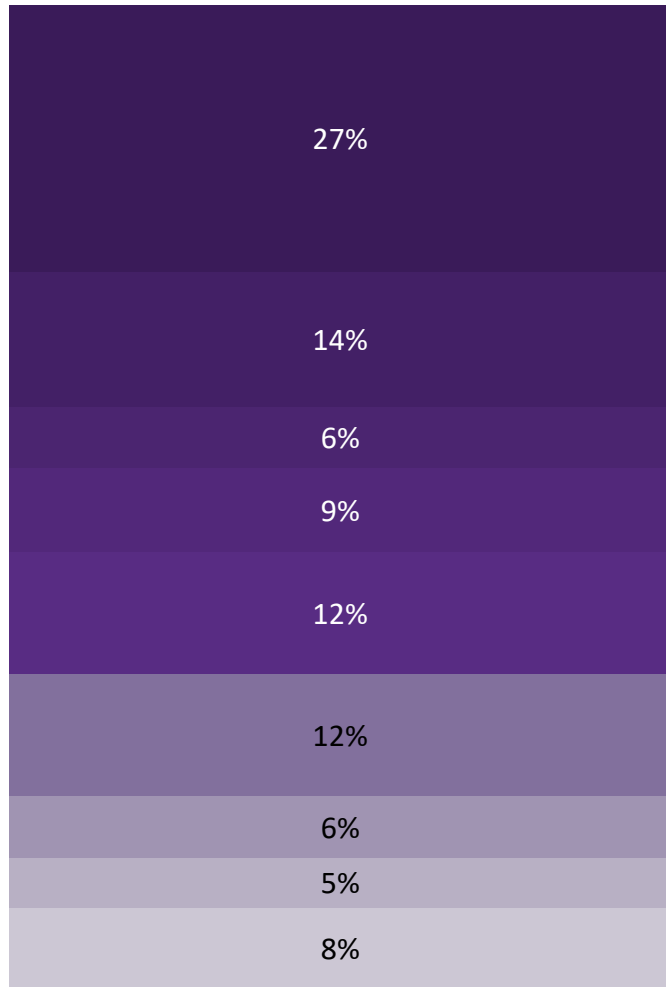
Liquid Asset Tiers:

- >\$2M
- \$1M to \$2M
- \$750k to \$1M
- \$500k to \$750k
- \$250k to \$500k
- \$100k to \$250k
- \$50k to \$100k
- \$20k to \$50k
- <\$20k



% OF TOTAL LIQUID ASSET HELD

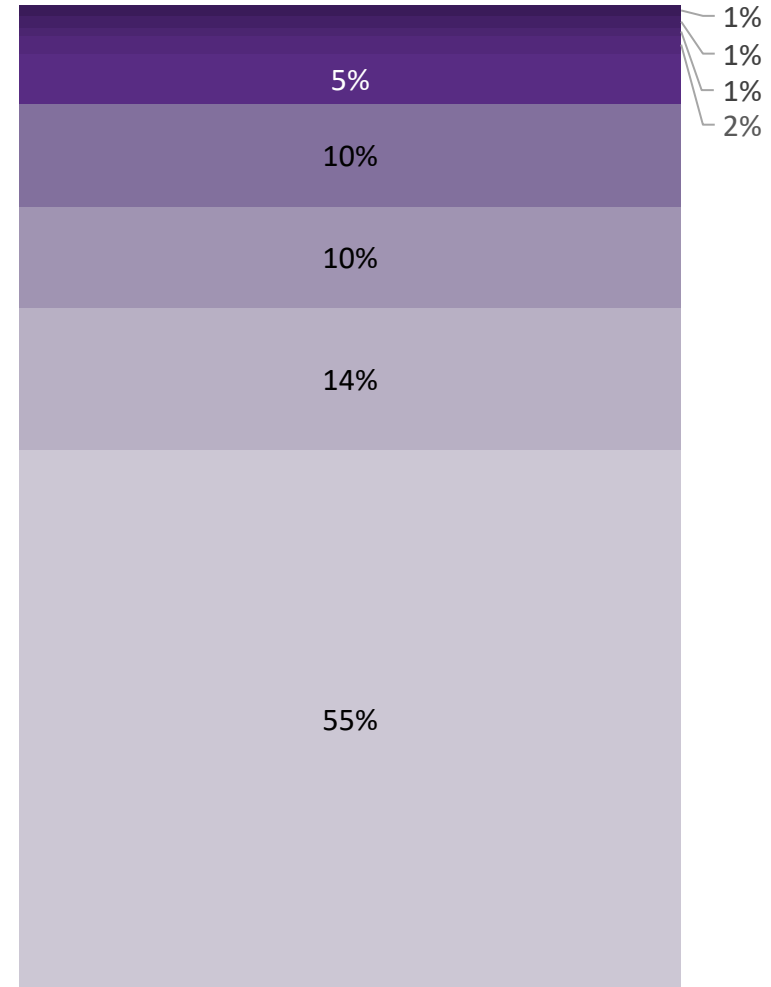
LiquidAssets by Contrasting PRIZM segments



THE A-LIST

Liquid Asset Tiers:

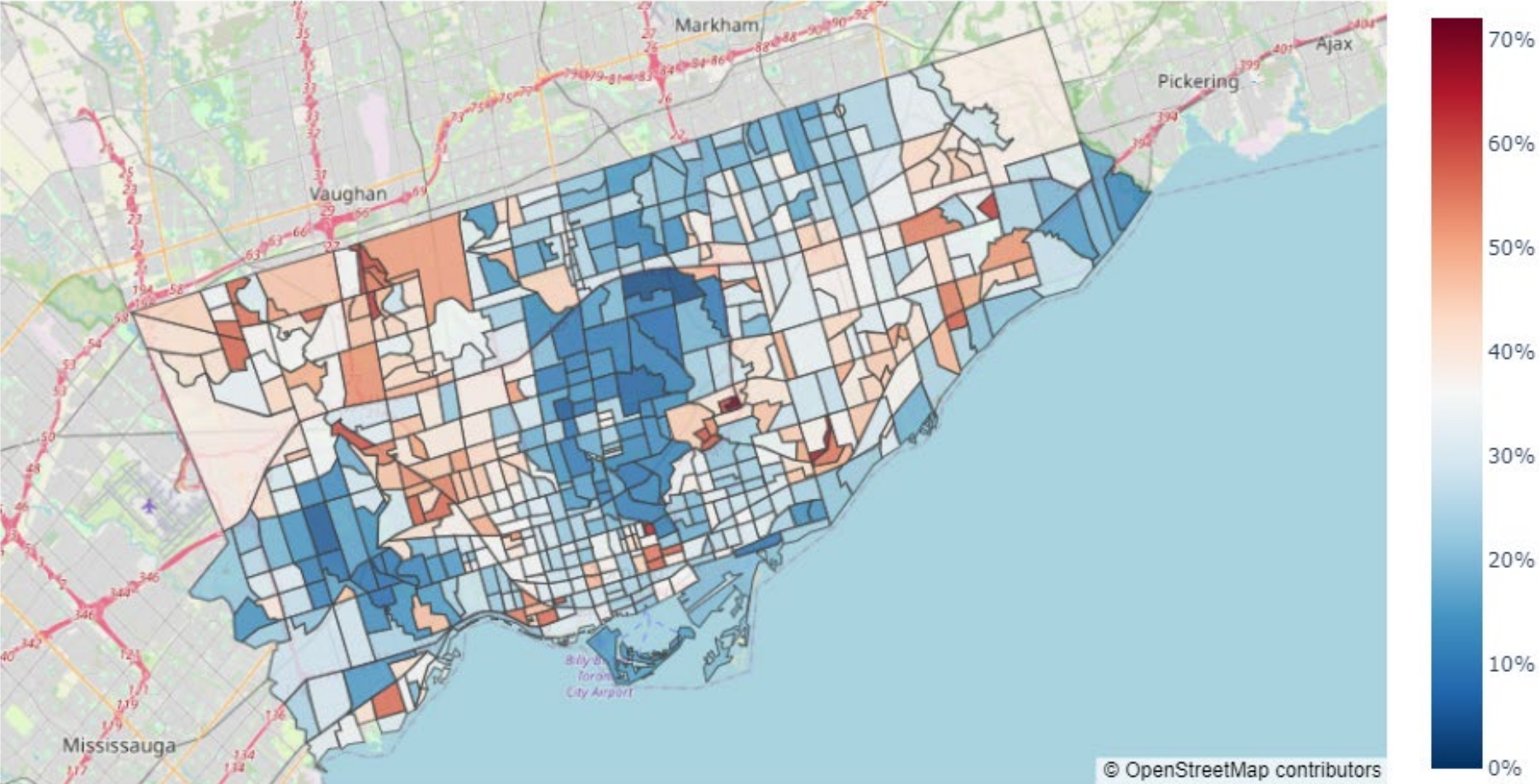
- >\$2M
- \$1M to \$2M
- \$750k to \$1M
- \$500k to \$750k
- \$250k to \$500k
- \$100k to \$250k
- \$50k to \$100k
- \$20k to \$50k
- <\$20k



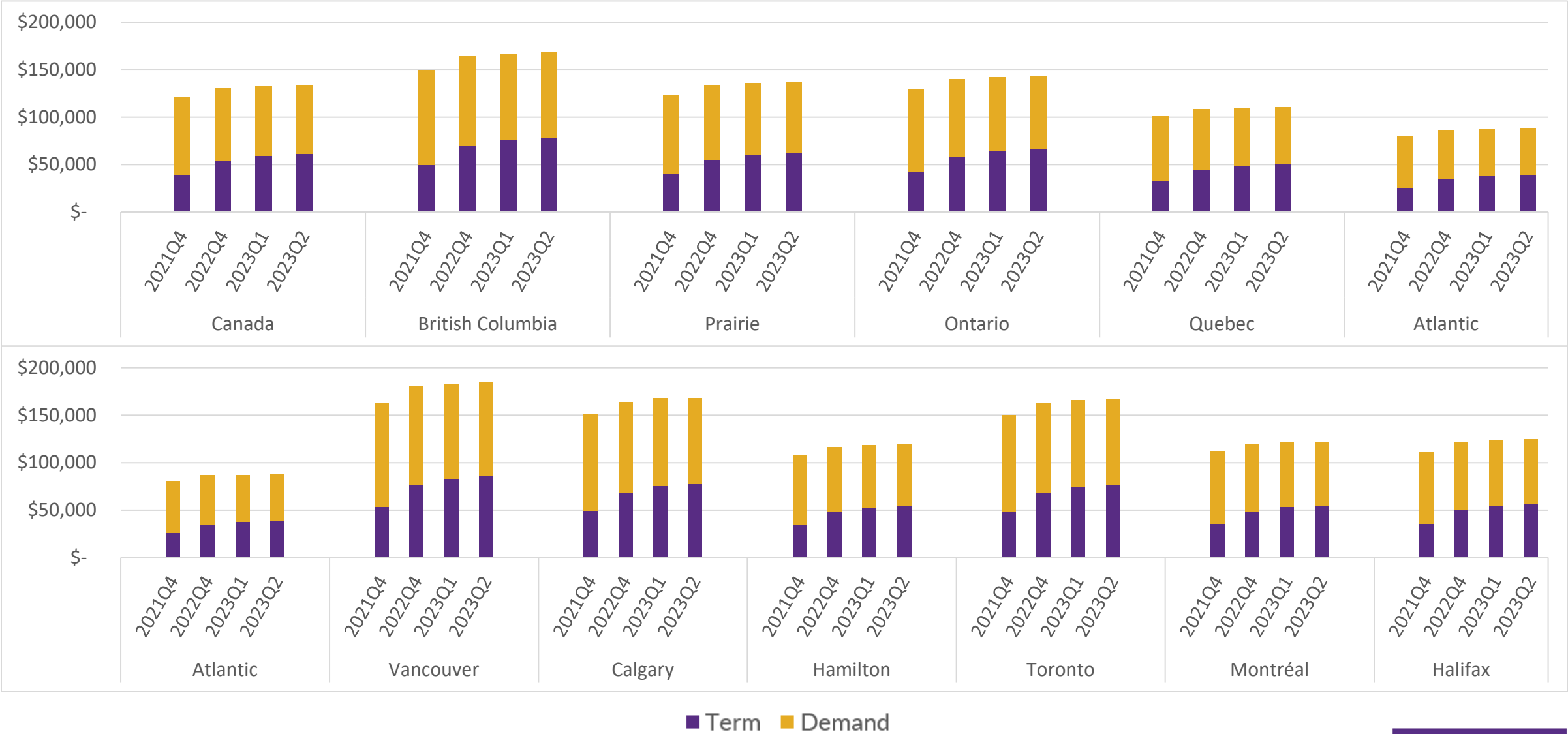
JUST GETTING BY

A Better Way to Look – Financially Vulnerable or Resilient?

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



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



WealthScapes Use Cases

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



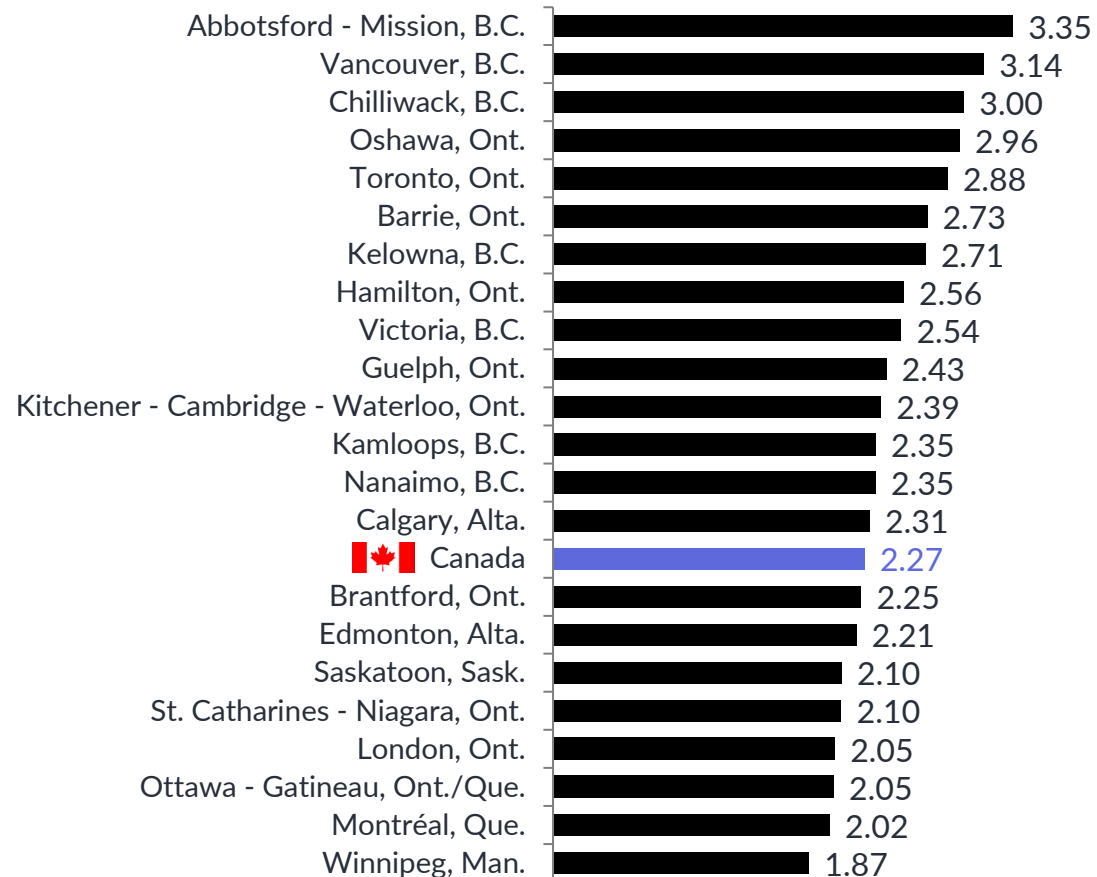
Modeling

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

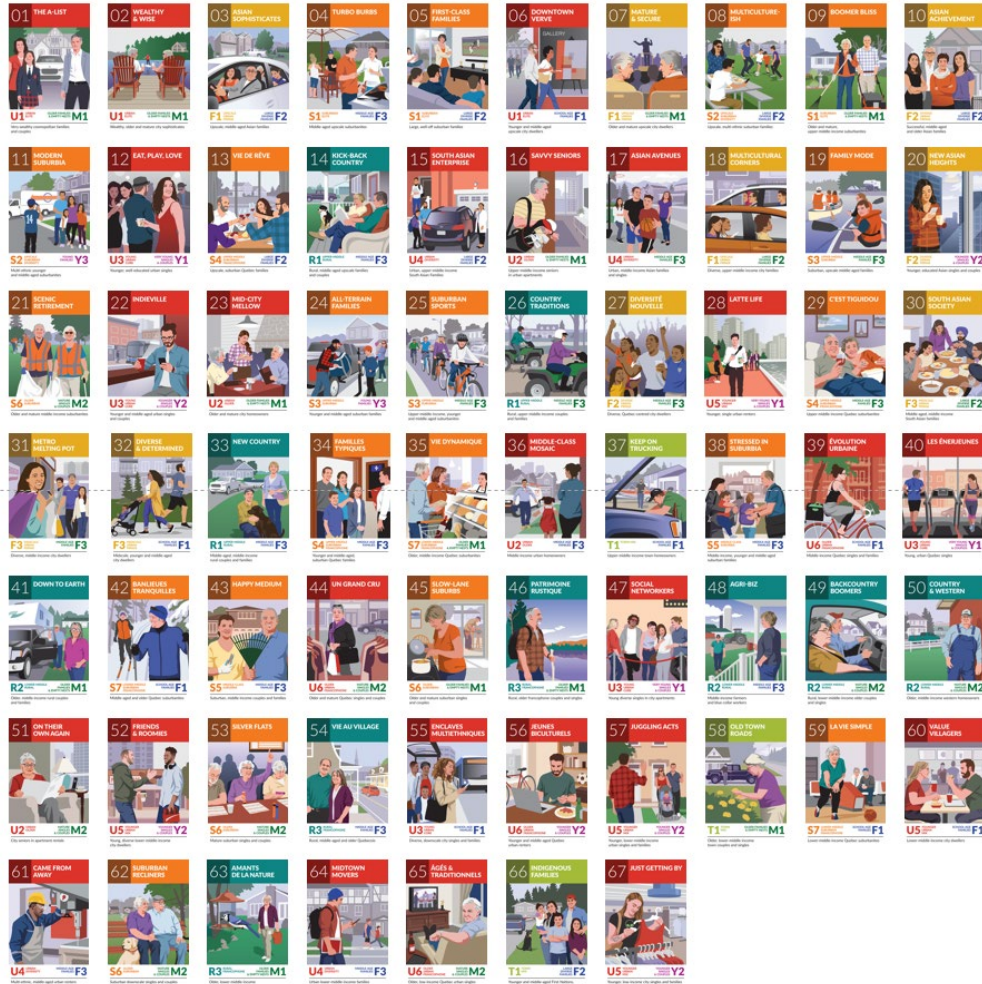
Debt Highest in Areas in B.C and Ontario

Debt to Disposable Income Ratio, 2022

Top 20 CMAs, Montreal and Winnipeg



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



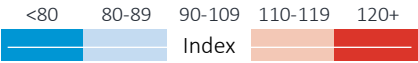
Evolving household types

M4W 3H1 Uniqueness of each 6-digit postal code

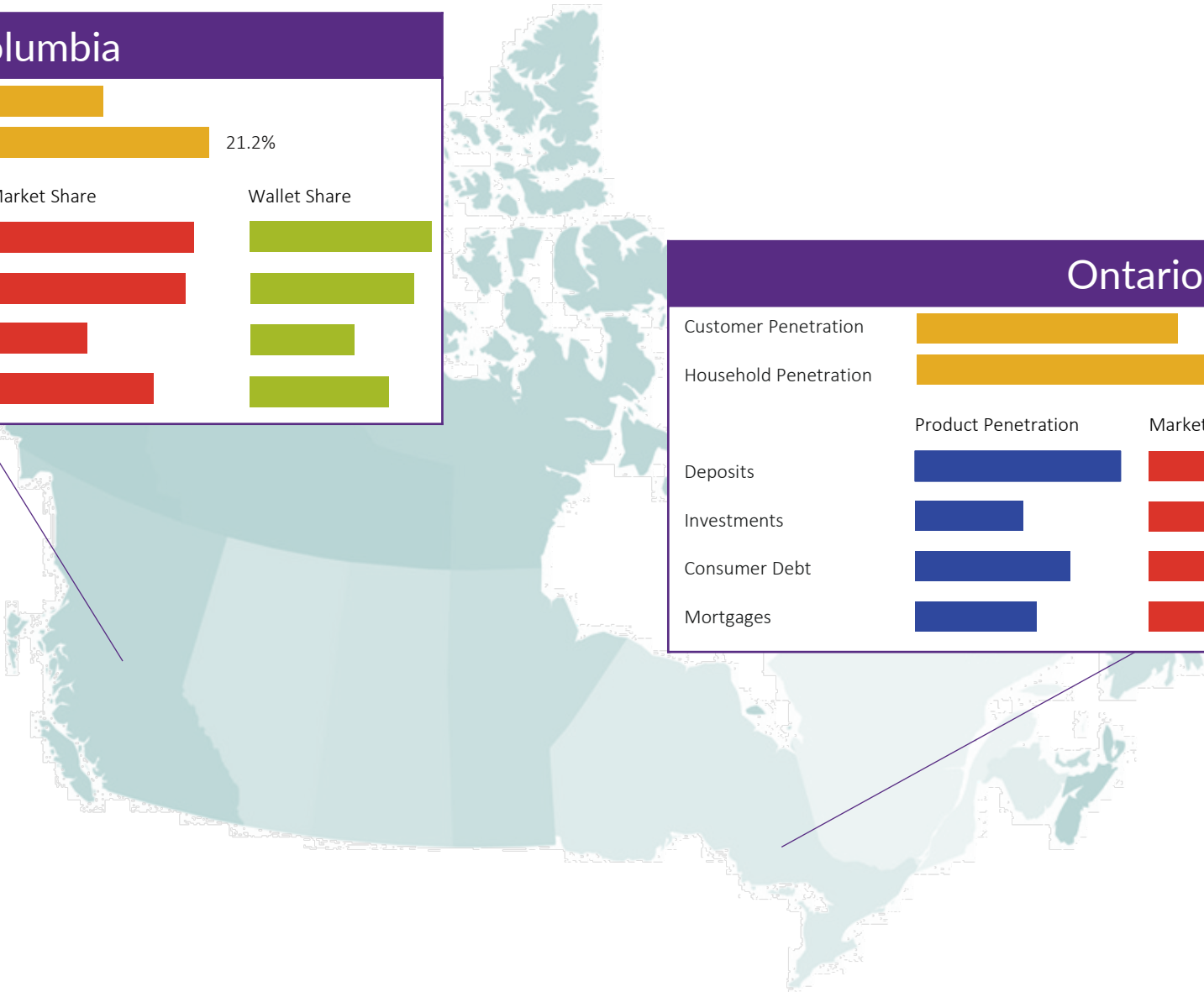
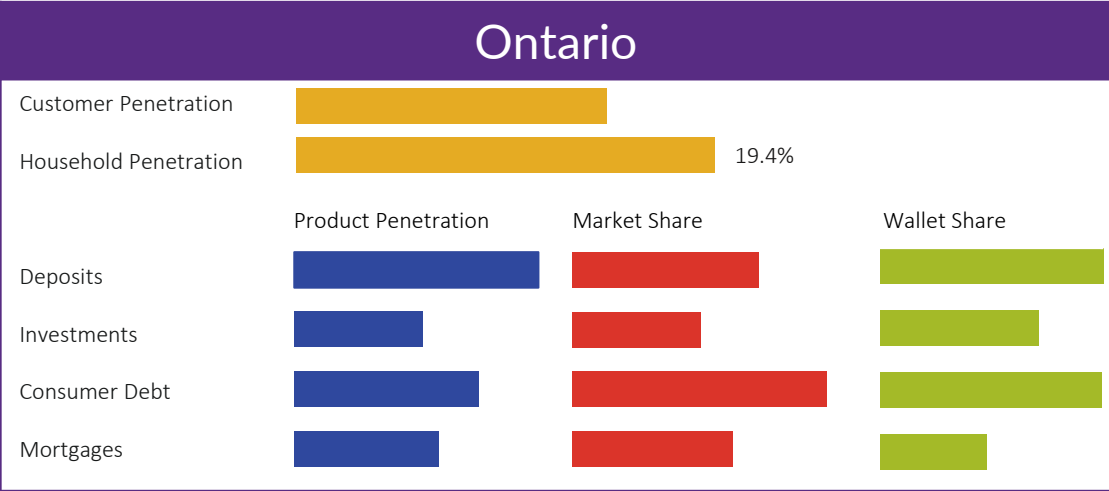
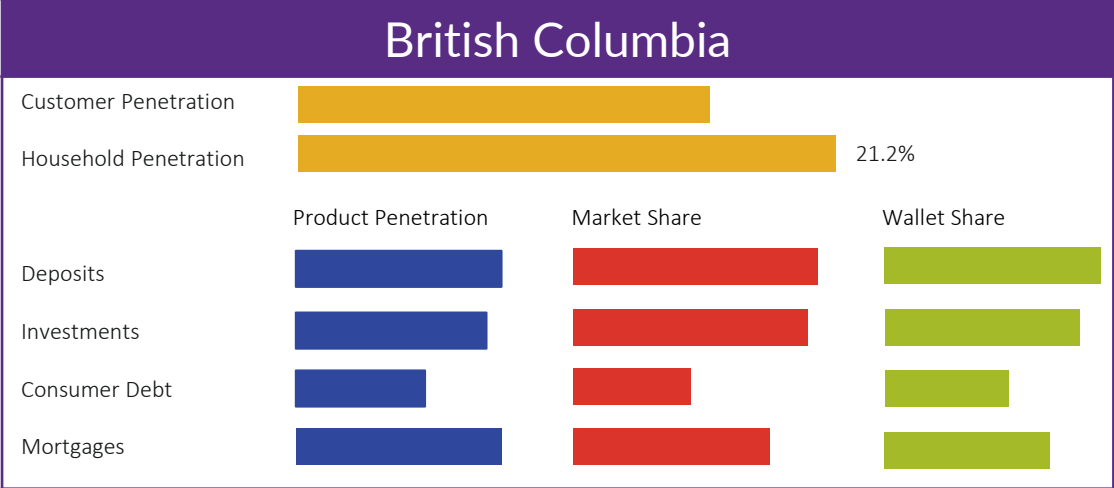
PRIZM acts as a data currency/common language that can be used across the organization to align on targeting priorities

Savings & Investment Vehicles Vary by Demographics

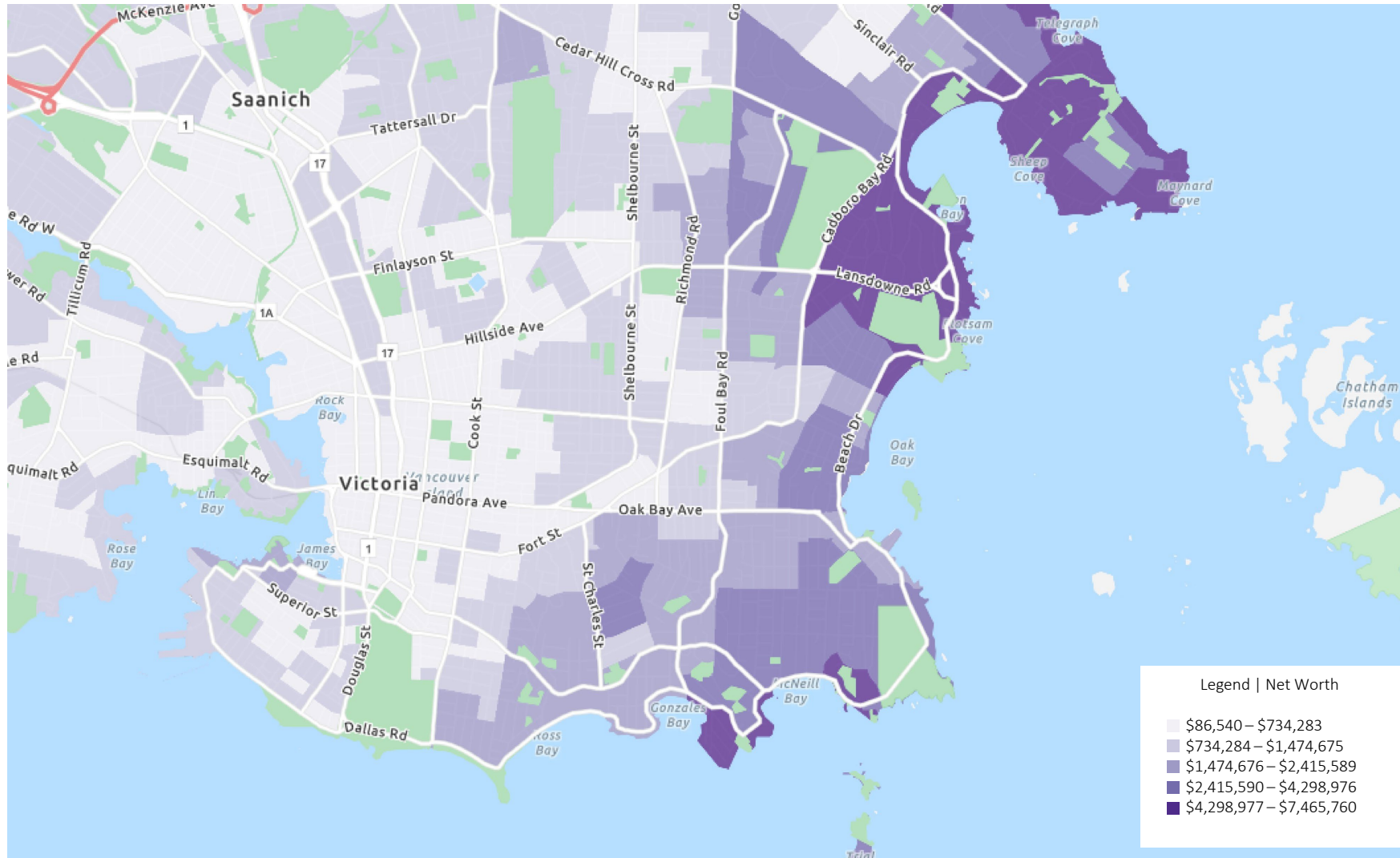
		RRSP	RESP	TFSA	GIC	Stocks	Bonds	Debt to Discretionary Income
15	South Asian Enterprise	104	190	97	96	96	95	157
10	Asian Achievement	110	164	119	120	127	131	139
30	South Asian Society	80	151	80	85	84	83	134
9	Boomer Bliss	118	120	119	126	133	135	95
16	Savvy Seniors	105	90	121	121	128	127	89
21	Scenic 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



Comparing Opportunities by Province

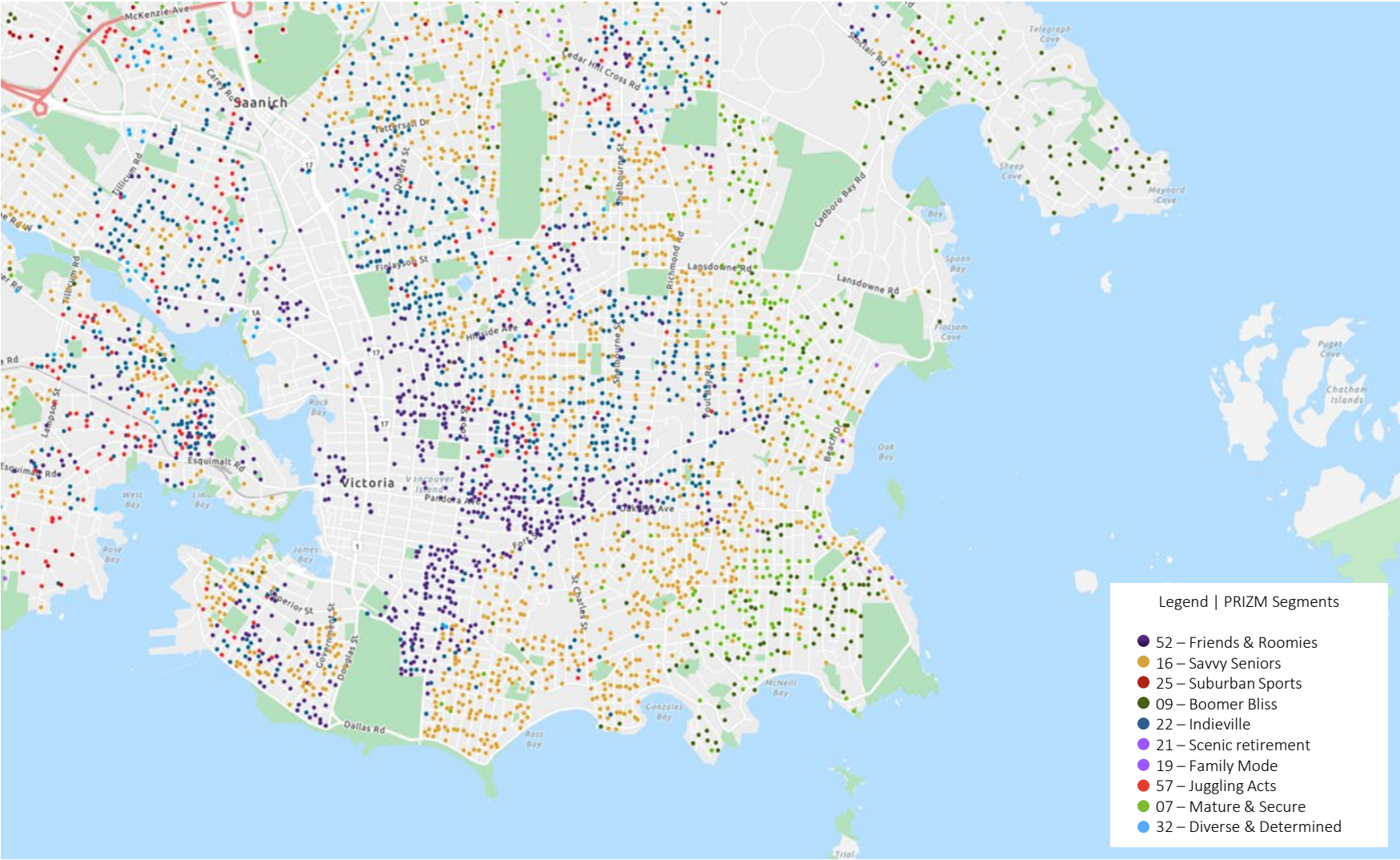


Understand Wealth Profiles by Trade Areas for Advisor Intelligence



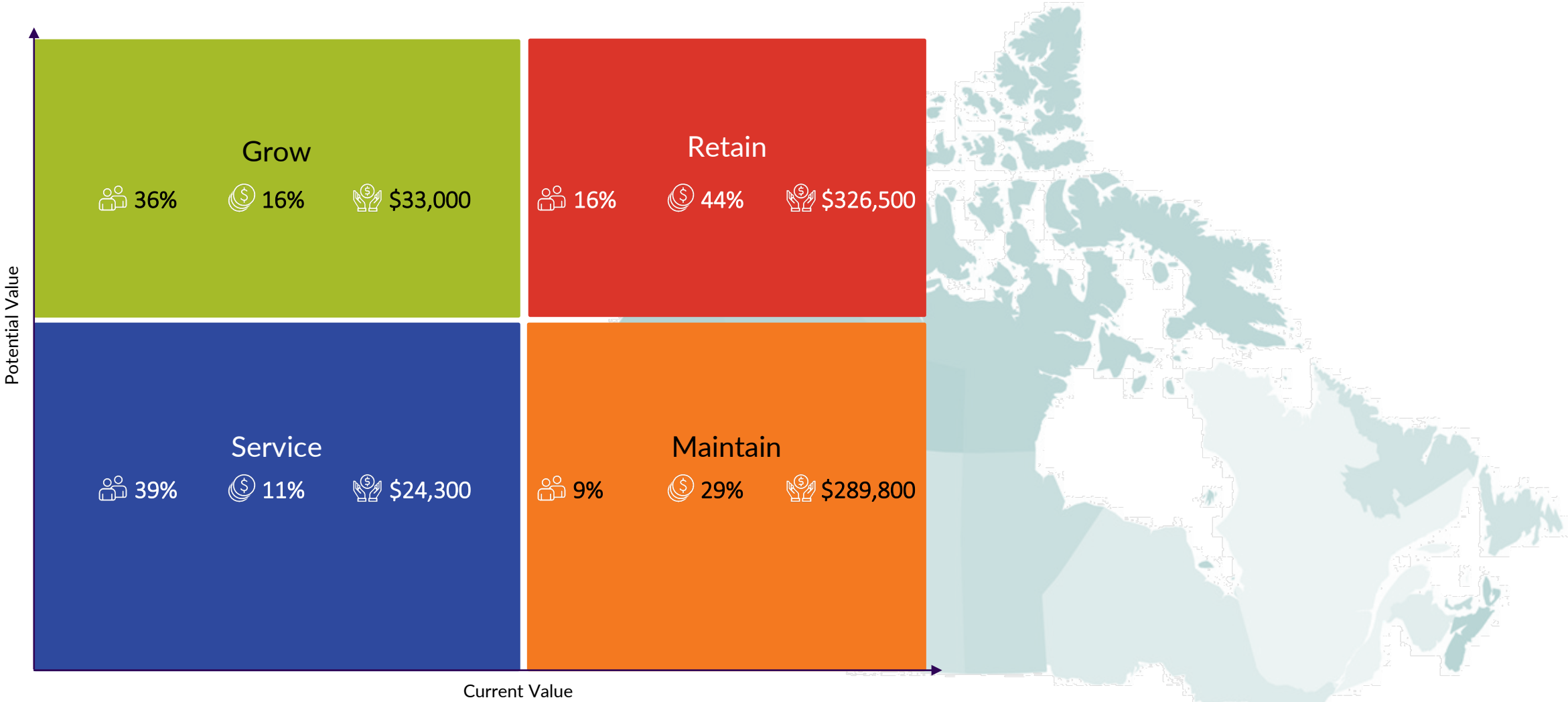
Inform Advisors & Brokers about current and prospective clients by understanding custom key markets of interest in terms of their wealth profile to understand opportunities and inform approach

Overlay Demographic & Behavioural Data for a 360° Lens



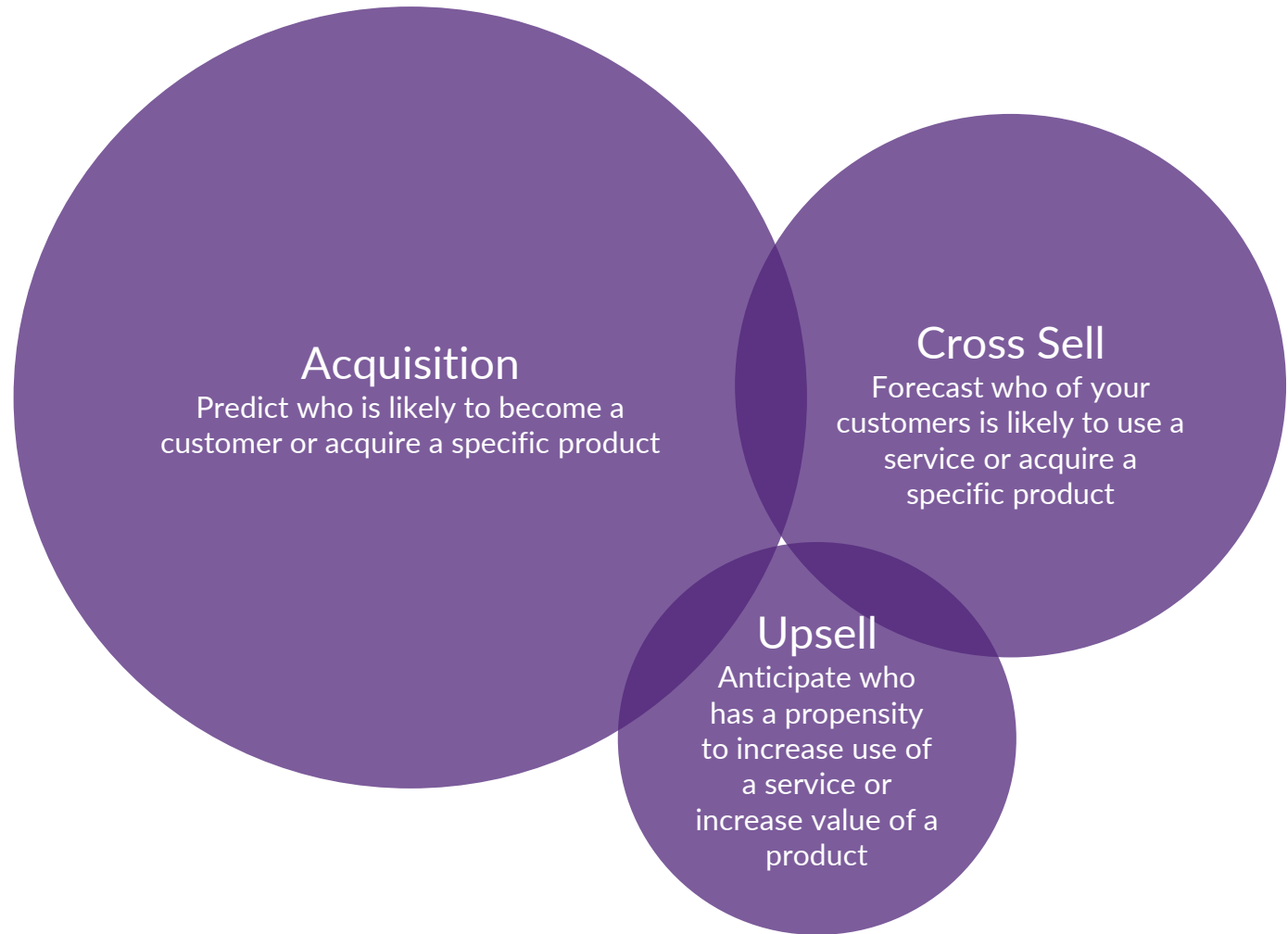
Understand the opportunity holistically, and inform approach, by overlaying lifestyle and demographic data

Strategically Segment Your Customer Portfolio



Predictive Modeling

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



Questions

Larry Filler

Senior Vice President & Practice
Leader



Lynne Wolfson

Research Lead, Financial Data
Products

