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Whatever happened to that New Year's resolution to pay off your debt?

If you're inclined to believe statistics, it's no wonder many make huge promises to start a year often ends in failure.

According to a February report from credit-monitoring firm TransUnion, consumer debt shot up 6% in 2012 over 2011. The average debt load for Ontarians hit \$27,485, the highest it's ever been.

But is the situation dire as those numbers make it seem? Not everyone thinks so.

Ian Lee, director of Ottawa's Sprott School of Business, said people should consider every aspect of debt rather than looking at it as one big - and scary - number.

Consider the approximately \$1.6 trillion owed in total by Canadians, a number which includes long-term mortgage debt. Of that number, \$1 trillion is mortgage debt and the remainder is made up of personal loans, credit card debts, and car loans, among others.

When consumers go into debt, it's often not about financial irresponsibility, said Lee.

"Ordinary consumers understand how much they owe and own," he said. "So what they're doing is they're basically borrowing against their assets to subsidize their consumption."

Not all debt is dangerous, said Lee. Canada has impressively low delinquency rates when it comes to making payments. The rate of serious delinquency for non-mortgage debt was at 1.9% in 2012, a record.

Lee doesn't dispute rising debt numbers, but disagrees that a significant portion of the population is floundering.

Of Canadians who are carrying some amount of debt, Lee and others have estimated the number of "at risk" people is somewhere around 10%.

"These are people who just bought their house in the last five years, which means they're just starting out," he said.

Then they run up their credit cards buying furniture for that new home. Even those with significant consumer debt aren't necessarily in danger if they



ERROL MCGINNON/OTTAWA SUN

Marc Lamontagne is a financial planner. He says a lot of people who get into debt trouble are simply living beyond their means.

NOT ALL DEBT A BAD THING

Canadians are pretty good at keeping up with their payments

DEBT LEVELS

- Average consumer debt load for 2012 was \$27,485
- Up 6% over previous year
- Credit card debt increased 0.12% in 2012 over 2011
- Lines of credit increased 2.64%
- Installment loan debt increased 6.71%
- Automobile debt went up 8.93%

Source: TransUnion Canada

have built up some equity in their home.

"Half of those home owners have no mortgage, so by definition they can't be at risk," said Lee.

Lee defined the largest "at risk" groups as young people living in Montreal, Toronto or Calgary - some of the most expensive cities in the country.

But Ottawa residents end up in debt too, and many of them find their way to a financial advisor like Marc Lamontagne, who said his debt-ridden clients typically fit into two broad categories: those who lost a job and had no cash to fall back on and those simply living beyond their means. The latter is the most common, he added.

"They have a sort of picture of the lifestyle they want and they're buying stuff they really can't afford."

It's rarely a single debt that brings people to Lamontagne's office; typically they owe cash spread across a variety of loans and credit cards.

In most cases, it's a matter of paying better attention to what's going in and out of your bank account. That's where someone like Lamontagne comes in.

"It's just failure to track," he said. "People are either good budgeters or they're not budgeters. They really don't monitor (their expenses) so what I do is I get them to monitor their spending."

In the end, Lee said the increasing debt load in Canada are concerning, but the numbers become skewed when averaging it out across the entire country.

"We're in much better shape than people realize," he said. "I think people are over-generalizing when they're saying Canadians are at risk. That's simply not true. There are some Canadians at risk."

"Am I concerned? Yes. Am I panicking? Absolutely not."