

# behind the numbers

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This piece is the third in a series of *Behind the Numbers* on wealth inequality in BC. The earlier pieces can be found at [www.policyalternatives.ca](http://www.policyalternatives.ca)

## Upstairs, downstairs and in between

### The assets and debts of British Columbians

By Steve Kerstetter

British Columbians lead strikingly different lives that arise, in large part, from their strikingly different financial circumstances. On the lower rungs of the economic ladder, a sizeable part of the population has debts larger than their assets and lives hand-to-mouth trying to make ends meet. On the upper rungs, people have such an array of assets and so few debts that they worry about money only if they choose to.

For the very poor, the very rich, and those in between, the choices people have and the lifestyles they follow have very little in common with each other. The differences are just as stark as those captured by the long-running British television series “Upstairs, Downstairs,” which contrasted the lives of the privileged with the lives of the people who served them.

Here is a closer look at three distinct groups in British Columbia based on data from Statistics Canada’s recent *Survey of Financial Security*: the poorest 20 per cent of family units, the middle 20 per cent and the richest 20 per cent. The survey showed huge differences among the three groups in terms of their assets, their debts, and their wealth or net worth.

#### Downstairs – The poorest 20 per cent

Table 1 shows the different assets and debts that were held by the poorest 20 per cent of family units in BC in 1999.

The column headed “aggregate amount” gives the total value of each asset and debt reported by all the family units in the group combined – both families and unattached people. The next column gives the percentage of family units in the group that had a particular asset or debt. The third column gives the average value of each asset or debt for the family units that reported that particular asset or debt. For example, 72 per cent of the poorest family units had bank accounts or guaranteed investment certificates, and the average holding among that 72 per cent was \$772.

The final column gives the median value of each asset and debt. Medians are middle values and are considered to be more typical when there are substantial variations within a group.

Blank spaces in the table mask assets and debts where the survey results were too small or too variable to be reliable (for example, the blank spaces in the rows for mutual and

On the lower rungs of the economic ladder, a sizeable part of the population has debts larger than assets and lives hand-to-mouth. On the upper rungs, people have such an array of assets and so few debts that they worry about money only if they choose to.

Overall, the poorest 20 per cent of family units had debts that were larger than their assets. Average assets worked out to \$10,806, average debts were \$21,052, and average wealth was minus \$2,759. Everyone had assets of one kind or another, but only 64 per cent of the group also had debts.

**Table 1: Assets and debts of the poorest 20% of family units in BC**

	Aggregate amount	% of family units with asset or debt	Average amount	Median amount
<b>ALL ASSETS</b>	<b>\$3,649,000,000</b>	<b>100%</b>	<b>\$10,806</b>	<b>\$2,250</b>
FINANCIAL ASSETS	\$429,000,000	76%	\$1,674	\$560
RRSPs and other registered plans				
Bank accounts and GICs	\$188,000,000	72%	\$772	\$300
Other non-registered financial assets				
Mutual and investment funds				
Stocks				
Bonds (savings and other)				
NON-FINANCIAL ASSETS	\$3,162,000,000	100%	\$9,361	\$1,250
Market value of home				
Market value of other real estate				
Vehicles	\$571,000,000	44%	\$3,861	\$2,000
Furnishings and valuables	\$776,000,000	100%	\$2,298	\$1,000
EQUITY IN BUSINESS				
<b>ALL DEBTS</b>	<b>\$4,576,000,000</b>	<b>64%</b>	<b>\$21,052</b>	<b>\$7,000</b>
Mortgage on principal residence				
Mortgage on other real estate				
Credit card and installment debt	\$421,000,000	32%	\$3,872	\$2,000
Other non-mortgage debts	\$2,446,000,000	57%	\$12,609	\$6,500
Line of credit				
Vehicle loans				
Other loans and unpaid debts				
<b>WEALTH OR NET WORTH</b>	<b>-\$927,000,000</b>	<b>100%</b>	<b>-\$2,759</b>	<b>\$276</b>

Notes: Blank spaces in the table represent sample sizes in the survey that were too small or too variable to be reported.  
Average and median values cannot be added to get subtotals because of the different percentage of family units that had any given asset or debt.

Source: Statistics Canada. 2001. *Survey of Financial Security 1999*

investment funds, stocks, and bonds).

Overall, the poorest 20 per cent of family units had debts that were larger than their assets. The rows in the table shaded in gray show that the group as a whole had aggregate assets of more than \$3.6 billion, aggregate debts of nearly \$4.6 billion, and wealth or net worth of minus \$927 million. Average assets worked out to \$10,806, average debts were \$21,052, and average wealth was minus \$2,759. Everyone in the group had assets of one kind or another, but only 64 per cent of the group also had debts.

Many poor family units had assets made up of modest bank accounts, minimal household furnishings, and perhaps a used car or truck, and debts that consisted of

modest credit card or installment debts and sizeable amounts of other types of debt. No further breakdown of debt was possible because of the small sample size.

The most important values missing from the table relate to home ownership. The sample size of homeowners among the poorest 20 per cent of family units in BC was too small to report. For Canada as a whole, three per cent of the poorest 20 per cent of family units were homeowners, and the vast majority of them were mortgaged to the hilt.

Stepping back from the bare figures in the table, the picture that emerges is one of poor families and unattached people living in apartments with very basic furnishings – maybe some second-hand furniture and used household

The middle 20 per cent of family units invested heavily in housing, but also managed to build up a few financial assets. Average assets were \$180,152, average debts were \$103,378, and average wealth was \$95,871. Three-quarters owned their own homes, although most also had sizeable mortgages.

**Table 2: Assets and debts of the middle 20% of family units in BC**

	Aggregate amount	% of family units with asset or debt	Average amount	Median amount
<b>ALL ASSETS</b>	<b>\$60,635,000,000</b>	<b>100%</b>	<b>\$180,152</b>	<b>\$170,290</b>
FINANCIAL ASSETS	\$8,557,000,000	95%	\$26,829	\$20,150
RRSPs and other registered plans	\$4,781,000,000	70%	\$20,383	\$14,200
Bank accounts and GICs	\$2,219,000,000	88%	\$7,504	\$2,500
Other non-registered financial assets	\$1,557,000,000	37%	\$12,348	\$5,000
Mutual and investment funds				
Stocks				
Bonds (savings and other)				
NON-FINANCIAL ASSETS	\$50,934,000,000	100%	\$151,330	\$144,500
Market value of home	\$37,500,000,000	75%	\$149,321	\$143,000
Market value of other real estate				
Vehicles	\$3,815,000,000	88%	\$12,862	\$10,000
Furnishings and valuables	\$5,980,000,000	100%	\$17,767	\$11,000
EQUITY IN BUSINESS				
<b>ALL DEBTS</b>	<b>\$28,367,000,000</b>	<b>82%</b>	<b>\$103,378</b>	<b>\$100,000</b>
Mortgage on principal residence	\$23,159,000,000	62%	\$111,766	\$105,000
Mortgage on other real estate				
Credit card and installment debt	\$718,000,000	53%	\$4,050	\$2,600
Other non-mortgage debts	\$2,798,000,000	56%	\$14,973	\$10,000
Line of credit	\$700,000,000	22%	\$9,466	\$5,000
Vehicle loans	\$1,047,000,000	23%	\$13,525	\$12,000
Other loans and unpaid debts	\$891,000,000	25%	\$10,486	\$4,700
<b>WEALTH OR NET WORTH</b>	<b>\$32,268,000,000</b>	<b>100%</b>	<b>\$95,871</b>	<b>\$95,000</b>

Notes: Blank spaces in the table represent sample sizes in the survey that were too small or too variable to be reported.  
Average and median values cannot be added to get subtotals because of the different percentage of family units that had any given asset or debt.

Source: Statistics Canada. 2001. *Survey of Financial Security 1999*

items that were no longer needed by other family members. People in this group might own minor household appliances such as toasters or electric kettles, but the stoves, refrigerators, washers and dryers they use are probably not their own.

Typical family units might have a few hundred dollars stashed away in a savings or chequing account at the bank and perhaps a bit of money in an RRSP or Canada Savings Bond. Fewer than half the people in the group owned vehicles, and those that did might have older used cars worth less than \$4,000 – say a 1991 Ford Taurus or Nissan Stanza.

Statistics Canada reported that family units in the poorest 20 per cent group in BC had an average total income

of only \$21,617 in 1998, the last full calendar year before the wealth survey was done. That's not much to live on – even for a single person – and it makes it very difficult for people to accumulate more assets or pay off outstanding debts.

### The middle 20 per cent

The middle 20 per cent of family units in British Columbia invested heavily in housing, but they also managed to build up a few financial assets. Overall, as shown in Table 2, their aggregate assets of \$60.6 billion were more than twice their aggregate debts of about \$28.4 billion, and their aggregate wealth or net worth was nearly \$32.3

The richest 20 per cent of family units were better off financially in every respect than the other groups, and the differences were often dramatic. The group's aggregate assets were a gigantic \$326 billion – about 16 times larger than aggregate debts of under \$21 billion.

**Table 3: Assets and debts of the richest 20% of family units in BC**

	Aggregate amount	% of family units with asset or debt	Average amount	Median amount
<b>ALL ASSETS</b>	<b>\$326,180,000,000</b>	<b>100%</b>	<b>\$970,630</b>	<b>\$640,001</b>
FINANCIAL ASSETS	\$98,662,000,000	100%	\$294,163	\$177,500
RRSPs and other registered plans	\$46,117,000,000	88%	\$155,974	\$100,000
Bank accounts and GICs	\$12,398,000,000	93%	\$39,489	\$12,000
Other non-registered financial assets	\$40,147,000,000	66%	\$179,901	\$45,000
Mutual and investment funds	\$9,634,000,000	33%	\$86,294	\$45,000
Stocks	\$13,180,000,000	27%	\$146,297	\$30,000
Bonds (savings and other)	\$2,605,000,000	28%	\$27,940	\$8,500
Other	\$14,728,000,000	22%	\$200,727	\$40,000
NON-FINANCIAL ASSETS	\$169,670,000,000	100%	\$504,895	\$388,000
Market value of home	\$109,446,000,000	94%	\$346,388	\$300,000
Market value of other real estate	\$33,965,000,000	38%	\$264,856	\$150,000
Vehicles	\$8,359,000,000	94%	\$26,387	\$20,000
Furnishings and valuables	\$17,900,000,000	100%	\$53,267	\$25,000
EQUITY IN BUSINESS	\$57,848,000,000	35%	\$487,526	\$50,000
<b>ALL DEBTS</b>	<b>\$20,866,000,000</b>	<b>58%</b>	<b>\$107,965</b>	<b>\$60,000</b>
Mortgage on principal residence	\$10,610,000,000	29%	\$108,765	\$90,000
Mortgage on other real estate				
Credit card and installment debt	\$314,000,000	20%	\$4,646	\$2,500
Other non-mortgage debts	\$4,077,000,000	37%	\$33,026	\$15,000
Line of credit	\$2,788,000,000	20%	\$41,459	\$15,000
Vehicle loans				
Other loans and unpaid debts				
<b>WEALTH OR NET WORTH</b>	<b>\$305,313,000,000</b>		<b>\$908,536</b>	<b>\$564,658</b>

Notes: Blank spaces in the table represent sample sizes in the survey that were too small or too variable to be reported.  
Average and median values cannot be added to get subtotals because of the different percentage of family units that had any given asset or debt.

Source: Statistics Canada. 2001. *Survey of Financial Security 1999*

billion. Members of the group had average assets of \$180,152, average debts of \$103,378, and average wealth of \$95,871. Because the group by definition excluded both the very rich and the very poor, the median values in the table were often close to the average values.

Three-quarters of the family units in the middle group owned their own homes, although most homeowners also had sizeable mortgages. The average market value of the homes was \$149,321 and the average mortgage was \$111,766. Average financial assets worked out to \$26,829. Most members of the group had RRSPs and modest amounts of other financial assets. They had much nicer

household furnishings than members of the poorest group and newer cars – perhaps a 1998 Chevy Cavalier or 1998 Saturn.

Aside from mortgage debt, the debts of family units in the middle group were fairly small. Credit card and instalment payments were the most common types of debt. Lines of credit and vehicle loans were less common, and student loans were too few to be reported reliably.

Average total income for family units in the middle group was \$51,710 in 1998. That suggests that many of the families and unattached people had to budget wisely to safeguard their assets and continue paying off their debts.

## Upstairs – The richest 20 per cent

The richest 20 per cent of family units in British Columbia were better off financially in every respect than the other groups, and the differences were often dramatic. Housing was the largest single asset for most people in the group, but financial assets were a close second.

Overall, as shown in Table 3, the group's aggregate assets were a gigantic \$326 billion – about 16 times larger than aggregate debts of under \$21 billion – and the group's aggregate wealth was \$305 billion. Average assets worked out to \$970,630, average debts were \$107,965, and average wealth was \$908,536.

Financial assets – RRSPs, bank accounts and GICs, stocks, bonds, mutual funds and the like – worked out to \$294,163 on average. The percentage figures in the table suggest that most family units “specialized” in the way they invested their money. Despite their considerable wealth, only 33 per cent of the family units in the group invested in mutual or investment funds and only 27 per cent owned stocks.

Only one in three family units reported equity in business, but the average investment was a whopping \$487,526 and the median investment was \$50,000. The gap between the average and median values suggests that some members of the group had tremendously large equity in business, and that equity raised the group average dramatically.

Most wealthy families and unattached persons owned their own homes, and 38 per cent owned other property. The average home was valued at \$346,388, and most of the homeowners owned their homes outright. Only 29 per cent had home mortgages, and the average mortgage was \$108,765.

A typical family unit in the richest group might have a \$300,000 year-round home without a mortgage and perhaps a modest vacation home near Whistler. They would have all the trappings of fine living: expensive china and silverware, the latest kitchen appliances, home entertainment centres with surround-sound audio and DVD video players, and perhaps some original works of art. They would have one or more vehicles that they owned outright – perhaps a 2001 Chrysler Sebring or a brand-new Toyota Camry. Their financial assets would be somewhere in the neighbourhood of \$200,000. While people at the low end of the wealth scale worry about paying the rent or other household expenses, people in the richest 20 per cent are more apt to worry about returns on investments,

cuts in capital gains taxes or other tax breaks.

Debts in the richest group, aside from home mortgages, were surprisingly small. Typical credit card and installment debts were not all that different from the debts of family units in the poorest or middle groups.

Statistics Canada reported that average total income for the richest 20 per cent of BC family units was \$75,860 in 1998. That hardly seems enough to account for the substantial assets of the group, even if you assume a large amount of capital appreciation over many years. It seems clear that at least some of the wealth was inherited rather than earned by the family units themselves. But whatever the source, the extent of the wealth was impressive and far beyond the wealth of most British Columbians.

NOT SURPRISINGLY, THE DIFFERENCES IN THE ASSETS and debts of British Columbians reflect vastly different degrees of financial security. People on the low end of the wealth scale are least able to withstand any kind of financial crisis: personal financial difficulties, a downturn in the economy or cuts in government programs and services. People in the middle may also have difficulty weathering a financial storm, because so much of their wealth is tied up in housing. Only people at the top of the wealth scale have the luxury of true financial security, because they have sizeable liquid assets in addition to housing and other fixed assets and they have little debt.

The lack of financial security for a large proportion of the BC population does not bode well at a time when the province is going through hard times. People in tenuous financial circumstances are unlikely to spend more on consumer goods, and that makes it harder for the economy to weather downturns and recover. The tax cuts put in place by the federal and provincial governments are unlikely to provide any real relief to people at the bottom of the wealth scale, and the cuts in government programs and services being announced by the provincial government can only add to their insecurity.

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