RAGS AND RICHES

Wealth Inequality in Canada

By Steve Kerstetter

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SUMMARY

Rags and riches

Rags and riches: Wealth inequality in Canada analyzes data from Statistics Canada's Survey of Financial Security and previous surveys by the federal agency dating back to 1970. The focus of the surveys was accumulated wealth or net worth rather than current income. Wealth was defined as all personal assets minus all personal debts. This study includes regional data never before published that were commissioned and paid for by the Canadian Centre for Policy Alternatives—BC Office. This research was made possible through an inequality endowment fund provided by the Government of British Columbia.

Key findings

Canadians may view their country as a land of opportunity, but it also a land of deep and abiding inequality in the distribution of personal wealth.

- The wealthiest 10 per cent of family units held 53 per cent of the wealth in 1999. The wealthiest 50 per cent of family units controlled an almost unbelievable 94.4 per cent of the wealth, leaving only 5.6 per cent for the bottom 50 per cent.
- The poorest 10 per cent of family units have *negative* average wealth or more debts than assets. Average wealth adjusted for inflation for the poorest 10 per cent actually declined by 28 per cent from -$8,031 in 1970 to -$10,656 in 1999.
- Average wealth adjusted for inflation for the richest 10 per cent of family units increased from $442,468 in 1970 to $980,903 in 1999—an increase of 122 per cent .

Gaps between rich and poor are evident in the statistics for each of Canada's regions. There are also large differences in wealth across the regions themselves.

- Average wealth overall tends to increase from east to west. Average wealth in the Atlantic region was $122,798 in 1999, and the average for Quebec was $155,198. Both those figures were well below the averages of $221,110 for Ontario, $213,114 for the three Prairie provinces and $251,253 for BC.
- Most of the differences in average regional wealth are the result of differences in wealth among the richest family units in each region. Differences in average wealth for the poorest and middle family units are smaller.

Financial security is an elusive goal for many Canadians. Financial *insecurity* may actually be the norm these days and financial security the exception to the rule.

- Poor people are least able to withstand any kind of financial crisis because they have so few assets and often have outstanding debts. People in the middle may be squeezed because so much of their wealth is tied up in housing. Only people with above-average wealth enjoy true financial security because they have sizable financial assets in addition to housing and other non-financial assets.
- The poorest 20 per cent of family units had financial assets of only $1,974 on average in 1999, and their average income in 1998 (the last full year before the latest Statistics Canada survey) was only $18,698. If their current income suddenly disappeared, their financial assets alone would be enough to keep the family going for barely five weeks.

- The richest 20 per cent of family units had average financial assets of $262,186 in 1999 and average income of $62,518 in 1998. Financial assets were enough to replace normal income for more than four years.

Housing is the single largest asset of Canadians and also their single largest debt. However, financial assets play a more significant role in explaining the skewed distribution of wealth in Canada.

- The estimated value of all principal residences in 1999 was $1.1 trillion, or 38 per cent of all total personal assets. Mortgages on principal residences totaled $304 billion, or 66 per cent of total personal debt.
- About 60 per cent of family units were homeowners, and the other 40 per cent were renters. The median wealth of homeowners with mortgages was $111,807 in 1999, and the median wealth of homeowners without mortgages was $259,200. The median wealth of renters was only $8,000.
- Housing has a surprisingly small impact on the overall skewed distribution of wealth. The richest 20 per cent of family units had 70.4 per cent of all personal wealth in 1999. After subtracting housing assets and mortgage debt, the richest group has 76.2 per cent of the wealth.

Wealth in Canada varies by family type, age, housing status, education and current income. But there are rich and poor in every category.

- Families tend to be much better off than people living alone, because many families have two incomes rather than one. Older people tend to be better off than younger people because they have had more time to accumulate assets and pay off their debts.
- Despite the general link between age and wealth, it would be wrong to conclude that all older people are well-to-do. Even in the older age groups starting at age 45, roughly one in five family units had total wealth of no more than $30,000 in 1999.
- The family units most likely to be wealthy are those with high current incomes. Families with incomes of $75,000 or more in 1998 after federal and provincial income taxes had average wealth of $583,517 in 1999.
- Differences in educational attainment have less bearing on wealth than might be expected. However, this may be the legacy of an era where education was less important as a determinant of income.

The assets, debts and wealth of all Canadians combined rose substantially over the years, but not everyone wound up better off. Poor family units—notably lone-parent families and young people—gained little or even lost ground.

- Family units headed by persons under age 25 saw their median wealth fall from $1,474 in 1970 to a mere $150 in 1999 after adjustments for inflation.
- Lone-parent families headed by either women or men saw their median wealth go from $1,870 in 1984 to $3,656 in 1999 after adjustments for inflation.

The tax policies of the federal government and some provincial governments in recent years have conferred huge benefits on Canada's wealthiest people, the one group capable of fending for themselves. Meanwhile, Canada's social safety nets and programs of special importance to the poor have been weakened by cuts in government support.

- In 1999, 72 per cent of the $420 billion in RRSPs and other registered savings plans was held by the richest 20 per cent of family units. The richest 20 per cent also owned 94 per cent of the $92 billion in stocks outside RRSPs, and 81 per cent of the $80 billion in mutual and investment funds outside RRSPs. RRSPs and other registered plans, capital gains, and stock dividends all get preferred income tax treatment.
- Canada is one of the few developed countries in the world that has no inheritance taxes, estate taxes or wealth transfer taxes. Such taxes ensure some measure of equality of opportunity, and promote democratic values by placing limits on inherited wealth.
- The percentage of unemployed workers receiving unemployment insurance benefits from Ottawa was cut in half during the 1990s. Provincial governments have kept welfare incomes far below the poverty line in all parts of the country in recent years.

The findings of this study have significant implications for public policy in Canada. Governments would do well to rethink their policies of recent times, and move Canada back on the path towards a "just society."

INTRODUCTION

Rags and riches

Wealth inequality in Canada

This is a report about wealth in Canada. Who's rich? Who's poor? How has wealth changed over the years? The report is an analysis of data from Statistics Canada's *Survey of Financial Security*, using data for 1999, including special data runs commissioned by the Canadian Centre for Policy Alternatives, and previous surveys of assets and debts by the federal agency dating back as far as 1970.

Taken together, the surveys lead to the inescapable conclusion that there is gross and persistent inequality in the distribution of wealth in Canada. A surprisingly small number of Canadians have huge slices of the wealth pie, and a surprisingly large number of Canadians have no more than a few crumbs. And the gap between the richest and poorest actually got wider between 1984, the last year the survey was conducted, and 1999.

These findings raise a host of questions about the social, economic and political nature of modern-day Canadian life. Some of them are practical, others philosophical.

The practical questions centre on wealth as a source of financial security. The Statistics Canada survey is well named because it puts the focus not on wealth for wealth's sake but on its potential to support Canadians in good times and to help tide them over the financial crises that many people face sometime during their lives.

Losing a job, losing a spouse or partner, or coping with a disability or prolonged illness can be an enormous financial strain. That's why we have a variety of social safety nets such as unemployment insurance, welfare and workers' compensation. Sadly, our safety nets for people in need are weaker and much more tattered than they were a generation ago. Many people have to fall back on their own financial resources, and all too often their resources are inadequate.

Financial insecurity may actually be the norm these days and financial security the exception to the rule. As we shall see, only a minority of family units had ample cash on hand or other liquid assets large enough to last for more than a few months if their normal sources of income disappeared.

The philosophical questions about wealth revolve around the degree of inequality that is normal, unavoidable or desirable in Canada or any other modern democracy. Democracies presume the equality of all their citizens in political terms, and equality is enshrined in the principle of one person, one vote. Economic equality is an entirely different matter. Given the fact that money talks—and opens doors and influences people—there are obvious problems with an economy that has so much wealth tucked away in so few pockets. At some point, the concentration of wealth compromises a country's political and social life. We all have a vote, but the wealthy are most often the movers and shakers and the rest of us are nobodies.

Statistics Canada conducted the *Survey of Financial Security* in May, June and July of 1999. The final survey consisted of nearly 16,000 family units in the 10 provinces, and the results were projected to the population as a whole. Although the results of the survey may appear precise, they are statistically generated estimates that are best regarded as approximate.

This report includes data published by Statistics Canada in printed form or posted on the agency's Internet site, plus special data runs that had to be purchased from the agency. The first three special data sets were purchased by the Social Planning and Research Council of British Columbia (SPARC) for use in this report and elsewhere, and the rest were purchased by the Canadian Centre for Policy Alternatives.

While the survey is the best snapshot of personal wealth in Canada in some time, there are some notable omissions. The three territories were not included in the survey. Also excluded from the survey, and most other Statistics Canada surveys, were people living on Indian reserves or military bases, people in jail or prison, and people living in institutions such as seniors' residences, nursing homes and chronic care hospitals. The absence of these people from the survey means that the results presented likely understate the degree of wealth inequality in Canada.

The focus of the survey was accumulated wealth, or net worth, rather than current income, although some annual income data was collected as well. Wealth is defined as all personal assets minus all personal debts. It includes net equity in a business or family farm. It also includes personal holdings in registered retirement savings plans and various types of savings and investments, but it does not include future entitlements to benefits from occupational or employer-sponsored pension plans.

The Survey of Financial Security collected information about occupational pension plans, and Statistics Canada has published data from the survey both with and without this particular pension asset. Occupational pension plan entitlements are very poorly distributed in the population, and adding them to the survey makes very little difference to the overall distribution of wealth. Without occupation pension plans, the richest 20 per cent of family units had 70 per cent of all personal wealth in 1999. With them, the same group had 68 per cent of the wealth.[1]

In this study, we use the series of data that did not include occupational pension plan entitlements. Pension plans are more like sources of current or future income than assets, because they are paid out month by month only when and if certain conditions are met. People who need money right away can cash in an RRSP, sell their automobiles or take out a second mortgage on their

There is gross and persistent inequality in the distribution of wealth in Canada. A surprisingly small number of Canadians have huge slices of the wealth pie, and a surprisingly large number have no more than a few crumbs.

Financial insecurity may actually be the norm these days and financial security the exception to the rule.

homes, but they can't get a lump-sum advance from their company pension plan or use it as collateral for a bank loan. While most occupational pension plans provide survivor's benefits to spouses of deceased plan members, they do not provide for money to be left to a person's estate or bequeathed to other family members.

Much of the data in this report is presented by family units. Family units are the sum total of all families of two or more persons plus all unattached persons. Unattached persons are people living on their own or in households where they are not related to other household members—like roommates who share an apartment.

The text uses both average and median values of assets, debts and wealth. Averages are calculated the usual way: the collective or aggregate value of an asset or debt held by members of a group divided by the number of members in the group. Medians are middle values. If a group was lined up according to the value of an asset or a debt, the asset or debt of the family unit half way down the line would be the median value. When average and median values are sharply different, it normally indicates an uneven or skewed distribution.

The report begins with an overview of the distribution of personal wealth in 1999 and comparisons with similar surveys in 1970, 1977 and 1984. The gap between rich and poor was bad all four years, but got worse between 1984 and 1999. The first chapter also includes a brief look at the distribution of wealth in the United States, which is even worse than the distribution of wealth in Canada.

Chapter II provides data on the regional distribution of wealth in Canada. The Survey of Financial Security was not large enough to produce reliable estimates in all cases in some of the smaller provinces. Most of the data is presented instead by regions: Atlantic Canada, Quebec, Ontario, the Prairie provinces and British Columbia. This chapter and many of the other chapters have extensive supplemental regional and provincial data in the appendices to the chapters.

Chapter III—Upstairs, Downstairs and In Between—breaks downs family units into five 20 per cent groups based on their wealth and describes their assets, debts, possible lifestyle choices and their ability to weather a financial storm. Chapter IV has additional information on housing and mortgages, which are respectively the largest single asset and largest single debt of many Canadians.

Chapters V and VI look at "markers" for wealth and poverty, such as current income, age and family type. Chapter V covers data from the 1999 survey, and Chapter VI features comparisons with earlier surveys.

The Conclusion explores a number of areas of public policy, with a special focus on federal government policies in recent years that are exacerbating, rather than reducing, inequality in Canada.

Four appendices are also available. These provide more detailed data on wealth inequality findings at the regional level. These data are not discussed in the text of the report, but are included for the use of researchers interested in doing more in-depth regional analyses of wealth inequality. They can be downloaded from our website at www.policyalternatives.ca or obtained from our office.

The Canadian Centre for Policy Alternatives hopes that *Rags and Riches: Wealth Inequality in Canada* will be a useful reference for Canadians for many years into the future.

CHAPTER I

The huge gap between rich and poor

The gap between the very richest and very poorest Canadians rivals anything seen in the Third World. The big difference, of course, is that Canada has a large middle class, but the extremes of wealth and poverty are staggering for a country that considers itself to be "middle class." Canada's richest person, former newspaper magnate Kenneth Thomson, and his immediate family were worth in the neighbourhood of $17 billion in 1999, according to the annual compilation of billionaires for that year by *Forbes* magazine. The family fortune made Thomson the 15th richest person in the world and put him well ahead of the other eight Canadian billionaires on the list.[1]

Meanwhile, there were many thousands of people with little more than the clothes on their back, from the homeless people in Vancouver who depended on food banks and shelters for day-to-day survival, to the young people in St. John's forced to live on room-and-board welfare budgets of only $93 a month in 1999 while they looked for jobs.[2]

The differences between Kenneth Thomson and the poorest of Canada's poor are extreme to be sure, but great wealth and great poverty are far more commonplace than many Canadians might imagine. Statistics Canada's most recent survey of assets, debts and wealth shows literally millions of families and individuals living on the brink of financial disaster, while others have managed to accumulate huge slices of the wealth pie.

All in all, Canadians had total personal wealth of more than $2.4 trillion in 1999 or an average of $199,664 for each family unit. However, the actual distribution of wealth was anything but average. Table I-1 provides an overview of the skewed distribution of wealth in the Statistics Canada Survey of Financial Security. It breaks down the country's 12 million family units into deciles (or 10 groups) of 1.2 million each and ranks them from the poorest 10 per cent to the richest 10 per cent.[3]

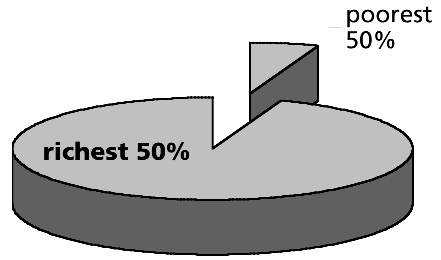
The poorest 10 per cent of family units had debts that were higher than their assets and collectively wound up nearly $8.7 billion in the hole as a group, with a nominal minus 0.4 per cent of the country's personal wealth. Their average net debt was $7,110, and their median debt was $2,050. Meanwhile, the richest 10 per cent of family units had aggregate wealth of nearly $1.3 trillion or 53 per cent of all personal wealth. Average wealth in the group was $1,059,423, and median wealth was $703,500.

The contrast between haves and have-nots is just as shocking when family units in Canada are split right down the middle, as shown in the summary data on the final two lines of Table I-1. The poorer half of family units had aggregate wealth of $137 billion or 5.6 per cent of the personal wealth. The richer half had aggregate wealth of $2.3 trillion or 94.4 per cent of the total.

The figures in the table add to the long-standing concerns of the Canadian Centre for Policy Alternatives and many other social policy groups about the extent of economic inequality in Canada. They also underline the tenuous financial position of a surprisingly large portion of the population.

Figure I-1: The wealth pie

How big is your slice of the wealth pie?
If you're in the richest 50 per cent of family units, it's a great meal.
If you're in the poorest 50 per cent, it's only a few crumbs.



The 2.4 million family units in the two poorest groups in the table would be considered poor by any reasonable measure of poverty. People in the very poorest group had debts that outweighed their assets, and people in the second poorest group had wealth that worked out to a mere $3,445 on average. Family units in the third, fourth and fifth groups were noticeably better off, but they would still be at considerable risk of poverty if the breadwinners were unable to work or if the family units changed because of marriage breakdown or death.

The people in the richest five groups were much better prepared to weather a financial crisis, but only those near or at the top of the heap might consider themselves to be financially secure.

Another way of looking at the distribution of personal wealth in Canada is to arrange family units into "wealth groups" based on dollars rather than 10 per cent groups. Table I-2 has family units broken down into 12 wealth groups from negative wealth through $1 million and more.[4]

The unequal distribution of wealth is apparent from even a quick look at the two columns in the table with the figures in percentages. The group with negative wealth represented 6.5 per cent of all family units, but had a minus 0.4 per cent share of the wealth. The group with wealth of $1 million or more had only 2.5 per cent of all family units but 29 per cent of the wealth.

The turning point in the table comes at about the $250,000 mark. All the groups in wealth groups below

Table I-1: Distribution of personal wealth in Canada, all family units, 1999

Table I-1 provides an overview of the skewed distribution of wealth in Canada. It breaks down the country's 12 million family units into deciles (or 10 even groups) of 1.2 million family units each, and ranks them from the poorest 10 per cent to the richest 10 per cent.

	Aggregate wealth	Distribution of wealth	Average wealth	Median wealth
All family units	$2,439,025,000,000	100.0%	$199,664	$81,000
Poorest 10%	-$8,693,000,000	-0.4%	-$7,110	-$2,050
Second	$4,207,000,000	0.2%	$3,445	$3,137
Third	$17,981,000,000	0.7%	$14,728	$14,000
Fourth	$44,455,000,000	1.8%	$36,387	$35,525
Fifth	$79,350,000,000	3.3%	$64,919	$64,678
Sixth	$124,589,000,000	5.1%	$102,050	$101,540
Seventh	$187,469,000,000	7.7%	$153,471	$152,550
Eighth	$272,464,000,000	11.2%	$223,116	$220,760
Ninth	$423,493,000,000	17.4%	$346,581	$338,051
Richest 10%	$1,293,710,000,000	53.0%	$1,059,423	$703,500
Poorest five groups	**$137,300,000,000**	**5.6%**		
Richest five groups	**$2,301,725,000,000**	**94.4%**		

$250,000 had shares of the population that were larger than their shares of the wealth. Even in the wealth group $150,000 through $249,000, the group had 13.7 per cent of all family units and a 13.3 per cent share of the wealth. The pattern changed abruptly in the wealth group from $250,000 through $499,999. It had 13.4 per cent of the family units and 23.3 per cent of the wealth.

The million-dollar group is worth a special mention. There has long been a certain mystique attached to millionaires, even if $1 million doesn't go as far as it did in the good old days, and even if having $1 million is no longer a rare occurrence in Canada. The table shows 310,913 millionaire family units as of 1999—that's 2.5 per cent or one of every 40 family units. Their average wealth was a hefty $2,278,863.

Above the million-dollar mark, the estimates become much less reliable, as these families are less likely to reply to surveys, and if they do, are more likely to under-report their wealth. Statistics Canada has made passing reference in some of its published work to the wealthiest

The poorer half of family units held 5.6 per cent of personal wealth; the richer half held 94.4 per cent.

one per cent of family units, a group somewhat more exclusive than the millionaires' club. Rough calculations suggest that the average wealth of the top one per cent of family units in 1999 was $3.7 million and the group as a whole had 21 per cent of all Canada's personal wealth.[5] Both those figures probably have a wide margin of error because of the small sample size of super-rich Canadians in the Survey of Financial Security.

Even $3.7 million, however, does not begin to approach the wealth of Kenneth Thomson and the eight other Canadian billionaires on the *Forbes* list. Their combined wealth was estimated at roughly $41 billion in 1999, and that put them in a class of their own that few Canadians have any chance of joining.[6]

Table I-2: Distribution of family units in Canada by wealth group, 1999

Table I-2 breaks family units down into "wealth groups" based on dollars, rather than into 10 per cent groups, as in the previous table. Compare the "% of all family units" in each wealth group (second column) to the "% of total wealth" (fourth column). We can see that all the groups below $250,000 had shares of the population that were larger than their shares of the wealth. The reverse is true for groups over $250,000, which had shares of the population smaller than their shares of the wealth.

	Number of family units	% of all family units	Aggregate wealth	% of total wealth	Average wealth
Negative	792,236	6.5%	-$8,882,000,000	-0.4%	-$11,211
$0-$4,999	1,274,092	10.4%	$2,155,000,000	0.1%	$1,691
$5,000-$14,999	1,064,456	8.7%	$9,809,000,000	0.4%	$9,215
$15,000-$29,999	844,751	6.9%	$18,747,000,000	0.8%	$22,192
$30,000-$49,999	897,722	7.3%	$35,449,000,000	1.5%	$39,488
$50,000-$74,999	1,028,958	8.4%	$63,917,000,000	2.6%	$62,118
$75,000-$99,999	768,299	6.3%	$66,720,000,000	2.7%	$86,841
$100,000-$149,999	1,193,789	9.8%	$147,741,000,000	6.1%	$123,758
$150,000-$249,999	1,670,324	13.7%	$324,371,000,000	13.3%	$194,196
$250,000-$499,999	1,636,954	13.4%	$569,189,000,000	23.3%	$347,712
$500,000-$999,999	733,135	6.0%	$501,281,000,000	20.6%	$683,750
$1,000,000 and more	310,913	2.5%	$708,528,000,000	29.0%	$2,278,863
All family units	**12,215,629**	**100.0%**	**$2,439,025,000,000**	**100.0%**	**$199,664**

Inequality year in and year out

The skewed distribution of wealth appears to be an abiding feature of Canadian society. Surveys by Statistics Canada dating back to 1970 show that the richest 10 per cent of family units consistently had more than half of all personal wealth. The bottom 50 per cent never managed to accumulate even six per cent of the wealth.

The fact that inequality has survived more or less unchanged for three decades, in both good and bad economic times and under federal governments of sharply different leanings, is discouraging for people who believe in economic as well as political democracy. Extreme inequality may not be inevitable in Canada, but it does seem destined to continue in the absence of radical changes in government policy.

Statistics Canada did its first comprehensive national survey of assets, debts and wealth in 1970, and did follow-up studies in 1977, 1984 and 1999. Table I-3 summarizes the results of the four surveys with respect to the distribution of wealth among each decile or 10 per cent of family units.[7] The figures for 1999 have been adjusted by Statistics Canada to ensure a better comparison with the earlier surveys, so they differ slightly from the figures at the beginning of the chapter. The 1999 survey was the first to include estimates of the value of household furnishings, valuables, annuities and registered retirement income funds. These items, representing roughly $288 billion in assets, were removed by Statistics Canada from the overall $2.4 trillion in assets in 1999 in all its published work comparing 1999 with previous surveys.

In each of the four years shown in the table, the poorest 10 per cent of family units had debts that outweighed their assets, while the richest 10 per cent had between 50.7 per cent and 55.7 per cent of all personal wealth. The gap between the two was greatest in 1999.

Between 1970 and 1977, most groups gained a bit of ground at the expense of the richest 10 per cent of family units, but the shift proved to be transitory. The richest 10 per cent increased its share of the wealth slightly 1977 and 1984. And between 1984 and 1999, the rich-

Table I-3: Percentage distribution of wealth, all family units

Between 1970 and 1977, most groups gained a bit of ground at the expense of the richest 10 per cent of family units. But the shift was temporary. The richest 10 per cent increased its share of the wealth slightly in 1977 and 1984. Between 1984 and 1999, the richest group made substantial gains, and the other nine groups all lost ground.

	1970	**1977**	**1984**	**1999**
Poorest 10%	-1.0%	-0.6%	-0.5%	-0.6%
Second	0.0%	0.1%	0.1%	0.0%
Third	0.3%	0.5%	0.5%	0.4%
Fourth	1.3%	1.6%	1.7%	1.3%
Fifth	3.0%	3.5%	3.5%	2.8%
Sixth	5.4%	5.9%	5.6%	4.7%
Seventh	8.3%	8.6%	8.2%	7.4%
Eighth	11.8%	12.1%	11.5%	11.0%
Ninth	17.6%	17.6%	17.5%	17.4%
Richest 10%	53.3%	50.7%	51.8%	55.7%
All 10 groups	100.0%	100.0%	99.9%	100.1%
Poorest five groups	**3.6%**	**5.1%**	**5.3%**	**3.9%**
Richest five groups	**96.4%**	**94.9%**	**94.6%**	**96.2%**

Note: 1999 figures have been adjusted by Statistics Canada to be comparable to previous years. Statistics Canada did its first comprehensive national survey of assets, debts and wealth in 1970, and did follow-up studies in 1977, 1984 and 1999.

est group made substantial gains and the other nine groups all lost ground.

The two rows near the bottom of the table show the combined wealth of the poorest five groups and the richest five groups. In 1970, the poorest half had 3.6 per cent of the wealth and the richest half had 96.4 per cent. In 1999, the figures were essentially the same at 3.9 per cent for the bottom half and 96.2 per cent for the top half. The figures were slightly less extreme in the two intervening surveys.

The results appear even more striking when the distribution of wealth is reported in dollars rather than percentages. Table I-4 shows average wealth for each of the 10 groups in each of the four years. All the dollar amounts in the table are in

Figure I-4: The rich got richer and the poor got poorer

(Dollar change in average wealth by decile between 1970 to 1999)

Between 1970 and 1999, the poorest 10 per cent of family units actually got poorer, while the richest 10 per cent gained more than half a million dollars on average.

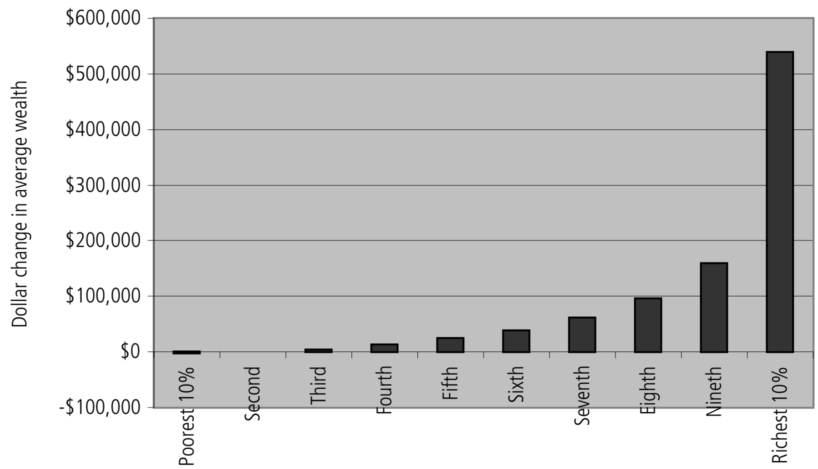


Table I-4: Average wealth by deciles, all family units, in constant 1999 dollars

Table I-4 shows average wealth for each 10 per cent group of family units (decile) in dollar figures. Here, the relative changes in wealth over the years are striking. The poorest group actually wound up further in the hole by 1999, while the richest 10 per cent made the largest dollar gains—$538,438 on average between 1970 and 1999. (By showing the figures in constant 1999 dollars, the effects of inflation are removed.)

					Change 1970 to 1999	
	1970	**1977**	**1984**	**1999**	**percentage**	**dollars**
Poorest 10%	-$8,301	-$7,671	-$5,956	-$10,656	-28%	-$2,355
Second	$0	$1,279	$931	$369	n/a	$369
Third	$2,490	$6,393	$6,991	$6,306	153%	$3,816
Fourth	$10,792	$20,456	$21,705	$23,179	115%	$12,387
Fifth	$24,904	$44,748	$45,246	$49,437	99%	$24,533
Sixth	$44,828	$75,433	$72,777	$82,662	84%	$37,834
Seventh	$68,902	$109,953	$105,006	$129,822	88%	$60,920
Eighth	$97,957	$154,701	$148,780	$193,488	98%	$95,531
Ninth	$146,106	$225,020	$225,901	$305,674	109%	$159,568
Richest 10%	$442,468	$648,211	$667,485	$980,903	122%	$538,435
All family units	**$83,015**	**$127,852**	**$128,875**	**$176,087**	**112%**	**$93,072**

Note: 1999 figures have been adjusted by Statistics Canada to be comparable to previous years.

From 1970 to 1999, the gap between the richest 10 per cent and the poorest 10 per cent was greatest in 1999.

constant 1999 dollars to remove the effects of inflation and to put the figures for all four years on a comparable footing.

Most of the groups in the table saw their average personal wealth increase from one survey to the next, but the size of the increases was erratic. The big exception to the rule was the poorest 10 per cent of family units, who actually wound up further in debt in 1999 than they were in 1970.

The bottom row of the table shows that average wealth for all family units increased from $83,015 in 1970 to $127,852 in 1977, $128,875 in 1984 and $176,087 in 1999. The increase between 1970 and 1977 was 54 per cent, the increase between 1977 and 1984 was only one per cent, and the increase between 1984 and 1999 was 37 per cent. The increase over the entire period was 112 per cent or an average increase of $93,072.

One possible reason for the tiny increase between 1977 and 1984 is that the recession of 1981-82 dampened economic growth and the creation of new wealth in the latter part of the period between the surveys. The same dampening effect may have accompanied the recession of 1990-91, but the economy was in full recovery before the 1999 survey.

A closer look at the table shows three different patterns in average wealth among the 10 groups.

The bottom two groups did poorly all four survey years. The poorest group had debts larger than assets throughout the period. Its debt load eased a bit in 1977 and 1984, but took a sharp turn for the worse by 1999. The group wound up with an increase in debt of $2,355 on average over the entire period 1970 through 1999. The second poorest group had a small gain in 1977 and losses in 1984 and 1999. It finished marginally ahead of where it was three decades earlier with a net gain of only $369.

The next four groups in the table fared better, but most of their gains came between 1970 and 1977. The changes reported in 1984 and 1999 were small, and the third poorest group actually lost ground between 1984 and 1999.

The top four groups did better in 1977, stayed much the same in 1984 and rallied again in 1999. They were the only groups to post strong showings between 1984 and 1999. The most impressive gains were in the richest 10 per cent of family units. Their average wealth increased from $442,468 in 1970 to $648,211 in 1977, $667,485 in 1984 and $980,903 in 1999. The increase of 122 per cent over the entire period was one of the stronger showings in percentage terms, and the increase of $538,435 was by far the largest increase in dollars.

Inequality in the United States

It's no consolation to Canadians, but wealth in the United States is even more concentrated than it is in Canada. US wealth surveys dating back many years show that the richest one per cent of family units hold a substantial portion of the country's personal wealth. Table I-5 gives a bird's eye view of the situation in 1983 and 1998 and the changes in average wealth from one year to the other.[8]

Between 1983 and 1998, the share of wealth held by the richest 20 per cent of family units rose from 81.3 per cent to 83.4 per cent at the expense of all the other groups. The rows at the bottom of the table provide subtotals within the richest 20 per cent group. The largest gains took place within the richest one per cent of family units, from 33.8 per cent of all the personal wealth in 1983 to 38.1 per cent of the wealth in 1998.

The figures on average wealth in the table show that the poorest 40 per cent of family units actually saw their financial situation decline between 1983 and 1998, winding up with little wealth to speak of on average. Meanwhile, the middle 20 per cent group and the second richest 20 per cent group posted modest gains, and the richest 20 per cent saw their average wealth go up 30 per cent to $1,126,700 US (or $1,647,461 Canadian).[9]

The subtotals within the richest group show that the biggest increase went to the richest one per cent of family units. Their personal wealth was up 42 per cent to $10.2 million US (or $14.9 million Canadian), by far the largest increase of any of the groups in the table.

The extreme concentration of wealth in the US by the end of the 20th century has led one of the country's leading experts, economist Edward N. Wolff of New York University, to suggest that the United States has lost its reputation as the land of opportunity. Americans have long been fond of recounting tales of people who were born poor or came to the US as poor immigrants and became rich through hard work—and perhaps a bit of luck. They also tend to regard the United Kingdom and other countries in western Europe as class-ridden societies dominated by entrenched wealth. "By the late 1980s," Wolff writes, "the situation appears to have completely reversed, with much higher concentration of wealth in the United States than in Europe. Europe now appears the land of equality."[10]

The same analysis could apply to Canada. The last two wealth surveys for Canada were very much in line with the 1983 and 1998 wealth surveys in the United States. The poor got poorer, the people in the middle gained a bit of ground, and the very rich enjoyed the largest increases of all.

Still, as Figure I-5 shows, the distribution of wealth in Canada is less extreme than in the US. South of the border, the top 20 per cent of family units captured a greater share of the pie at the expense of every other group. While Canada appears better in term of wealth distribution than the US, this is a relative concept. The distribution of wealth in Canada is still highly skewed towards those at the top.

Figure I-5: Inequality north and south of the border

(Share of wealth held by quintile in US and Canada)

Wealth is very poorly distributed in the US, but Canada isn't much better. The richest 20 per cent of family units in the US held about 83 per cent of the wealth in 1998, while the richest 20 per cent of family units in Canada held about 70 per cent of the wealth in 1999.

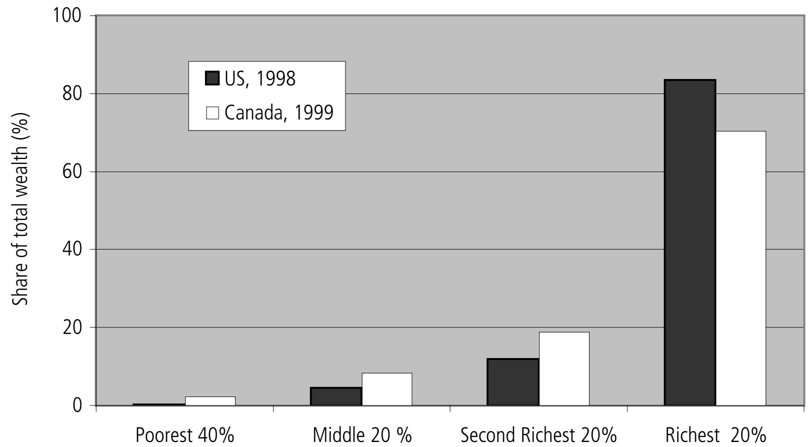


Table I-5: Distribution of wealth over time in the US and average wealth in constant 1998 US $

Table I-5 shows wealth distribution in the US in 1983 and 1998, and the changes in average wealth from one year to another. Wealth in the US is even more concentrated than in Canada, with the richest one per cent of family units holding nearly 40 per cent of the country's personal wealth.

	Distribution of wealth		Average wealth		Change in average
	1983	1998	1983	1998	
Poorest 40%	0.9%	0.2%	$4,700	$1,100	-76%
Middle 20 %	5.2%	4.5%	$55,500	$61,000	10%
Second richest 20%	12.6%	11.9%	$133,600	$161,300	21%
Richest 20%	81.3%	83.4%	$864,500	$1,126,700	30%
All family units	100.0%	100.0%	$212,600	$270,300	27%
Subtotals for richest 20%:					
Richest 1%	33.8%	38.1%	$7,175,000	$10,204,000	42%
Next 4%	22.3%	21.3%	$1,187,000	$1,441,000	21%
Next 5%	12.1%	11.5%	$516,200	$623,500	21%
Next 10%	13.1%	12.5%	$278,700	$344,900	24%

Source: d'Ambrosio and Wolff (2001)

CHAPTER II

Wealth in the regions

Unequal from coast to coast

The gaps between rich and poor that stand out so strikingly in the national statistics on personal wealth also dominate the statistics for each of the five regions of Canada. However, each region has its own home-grown variety of inequality that reflects differences among the regional economies.

All five regions of the country have seen sizeable growth in personal wealth over the years, but the growth has been erratic from one time period to the next. Overall, the Atlantic provinces and Quebec continue to lag behind the rest of Canada when it comes to average wealth and also the wealth of the high rollers.

Some of the information in this chapter comes from special data tabulations by Statistics Canada that were commissioned by the Canadian Centre for Policy Alternatives in an effort to shed further light on differences in the distribution of wealth from one part of the country to another. The agency produced the data regionally, because the number of Canadians who participated in the Survey of Financial Security was too small to produce reliable results in some of the smaller provinces individually.

Table II-1 presents the main findings on the distribution of wealth by deciles of family units in each of the five regions.[1]

The poorest 10 per cent of family units in all regions had debts that were higher than their assets, while the richest 10 per cent held the lion's share of the wealth. The richest 10 per cent had 48.9 per cent of the wealth in the Atlantic region, 55.8 per cent in Quebec, 49 per cent in Ontario, 53.1 per cent in the three Prairie provinces and 54.6 per cent in British Columbia.

The two rows near the bottom of the table show the concentration of wealth when the population of each region is split in two. The difference between the poorest and richest halves was least extreme in Atlantic Canada and most extreme in British Columbia. The richest five groups or half of all family units had 92.2 per cent of the wealth in the Atlantic provinces, 94.6 per cent in Quebec, 93.8 per cent in Ontario, 93.4 per cent on the Prairies, and 95.7 per cent in BC That left the poorer half with only 7.8 per cent of wealth in the Atlantic region, 5.4 per cent in Quebec, 6.2 per cent in Ontario, 6.6 per cent in the Prairie region and a mere 4.3 per cent in British Columbia.

Beyond the skewed distribution of wealth, there were huge differences in average wealth from region to region. Roughly speaking, average wealth tends to increase from east to west. The average in 1999 for the Atlantic region was $122,798, and the average for Quebec was $155,198. Both those figures were well below the averages of $221,110 for Ontario, $213,114 for the three Prairie provinces and $251,235 for British Columbia.

Table II-2 provides detailed breakdowns in average wealth by region for each 10 per cent of family units. Within any given 10 per cent group, the lower dollar values for wealth were most likely to be found in the Atlantic region or Quebec, and the higher dollar values were often found further west.

In the very poor groups, there were relatively small differences in average wealth from one region to another.

However, the differences in dollar values from one region to another increased steadily with each step upward on the wealth ladder. By the eighth group in the table, the average wealth in British Columbia ($282,069) was more than double the average wealth in the Atlantic region ($140,616). The difference in the averages between the two regions in the ninth group was $226,140, and the difference in the richest group was a gigantic $763,865.

Differences in wealth among the upper groups determined in large part the overall differences in average wealth across regions. The regional differences are also apparent when family units are divided into groups based on dollars of net worth rather than deciles. Table II-3 shows the percentage of family units in each region in six wealth groups, starting with negative wealth to $4,999 and ending with the wealth group $500,000 and more.[2]

The difference between the poorest and richest halves was least extreme in Atlantic Canada and most extreme in B.C.

The differences are relatively small in the two poorest wealth groups, with the percentages of family units in the same general range in all regions. After that, the differences become quite noticeable. Roughly 22 per cent of the family units in the Atlantic region were in each of

Table II-1: Distribution of wealth by region, all family units, 1999

Table II-1 shows the distribution of wealth—the share of wealth held by each decile, from the poorest 10 per cent of family units to the richest—in each of the regions. The gaps between rich and poor that stand out so strikingly in the national statistics also dominate each of the five regions. But each also has its own variety of inequality that reflects differences among the regional economies.

	Atlantic region	Quebec	Ontario	Prairie region	British Columbia
Poorest 10%	-0.7%	-0.5%	-0.3%	-0.3%	-0.3%
Second	0.2%	0.2%	0.2%	0.2%	0.1%
Third	1.3%	0.7%	0.8%	1.0%	0.5%
Fourth	2.7%	1.7%	2.0%	2.1%	1.3%
Fifth	4.3%	3.2%	3.6%	3.6%	2.7%
Sixth	6.1%	4.8%	5.7%	5.4%	4.9%
Seventh	8.3%	7.3%	8.5%	7.6%	7.5%
Eighth	11.4%	10.7%	12.2%	10.7%	11.3%
Ninth	17.4%	16.0%	18.3%	16.6%	17.5%
Richest 10%	48.9%	55.8%	49.0%	53.1%	54.6%
Poorest five groups	**7.8%**	**5.4%**	**6.2%**	**6.6%**	**4.3%**
Richest five groups	**92.2%**	**94.6%**	**93.8%**	**93.4%**	**95.7%**
Average wealth overall	**$122,798**	**$155,189**	**$221,110**	**$213,114**	**$251,235**

the two middle wealth groups, compared to only about 12 per cent of the family units in British Columbia. The pattern shifted again for the two richest groups. The second richest group included 19.5 per cent of the family units in the Atlantic region compared to 30.3 per cent of the family units in Ontario. And there were only 3.2 per cent of the family units in the richest group of $500,000 or more in the Atlantic region compared to 11.9 per cent in BC.

Overall, the Atlantic provinces had proportionately more family units in the middle two wealth groups and proportionately fewer family units in the two richest groups. The pattern was much the same in Quebec.

Table II-2: Average wealth by region, all family units, 1999

Beyond the skewed distribution of wealth, there were huge differences in average wealth from region to region. Roughly speaking, average wealth tends to increase from east to west. Table II-2 shows detailed breakdowns in average wealth by region for each 10 per cent of family units.

	Atlantic region	Quebec	Ontario	Prairie region	B.C.	Difference between highest and lowest
Poorest 10%	-$8,227	-$7,067	-$7,096	-$5,655	-$8,126	$2,572
Second	$3,048	$3,011	$3,794	$4,964	$2,633	$2,331
Third	$15,507	$11,297	$17,184	$20,296	$11,998	$8,999
Fourth	$33,077	$26,686	$44,524	$45,426	$32,496	$18,740
Fifth	$52,480	$49,438	$79,085	$76,101	$68,843	$29,647
Sixth	$75,124	$74,720	$126,415	$114,451	$122,747	$51,695
Seventh	$101,829	$113,481	$187,693	$162,251	$187,168	$85,864
Eighth	$140,616	$166,534	$270,198	$227,095	$282,069	$141,453
Ninth	$213,454	$247,750	$404,247	$353,073	$439,594	$226,140
Richest 10%	$604,669	$868,517	$1,088,364	$1,135,499	$1,378,534	$773,865
Average wealth overall	**$122,798**	**$155,189**	**$221,110**	**$213,114**	**$251,235**	**$128,437**

Table II-3: Distribution of family units by wealth group and region or province, 1999

Table II-3 shows the per cent of family units in each region in six wealth groups. As with average wealth in Table II-2, the differences between regions are relatively small in the two poorest groups. After that, the differences become quite noticeable.

	Atlantic region	Quebec	Ontario	Prairie region	British Columbia
Negative-$4,999	17.3%	18.2%	16.4%	15.1%	17.9%
$5,000-$29,999	15.9%	18.5%	14.0%	13.9%	16.5%
$30,000-$74,999	21.7%	18.5%	13.8%	16.0%	12.5%
$75,000-$149,999	22.3%	16.7%	14.9%	17.8%	12.3%
$150,000-$499,999	19.5%	23.0%	30.3%	28.2%	28.9%
$500,000 and more	3.2%	5.0%	10.6%	9.1%	11.9%
All family units	100.0%	100.0%	100.0%	100.0%	100.0%

Ontario, the Prairie provinces and British Columbia had relatively more family units in the richest two groups. More detailed information on wealth groups by region is available in Appendix A.

The same kind of regional differences are apparent if we zero in on the millionaires. Table II-4 shows the millionaires' club by region and the extent of their wealth.[3] The table includes a number for millionaire family units in the Atlantic region, but no dollar figures. That's because the sample of millionaires surveyed in the region was too small or the range of their wealth too variable to produce reliable results, so the details were not published by Statistics Canada.

British Columbia had the highest percentage of millionaires in Canada—3.3 per cent or one out of every 33 family units. British Columbia's millionaires also had the highest concentration of wealth at 35.5 per cent and the highest average wealth at $2,674,944. Ontario had the second highest percentage of millionaire family units at 3.1 per cent, followed by the Prairie provinces, Quebec and the Atlantic region. For Canada as a whole, millionaires accounted for 2.5 per cent of all family units and 29 per cent of all personal wealth, and their average wealth was $2,278,863.

There are relatively small differences in wealth for the poorest family units across the regions. The differences become larger further up the wealth ladder, especially in the richest groups.

Figure II-4: The millionaires' club in Canada

There are 310,913 millionaire family units in Canada—about one in 40 family units (or 2.5 per cent). They account for a staggering 29 per cent of the wealth.

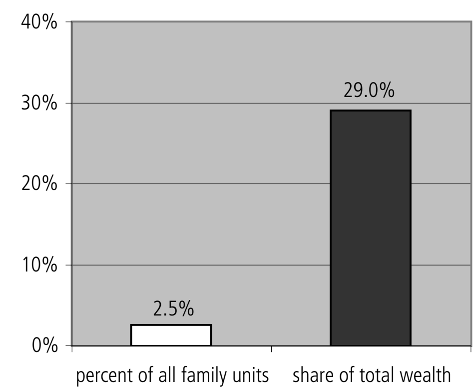


Table II-4: The millionaires' club by region or province, 1999

Table II-4 shows the number of millionaire family units in each region, and the extent of their wealth. BC had the highest proportion of millionaires in Canada, and the province's millionaires also had the highest average wealth. Ontario had the second highest percentage of millionaire family units, followed by the Prairie provinces, Quebec and the Atlantic region.

	Number of millionaire family units	Percentage of all family units	Aggregate wealth	Share of total wealth	Average wealth
British Columbia	56,218	3.3%	$150,380,000,000	35.5%	$2,674,944
Prairie region	50,889	2.5%	$128,468,000,000	30.1%	$2,524,475
Ontario	138,022	3.1%	$269,360,000,000	27.2%	$1,951,573
Quebec	55,111	1.8%	$139,884,000,000	28.9%	$2,538,223
Atlantic region	10,673	1.1%	sample too small		
All regions	**310,913**	**2.5%**	**$708,528,000,000**	**29.0%**	**$2,278,863**

The growth of personal wealth over the years

Between 1970 and 1999, every region of Canada saw a hefty increase in average personal wealth, although the increases were anything but steady. Table II-5 gives the details, with all the figures in constant 1999 dollars to remove the effects of inflation during the period.[4]

The far right column of the table shows the percentage increase in average wealth over the entire period. The smallest increase was 146 per cent in the Atlantic region, from $41,834 in 1970 to $102,782 in 1999. The largest increase was 194 per cent in Quebec.

A closer look at the figures, however, shows very different growth patterns in each of the regions between different surveys. Much of the growth in wealth in the Atlantic region took place between 1970 and 1977, and the increases in later years were much smaller in percentage terms. Quebec had the most even growth in wealth over the entire period and the highest overall increase. Ontario and British Columbia recorded large increases in average wealth between 1970 and 1977, decreases between 1977 and 1984 and increases once again between 1984 and 1999. The Prairie region posted huge gains between 1970 and 1977 and small gains afterwards.

The different patterns from region to region are intriguing, if not downright puzzling. Federal tax policies were consistent in all parts of Canada, and all regions were influenced in some measure by the same national economic policies and the same general trends in international trade. The four surveys span provincial governments of many different political parties and ideologies—too many to identify any consistent influences that might affect the creation of wealth.

No doubt the ups and downs of the dominant industries in each region had a major influence on the growth of personal wealth, but even here the forces at work were difficult to isolate within the regions. World oil prices, for example, have a significant effect on wealth in Alberta at any given time, but so do world grain prices or consumer demand for beef.

The picture is further complicated by the lack of data for the smaller provinces individually in the wealth surveys of 1970 and 1977. The only detailed data for all 10 provinces is limited to the 1984 and 1999 surveys, as shown in Table II-6.[5]

The best overall measure of personal wealth by province comes by comparing the percentage of family units in any province with the province's share of the wealth. In 1999, for example, only Ontario, Alberta and B.C. had shares of personal wealth that were larger than their shares of the population. That's not especially surprising, since the three provinces are the only traditional "have" provinces—those that do not receive assistance in the form of equalization payments from the federal government.[6]

Between 1984 and 1999, the number of family units in Canada grew from nearly 9.5 million to more than 12.2 million, and personal wealth in the aggregate grew from $1.2 trillion in 1984 to more than $2.1 trillion in 1999 after discounting the effects of inflation. The in-

Table II-5: Average wealth by region in constant 1999 dollars

Between 1970 and 1999, each of the five regions saw a hefty increase in average personal wealth, although the increases were anything but steady. Table II-5 gives the details. It shows very different growth patterns in each of the regions between surveys.

	1970	1977	1984	1999	% change 1970-1999
Atlantic	$41,834	$73,181	$85,418	$102,782	146%
Quebec	$45,905	$70,791	$94,647	$134,971	194%
Ontario	$78,724	$149,669	$138,621	$194,607	147%
Prairies	$66,210	$163,315	$169,727	$191,250	189%
British Columbia	$85,338	$173,892	$142,284	$225,223	164%
All regions	**$65,580**	**$127,852**	**$128,875**	**$176,087**	**169%**

crease in the number of family units amounted to 29 per cent, and the increase in aggregate wealth was 76 per cent. That means that the growth rate for wealth outstripped population growth by almost three times for all 10 provinces combined.

However, there were very sharp differences in the patterns from province to province, as revealed by the figures on average and median wealth at the far right of the table.

Six provinces showed major increases in average wealth between 1984 and 1999. Meanwhile, Newfoundland, Prince Edward Island and Manitoba reported very small increases, and average wealth actually fell in Saskatchewan from $209,228 in 1984 to $176,148 in 1999.

Most the changes in median wealth were less than impressive. Only New Brunswick, Ontario and Alberta had significant increases in median wealth between 1984 and 1999. The figure in Alberta jumped from $48,123

Table II-6: Distribution of family units and wealth by province in constant 1999 dollars

Detailed data for all 10 provinces is only available for the 1984 and 1999 wealth surveys, shown in Table II-6. The best overall measure of personal wealth by province comes by comparing the percentage of family units in any province (first column) with the province's share of the wealth (third column).

1984	Per cent of family units	Number of family units	Share of wealth	Aggregate wealth	Average wealth	Median wealth
Newfoundland	1.8%	168,682	1.1%	$12,951,000,000	$76,775	$52,108
Prince Edward island	0.4%	42,185	0.5%	$5,740,000,000	$136,073	$61,764
Nova Scotia	3.2%	307,726	2.1%	$26,136,000,000	$84,933	$51,388
New Brunswick	2.6%	246,362	1.7%	$20,514,000,000	$83,267	$42,545
Quebec	25.9%	2,464,192	19.1%	$233,229,000,000	$94,647	$44,752
Ontario	35.9%	3,414,785	38.7%	$473,361,000,000	$138,621	$71,266
Manitoba	4.2%	399,290	4.6%	$55,824,000,000	$139,809	$68,967
Saskatchewan	3.9%	373,172	6.4%	$78,078,000,000	$209,228	$78,162
Alberta	9.5%	904,630	12.3%	$150,745,000,000	$166,637	$48,123
British Columbia	12.4%	1,178,167	13.7%	$167,635,000,000	$142,284	$71,879
All provinces	**100.0%**	**9,499,193**	**100.0%**	**$1,224,212,000,000**	**$128,875**	**$58,392**
1999	**Per cent of family units**	**Number of family units**	**Share of wealth**	**Aggregate wealth**	**Average wealth**	**Median wealth**
Newfoundland	1.6%	198,630	0.7%	$15,400,000,000	$77,530	$40,400
Prince Edward island	0.4%	54,205	0.4%	$7,957,000,000	$146,801	$59,257
Nova Scotia	3.1%	376,191	1.8%	$39,547,000,000	$105,124	$50,700
New Brunswick	2.5%	300,177	1.5%	$32,601,000,000	$108,605	$48,500
Quebec	25.5%	3,115,360	19.5%	$420,483,000,000	$134,971	$45,290
Ontario	36.7%	4,480,409	40.5%	$871,918,000,000	$194,607	$80,200
Manitoba	3.7%	446,152	3.0%	$64,069,000,000	$143,603	$61,100
Saskatchewan	3.3%	401,649	3.3%	$70,750,000,000	$176,148	$75,330
Alberta	9.5%	1,157,207	11.6%	$248,639,000,000	$214,862	$77,700
British Columbia	13.8%	1,685,649	17.6%	$379,647,000,000	$225,223	$71,300
All provinces	**100.0%**	**12,215,629**	**100.0%**	**$2,151,010,000,000**	**$176,087**	**$64,600**

Between 1984 and 1999, wealth in all provinces combined grew almost three times faster than the population did. Yet median wealth in most provinces did not change significantly. The huge increases in wealth have gone primarily to the family units at the very top.

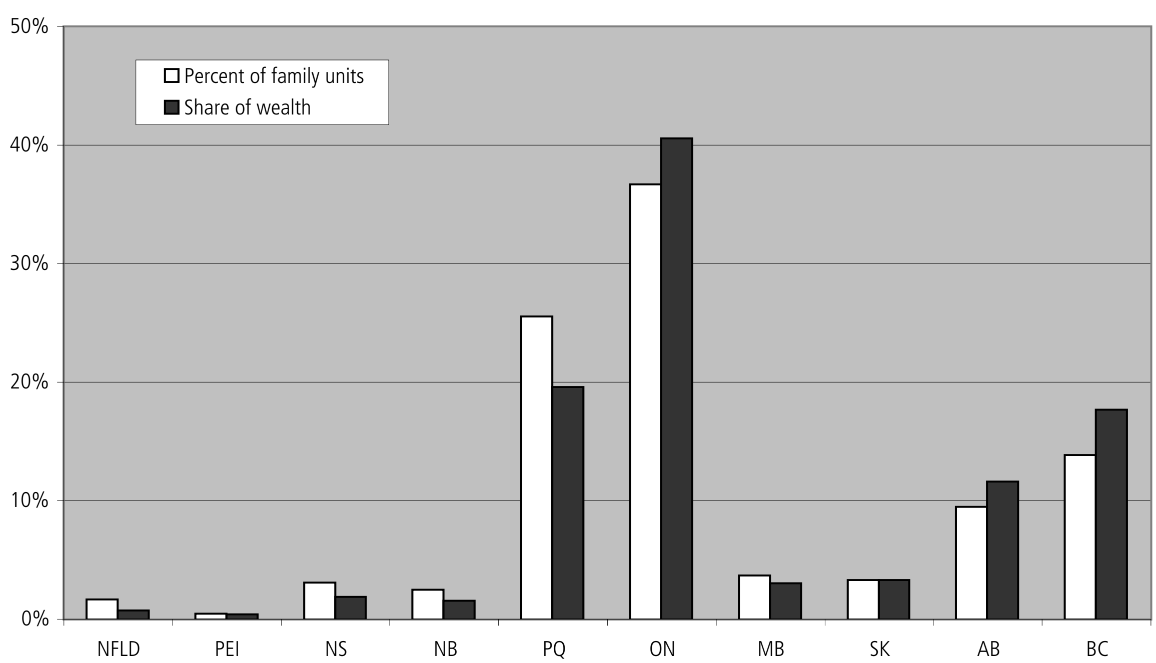
to $77,700. Median wealth was down significantly in Newfoundland from $52,108 to $40,400 and in Manitoba from $68,967 to $61,100. The figures changed relatively little in the other five provinces.

As a share of total national wealth, British Columbia gained the most, from 13.7% in 1984 to 17.6% in 1999. Ontario and Quebec also increased their shares, although by more modest amounts. All other provinces had declining shares of national wealth from 1984 to 1999, generally more so than changes in their population shares. Notably, Alberta's share of national wealth fell from 12.3% in 1984 to 11.6% in 1999.

The lacklustre changes in median wealth in most provinces are disturbing when the figures are considered side by side with the other data that show a huge concentration of wealth at the top of the wealth ladder—in every region if not in every province. It seems clear that the huge increases in personal wealth over the years have gone primarily to the family units at the very top and very little has trickled down to family units below the median.

Figure II-6: The provincial wealth pie
(Distribution of family units vs. share of wealth, by province, 1999)

Some provinces—BC, Alberta and Ontario—have a disproportionately large share of the wealth. Other provinces—like Quebec, Manitoba and Nova Scotia—have a smaller share of the wealth than of the population overall.



CHAPTER III

Upstairs, downstairs and in between

The assets and debts of Canadians

Canadians 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 number of people have debts larger than their assets and live 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 often as stark as the differences depicted in the long-running British television series "Upstairs, Downstairs," which contrasted the lives of the privileged with the lives of the people who served them.

This chapter examines the types and amounts of assets and debts held by Canadians as reported in the Survey of Financial Security. It divides all family units into quintiles (or five groups of 20 per cent), each ranging from poorest to richest, and analyzes the differences from one group to the next. The groups were defined by their wealth rather than their current income, but some income data was included with the detailed data on assets and debts. More detailed data by region are available in Appendix B, but are not discussed in this chapter.

Financial security is an elusive goal for a surprisingly large portion of the population. Poor people are least able to withstand any kind of financial crisis because they have so few assets of any kind and often have debts outstanding. 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 with above-average wealth enjoy true financial security, because they have sizeable financial assets to help tide them over hard times in addition to housing and other non-financial assets.

Financial assets in the survey include bank accounts, guaranteed investment certificates, savings bonds, stocks, mutual funds, registered retirement savings plans, registered retirement income funds and a number of miscellaneous financial instruments. Their main contribution to financial security is that many of them can be converted on the spot to cash. Even RRSPs could be cashed in to meet a financial crisis, although that might come back to haunt people when they get to their retirement years.

One admittedly rough measure of financial security is the size of a family unit's financial assets compared to its normal income after federal and provincial income taxes. If a family unit had financial assets of $20,000 and its annual income was $40,000 a year, its financial assets would be large enough to cover half a year, or 26 weeks, of living expenses in the event that its regular sources of income dried up. The assets would obviously last longer if the family unit was able to cut back on its normal spending at the same time.[1]

Overall, the data show a heavy concentration of assets by value among the richest 20 per cent of family units and a less concentrated distribution of debts. Table III-1 shows the percentage of selected types of assets and debts held by each of the five groups of family units in 1999. The total value of each asset and debt held by Canadians collectively appears in the column on the far right.[2]

In an imaginary country where every family unit was exactly equal, each 20 per cent group of family units would have 20 per cent of all personal assets by value, 20 per cent of all personal debts and 20 per cent of all

Table III-1: Percentage of total assets, debts and wealth by value held by family units in different circumstances, 1999

Table III-1 divides the population into quintiles (five even groups of 20 per cent) and shows the per cent of certain types of assets and debts held by each in 1999. The richest 20 per cent of family units had 63 per cent of the assets, 25 per cent of the debts, and 70 per cent of the wealth. Together, the concentration of assets among the rich and the less extreme distribution of debts produces the skewed distribution of wealth.

	Poorest 20% of family units	Second 20%	Middle 20%	Fourth 20%	Richest 20% of family units	Aggregate value, all family units
ALL ASSETS	less than 1%	5%	12%	20%	63%	$2,897,101,000,000
Financial assets	less than 1%	2%	6%	16%	75%	$849,505,000,000
RRSPs and other registered plans	less than 1%	3%	7%	18%	72%	$420,348,000,000
Bank accounts and GICs	1%	5%	10%	21%	64%	$160,783,000,000
Mutual and investment funds	—	1%	3%	14%	81%	$80,059,000,000
Stocks	—	—	1%	4%	94%	$92,383,000,000
Non-financial assets	1%	6%	17%	25%	51%	$1,692,997,000,000
Market value of home	less than 1%	6%	18%	27%	48%	$1,103,740,000,000
Market value of other real estate	—	2%	8%	15%	75%	$235,251,000,000
Vehicles	3%	12%	18%	25%	41%	$125,703,000,000
Furnishings and valuables	3%	10%	17%	23%	47%	$228,303,000,000
Equity in business	—	—	1%	5%	94%	$354,600,000,000
ALL DEBTS	5%	15%	29%	25%	25%	$458,076,000,000
Mortgage on home	2%	16%	35%	27%	20%	$303,901,000,000
Mortgage on other real estate	—	—	13%	19%	59%	$51,192,000,000
Line of credit	3%	6%	16%	27%	49%	$26,281,000,000
Credit card and installment debt	19%	24%	26%	19%	12%	$14,251,000,000
Student loans	52%	18%	12%	10%	8%	$14,877,000,000
Vehicle loans	9%	22%	27%	24%	19%	$29,089,000,000
WEALTH	0%	3%	8%	19%	70%	$2,439,025,000,000

Note: Dashes mask assets and debts where the survey results were too small or too variable to be reliable.

personal wealth. In reality, the richest 20 per cent of family units in Canada had 63 per cent of the assets in 1999, 25 per cent of the debts and 70 per cent of the wealth.

The richest 20 per cent had the largest share of each of the three major categories of assets. They owned 75 per cent of all financial assets, compared to less than one per cent of all financial assets held by the poorest 20 per cent. The distribution of non-financial assets—notably the market value of principal residences—was a bit less skewed, but still heavily weighted in favour of well-to-do family units. Business equity was much more extreme, with the richest 20 per cent of family units holding 94 per cent of all business equity and the remaining six per cent scattered through the other 80 per cent of family units.

Debts tended to be more evenly distributed overall, but there were some notable differences relating to specific types of debts. More than half the value of student loans outstanding was owed by the poorest 20 per cent of family units, probably because many of them were younger people. Conversely, nearly half of the debt in lines of credit was owed by the richest 20 per cent of family units. Richer people are able to obtain credit at relatively low interest rates because they are such good credit risks, while poorer people are more likely to "max out" their credit cards or fall back on whatever loan arrangements are provided by furniture stores, automobile dealers or the financial institutions that provide loans on behalf of sellers of big-ticket consumer items.

Together, the concentration of assets among the rich and the less extreme distribution of debts produced a skewed distribution of wealth, just as we saw in the preceding chapters.

On the lower rungs of the economic ladder, a sizeable number of people have debts larger than their assets and live 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.

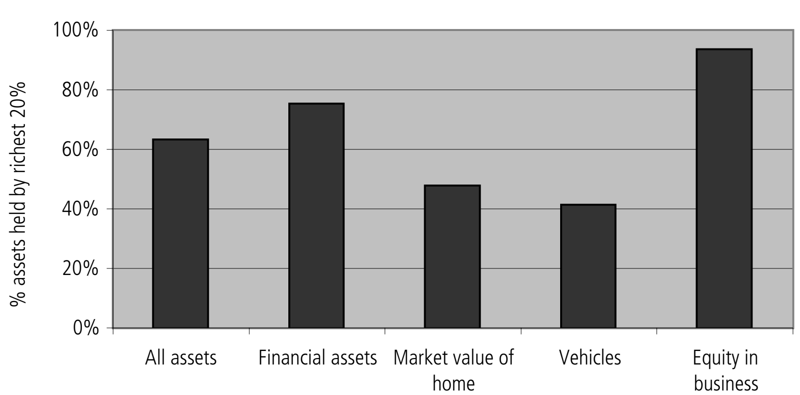
Some of the differences between the poor and the rich are a function of age. Assets such as housing, stocks and mutual funds tend to appreciate over time, and the longer people hold them, the wealthier they are likely to be. However, that is not to suggest that all Canadians, or even most Canadians, start out in the poorest group and work their way up to the richest group over the course of their lives.

Some Canadians end up where they started out—like the servants or the aristocrats in "Upstairs, Downstairs." Others climb up the ladder, and a few even make it all the way to the top. Still others may enjoy prosperity early in life, only to fall on hard times later on.

Here is a closer look at the five groups, their assets, their debts and their wealth.

Figure III-1: Who's got the goods?
(Per cent of overall and selected assets held by the richest 20 per cent of family units, 1999)

Assets in general are poorly distributed. While the top 20 per cent control almost two thirds of assets overall, they control an astonishing 75 per cent of financial assets and 94 per cent of equity in business.



Downstairs—the poorest 20 Per cent

Table III-2 shows the assets and debts of the poorest 20 per cent of family units in 1999.[3] The column headed "aggregate amount" gives the total value of each asset and debt reported by all the family units in the group. The next two columns give the number of family units in the group that had a particular asset or debt and those family units as a percentage of all family units in the group. The fourth column gives the average value of each asset or debt *for the people who reported that particular asset or debt*. For example, 78 per cent of the poorest family units had some kind of financial assets, and the average holding among that 78 per cent was $1,974. The final column gives the median value of each asset and debt—$600 in the case of the group's financial assets. Medians are middle values and are considered to be more typical when there are substantial variations within a group.

The poorest 20 per cent of family units had debts that were larger than their assets and an asset/debt ratio of 0.82. The group as a whole had aggregate assets of $20.7 billion, aggregate debts of $25.2 billion, and wealth of minus $4.5 billion. Average assets worked out to $8,461 for every family unit in the group, average debts were $16,660, and average wealth was minus $1,841. Everyone in the group had assets of one kind or another, but only 62 per cent of the group also had debts. That's why average wealth worked out to minus $1,841 rather than the straight mathematical difference between average assets and average debts.

Many poor family units had assets that were limited to small bank accounts, minimal household furnishings, and perhaps an older used car or truck. The figures for mutual and investment funds, stocks, bonds and other financial assets were too small to be reported individually. Even when added together, they covered only 11 per cent of family units and the amounts were small.

Only three per cent of the poorest family units were homeowners, and the vast majority of these were mortgaged to the hilt. The average value of the homes was $80,370, and the average mortgage for homeowners who had mortgages was $78,880.

Typical family units had a few hundred dollars tucked away in a savings or chequing account at the bank and nothing else.

The types of debt reported by the group varied greatly from household to household. The most common debt was outstanding credit card and installment debt balances that amounted to $3,184 on average. The category "other non-mortgage debt" combines four types of debts that were reported by a minority of family units. Just over half of the family units had other non-mortgage debt and the average amount was $11,884. The next four lines of the table provide a breakdown of this category. One debt already noted was student loans, with an average balance outstanding of $12,799.

Stepping back from the bare figures in the table, the picture that emerges is one of poor families and unattached people living in apartments or other types of rental housing with very basic furnishings—maybe some second-hand furniture and used household items that were no longer needed by other family members or friends. People in the group no doubt had minor household appliances such as toasters and electric kettles, but the stoves, refrigerators, washers and dryers they used were probably not their own.

Typical family units had a few hundred dollars tucked away in a savings or chequing account at the bank and nothing else. A small minority had a bit of money in an RRSP or perhaps a Canada Savings Bond. Only 41 per cent of the people in the group owned vehicles, and the average value was $3,861—the value of an older car like a 1991 Plymouth Sundance or 1988 Honda Accord.

Statistics Canada estimated that family units in the poorest 20 per cent group had an average income after federal and provincial income taxes of only $18,698 in 1998, the last full calendar year before the survey was done. That's not a lot to live on—even for a person living alone—and it makes it very difficult for people to accumulate more assets or pay off outstanding debts.

The group's average financial assets were $1,974, and its average annual income of $18,698 worked out to $360 a week. If the current income suddenly disappeared, the financial assets alone would be enough to keep the family unit going for little more than five weeks.

Not surprisingly, follow-up research by Statistics Canada showed that almost one-third of the family units in the poorest 20 per cent group fell behind two months or more in a bill, loan, rent or mortgage payment sometime in 1998. The comparable percentage for the richest 20 per cent group was only five per cent.[4]

Table III-2: Poorest 20 per cent of family units in Canada, 1999

Tables III-2 to III-6 show the assets and debts of each of the five groups of family units, from the poorest 20 per cent in Table III-2 to the richest in Table III-6.

The column "aggregate amount" shows the total value of each asset and debt reported by all the family units in the group. The second column gives the number of family units in the group that had a particular asset or debt, and the third column shows those family units as a share of all family units in the group. The fourth column shows the average value of each asset or debt for those that reported it. The final column gives the media value of each asset or debt.

The picture that emerges from Table III-2 is one of poor families and unattached people living in apartments or other types of rental housing with very basic furnishings. Typical family units had a few hundred dollars tucked away in a savings or chequing account and nothing else. Only 41 per cent owned vehicles, and the average value was $3,861—the value of an older car like a 1988 Honda accord. If the current income suddenly disappeared, the financial assets alone would be enough to keep the average family unit going for little more than five weeks.

	Aggregate amount	Family units with this asset or debt	% of family units	Average value	Median value
ALL ASSETS	$20,679,000,000	2,444,042	100%	$8,461	$3,005
Financial assets	$3,754,000,000	1,902,013	78%	$1,974	$600
RRSPs and other registered plans	$1,600,000,000	438,224	18%	$3,650	$2,000
Bank accounts and GICs	$1,640,000,000	1,824,978	75%	$899	$350
Mutual and investment funds, stocks, bonds, and other financial assets	$515,000,000	269,137	11%	$1,913	$1,000
Non-financial assets	$17,716,000,000	2,444,042	100%	$7,248	$1,500
Market value of home	$6,574,000,000	81,797	3%	$80,370	$79,200
Market value of other real estate	—	—	—	—	—
Vehicles	$3,903,000,000	1,010,949	41%	$3,861	$2,000
Furnishings and valuables	$6,166,000,000	2,444,042	100%	$2,523	$1,000
Equity in business	—	—	—	—	—
ALL DEBTS	$25,165,000,000	1,510,480	62%	$16,660	$7,000
Mortgage on home	$5,979,000,000	75,800	3%	$78,880	$76,000
Mortgage on other real estate	—	—	—	—	—
Credit card and instalment debt	$2,722,000,000	855,031	35%	$3,184	$1,700
Other non-mortgage debt	$14,786,000,000	1,244,190	51%	$11,884	$7,125
Line of credit	$687,000,000	129,240	5%	$5,314	$3,000
Student loans	$7,706,000,000	602,070	25%	$12,799	$9,390
Vehicle loans	$2,520,000,000	288,987	12%	$8,721	$7,000
Other loans and unpaid bills	$3,873,000,000	573,217	23%	$6,757	$2,500
WEALTH	-$4,486,000,000	2,444,042	100%	-$1,841	$1,000

Aggregate asset/debt ratio = 0.82
Average income in 1998 after federal and provincial income taxes = $18,698

Note: Dashes mask assets and debts where the survey results were too small or too variable to be reliable.

The second poorest 20 per cent

The second poorest 20 per cent of family units marked a distinct step up from the poorest group, but they could hardly be described as well-to-do. Table III-3 shows that their aggregate assets of $131.1 billion were almost twice as large as their aggregate debts of $68.6 billion, and their wealth was $62.4 billion. Family units had assets of $53,656 on average, debts of $39,300 on average, and average wealth of $25,561.

Most members of the group had bank accounts or GICs, and 52 per cent had RRSPs or other registered savings plans. Average financial assets overall amounted to $9,187 on average.

Thirty-four per cent of the family units were homeowners, and housing accounted for half of their total assets and a large portion of their debts for the group as a whole. The average market value of their homes was $78,643 and the average mortgage was $69,755. Only five per cent of the group were homeowners without mortgages—perhaps seniors or empty-nesters who bought smaller homes after their children grew up. Average housing prices and average mortgages were not all that different from the housing figures for the poorest 20 per cent of family units.

Debts aside from mortgages were also similar in the poorest and second poorest groups. Nearly half had credit card or instalment debt that amounted to $2,901 on average, and about the same number had other non-mortgage debts that added up to $10,731 on average.

The second poorest group invested more money than the poorest group in home furnishings—they probably had new as well as used furniture—and they also spent more on vehicles—perhaps enough to own a 1996 Pontiac Sunfire or a 1994 Mazda 323.

Twelve per cent of the family units had equity in their own businesses, but the average investment was only $3,671 and the median investment only $500. That indicates a self-employed tradesperson who invested in tools of the trade or a person with a personal computer working at home, rather than a merchant or other small businessperson operating out of a storefront or commercial location with sizeable inventory or equipment.

The average income of the group after income taxes in 1998 was $30,803 a year or $592 a week. With a total loss of income and continued spending at $592 a week, the average financial assets of $9,187 would be totally depleted in less than 16 weeks.

Figure III-2/6 (a): Stacking up the assets and debts
(Aggregate asset-to-debt ratios by quintile, 1999)

Figure III-2/6 shows the asset-to-debt ratio of each of the 5 groups of family units, from the poorest to richest 20 per cent. A ratio of one means that assets are the same as debts (a "one-to-one" ratio). The poorest 20 per cent had a ratio of 0.82: less assets than debts. The richest 20 per cent had about 15 times more assets than debts.

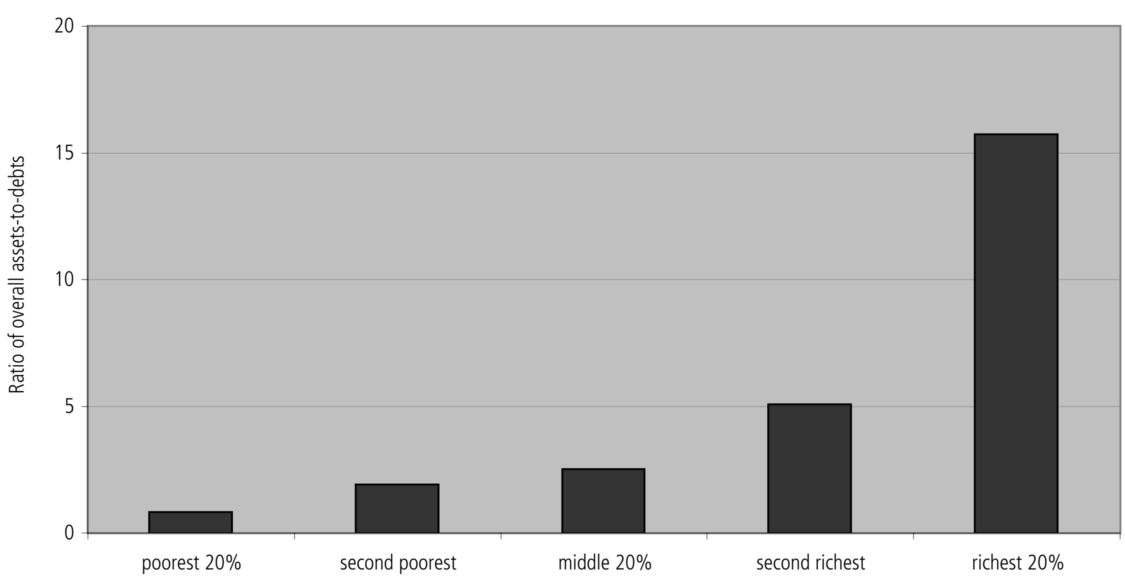


Table III-3: Second poorest 20 per cent of family units in Canada, 1999

Tables III-2 to III-6 show the assets and debts of each of the five groups of family units, from the poorest 20 per cent in Table III-2 to the richest in Table III-6.

This second poorest 20 per cent of family units marked a distinct step up from the poorest group, but they could hardly be described as well-to-do. About a third of the family units in this group were homeowners, and housing accounted for half their total assets. However, the average value of their homes was $78,643 and the average mortgage wasn't much less—$69,755. This group invested more than the poorest in home furnishings, and they also spent more on vehicles—maybe enough to own a 1994 Mazda 323. With a total loss of income, the average family unit would deplete its financial assets in less than 16 weeks.

	Aggregate amount	Family units with this asset or debt	% of family units	Average value	Median value
ALL ASSETS	$131,064,000,000	2,442,673	100%	$53,656	$35,000
Financial assets	$20,820,000,000	2,266,296	93%	$9,187	$5,800
RRSPs and other registered plans	$10,649,000,000	1,259,943	52%	$8,452	$5,500
Bank accounts and GICs	$7,405,000,000	2,100,281	86%	$3,526	$1,254
Mutual and investment funds	$1,072,000,000	186,442	8%	$5,752	$3,500
Stocks	—	—	—	—	—
Bonds (savings and other)	$538,000,000	235,950	10%	$2,281	$1,100
Other financial assets	$851,000,000	163,078	7%	$5,217	$2,500
Non-financial assets	$109,186,000,000	2,442,673	100%	$44,699	$22,000
Market value of home	$65,738,000,000	835,908	34%	$78,643	$72,000
Market value of other real estate	$5,027,000,000	151,265	6%	$33,236	$20,000
Vehicles	$14,886,000,000	1,882,012	77%	$7,910	$5,800
Furnishings and valuables	$23,534,000,000	2,442,673	100%	$9,634	$9,000
Equity in business	$1,058,000,000	288,334	12%	$3,671	$500
ALL DEBTS	$68,628,000,000	1,746,249	71%	$39,300	$14,860
Mortgage on home	$49,016,000,000	702,694	29%	$69,755	$63,000
Mortgage on other real estate	—	—	—	—	—
Credit card and instalment debt	$3,420,000,000	1,179,059	48%	$2,901	$1,500
Other non-mortgage debt	$13,351,000,000	1,244,122	51%	$10,731	$8,000
Line of credit	$1,525,000,000	308,457	13%	$4,944	$2,800
Student loans	$2,701,000,000	318,356	13%	$8,486	$6,400
Vehicle loans	$6,273,000,000	659,150	27%	$9,516	$8,000
Other loans and unpaid bills	$2,852,000,000	449,860	18%	$6,339	$3,500
WEALTH	$62,436,000,000	2,442,673	100%	$25,561	$24,000

Aggregate asset/debt ratio = 1.91
Average income in 1998 after federal and provincial income taxes = $30,803

Note: Dashes mask assets and debts where the survey results were too small or too variable to be reliable.

Table III-4: Middle 20 per cent of family units in Canada, 1999

Tables III-2 to III-6 show the assets and debts of each of the five groups of family units, from the poorest 20 per cent in Table III-2 to the richest in Table III-6.

More than three quarters of family units in the middle group owned their own homes, and the average value was $104,807—suggesting some of the people were living in their second or third homes rather than being first-time home buyers. About two thirds had RRSPs, and most had modest other financial assets. They had much nicer household furnishings than the two poorest groups and newer cars, with an average value of $11,012—perhaps enough for a 1997 ford escort. Aside from mortgages, the debts of family units in the middle group were fairly small. They could maintain their normal standard of living for just under 30 weeks on average if their income dried up.

	Aggregate amount	Family units with this asset or debt	% of family units	Average value	Median value
ALL ASSETS	$338,583,000,000	2,443,156	100%	$138,584	$124,600
Financial assets	$54,196,000,000	2,350,280	96%	$23,059	$15,305
RRSPs and other registered plans	$31,295,000,000	1,649,460	68%	$18,973	$14,000
Bank accounts and GICs	$15,801,000,000	2,198,617	90%	$7,187	$2,600
Mutual and investment funds	$2,628,000,000	287,827	12%	$9,132	$5,000
Stocks	$1,138,000,000	181,691	7%	$6,261	$2,500
Bonds (savings and other)	$1,343,000,000	325,696	13%	$4,124	$1,500
Other financial assets	$1,989,000,000	182,155	7%	$10,922	$3,500
Non-financial assets	$280,097,000,000	2,443,156	100%	$114,646	$109,000
Market value of home	$200,643,000,000	1,914,402	78%	$104,807	$95,000
Market value of other real estate	$17,674,000,000	357,863	15%	$49,388	$40,000
Vehicles	$23,160,000,000	2,103,249	86%	$11,012	$8,210
Furnishings and valuables	$38,619,000,000	2,443,156	100%	$15,807	$10,000
Equity in business	$4,290,000,000	401,712	16%	$10,680	$1,000
ALL DEBTS	$134,644,000,000	1,939,910	79%	$69,407	$62,500
Mortgage on home	$106,814,000,000	1,405,871	58%	$75,977	$70,000
Mortgage on other real estate	$6,690,000,000	119,364	5%	$56,045	$50,000
Credit card and instalment debt	$3,640,000,000	1,197,061	49%	$3,041	$1,859
Other non-mortgage debt	$17,500,000,000	1,316,356	54%	$13,294	$10,000
Line of credit	$4,185,000,000	498,222	20%	$8,400	$5,000
Student loans	$1,830,000,000	225,152	9%	$8,129	$6,000
Vehicle loans	$7,823,000,000	691,016	28%	$11,321	$10,000
Other loans and unpaid bills	$3,661,000,000	443,012	18%	$8,265	$5,000
WEALTH	$203,939,000,000	2,443,156	100%	$83,474	$81,000

Aggregate asset/debt ratio = 2.51
Average income in 1998 after federal and provincial income taxes = $40,601

The middle 20 per cent

Many family units in the middle group had to budget wisely to safeguard assets and continue paying off debts.

The middle 20 per cent of family units invested heavily in housing, but they also managed to build up more financial assets. Overall, as shown in Table III-4, their aggregate assets of $338.6 billion were 2.5 times their aggregate debts of $134.6 billion, and their aggregate wealth was $203.9 billion. Members of the group had average assets of $138,584, average debts of $69,407, and average wealth of $83,474.

Seventy-eight per cent of the family units in the middle group owned their own homes, although most of the homeowners also had sizeable mortgages. The average market value of the homes was $104,807 and the average mortgage was $75,977. The higher value of the housing in this group suggests some of the people were living in their second or third homes rather than being first-time homeowners.

Average financial assets worked out to $23,059. Roughly two-thirds of the group had RRSPs, and most had modest amounts of other financial assets. They had much nicer household furnishings than members of the two poorer groups, with an average value of $15,807 for furniture, appliances and any valuables or collectibles. They also had newer cars, with an average value of $11,012—perhaps enough for a 1997 Ford Escort or 1996 Nissan Sentra.

Aside from mortgage debt, the debts of family units in the middle group were fairly small. About half had credit card and instalment payments with an average debt of $3,041. More than half had "other non-mortgage debts" that added up to an average of $13,294.

Average total income after income taxes for family units in the middle group was $40,601 in 1998. That suggests that many of them had to budget wisely to safeguard their assets and continue paying off their debts. Their annual income worked out to $781 a week. Their average financial assets of $23,059 would have allowed them to maintain their normal standard of living for less than 30 weeks if their income dried up.

Figure III-2/6 (b): How long could they go?

(Number of weeks average financial assets would support current spending patterns for average family unit, by quintile)

Financial security is still an elusive goal for a surprisingly large number of people. This figure shows how many weeks (or years, in the case of the richest folks) financial assets alone would keep the average family unit going at their current standard of living if all income suddenly dried up.

In other words, how long could the average person or family keep up their usual expenses if they suddenly lost their job, before they had to start selling off other assets like stereos, furniture, vehicles or their home (assuming they even own any such assets).

The poorest 40 per cent of family units wouldn't last long, and even the middle 20 per cent, at 30 weeks, couldn't forgo regular income for long. This highlights the importance of social supports like unemployment insurance and welfare, both of which have been greatly eroded in recent years.

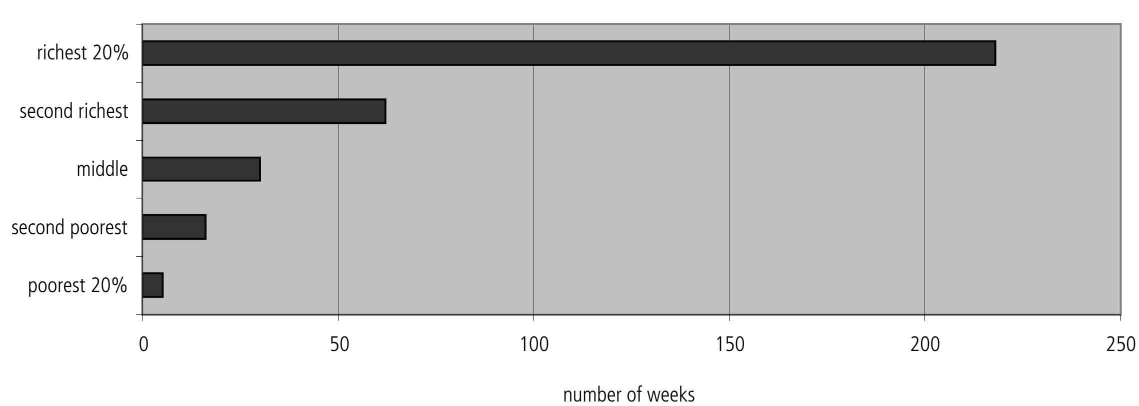


Table III-5: Second richest 20 per cent of family units in Canada, 1999

Tables III-2 to III-6 show the assets and debts of each of the five groups of family units, from the poorest 20 per cent in Table III-2 to the richest in Table III-6.

The second richest 20 per cent was probably the first group in the rankings to achieve financial security. The key to their security rested in large part with financial assets that typically included bank accounts, GICs and RRSPs. The group was the first to show a substantial number of family units that own their homes but have no mortgages. A typical family in this group lived in a nice home, had $30,000 in an RRSP, $5,000 cash in the bank, and maybe a few thousand dollars in stocks or bonds. They would have attractive home furnishings, and would be able to afford a late-model car such as a 1999 Saturn. In a financial emergency, the average family unit could maintain its lifestyle for more than a year—62 weeks.

	Aggregate amount	Family units with this asset or debt	% of family units	Average value	Median value
ALL ASSETS	$572,933,000,000	2,442,697	100%	$234,550	$225,900
Financial assets	$132,039,000,000	2,406,256	99%	$54,873	$41,500
RRSPs and other registered plans	$76,055,000,000	1,922,059	79%	$39,569	$30,000
Bank accounts and GICs	$33,210,000,000	2,284,700	94%	$14,536	$5,000
Mutual and investment funds	$11,415,000,000	409,741	17%	$27,859	$13,000
Stocks	$3,904,000,000	272,362	11%	$14,334	$7,002
Bonds (savings and other)	$3,605,000,000	459,817	19%	$7,839	$2,600
Other financial assets	$3,850,000,000	191,247	8%	$20,131	$8,000
Non-financial assets	$422,949,000,000	2,442,697	100%	$173,148	$166,000
Market value of home	$303,142,000,000	2,224,133	91%	$136,297	$128,000
Market value of other real estate	$35,149,000,000	529,623	22%	$66,366	$50,000
Vehicles	$31,984,000,000	2,181,969	89%	$14,658	$11,000
Furnishings and valuables	$52,673,000,000	2,442,697	100%	$21,564	$15,000
Equity in business	$17,945,000,000	565,782	23%	$31,718	$10,000
ALL DEBTS	$113,001,000,000	1,709,398	70%	$66,106	$50,000
Mortgage on home	$82,133,000,000	1,117,848	46%	$73,474	$65,000
Mortgage on other real estate	$9,527,000,000	135,619	6%	$70,252	$55,000
Credit card and instalment debt	$2,733,000,000	904,267	37%	$3,022	$2,000
Other non-mortgage debt	$18,607,000,000	1,164,605	48%	$15,977	$10,000
Line of credit	$7,049,000,000	528,677	22%	$13,334	$6,000
Student loans	$1,415,000,000	166,443	7%	$8,500	$6,000
Vehicle loans	$6,958,000,000	570,345	23%	$12,200	$10,000
Other loans and unpaid bills	$3,185,000,000	325,966	13%	$9,770	$5,000
WEALTH	$459,933,000,000	2,442,697	100%	$188,289	$183,000

Aggregate asset/debt ratio = 5.07
Average income in 1998 after federal and provincial income taxes = $46,158

The second richest 20 per cent

The second richest 20 per cent of family units was probably the first group in the rankings from poor to rich to achieve financial security. Its aggregate assets of $572.9 billion were five times its aggregate debts of $113 billion, and its net worth was a hefty $459.9 billion. As shown in Table III-5, family units in the group had assets of $234,550 on average, debts of $66,106 on average, and average wealth of $188,289.

The key to the group's financial security rested in large part with financial assets that typically included bank accounts and GICs, RRSPs and a sprinkling of other types of investments. The average value of these financial assets was $54,873—an amount higher than the group's average after-tax income of $46,158. In case of a financial emergency, the financial assets could be cashed in and maintain the family unit's lifestyle for more than a year, at 62 weeks.

The group also was the first to show a substantial number of family units that own their homes but do not have mortgages. Most members of the group were homeowners, with homes that were valued at $136,297 on average, a step up from the middle group. Only 46 per cent also had mortgages, with an average value of $73,474.

Debts aside from mortgage debts were modest. Average credit card and installment debt was $3,022, and average other non-mortgage debt was $15,977. Both those figures were not that different than the average debts of poorer groups. The big difference was that people in the second richest group no doubt found it easier to cope because of their higher incomes.

Twenty-three per cent reported equity in their own businesses, but the average amount of $31,718 and the median of $10,000 suggest that most were very small businesses.

A typical family unit in the second richest group lived in a modest home, had $30,000 in an RRSP, $5,000 in cash at the bank, and perhaps a few thousand dollars invested in stocks or bonds. Home furnishings would be attractive, but not lavish, and a typical member of the group would be able to afford a late-model car such as a 1999 Saturn or Pontiac Grand Am. Typical debts might have included instalment payments on a $2,000 home improvement, a $6,000 line of credit and a $6,000 car loan.

Upstairs—the richest 20 per cent

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. They were the only group that had financial assets worth more in the aggregate than their homes—$638.7 billion in financial assets compared to $527.6 billion as the value of their homes. They also had equity in their own businesses totalling $332.1 billion and $176.3 billion in other real estate, much of it mortgage-free.

As shown in Table III-6, all the group's assets added up to a gigantic $1.8 trillion—nearly 16 times larger than aggregate debts of under $116.6 billion—and the group's wealth was $1.7 trillion. For individual family units in the group, average assets worked out to $750,633, average debts were $83,357, and average wealth was $702,890.

There was a considerable gap between average and median values for many of the assets in the table. That indicates an uneven distribution of assets within the top group. The most likely explanation is that a modest number of very wealthy people had very large assets that pushed the group average well above the median.

The average value of financial assets in the richest group was $262,186 and the median value was $153,000. Either way, there was plenty of money to keep the wolf away from the door for many months. The percentage figures in the table on specific types of financial assets

The second richest 20 per cent of family units was probably the first group to achieve financial security. It was also the first to show a substantial number of family units that own their homes but do not have mortgages.

Table III-6: Richest 20 per cent of family units in Canada, 1999

Tables III-2 to III-6 show the assets and debts of each of the five groups of family units, from the poorest 20 per cent in Table III-2 to the richest in Table III-6.

The richest group of family units showed a considerable gap between average and media values for many assets. This indicates an uneven distribution of assets within the group, with a small number of ultra-wealthy people pushing up the group's averages. A typical family in this group might have a $200,000 year-round home without a mortgage and a modest vacation home in a resort community. They would have the trappings of elegant living, and wouldn't have to settle for used cars.

	Aggregate amount	Family units with this asset or debt	% of family units	Average value	Median value
ALL ASSETS	$1,833,842,000,000	2,443,062	100%	$750,633	$499,751
Financial assets	$638,696,000,000	2,436,042	100%	$262,186	$153,000
RRSPs and other registered plans	$300,750,000,000	2,177,753	89%	$138,101	$98,500
Bank accounts and GICs	$102,726,000,000	2,332,045	95%	$44,050	$13,000
Mutual and investment funds	$64,800,000,000	785,155	32%	$82,532	$35,000
Stocks	$86,978,000,000	651,122	27%	$133,582	$25,000
Bonds (savings and other)	$19,892,000,000	649,162	27%	$30,643	$7,700
Other financial assets	$63,550,000,000	447,159	18%	$142,119	$30,000
Non-financial assets	$863,049,000,000	2,443,062	100%	$353,266	$283,000
Market value of home	$527,642,000,000	2,318,708	95%	$227,559	$190,000
Market value of other real estate	$176,328,000,000	944,516	39%	$186,686	$110,000
Vehicles	$51,769,000,000	2,252,602	92%	$22,982	$17,000
Furnishings and valuables	$107,310,000,000	2,443,062	100%	$43,925	$20,200
Equity in business	$332,097,000,000	917,450	38%	$361,978	$100,000
ALL DEBTS	$116,639,000,000	1,399,273	57%	$83,357	$48,000
Mortgage on home	$59,959,000,000	690,371	28%	$86,850	$67,000
Mortgage on other real estate	$30,458,000,000	257,724	11%	$118,180	$80,000
Credit card and instalment debt	$1,735,000,000	563,329	23%	$3,080	$2,000
Other non-mortgage debt	$24,488,000,000	899,257	37%	$27,231	$14,700
Line of credit	$12,835,000,000	476,072	19%	$26,960	$10,000
Student loans	$1,225,000,000	123,811	5%	$9,892	$8,000
Vehicle loans	$5,514,000,000	381,801	16%	$14,443	$12,000
Other loans and unpaid bills	$4,914,000,000	195,275	8%	$25,164	$7,600
WEALTH	$1,717,203,000,000	2,443,062	100%	$702,890	$451,060

Aggregate asset/debt ratio = 15.72
Average income in 1998 after federal and provincial income taxes = $62,518

suggest that most family units specialized in the way they invested their money. Despite their considerable wealth, only 32 per cent of the family units in the group invested in mutual or investment funds outside of RRSPs and other registered accounts, and only 27 per cent owned stocks outside RRSPs.

Only one in three family units reported equity in business, and the average investment was $361,978 and the median $100,000. That indicates a mixture of large and small businesses within the group as a whole. As noted earlier in this chapter, the richest 20 per cent of family units accounted for 94 per cent of the value of all business equity.

Most wealthy families and unattached persons owned their own homes, and 39 per cent owned other property. The average home was valued at $227,559, and most of the homeowners owned their homes outright. Only 28 per cent had mortgages, and the average mortgage was $86,850. Thirty-nine per cent had other real estate with an average value of $186,686, and only 11 per cent had mortgages on other real estate averaging $118,180.

Debts in the richest group aside from mortgages were surprisingly small. Credit card and instalment debts averaging $3,080 were not all that different from the debts of family units in the other groups. There were even a few family units with student loans—a reminder that not all the members of the richest group were older people.

A typical family unit in the richest group might have a $200,000 year-round home without a mortgage and perhaps a modest vacation home in a summer or winter resort community. They would have at least some of the trappings of elegant living: fine 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. Although many people associate wealth with luxury automobiles like BMWs or Mercedes, the average value of $22,982 shown in the table suggests vehicles more like a 2001 Chrysler Sebring or brand-new Toyota Corolla.

Average income after income taxes for the richest 20 per cent of family units was $62,518 in 1998. That hardly seems enough to account for the substantial assets of the group, even assuming 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.

The group's 1998 income of $62,518 worked out to $1,202 a week. Its average financial assets of $262,186 would replace normal income for 218 weeks, more than four years, and its median financial assets of $153,000 would last for 127 weeks, more than two years. That indicates a measure of financial security well beyond any of the other four groups. Among other things, the very richest Canadians could dip into their liquid financial assets if they ran into cash-flow problems without touching their RRSPs or other investments that might be more difficult to convert to cash quickly.

> The average family unit in the richest group could sail along on its assets at its usual standard of living for over four years in the event of a total loss of income.

Yet even the combination of large assets and small debts doesn't seem to satisfy some rich people, according to a public opinion poll by Ipsos-Reid and RBC Investments released in February 2002 under the headline: "Wealthy Paupers: Canada's Affluent Top 20% Don't Feel Rich."[5]

The people in the poll, who were drawn from the richest 20 per cent of family units and who all had at least $100,000 in household financial assets, were asked to describe their current financial situation. Of the 1,000 responses, 85 per cent said they were comfortable, nine per cent said they were "just able to maintain a basic standard of living," five per cent conceded that they were indeed wealthy, and the remaining one per cent said they were "struggling."

Those rich people who were just "scraping by" were probably jaded by the proliferation of luxury items that have come to be accepted by the well-do-do as basic items. Journalist Linda McQuaig even came across luxury "loot bags" for children's birthday parties at a fashionable shop in Toronto.

"After a while," she writes, "it starts to seem normal that people have fully loaded gas barbecues or watches that light up in the dark, work fifty metres under water or are simply encrusted with diamonds—just as it starts to seem normal to spend $150 on loot bags so eight-year-olds won't notice yours are different from the ones given out at the last party."[6]

CHAPTER IV

A closer look at housing

The gap between renters and owners

Housing is the single biggest asset of Canadians and also their single biggest debt. The estimated value of all principal residences in 1999 was $1.1 trillion or 38 per cent of the $2.9 trillion in total personal assets. Mortgages on principal residences totalled $304 billion or 66 per cent of total personal debt of $458 billion.

As in the case of wealth in general, home ownership is not well distributed among the 12.2 million family units in Canada. Families are much more likely to own their own homes than unattached persons, older people are more likely to be homeowners than younger people, few poor people and almost all rich people are homeowners, and there are also interesting regional patterns that are unique to housing as a form of wealth.

The Survey of Financial Security collected information on three types of housing arrangements in 1999: homeowners with mortgages, homeowners without mortgages, and renters. In the case of homeowners who had not yet paid off their mortgages, their wealth included the estimated current value of their homes minus the amount of their mortgages.

Overall, about 60 per cent of all family units were homeowners, either with or without mortgages, and the other 40 per cent were renters. Table IV-1 gives a detailed breakdown of the three housing categories between families and unattached persons.[1]

Homeowners with mortgages made up 32.7 per cent of all family units, and the vast majority of them were families rather than unattached persons. Families had total wealth—both housing and all other forms of wealth—that amounted to $206,432 on average, while unattached persons had average wealth of $133,287. The median values were closer: $117,800 for families and $77,344 for unattached persons.

Homeowners without mortgages made up 27.7 per cent of all family units, but had 59.4 per cent of the wealth. Families outnumbered unattached persons by more than three to one, and their wealth was five times as large. Not surprisingly, homeowners without mortgages were more than twice as wealthy as homeowners with mortgages. The average wealth of families without mortgages was $464,924, and the average wealth of unattached persons without mortgages was $298,828.

That leaves us with renters, who made up 39.6 per cent of all family units but had only 8.4 per cent of the wealth. Renters were fairly evenly divided between families and unattached persons, and they both ranked low on the wealth scale. Renter families had average wealth of $49,727 and median wealth of $11,700, while unattached renters had average wealth of $36,138 and median wealth of $5,500. All these amounts describe people with very modest assets overall—modest household furnishings, perhaps a car or truck, and a bit of money tucked away in the bank or invested in an RRSP.

The percentage of homeowners tends to rise with age, and that's one reason that wealth overall tends to rise with age. Many young people have trouble entering the housing market because they often have to scramble to save money for a down payment. Once they can afford to buy homes, they start building up their wealth as they pay off their mortgages over time and add to the equity in their homes.

Table IV-2 breaks down all family units into five age groups. A further breakdown into families and unattached persons was not possible, because several of the age groups among unattached persons were too small to produce reliable results.[2]

Only 36.2 per cent of the family units under age 35 were homeowners. The percentage of homeowners rose with each successive age group, peaked at 74.7 per cent for the age group 55 through 64, and then fell off slightly among seniors. The lower figure for seniors no doubt reflects the reality of some older people moving out of their own homes into apartments or seniors' residences.

The percentage of homeowners tends to rise with age, and that's one reason that wealth overall tends to rise with age.

The third and fourth columns of Table IV-2 give the number and percentage of homeowners who had mortgages in 1999. A total of 84.8 per cent of the homeowners under 35 had mortgages, compared to only 9.8 per cent of the homeowners 65 and older.

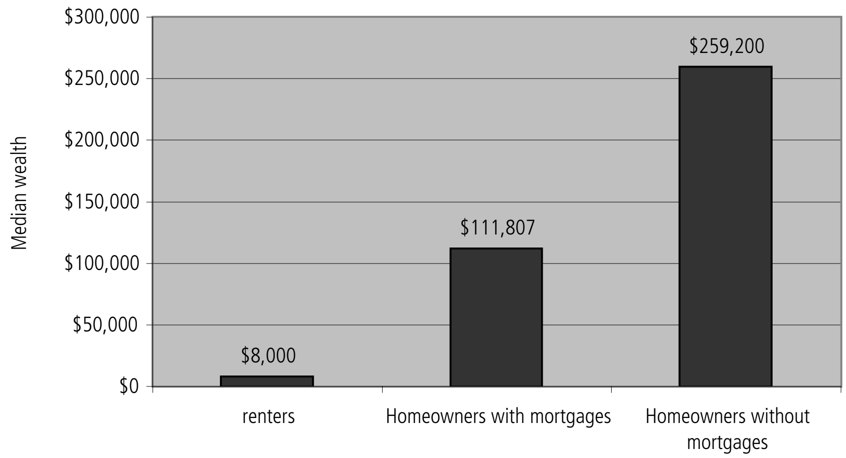
Table IV-1: Wealth by housing status, 1999

Table IV-1 gives a detailed breakdown of the three housing categories: homeowners with and without mortgages, and renters. A comparison of the columns "percentage of all family units" and "share of wealth" shows that renters—nearly 40 per cent of family units—had only 8.4 per cent of the wealth. Homeowners without mortgages—27.7 per cent of the population—had almost 60 per cent of the wealth.

	Percentage of family units	Number of family units	Share of wealth	Aggregate wealth	Average wealth	Median wealth
All homeowners with mortgages	32.7%	3,993,000	32.2%	$785,488,865,000	$196,826	$111,807
Families	28.4%	3,468,000	29.3%	$715,479,665,000	$206,432	$117,800
Unattached persons	4.3%	524,000	2.9%	$70,009,200,000	$133,287	$77,344
All homeowners without mortgages	27.7%	3,383,000	59.4%	$1,448,813,450,000	$428,271	$259,200
Families	21.6%	2,636,000	50.3%	$1,225,950,830,000	$464,924	$277,050
Unattached persons	6.1%	747,000	9.1%	$222,862,620,000	$298,828	$204,100
All renters	39.6%	4,840,000	8.4%	$204,722,685,000	$42,270	$8,000
Families	17.9%	2,184,000	4.5%	$108,654,505,000	$49,727	$11,700
Unattached persons	21.7%	2,656,000	3.9%	$96,068,180,000	$36,138	$5,500
All family units	100.0%	12,216,000	100.0%	$2,439,025,000,000	$199,664	$81,000

Figure IV-1: There's no place like home
(Median wealth by housing status, 1999)

Half of all family units who rented their homes in 1999 had wealth of less than $8,000. Half of all homeowners who had paid off their mortgages had wealth of more than $259,000.



The final two columns give the average value of housing in each group and the average mortgage for those homeowners who still had mortgages. The group under 35 had homes valued at $139,404 on average, and the average mortgage was $89,686. The average value of homes owned by seniors was $138,506, and the average mortgage for the few who had mortgages was $49,753.

The lower housing values in the youngest age group probably reflect the financial limitations of first-time home buyers who are entering the housing market with minimal down payments and facing the financial burden of carrying huge mortgages. The lower values for seniors probably reflect down-sizing among older couples and unattached persons.

The highest average housing value was $163,235 for the age group 45 to 54. That's an age group where many families would have older children still living at home and a time when their need for space would probably be the greatest. Parents are more inclined to move to smaller or less expensive housing only after they become empty-nesters.

In the previous chapter, we saw how the percentage of family units who were homeowners grew from only three per cent in the poorest 20 per cent to 95 per cent in the richest 20 per cent. The same general pattern is found in every region of Canada, although there are also some interesting regional differences among rich and poor family units. Table IV-3 has the details.[3]

Table IV-2: Housing status by age group, all family units, 1999

Table IV-2 breaks family units into five age groups. The per cent of homeowners tends to rise with age, and that's one reason wealth overall tends to rise with age. The per cent of homeowners without mortgages also rises with age.

	Percentage of homeowners in age group	Number of homeowners	Number with mortgages	Percentage of homeowners with mortgages	Average housing value	Average mortgage
Under 35	36.2%	1,125,000	954,000	84.8%	$139,404	$89,686
35-44	63.4%	1,911,000	1,472,000	77.0%	$147,106	$77,436
45-54	73.0%	1,749,000	1,036,000	59.2%	$163,235	$70,833
55-64	74.7%	1,090,000	384,000	35.2%	$158,289	$61,729
65 and older	67.2%	1,500,000	147,000	9.8%	$138,506	$49,753
All age groups	60.4%	7,375,000	3,993,000	54.1%	$149,661	$76,116

The first column of the table summarizes home ownership for all family units by region. Sixty per cent of all family units in Canada were homeowners in 1999, but the percentages ranged from a high of 68 per cent in the Atlantic provinces to a low of 55 per cent in Quebec.

The percentages of homeowners by region were too small to report for the poorest quintile, but the next four columns give the percentages for the other four quintiles.

In the second poorest group, home ownership was 57 per cent in the Atlantic region and only 22 per cent in Quebec and British Columbia. The high of 57 per cent no doubt reflects a strong regional preference for home ownership and also housing prices that are much lower than average in most parts of the region. The figure for Quebec may reflect a stronger preference for rental housing, while the BC figure may be the result of higher housing prices that make it harder for people of limited means to buy homes.

In the middle 20 per cent of family units, the highest figure for home ownership was 89 per cent in Atlantic Canada and the lowest was 71 per cent in Quebec. In the fourth group and the richest group, the vast majority of family units in all regions of the country were homeowners.

There have long been sharp differences in housing values from one province to another and often sharp differences among cities and other areas within any single province. Housing values are also subject to cyclical variations, and a few cities such as Vancouver have seen dramatic booms and busts in housing values over the years.

In each region, the average value of a home more than doubled from the second poorest group to the richest group.

The first column in the top half of Table IV-4 gives the average value of homes in each region as of 1999, from a low of $79,891 in Atlantic Canada to a high of $225,202 in British Columbia.[4]

Like the previous table, Table IV-4 is broken down into five groups of family units from poorest to richest, and data are provided for every group after the poorest. Average housing values in Atlantic Canada, for example, ranged from $44,438 in the second poorest 20 per cent group to $118,893 in the richest group.

The bottom half of the table shows that housing values overall in Atlantic Canada were 53 per cent of the national average, and average values for homes in the quintile groups for Atlantic Canada ranged from 52 per cent to 60 per cent of the national average for each quintile.

Housing values in Quebec and the Prairie provinces were also lower than the national averages, while values in Ontario and BC were all above the national averages. The very high dollar figures and percentages were no

Table IV-3: Percentage of homeowners by region and quintile, 1999

Table IV-3 shows the per cent of homeowners in each region by quintile (groups of 20 per cent of family units). The first column shows the per cent of homeowners overall in each region. A good deal of the regional variation in the proportion of homeowners is likely due to variations in housing values. (See Table IV-4.)

	All family units	Poorest 20%	Second 20%	Middle 20%	Fourth 20%	Richest 20%
All regions	60%	3%	34%	78%	91%	95%
Atlantic provinces	68%	samples too small	57%	89%	94%	94%
Quebec	55%		22%	71%	89%	92%
Ontario	60%		34%	79%	91%	96%
Prairie provinces	66%		51%	85%	95%	96%
British Columbia	58%		22%	75%	92%	94%

Housing also has a surprisingly small impact on the overall skewed distribution of wealth in Canada. Wealth is highly concentrated within a small portion of the population whether the calculations are done with housing or without it.

doubt the result of very high values in Toronto and Vancouver and other major cities in the two provinces.

In each region, the average value of a home more than doubled from the second poorest group to the richest group. The biggest jumps occurred between the fourth group and the richest group in all five regions. In BC, the increase was 75 per cent, from $197,638 to $346,388.

Strangely enough, the regional distribution of wealth does not appear to be affected in a major way by differences in housing preferences or housing values from region to region. When housing and all other forms of wealth are measured together, Ontario—the largest province by far—had 40.6 per cent of all personal wealth. It was followed by Quebec with 19.8 per cent of the wealth, the three Prairie provinces with 17.5 per cent, British Columbia with 17.4 per cent and the four Atlantic provinces with 4.7 per cent. With the value of housing and mortgages on principal residences both excluded from the totals, Ontario had 38.7 per cent of all the personal wealth unrelated to housing, followed by Quebec with 21.1 per cent, the Prairie region with 19.4 per cent, BC with 16.2 per cent and the Atlantic region with 4.6 per cent.[5]

Housing also has a surprisingly small impact on the overall skewed distribution of wealth in Canada. Wealth

Table IV-4: Average housing values by region and quintile, 1999

Table IV-4 looks at average housing values in different regions, and by quintile from poorest to richest. The top portion of the table shows average dollar values for homes. The bottom portion shows the average prices as a share of the national average—for family units overall, and again by 20 per cent groupings.

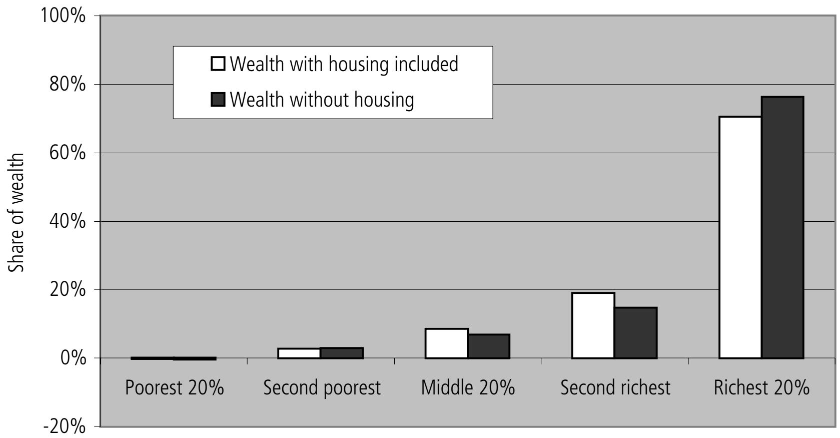
	All family units	Poorest 20%	Second 20%	Middle 20%	Fourth 20%	Richest 20%
All regions	$149,661	$80,370	$78,643	$104,807	$136,297	$227,559
Atlantic provinces	$79,981	samples too small	$44,438	$62,367	$82,329	$118,893
Quebec	$109,481		$68,800	$78,158	$99,314	$153,592
Ontario	$181,395		$112,071	$133,254	$172,066	$255,960
Prairie provinces	$115,133		$71,492	$91,442	$119,226	$158,433
British Columbia	$225,202		$118,296	$149,321	$197,638	$346,388

Values as percentages of national averages

	All family units	Poorest 20%	Second 20%	Middle 20%	Fourth 20%	Richest 20%
Atlantic provinces	53%	samples too small	57%	60%	60%	52%
Quebec	73%		87%	75%	73%	67%
Ontario	121%		143%	127%	126%	112%
Prairie provinces	77%		91%	87%	87%	70%
British Columbia	150%		150%	142%	145%	152%

Figure IV-5: It's not all about housing
(Wealth by quintile with and without housing, 1999)

The top 20 per cent had a slightly greater share of the wealth pie when housing is excluded, whereas the middle and second richest 20 per cent groups had a slightly smaller share. This points to the extreme concentration of financial wealth in the hands of the richest Canadians.



is highly concentrated within a small portion of the population whether the calculations are done with housing or without it. Table IV-5 shows two sets of calculations using aggregate wealth and the percentage distribution of aggregate wealth among the five 20 per cent groups. The first two columns give the figures with housing included, and the third and fourth columns show the figures with the value of principal residences and mortgages on principal residences both taken out.

All the dollar figures in the table are naturally lower with housing taken out, but the differences for the two poorer groups are not that large. The dollar loss for the middle group is significant, and the dollar losses for the next two groups even larger. The wealth of the richest group drops from about $1.7 trillion to about $1.2 trillion—a loss of $468 billion.

However, the percentage figures on the distribution of wealth change very little despite the changes in the dollar figures. With housing included, the richest 20 per cent of family units had 70.4 per cent of all personal wealth in 1999. With housing taken out, the group had 76.2 per cent of the wealth.

The figures with and without housing highlight one of the important realities about the wealth of Canadians. Rich people had a disproportionately high share of the wealth related to housing in 1999, but they had an even greater share of all other kinds of wealth combined.

Table IV-5: Personal wealth with and without housing, all family units, 1999

Table IV-5 shows aggregate (total) wealth and the distribution of wealth for the five groups of family units, from the poorest to richest 20 per cent.

The first two columns show wealth with housing included; the second two exclude housing.

The skewed distribution of wealth is barely affected by removing housing from the calculations. This highlights one of the important realities about the wealth of Canadians: rich people had a disproportionately high share of the wealth related to housing in 1999, but they had an even greater share of all other kinds of wealth combined.

	Housing included		Without housing	
	Aggregate wealth	Distribution of wealth	Aggregate wealth	Distribution of wealth
Poorest 20%	-$4,486,000,000	-0.2%	-$5,081,000,000	-0.3%
Second 20%	$62,436,000,000	2.6%	$45,714,000,000	2.8%
Middle 20%	$203,939,000,000	8.4%	$110,110,000,000	6.7%
Fourth 20%	$459,933,000,000	18.9%	$238,923,000,000	14.6%
Richest 20%	$1,717,203,000,000	70.4%	$1,249,520,000,000	76.2%
All family units	$2,439,025,000,000	100.0%	$1,639,186,000,000	100.0%

CHAPTER V

"Markers" for wealth and poverty

Family type, age and income all matter

Which Canadians are most likely to be rich and which Canadians are most likely to be poor? What are the most revealing characteristics of the fortunate and the not-so-fortunate? What are the best "markers" for wealth and poverty?

Statistics Canada's Survey of Financial Security has some interesting answers to these questions. It shows that family type, age, current income, number of earners in the family unit, gender and education all have some correlations with wealth and poverty. The matches are by no means perfect, but they offer some insights into the odds of being rich or the risks of being poor.

Two particularly good markers for wealth are family type and age. Families tend to be much better off than people living alone, because many families have two incomes rather than one and are in a better position to put aside money to build up family assets. Older people tend to be better off than younger people, because they have had more time to accumulate assets and pay off their debts.

Another good marker is current income. Many people with low current incomes may find it next to impossible to get a handle on their debts or build up their assets. Many people with high current incomes are living testimony to the adage that money begets money.

Gender is an incomplete marker for wealth because most families are husband-wife families where the two spouses supposedly share the family wealth. Differences related to gender are apparent mainly when it comes to lone-parent mothers and unattached women. Education is another less than sterling marker. Well-educated people tend to be richer than poorly educated people, but differences in wealth from one educational level to the next higher or next lower level are sometimes not very striking.

Additional data on "markers" by region of Canada are available for reference purposes in Appendix C, but are not discussed in this chapter.

Families and unattached persons

Families normally have a big edge over unattached persons because there is often more than one family member helping to build up the family's wealth. Table V-1 shows the advantage in more detail, especially the columns for average and median wealth on the far right.[1]

Families had average wealth of $247,346 or 2.5 times the average wealth of unattached persons of $99,035. The median wealth of families was $119,301, more than five times the median of $21,700 for unattached persons.

Within each type of family unit, average and median wealth were much lower for people under age 65. The average wealth of the younger families was $233,660, well below the average for senior families of $329,804. The median wealth of unattached persons under 65 was only $11,500, compared to the median of $85,000 for unattached seniors.

The figure of $11,500 is even more disturbing given the size of the group. There were close to 2.9 million unattached persons under 65 in 1999, and half of them or more than 1.4 million persons had wealth of $11,500 or less—certainly not enough to last very long in a crisis.

The distribution of wealth looks much the same when families and unattached persons are broken down into more distinct family types, as in Table V-2. Families headed by a person 65 and older, childless couples under 65, and couples under 65 with children under 18 all had shares of wealth that were higher than their representation in the population, and their average and median wealth were substantial.

The average wealth of families headed by lone-parent mothers under 65 was much lower at $56,898—even lower than the average of $74,599 for unattached women under 65 and the average of $72,953 for unattached men under 65. The median wealth of lone-parent mothers was a mere $11,355—roughly the same as the median wealth of $12,000 for unattached women under 65 and $11,240 for unattached men under 65.

Family type, age, current income, number of earners in the family unit, gender and education all have some correlations with wealth and poverty.

Table V-1: Personal wealth in Canada, 1999

Table V-1 shows breaks down family units by wealth group for the two main types of family units—families and unattached individuals. Families generally have a big edge over unattached persons because there is often more than one family member helping to build up the family's wealth.

	Percentage of family units	Number	Share of wealth	Aggregate wealth	Average wealth	Median wealth
Families	67.9%	8,288,000	84.1%	$2,050,085,000,000	$247,346	$119,301
Families under 65	58.2%	7,109,000	68.1%	$1,660,983,000,000	$233,660	$105,500
Families 65 and older	9.7%	1,180,000	16.0%	$389,102,000,000	$329,804	$202,000
Unattached persons	32.1%	3,927,000	15.9%	$388,940,000,000	$99,035	$21,700
Persons under 65	23.5%	2,875,000	8.7%	$211,806,000,000	$73,663	$11,500
Persons 65 and older	8.6%	1,052,000	7.3%	$177,134,000,000	$168,386	$85,000
All family units	100%	12,216,000	100%	$2,439,025,000,000	$199,664	$81,000

Figure V-2: All in the family

(Median wealth by selected family type, 1999)

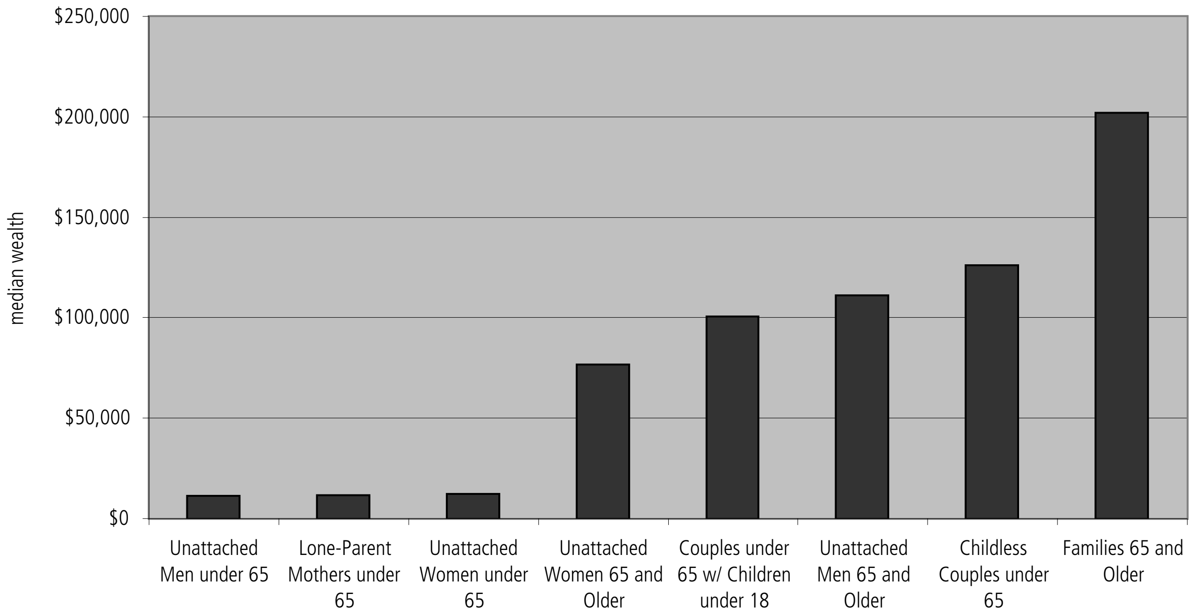


Table V-2: Wealth by family type, 1999

Table V-2 shows the distribution of wealth for more distinct family types. The advantage of families versus unattached individuals generally holds true for these groups. A notable exception is lone-parent mothers under 65, who have median wealth of only $11,355. Unattached senior men also had noticeably higher wealth than unattached senior women.

	Percentage of family units	Number	Share of wealth	Aggregate wealth	Average wealth	Median wealth
Families 65 and older	9.7%	1,180,000	16.0%	$389,102,000,000	$329,804	$202,000
Childless couples under 65	15.2%	1,857,000	20.6%	$502,439,150,000	$270,709	$125,800
Couples under 65 with children under 18	25.7%	3,139,000	28.2%	$687,805,050,000	$219,133	$100,505
Lone-parent mothers under 65	4.2%	513,000	1.2%	$29,268,300,000	$56,898	$11,355
Other families under 65	13.1%	1,594,000	18.1%	$441,537,171,000	$276,999	unavailable
Unattached women under 65	10.2%	1,240,000	3.8%	$92,502,760,000	$74,599	$12,000
Unattached men under 65	13.4%	1,635,000	4.9%	$119,278,155,000	$72,953	$11,240
Unattached women 65 and older	6.4%	786,000	4.9%	$120,010,410,000	$152,685	$76,600
Unattached men 65 and older	2.2%	266,000	2.3%	$57,082,004,000	$214,594	$111,100
All family types	100.0%	12,216,000	100.0%	$2,439,025,000,000	$199,664	$81,000

Note: The miscellaneous category "other families under 65" includes extended families, families headed by lone-parent fathers, brothers and sisters living together, and parents with children 18 or older, but no children under 18. The table shows 1,240,000 unattached women under 65 and 1,635,000 unattached men under 65. Part of the reason for the difference in numbers is that some of the men were the ex-spouses of some of the lone-parent mothers grouped in the table with other types of families.

Unattached senior men had noticeably higher average and median wealth than unattached senior women. Unattached senior women outnumbered unattached senior men by 785,000 to 267,000, no doubt a function of the longer life expectancies of women.

The importance of having a second income is underscored by the survey data on the number of earners in the family unit, as shown in Table V-3. Earnings in the table refers specifically to job-related current income rather than current income from pensions or investments. The category "no earners" was split into seniors 65 and older and families and unattached persons under 65. Seniors accounted for the largest portion by far of non-earners.

A substantial majority of families had two or more earners. Their average wealth was $267,754, and median wealth was $129,100. The majority of unattached persons were also earners, but their average and median wealth were much lower—the average was $88,231 and the median only $17,460. The figures for unattached earners were even lower than the figures for families with only one earner. Presumably, some of the families with only one earner in 1999 had two or more earners at some time in the past, and that helped to build up the family wealth prior to 1999.

Families normally have a big edge over unattached persons because often more than one family member is helping to build up the family's wealth.

The average and median wealth of elderly families without earnings were much higher than figures for elderly unattached persons without earnings. That may reflect the fact that many of the elderly families had two persons in the paid labour force before they retired.

The non-elderly people without earnings would be for the most part beneficiaries of welfare or other government programs, but a few might be wealthy younger people who had the luxury of getting their income from investments rather than the job market. The unusual makeup of the group would explain the huge difference between the average and median wealth of non-elderly people without earnings. For example, the average wealth of non-elderly unattached persons without earnings was $67,230, while the median was only $1,550.

Table V-3: Wealth by number of earners in family unit, 1999

The importance of having a second income is underscored by the survey data on the number of earners in the family unit, as shown in Table V-3. A substantial majority of families had two or more earners. Most unattached individuals were also income-earners, but their median and average wealth were many times lower.

Families	Percentage of family units	Number	Share of wealth	Aggregate wealth	Average wealth	Median wealth
No earners – 65 and older	9.4%	779,104	10.0%	$205,008,500,000	$264,829	$183,250
No earners – under 65	5.7%	472,435	2.5%	$51,252,125,000	$108,773	$9,421
One earner	22.4%	1,856,589	19.8%	$405,916,830,000	$218,553	$87,300
Two or more earners	62.5%	5,180,214	67.7%	$1,387,907,545,000	$267,754	$129,100
All families	100.0%	8,288,342	100.%	$2,050,085,000,000	$247,346	$119,301
Unattached persons						
No earner – 65 and older	24.2%	950,403	35.5%	$138,073,700,000	$145,292	$75,250
No earner – under 65	14.4%	565,529	9.7%	$37,727,180,000	$67,230	$1,550
One earner	61.4%	2,411,354	54.7%	$212,750,180,000	$88,231	$17,460
All unattached persons	100.0%	3,927,287	100.0%	$388,940,000,000	$99,035	$21,700

Note: Earners means families or unattached persons with some income from wages, salaries or self-employment.

Age and wealth

Wealth often increases with age, because it normally takes many years to accumulate assets and have them appreciate in value. Younger adults face the highest risk of being poor, and older adults have the best chance of being rich.

The age of 45 seems to be the great divide for personal wealth in Canada. People under 45 had disproportionately small shares of wealth in 1999, and people 45 and older had disproportionately large shares. The main reason for this was the relative proportion of assets to debts among younger and older Canadians. The data show clearly that assets typically increase with age, while debts tend to peak in middle age and then decline in the twilight years.[2]

Table V-4 gives the details of wealth by age group, with families shown in the top half of the table and unattached persons in the bottom half.

For families, average wealth and median wealth increased with each age group up to 65 and older. Families 65 and older normally retire and draw upon some of their accumulated wealth to help pay for their current living expenses. Average and median wealth among senior families were lower—although not dramatically lower—than average and median wealth for the age group 55 through 64.

For unattached persons, the pattern is a bit different. The under 25 group was relatively large and just this side of being penniless, with average wealth of only $5,780 and median wealth of $1,020. On the other end of the age scale were a very large number of unattached seniors, more than twice as many people as in the age group 55 through 64. Their share of the wealth was disproportionately large, and their average and median wealth were the highest of any of the age groups among the unattached.

The group of unattached seniors clearly included many people who were widowed, especially women who had

Table V-4: Wealth by age group, 1999

Wealth often increases with age, because it normally takes many years to accumulate assets and have them appreciate in value. Table V-4 gives the details of wealth by age group, with families shown in the top half and unattached persons in the bottom half. The age of 45 seems to be the great divide for personal wealth in Canada—people under 45 had disproportionately small shares of the wealth in 1999, and people 45 and older had disproportionately large shares.

Families	Percentage of family units	Number	Share of wealth	Aggregate wealth	Average wealth	Median wealth	Asset/debt ratio
Under 25	3.1%	259,000	1.2%	$25,063,000,000	$96,677	$10,275	3.61
25-34	19.1%	1,580,000	7.7%	$157,115,000,000	$99,359	$47,500	2.70
35-44	28.4%	2,347,000	22.9%	$469,089,000,000	$199,601	$96,600	4.35
45-54	22.8%	1,889,000	29.0%	$593,538,000,000	$314,255	$165,800	6.45
55-64	12.4%	1,029,000	20.3%	$416,177,000,000	$404,389	$226,900	12.28
65 and older	14.2%	1,179,000	19.0%	$389,102,000,000	$329,804	$202,000	33.59
All families	100.0%	8,283,000	100.0%	$2,050,085,000,000	$247,346	$119,301	6.13
Unattached persons							
Under 25	11.8%	463,000	0.7%	$2,688,000,000	$5,780	$1,020	1.88
25-34	20.6%	807,000	9.4%	$36,511,000,000	$45,260	$9,060	3.15
35-44	17.0%	667,000	12.2%	$47,640,000,000	$71,432	$25,484	3.71
45-54	12.9%	506,000	15.1%	$58,564,000,000	$115,626	$35,600	6.19
55-64	11.0%	430,000	17.1%	$66,403,000,000	$154,365	$52,700	11.01
65 and older	26.8%	1,052,000	45.5%	$177,134,000,000	$168,386	$85,000	62.57
All unattached persons	100.0%	3,925,000	100.0%	$388,940,000,000	$99,035	$21,700	7.67

lost their husbands. Women live longer than men on average, and there were about three times as many women as men in the unattached senior group, as we saw earlier in Table V-2. Since families tend to be wealthier than unattached people, the higher wealth of unattached seniors may be in part a reflection of family assets that were inherited by surviving spouses.

Perhaps the most revealing figures for both families and unattached persons are the asset/debt ratios shown in the far right column of the table. For families, the asset/debt ratios got increasingly larger in each successive age group after the age group under 25. Families in the 25 to 34 age group had an asset/debt ratio of 2.70. The ratio for families 65 and older was 33.59 or aggregate assets that were nearly 34 times as large as aggregate debts. The increase for unattached persons was even greater. The asset/debt ratio was only 1.88 for people under 25, and it was 62.57 for unattached seniors.

Despite the strong correlation between age and wealth, it would be wrong to conclude that all young people are poor and all older people are well-heeled. The survey data also show clearly that within any given age group there were rich people, poor people and people somewhere in the middle. Table V-5 illustrates this point with the percentage of family units by age group and wealth group, from negative wealth through wealth of $1 million or more.[3]

Younger adults face the highest risk of being poor, and older adults have the best chance of being rich.

In the first column of the table, family units under age 35, the three lowest wealth groups—negative wealth, wealth under $5,000, and $5,000 to $14,999—accounted for nearly half of all the family units. The rest of

Table V-5: Distribution of wealth within age groups, all family units, 1999

Despite the strong correlation between age and wealth, it would be wrong to conclude that all young people are poor and all older people are rich. The survey data also show clearly that within any given age group there are rich people, poor people, and people somewhere in the middle. Table V-5 illustrates this point with the percentage of family units by age group shown for different wealth groups. It also shows median wealth by age group, and the percentage of family units in each age group with wealth less than $30,000. Note that nearly 59 per cent of family units under 35 had wealth of $30,000 or less. And over 20 per cent of seniors were in the same boat.

	Under 35	35-44	45-54	55-64	65 and older
Negative	15.7%	5.4%	3.9%	1.4%	1.2%
Under $5,000	18.0%	9.0%	6.6%	8.0%	7.5%
$5,000-14,999	15.3%	7.9%	5.1%	5.3%	6.7%
$15,000-29,999	9.9%	7.9%	5.1%	4.6%	4.9%
$30,000-49,999	8.7%	8.8%	7.4%	4.2%	5.6%
$50,000-74,999	9.6%	10.6%	7.0%	5.8%	7.0%
$75,000-99,999	5.0%	7.9%	6.8%	5.9%	5.6%
$100,000-149,999	6.1%	12.0%	11.3%	9.8%	10.2%
$150,000-249,000	5.8%	14.0%	15.7%	16.8%	20.1%
$250,000-499,999	3.8%	11.1%	18.7%	21.4%	19.0%
$500,000-1 million	1.4%	3.8%	9.2%	10.9%	8.9%
$1 million or more	0.7%	1.6%	3.5%	5.5%	3.4%
All wealth groups	100.0%	100.0%	100.0%	100.0%	100.0%
Median wealth	**$16,250**	**$75,700**	**$136,000**	**$173,600**	**$154,630**
Percentage of family units under $30,000	**58.9%**	**30.2%**	**20.6%**	**19.4%**	**20.3%**

Despite the strong correlation between age and wealth, it would be wrong to conclude that all young people are poor and all older people are well-heeled.

the family units under age 35 were scattered through the other wealth groups up to and including the million-dollar group. The median wealth of $16,250 shown near the bottom of the table means that exactly half of the group had wealth below $16,250 and other half above $16,250.

Almost exactly half of the family units ages 35 through 44 were in wealth groups below $75,000. In the age group 45 through 54, many family units had wealth that fell into one of the three groups ranging from $100,000 through $499,999. The two older age groups featured many families with wealth of $150,000 or more. Even in these older groups, however, there were sizeable percentages of families near the bottom of the wealth scale.

The best bottom line on wealth and age could be the bottom row of the table that uses wealth of $30,000 as a benchmark. Nearly 59 per cent of the family units under age 35 had wealth of no more than $30,000 in 1999. Some of them would be able to survive short spells of little or no income, but they could hardly be considered secure from a full-fledged financial crisis. Among the older age groups, even among seniors, roughly 20 per cent, or one of every five family units, had wealth of no more than $30,000.

Figure V-5 (a): Age matters...

(Median wealth by age group for all family units, 1999)

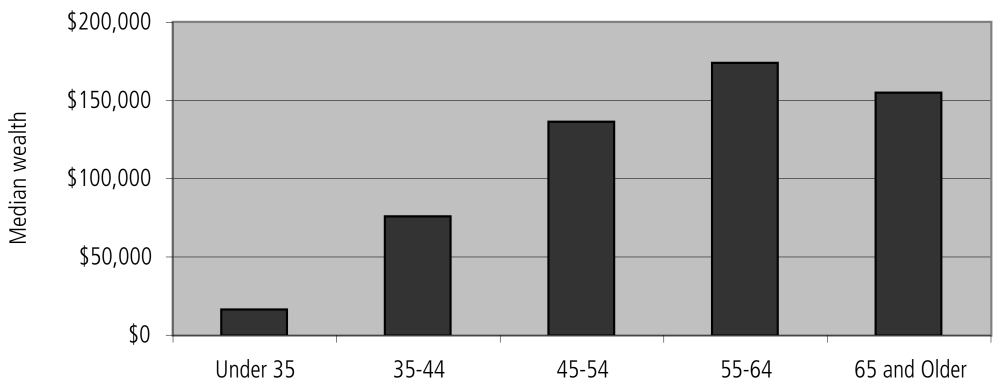
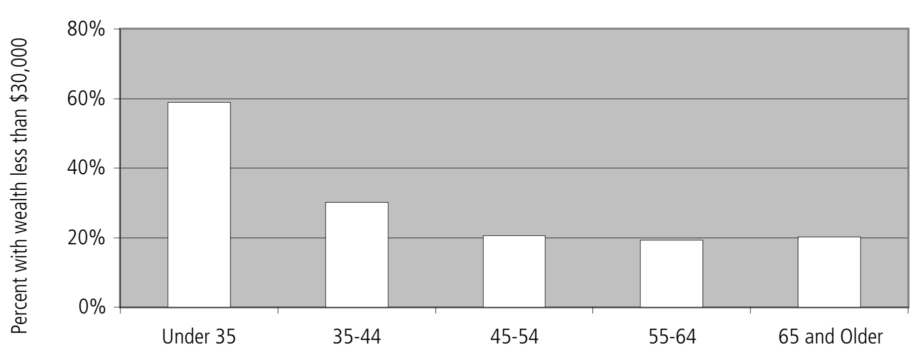


Figure V-5 (b): ...But there are poor people and rich people in every age group

(Per cent of family units in each age group with wealth less than $30,000)

In spite of dramatic increases in average and median wealth as age increases, there are still a significant number of people who have little wealth to speak of in every age group. For age groups 45 and older, there are consistently about 20 per cent of family units with wealth under $30,000.



Education and higher education

Education is often seen as one of the keys to living a full and enriched life, but it is higher education that makes the most difference in terms of wealth. The data in the survey show relatively small differences in wealth among the vast majority of the population with less than a university degree. The large increases in wealth took place only at the level of university graduate and above.[4]

The figures in Table V-6 arrange family units according to the level of education of unattached persons or the level of education of the main income recipient in a family with more than one adult. The education of a second or third income recipient in a family was not considered, and that makes the family data of limited value. The figures for unattached persons provide a clearer picture of the link between education and wealth.

Among families in the top half of the table, the big steps upward in average and median wealth took place at the level of bachelor's degree, master's degree, and doctorate and other post-graduate degrees. Average

Table V-6: Wealth by education of main income recipient, 1999

The figures in the top section of Table V-6 arrange family units according to the level of education of the main income recipient in a family with more than one adult. The bottom section shows the figures for unattached individuals. The table shows that it is higher education that makes the most difference in terms of wealth—there are relatively small differences in wealth among the vast majority of the population with less than a university degree. The large increases in wealth took place only at the level of university graduate and above. (The figures for unattached persons show this most clearly.)

	Percentage of group	Number	Share of wealth	Aggregate wealth	Average wealth	Median wealth
Families						
Less than high school graduate	25.2%	2,091,000	18.8%	$385,491,000,000	$184,213	$90,000
High school graduate	23.5%	1,947,000	21.7%	$445,810,000,000	$228,706	$105,200
Non-university certificate	29.2%	2,418,000	24.3%	$497,318,000,000	$205,520	$112,700
University certificate or bachelor's degree	14.3%	1,184,000	19.7%	$403,337,000,000	$340,634	$173,850
Master's degree or advanced certificate	5.9%	490,000	10.7%	$219,227,000,000	$447,383	$241,925
Doctorate, law or medical degree	1.8%	153,000	4.8%	$98,902,000,000	$648,396	$316,501
All families	100.0%	8,283,000	100.0%	$2,050,085,000,000	$247,346	$119,301
Unattached persons						
Less than high school graduate	30.5%	1,197,000	25.5%	$99,144,000,000	$82,728	$17,500
High school graduate	23.1%	909,000	19.9%	$77,495,000,000	$85,287	$14,400
Non-university certificate	26.4%	1,038,000	23.6%	$91,848,000,000	$88,502	$20,860
University certificate or bachelor's degree	15.0%	589,000	20.1%	$78,047,000,000	$132,561	$35,525
More than certificate or bachelor's degree	4.9%	192,000	10.9%	$42,406,000,000	$218,988	$68,000
All unattached persons	100.0%	3,925,000	100.0%	$388,940,000,000	$99,035	$21,700

Note: The category "non-university certificate" means a certificate or diploma from a trade or vocational school, community college, CEGEP in Quebec, technical institute, or hospital school of nursing. The category "doctorate, law or medical degree" includes post-graduate degrees in dentistry, veterinary medicine and optometry.

Education is often seen as one of the keys to living a full and enriched life, but it is higher education that makes the most difference in terms of wealth.

wealth in the highest category was $648,396, and median wealth was $316,501.

Among unattached persons in the bottom half of the table, master's degrees and doctorates had to be combined because of small sample sizes. Average wealth for the combined category was $218,988, and median wealth was $68,000.

It is difficult to draw many firm conclusions about education and wealth in the absence of data broken down by age group. Some of the people in Table V-6 who never graduated from high school, for example, may be older Canadians who entered the job market decades ago when education was not as important as it is today. Their success in accumulating wealth raised the group's average and may have masked the difficulties of younger Canadians who did not finish high school and were finding it hard to compete in the job markets of today.

Table V-7: Wealth by current income in 1998 after federal and provincial income taxes

The Survey of Financial Security showed a strong link between wealth and current income after federal and provincial income taxes. In other words, having a higher income means, not surprisingly, that a person or family is more likely to accumulate wealth. Table V-7 shows the incomes and wealth of families (top half) and unattached persons (bottom half). For both families and unattached persons, the people most likely to be wealthy were those with current incomes of $75,000 or more.

Income in 1998	Percentage of group	Number	Share of wealth	Average aggregate wealth	Median wealth	Average wealth
Families						
Under $10,000	2.5%	207,209	1.9%	$38,951,615,000	$186,964	$13,350
$10,000-19,999	8.5%	704,509	2.9%	$59,452,465,000	$85,254	$13,475
$20,000-29,999	16.6%	1,375,865	8.7%	$178,357,395,000	$128,774	$62,713
$30,000-39,999	17.2%	1,425,595	11.8%	$241,910,030,000	$169,398	$90,300
$40,000-49,999	16.0%	1,326,135	12.7%	$260,360,795,000	$196,423	$117,200
$50,000-74,999	24.4%	2,022,355	27.3%	$559,673,205,000	$276,848	$154,000
$75,000 and more	14.7%	1,218,386	34.7%	$711,379,495,000	$583,517	$312,600
All families	100.0%	8,288,342	100.0%	$2,050,085,000,000	$247,346	$119,301
Unattached persons						
Under $10,000	21.1%	828,658	4.7%	$18,280,180,000	$22,174	$1,150
$10,000-19,999	37.3%	1,464,878	28.4%	$110,458,960,000	$75,448	$14,750
$20,000-29,999	20.5%	805,094	20.2%	$78,565,880,000	$97,834	$39,400
$30,000-39,999	12.4%	486,984	19.4%	$75,454,360,000	$155,193	$71,700
$40,000-49,999	4.8%	188,510	11.8%	$45,894,920,000	$242,848	$70,500
$50,000-74,999	3.0%	117,819	8.8%	$34,226,720,000	$286,072	$146,500
$75,000 and more	0.9%	35,346	6.7%	$26,058,980,000	sample too small	
All unattached persons	100.0%	3,927,287	100.0%	$388,940,000,000	$99,035	$21,700

Note: The high average wealth figure of $186,964 for the under $10,000 family group in the top half of the table is almost certainly an aberration. Median wealth for the group was only $13,350.

Wealth and current income

The Survey of Financial Security showed a strong link between wealth and current income after federal and provincial income taxes—a bit like the old song lyric "…the rich get rich and the poor get poorer." For both families and unattached persons, the people most likely to be wealthy were those with current incomes of $75,000 or more after federal and provincial income taxes. Significantly, there were a lot more families in that income group than unattached persons—more than 1.2 million families and only about 35,000 unattached persons.[5]

Table V-7 gives the details. Because the survey was conducted during 1999, but well before the end of the calendar year, the annual incomes it reported were for the year 1998.

The top half of the table shows the incomes and wealth of families. In general, both average and median wealth increased with current income, except for the average wealth of $186,964 for the under $10,000 group. That figure is almost certainly an aberration because of a very small sample size or great variations in wealth within the sample. Median wealth for the income group under $10,000 was only $13,350, and median wealth for the group $10,000 to $19,999 was almost the same at $13,475.

Meanwhile, families with $75,000 or more of current income after income taxes represented 14.7 per cent of all families, but had 34.7 per cent of the wealth, average wealth of $583,517 and median wealth of $312,600.

Among unattached persons, people with higher current incomes also tended to have disproportionately more wealth, but the pattern was even more skewed at the bottom end of the scale than it was for families. Unattached persons with incomes under $10,000 represented 21.1 per cent of all unattached persons but had only 4.7 per cent of the wealth. Their average wealth was $22,174, and their median wealth a mere $1,150.

At the upper end of the scale, unattached persons with $75,000 or more had 0.9 per cent of the population and 6.7 per cent of the wealth. Because of the small sample size for the top group, Statistics Canada did not publish estimates of average or median wealth.[5]

Viewed together, the two halves of the table show, once again, the relative advantage of families and the relative disadvantage of unattached persons. The vast majority of families had current incomes of $30,000 or more while the vast majority of unattached persons had incomes under $30,000. The higher incomes of many families—which translated into higher wealth—were partly the result of second or third income-earners.

Despite the strong correlation overall between current income and accumulated wealth, there were some notable exceptions to the pattern at both ends of the income scale. The low end of the income scale no doubt included a relatively small number of seniors who had paid off the mortgages on their homes or built up modest nest eggs for their retirement. That would explain why the average wealth of some of the lower income groups in the table was relatively high.

The high end of the income scale probably included a relatively small number of younger people with high current incomes and relatively little wealth. They might have been renters rather than homeowners or homeowners with very large mortgages or people who had just begun investing some of their earnings. That would explain the relatively modest median wealth among the upper income groups.

CHAPTER VI

Wealth in Canada over the years

Growth vs. equality

Much of the discourse on public policy during the last two decades has centred on economic growth as a prime directive for governments. From the early 1980s onward, politicians from a broad range along the political spectrum argued that growth was a prerequisite for almost anything else governments did. Baking a bigger economic pie made far more sense, they said, than simply searching for new ways to slice up the pie already on the table. And they insisted that good economic policy was also good social policy.

Data in the Survey of Financial Security and the other wealth surveys by Statistics Canada dating back to 1970 raise doubts about all those claims. Growth in the economy as a whole has been substantial over the years—despite temporary setbacks caused by recessions or spells of sluggish growth—and personal wealth has increased substantially as well.

However, it was the richest Canadians who gained the most, as we saw in earlier chapters of this report. Increases in wealth since 1970 did not redress the extremes between rich and poor, and the gap actually got wider between 1984 and 1999. Financial security remains an elusive goal for millions of Canadians.

This chapter takes another look at wealth in Canada over the years, including changes in the assets and debts of Canadians and changes in wealth by age group, family type and level of education. It also highlights groups which have not benefited from the overall growth in personal wealth in the population as a whole—notably young people and lone-parent families. Additional data on assets and debts by province for 1984 and 1999 are available for reference purposes in Appendix D, but are not discussed in this chapter.

Assets, debts and wealth all rise

Between 1984 and 1999, the assets, debts and personal wealth of Canadians all rose substantially. The average value of assets rose by 41 per cent overall, the average debt for those family units that had debts rose by 70 per cent, and wealth overall was up by 37 per cent.[1] Table VI-1 provides details of the changes for different categories of assets and debts.

In terms of assets, the most striking change occurred in the category "RRSPs and other registered plans." Only

29 per cent of all family units had registered plans in 1984, but the figure nearly doubled to 57 per cent in 1999, and the average amount invested in RRSPs jumped from $20,383 to $51,189. The increases were no doubt the result of the more generous tax breaks provided by the federal and provincial governments to contributors to RRSPs and the more elaborate marketing campaigns to sell RRSPs that were undertaken by financial institutions in recent years.

There were also hefty increases in the category that combines mutual funds, stocks and bonds that are held outside of registered plans. The percentage of family units holding these assets dipped a bit between 1984 and 1999, but the average portfolio rose from $22,355 to $53,927.

Table VI-1: Assets and debts in constant 1999 dollars, all family units

Table VI-1 shows changes between 1984 and 1999 for different types of assets and debts. The average value of assets overall rose by 41 per cent, the average debt for family units that had debts rose 70 per cent, and wealth overall was up by 36 per cent. The increases in financial assets—RRSPs and other registered plans, and mutual funds, stocks and bonds, in particular—was probably the single most important reason for the sizeable increase in the assets of wealthy Canadians between 1984 and 1999. As was shown in Chapter III, the richest 20 per cent of family units had the lion's share of financial assets, and was the only group with more wealth invested in financial assets than housing.

	1984		1999		
	% of family units with asset or debt	Average value	% of family units with asset or debt	Average value	Change in average value
ALL ASSETS	**100%**	**$156,495**	**100%**	**$220,738**	**41%**
Financial assets	94%	$35,198	96%	$68,829	96%
RRSPs and other registered plans	29%	$20,383	57%	$51,189	151%
Bank accounts and GICs	92%	$16,660	91%	$14,970	-10%
Mutual funds, stocks and bonds	36%	$22,355	31%	$53,927	141%
Other financial assets	12%	$30,149	16%	$41,026	36%
Non-financial assets	87%	$104,273	87%	$143,810	38%
Market value of home	60%	$110,039	62%	$149,661	36%
Market value of other real estate	19%	$81,715	17%	$117,000	43%
Vehicles	80%	$10,833	80%	$13,329	23%
Equity in business	15%	$224,086	19%	$155,610	-31%
ALL DEBTS	**70%**	**$32,433**	**70%**	**$55,155**	**70%**
Mortgage on home	30%	$45,134	34%	$76,116	69%
Mortgage on other real estate	7%	$44,306	5%	$88,550	100%
Credit card and installment debt	46%	$1,336	40%	$3,033	127%
Student loans	5%	$4,899	12%	$10,361	111%
Other debt	40%	$13,048	43%	$14,371	10%
WEALTH	**100%**	**$128,875**	**100%**	**$176,087**	**37%**

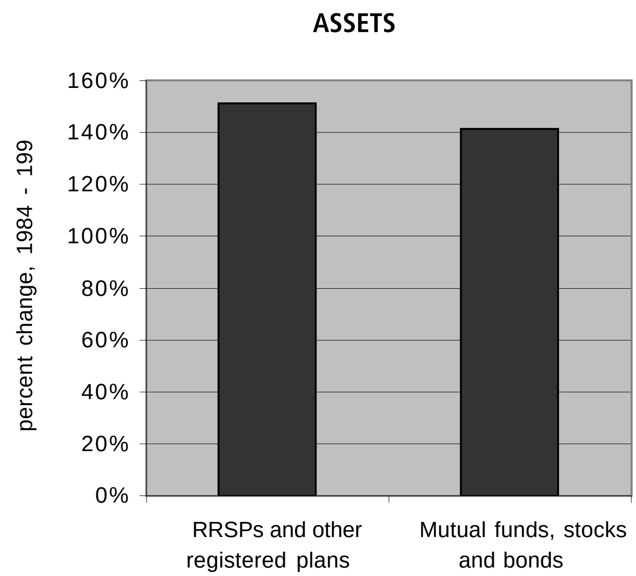
The increase in financial assets—RRSPs, mutual funds, stocks and bonds—was probably the single most important reason for the sizeable increase in the assets of wealthy Canadians between 1984 and 1999.

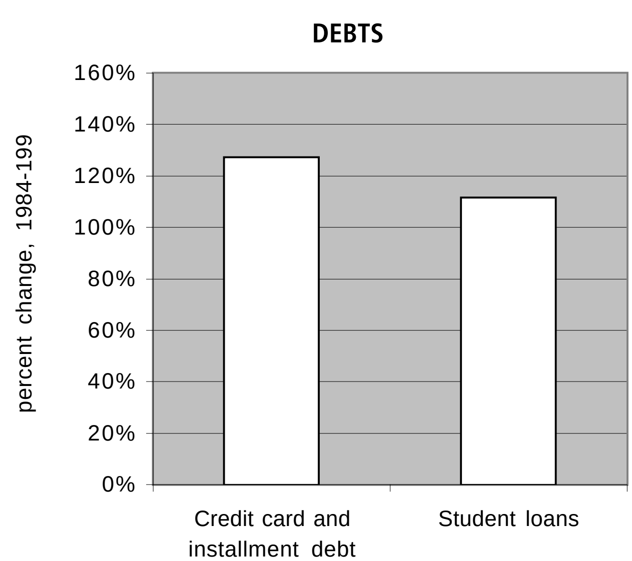
Figure IV-1: Follow the money

(Per cent change in selected assets and debts between 1984 and 1999)

The period from 1984 to 1999 saw big changes in the average value of certain assets—namely RRSP's and other registered plans, as well as mutual funds, stocks and bonds. The big movers on the debt side were student loans and credit card and installment debt.

The rich hold a disproportionately large share of financial assets like RRSP's and mutual funds. The poor carry larger student loans and are more dependent on credit card debt.





Part of the increase was no doubt due to the extraordinary growth in stock prices in the mid- to late-1990s (current woes on stock markets in Canada and around the world may have reversed some of these gains).

Together, these two categories of assets were largely responsible for pushing the average for all financial assets up 96 per cent over the period—more than twice the increase of 41 per cent for all kinds of assets combined.

The increase in financial assets was probably the single most important reason for the sizeable increase in the assets of wealthy Canadians between 1984 and 1999. As we saw in Chapter III, the richest 20 per cent of family units had the lion's share of financial assets and was the only group with more wealth invested in financial assets than housing.

The most notable change in non-financial assets was a rise in the average value of homes from $110,039 in 1984 to $149,661 in 1999, an increase of 36 per cent. That increase was partly offset by an increase in debt due to mortgages on principal residences. Roughly half of all homeowners had mortgages, and the average mortgage debt rose from $45,134 to $76,116 over the period, an increase of 69 per cent.

Home ownership is spread more evenly than financial assets through the middle and upper wealth groups, and the increase in housing values obviously was a factor in the overall increase in wealth in these groups. At the same time, family units with much of their wealth tied up in housing obviously did not fare as well as family units with huge financial assets.

The only significant drop in average assets in the table is the 31 per cent drop in equity in business from $224,086 in 1984 to $155,610 in 1999. Business equity actually increased in the aggregate from $302 billion to

$355 billion, but the number of family units involved rose from 1.3 million to 2.3 million. Many of the newcomers to the field had very modest investments in their own businesses, and the smaller new investments had the effect of lowering the average.

In 1984, for example, 20 per cent of the family units who reported business equity were in the net equity class of $10,000 or less, while 29 per cent were in the $100,000 to $500,000 class. By 1999, the under $10,000 class had expanded to 49 per cent of the family units with business equity while the higher class shrank to 17 per cent.[2]

Self-employment has always been a risky venture, and the large increase in small-scale entrepreneurs probably signals a large increase in financial insecurity.

Aside from mortgage debt, there were no remarkable changes in the average value of debts between 1984 and 1999. However, the percentage of family units with student loan obligations rose from five per cent to 12 per cent and the average amount more than doubled from $4,899 per cent to $10,361. Student loans are concentrated in the lower wealth groups and the younger age groups. The increases between 1984 and 1999 may seem small, but they tend to hit family units when they are most vulnerable. The figures may also be a harbinger of additional burdens down the road if there are further increases in tuition and fees for post-secondary educa-

The percentage of family units with student loan obligations rose from five per cent to 12 per cent and the average amount more than doubled from $4,899 per cent to $10,361.

Table VI-2: Average housing values and mortgage amounts by region in constant 1999 dollars, all family units

The top half of Table VI-2 shows average housing values and average mortgage amounts by region in 1970 and 1999. The bottom half shows the per cent of homeowners overall in 1970 and 1999, as well as the per cent of mortgage payers for each year.

	Housing values			Mortgage amounts		
	1970	1999	% change	1970	1999	% change
Atlantic region	$43,970	$79,981	82%	$31,633	$44,355	40%
Quebec	$73,741	$109,481	48%	$33,504	$55,532	66%
Ontario	$103,699	$181,395	75%	$43,039	$88,689	106%
Prairie region	$69,551	$115,133	66%	$39,474	$63,420	61%
British Columbia	$104,347	$225,202	116%	$42,842	$107,152	150%
All regions	$85,055	$149,661	76%	$39,798	$76,116	91%

Percentage of homeowners and mortgage payers, by region, all family units

	Homeowners as per cent of family units		Homeowners with mortgages as per cent of family units	
	1970	1999	1970	1999
Atlantic region	66.8%	68.0%	13.6%	29.0%
Quebec	43.2%	55.0%	22.3%	30.0%
Ontario	57.0%	60.0%	31.0%	34.0%
Prairie region	61.9%	66.0%	24.4%	35.0%
British Columbia	57.4%	58.0%	27.8%	33.0%
All regions	55.0%	60.0%	25.7%	33.0%

Source: Data for 1970 came from the original survey results published in April 1973 by Statistics Canada under the title Incomes, Assets and Indebtedness of Families in Canada (Catalogue 13-547). The data for 1999 came from "Asset and debt composition by net worth quintile by region," request 14275-part 2.

tion or cuts in scholarships, bursaries and grants.

Data on wealth and housing is available all the way back to 1970, and the successive Statistics Canada surveys provide some longer-term insights into housing as one component of wealth and some interesting regional dimensions. The top half of Table VI-2 shows average housing values and mortgage amounts by region in 1970 and 1999, and the bottom half shows the percentage of homeowners and mortgage payers.[3]

The table shows significant increases in average housing values after inflation between 1970 and 1999 and significant increases in average mortgage debt. Meanwhile, home ownership was up in all regions of Canada. The largest increase was in Quebec—from 43.2 per cent of family units in 1970 to 55 per cent in 1999—but the province was still below the 1999 national average of 60 per cent.

In the country as a whole, the average value of a home increased by 76 per cent, from $85,055 in 1970 to $149,661 in 1999, while the average size of a mortgage nearly doubled from $39,798 to $76,116. However, there were considerable regional variations. In both years, housing values were the lowest in Atlantic Canada by far and the highest in British Columbia.

Most mortgages were in more or less the same dollar range in all regions in 1970, but they had increased dramatically in both British Columbia and Ontario by 1999—no doubt a function of the significantly higher than average housing values in the two provinces. Average mortgages in Ontario more than doubled from $43,039 to $88,689, while the average in BC went up even more sharply from $42,842 to $107,152.

Young people still vulnerable

Between 1970 and 1999, there were large increases in average wealth in all age groups, but a disturbing drop in median wealth for the age group under 25. Table VI-3 gives the details.[4]

Family units under 25 recorded the largest increase in average wealth in percentage terms, but the increase in dollars was only from $4,171 in 1970 to $32,918 in 1999. The under 25 group was also the only group that recorded an actual drop in median wealth, from $1,474 in 1970 to a puny $150 in 1999. The huge difference between average and median wealth in 1999 suggests that a relatively small number of young people were probably doing quite well, but most were doing very poorly.

The largest increase in median wealth was in the age group 55 through 64, from $63,891 in 1970 to $154,115 in 1999. Seniors also posted a healthy increase from $54,124 to $126,000.

A special Statistics Canada study published in February 2002 estimated that perhaps one-third of the increase in wealth between 1984 and 1999 was associated with the aging of the population and the fact that older people tend to have more wealth than younger people.[5]

Table VI-3: Wealth by age group in constant 1999 dollars

Table VI-3 shows average and median wealth for different age groups in 1970 and 1999. There were large increases in average wealth in all age groups during that time, but there was a disturbing drop in median wealth for the age group under 25—from $1,474 in 1970 to $150 in 1999.

	1970		1999			
	Average	Median	Average	Median	Change in average	Change in median
Under 25	$4,171	$1,474	$32,918	$150	689%	-90%
25-34	$27,708	$9,037	$67,264	$15,100	143%	67%
35-44	$69,706	$45,074	$151,915	$60,000	118%	33%
45-54	$87,820	$57,862	$247,751	$115,200	182%	99%
55-64	$101,303	$63,891	$302,856	$154,115	199%	141%
65 and older	$87,200	$54,124	$211,862	$126,000	143%	133%
All age groups	$65,580	$31,953	$176,087	$64,600	169%	102%

Wealth and family type revisited

Lone-parent families and unattached persons under age 65 were at the bottom of the wealth ladder in 1984 and remained at the bottom of the ladder in 1999, despite some very modest increases in average wealth and tiny increases in median wealth. Some couples with children also fared poorly over the years.

The figures in Table VI-4 come from the special study by Statistics Canada, which included average and median wealth in 1984 and 1999 for seven different family types.[6] Two of the family types are different than the types featured in Chapter V. Statistics Canada did this set of calculations for all lone-parent families, not just lone-parent families headed by women. It also used senior couples rather than the slightly more inclusive category of all senior families.

In terms of average wealth, the most impressive gains were among seniors and couples under 65 without children. Couples 65 and older saw their average wealth rise from $198,498 in 1984 to $280,487 in 1999, unattached seniors went up on average from $78,674 to $138,107, and couples under 65 without children went from $151,171 to $244,174.

Statistics on lone-parent families and couples with children in the two poorest groups shows how little progress has been made in the fight against child poverty.

Lone-parent families headed by either men or women recorded a large increase in percentage terms, but they wound up with average wealth of only $63,808 in 1999—more in line with the wealth of unattached persons under 65 than the wealth of other families. However, in terms of median wealth, lone parents and unattached persons under 65 did very poorly. The median wealth of lone-parent families nearly doubled, but only reached $3,656 in 1999. The median for unattached persons under 65 was virtually unchanged at $6,000 in 1999.

Couples under 65 with children under 18 saw their median wealth decline a few dollars to $77,800 in 1999, but average wealth was up 31.2 per cent from $149,293 to $195,922.

Table VI-4: Wealth by family type in constant 1999 dollars

The figures in Table VI-4 come from a special Statistics Canada study published in 2002, and include average and median wealth in 1984 and 1999 for seven different family types.

The median wealth for lone-parent families nearly doubled between 1984 and 1999—but only to $3,656. Further analysis by Statistics Canada broke the figures for couples under 65 with children under 18 down by quintiles. The poorest 20 per cent saw their average wealth fall from an already pitiful $65 to minus $3,275. The very richest 20 per cent had by far the largest gain: Their wealth jumped by 42.7 per cent, from $493,015 to $703,527.

The statistics on lone-parent families and couples with children in the two poorest 20 per cent groups reinforce the annual income statistics for these two groups that show little progress in the fight against child poverty in the 1990s.

	1984		1999			
	Average	**Median**	**Average**	**Median**	**% change in average**	**% change in median**
Couples 65 and older	$198,498	$121,075	$280,487	$177,500	41.3%	46.6%
Couples under 65 without children	$151,171	$71,526	$244,174	$101,603	61.5%	42.1%
Couples under 65 with children under 18	$149,293	$77,856	$195,922	$77,800	31.2%	-0.1%
Couples under 65 with children 18 and older	$251,486	$155,788	$312,493	$167,400	24.3%	7.5%
Lone parent families	$39,438	$1,870	$63,808	$3,656	61.8%	95.5%
Unattached persons 65 and older	$78,674	$41,380	$138,107	$70,000	75.5%	69.2%
Unattached persons under 65	$47,204	$5,772	$63,888	$6,000	35.3%	4.0%

Further analysis by Statistics Canada showed that the change in the average overall for couples with children under 18 did not reflect the realities at different rungs on the wealth ladder. The poorest 20 per cent of couples with children saw their average wealth fall from an already pitiful $65 to minus $3,275. The second poorest group also lost ground, with a drop of 14.4 per cent from $34,849 to $29,819. The middle 20 per cent had an increase of 3.4 per cent from $77,853 to $80,498. The second richest 20 per cent had a gain of 20.7 per cent from $140,961 to $170,174. Finally, the very richest 20 per cent had by far the largest percentage gain at 42.7 per cent and saw their average wealth jump from $493,015 to $703,527.

The statistics on lone-parent families and couples with children in the two poorest 20 per cent groups reinforce the annual income statistics for these groups that show little progress in the fight against child poverty during the 1990s despite the 1989 resolution passed by the House of Commons to work to eliminate child poverty by the year 2000.

Education and age combined

The categories in the wealth surveys that were used to describe levels of education changed too much over the years to allow many long-term comparisons. However, researchers at Statistics Canada did provide some new figures for 1984 and 1999 that combined both education and age group.[7]

Table VI-5 compares the average and median wealth of university graduates and non-university graduates in two age groups. The special study by Statistics Canada did not include other age groups, nor did it break down the two broad categories of education into smaller groups such as high school graduates or people with post-graduate degrees.

The figures in the table are consistent with the findings that wealth tends to increase with age and also with the level of education. Among university graduates and non-graduates alike, the figures for the age group 35 through 54 are significantly higher than the comparable figures for the younger age group.

However, only one of the four groups in the table—university graduates ages 35 through 54—saw an increase in both average and median wealth between 1984 and 1999.

Table VI-5: Wealth by education and age group in constant 1999 dollars

Table VI-5 compares the average and median wealth of university graduates and non-university graduates in two age groups in 1984 and 1999. The bottom two rows show the ratio of wealth between graduates and non-graduates.

The figures in the table are consistent with findings that wealth tends to increase with both age and level of education. However, only one of the four groups saw an increase in both average and median wealth—university graduates ages 35-54. Median wealth decreased in the other three groups. For non-graduates ages 25-34, the decline was very steep.

	1984		1999		% change in average	% change in median
	Average	Median	Average	Median		
University graduate						
Age 25-34	$102,119	$41,224	$112,088	$30,900	9.8%	-25.0%
Age 35-54	$218,715	$130,271	$312,320	$144,741	42.8%	11.1%
Not university graduate						
Age 25-34	$62,564	$21,196	$49,836	$11,100	-20.3%	-47.6%
Age 35-54	$153,211	$80,461	$156,045	$65,800	1.8%	-18.2%
Ratio of wealth between graduates/non-graduates						
Age 25-34	1.63	1.94	2.25	2.78		
Age 35-54	1.43	1.62	2.00	2.20		

Their average wealth went up from $218,715 to $312,320, and their median wealth rose modestly from $130,271 to $144,741.

Median wealth was down in the other three groups. University graduates ages 25 through 34 saw a drop in median income from $41,224 to $30,900—perhaps a sign that even a university education did not offer younger Canadians complete immunity from the deteriorating labour markets of the late 1980s and 1990s. Meanwhile, non-graduates ages 25 through 34 had their median wealth nearly chopped in half from $21,196 in 1984 to $11,100 in 1999, and the median for non-graduates 35 through 54 was down from $80,461 to $65,800.

Overall, graduates still held an edge over non-graduates, as shown in the bottom two rows of the table. The average and median wealth of university graduates in both age groups was higher than the average and median wealth of non-graduates in 1984 and again in 1999.

Lingering questions

Stepping back from all the data reported in the four surveys, we are left with lingering questions about the growth in wealth in Canada over the past three decades and the way wealth continues to be poorly distributed.

Much of the growth in personal wealth is explained by the growth of its two biggest aggregates: financial assets and housing. Growth in stock prices in the years between 1984 and 1999 clearly outstripped both the rate of inflation and economic growth in general. That was reflected in the jump in the value of stocks, bonds and mutual funds reported in the Survey of Financial Security and also in the value of RRSPs that were based on investments in stocks or mutual funds. Plummeting stock prices that started to worry investors as early as 2000 certainly produced major drops in wealth in the months that followed, but the conventional wisdom is that stock prices always outperform the economy over the long haul. Housing prices have also outstripped inflation since 1970, and they have been fuelled in the shorter term by price increases in major markets in Ontario and British Columbia.

Financial assets and housing do not tell the whole story, however. One major unknown continues to be inheritances and gifts. It seems logical to assume that wealth tends to follow wealth when it comes to inheritances from deceased family members or gifts and loans from living relatives—such as parents who loan their children money for a down payment on a house or give them the money outright. Since the federal and provincial governments abolished inheritance taxes and succession duties a generation ago, there has been little reliable data on inheritances.

> We have proven ourselves extremely capable of increasing our collective wealth, but we still haven't found ways of distributing wealth in an equitable manner.

Researchers at the agency have concluded that demographic changes with respect to family type and size, education, or living in urban or rural areas of the country seem to have had only minor impacts on equality or inequality overall. That led them to speculate instead about certain assets and debts that may have contributed to the growth in inequality.[8]

Five possible factors were mentioned in the research:

1. The rise in the value of financial assets could have increased inequality, because most stocks are owned by wealthier Canadians.
2. The wealth of some poorer family units may have decreased in part because of rising debts linked to easier access to credit.
3. Family units in the middle of the wealth scale may have put more distance between themselves and poorer family units with their increased investments in RRSPs.
4. Inheritances and transfers between family members may have been a contributing factor to inequality, because wealthy parents would find it easier to help their adult children than poor parents.
5. The financial problems of younger Canadians may have contributed to inequality. People who stay in school longer have less time in the workplace to earn money and build up assets, and their debts may be higher than previously because of increased reliance on student loans.

Whatever the forces at work and their relative importance, the fact remains that inequality has been a persistent part of modern-day Canadian society. We have proven ourselves extremely capable of increasing our collective wealth over the past three decades, but we still haven't found ways of distributing wealth in an equitable manner.

Wealth, poverty and public policy

Out of touch with reality

People who read this report are almost certain to be shocked by the extremes between rich and poor in Canadian society. Their shock should turn to anger when they recall the way governments have catered to the rich in recent years and turned their backs on the poor.

The tax policies of the federal government and some provincial governments have conferred huge financial benefits on the very wealthiest people, the one group capable of fending for themselves. Some of the tax breaks for the rich were so lavish that governments actually went out of their way to hide their full impact from the public.

Meanwhile, Canada's social safety nets and a variety of government programs of special importance to the poor have been weakened by cuts in government support. Our long-standing national program of unemployment insurance—perversely renamed Employment Insurance during one set of cuts—was particularly hard hit by sharp cuts in eligibility and benefits. Many provincial welfare programs provide little more than subsistence-level support to the poorest of the poor. A resolution passed unanimously by the House of Commons in 1989 to work to eliminate child poverty by the year 2000 turned out to be a cruel hoax on poor children and their parents.

Governments would do well to ponder whether their policies during recent times have led Canada on the path away from the "just society" espoused by Pierre Elliott Trudeau in the early years of his Liberal government. The current Liberal government in Ottawa and governments elsewhere may also want to reflect on the long-term political ramifications of helping the 10 or 20 per cent of family units that really don't need it, and thereby alienating the great masses of the population who have been able to scrape together only a tiny portion of the country's personal wealth.

The electoral math is intriguing. Rough calculations based on the wealth profiles of families and unattached persons by Statistics Canada suggest that the poorest 50 per cent of family units have perhaps 45 per cent of eligible voters.[1] That's less than a majority, but a potential voting bloc that politicians ignore at their own peril.

This concluding chapter focuses on areas of government policy that are closely linked to findings from the Survey of Financial Security. It offers numerous examples of government largesse to the rich and possible ways of making the tax system much more equitable. It also looks at programs such as medicare that are important to all Canadians, but absolutely vital to the majority of Canadians who could simply not afford to buy health care at market prices.

Many of the public policy levers that are capable of redistributing a portion of the country's personal wealth involve taxes of one kind or another. One prime area of taxation that has been completely shunned by Canadian governments for nearly three decades is taxes on inheritances. Canada is one of the few developed countries in the world that has no inheritance taxes, estate taxes or wealth transfer taxes. Even the United States has a modest but equitable regime of estate taxes, although President George W. Bush is foolishly in the process of phasing them out over the course of the current decade.

Interestingly enough, Bush's plans have drawn fire from some very rich and prominent Americans, including the father of Microsoft tycoon Bill Gates, the world's richest person year after year, and Warren E. Buffet, who was the second richest person in the world according to the 2002 *Forbes* list of billionaires. William H. Gates Sr. argues that getting rid of estate taxes will deprive the US government of money it needs to run vital public programs and will also discourage charitable giving by the rich. Buffet says financial success should be based on merit rather than birth. Repealing the estate tax would be a huge mistake—somewhat akin to limiting athletes who compete in future Olympics to the eldest sons of previous gold medalists, he says.[2]

Rich Canadians get a huge break by living in a country with no inheritance taxes of any kind. They also benefit from the long-standing tax policies of many governments and the tax cuts that were enacted in the late 1990s and early years of the new century. The federal government went out of its way to placate leading business groups and rich people in general when it cut tax rates in the 2000 federal budget and pre-election mini-budget later that same year. It also got rid of the high-income surtax and trimmed taxes on capital gains.

The minister of finance and the "spin doctors" in his department tried to pass off the February 2000 budget speech as a middle-class budget, but the biggest cuts really went to the rich and super-rich. The mainstream media never grasped this essential reality, because the tables on the impact of the cuts published by the finance department stopped at income levels of $125,000, and the biggest tax savings were even higher up the income scale.[3]

In British Columbia, Liberal leader Gordon Campbell promised voters a "dramatic" cut in provincial income taxes during the 2001 election campaign, but delivered a cut that was dramatic only for the rich. Calculations by the BC Office of the Canadian Centre for Policy Alternatives estimate that the top 1.1 per cent of taxfilers, or

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those earning $150,000 a year or more, will get 20 per cent of the $1.3 billion earmarked for the cuts in 2002.[4]

And for horrific public policy, nothing could top the flat-rate provincial income tax introduced in 2001 by the Klein government in Alberta. The tax is sure to produce massive savings for the rich and super-rich, but the calculations in the discussion paper published by the province conveniently stopped at an income level of $100,000. That's well below the incomes of the richest Albertans, who are no doubt still laughing all the way to the bank.[5]

Finally, there are the specialized tax breaks that favour the rich, like the preferred tax treatment given to registered retirement savings plans, capital gains and stock dividends. The Survey of Financial Security showed that 72 per cent of the $420 billion in RRSPs and other registered savings plans held by Canadians in 1999 was held by the richest 20 per cent of family units. The richest 20 per cent also owned 94 per cent of the $92 billion in stocks outside RRSPs, and 81 per cent of the $80 billion in mutual and investment funds outside RRSPs.[6] This concentration of financial assets raises further doubts about the fairness of having a much lower tax rate for capital gains on stocks and the federal dividend tax credit for stock dividends when ordinary workers pay the full tax rate on earnings. It also suggests the need for more equitable arrangements for RRSPs.

Canadians were allowed to contribute up to 18 per cent of their earned income to an RRSP to a maximum of $13,500 during the 2001 tax year. However, a person would need earned income of $75,000 or more to be able to make the maximum contribution of $13,500. We saw in Chapter V that less than 15 per cent of all families, and less than one per cent of all unattached persons, had incomes after income taxes in excess of $75,000 in 1998. By no coincidence, they were also the ones with the greatest wealth.

Similarly, Ottawa has resisted calls for many years by social policy groups to provide tax credits rather than tax deductions for RRSP contributions. Tax credits would give taxpayers in all tax brackets the same break. Deductions give proportionately larger breaks to the wealthy. For example, a person in the lowest tax bracket in 2001 got a federal tax saving of 16 per cent—or $800 on an RRSP contribution of $5,000. A person in the highest tax bracket got a saving of 29 per cent—or $1,450 on the same $5,000 contribution.

All this is not to say the federal finance department has done nothing for poor Canadians. Many thousands of poor people have dropped off the income tax rolls altogether in recent years as the thresholds for taxable income rose. Poor Canadians also get quarterly GST credit cheques from Ottawa. But the fact remains that the benefits typically provided by these programs are measured in hundreds of dollars—compared to the thousands of dollars that rich people are saving when they cash in a huge capital gain or pass on huge estates to their heirs free of taxes.

Making the tax system more equitable should certainly be a priority for any government genuinely concerned about the skewed distribution of wealth in Canada. Governments would also do well to reconsider the value of the many different kinds of public programs that would improve the financial security not only of poor people, but also people higher up the wealth ladder.

Governments at all levels need to take decisive action to prevent impoverishment. That means ensuring that older Canadians have a variety of pension programs that provide adequate retirement income. It means making sure younger Canadians have access to jobs that pay a "living wage" or better, and labour market policies to protect the bargaining rights of union members and to ensure minimum standards for all workers in areas such as paid holidays and overtime pay.

Preventing impoverishment also means mending our social safety nets so Canadians with a bit of money don't wind up at the bottom of the heap when they fall upon hard times. Two of the worst examples of shredding our social safety nets in recent years have been the cuts in unemployment insurance promoted by successive federal governments and the unreasonably low liquid asset exemptions imposed on welfare recipients by most provincial governments.

Successive cuts in unemployment insurance have reduced the program to a shadow of its former self. Workers and employers kept paying into the EI fund to help the federal government win its battle with the deficit, and in return they saw the percentage of unemployed workers receiving benefits cut in half during the 1990s.[7] People losing their jobs who no longer qualified for EI had to rely on the incomes of other family members while they were out of work or had to start liquidating their assets. Building up assets is no mean feat for many Canadians, and having to dip into assets to meet current needs can be like turning the clock back many years. There are some Canadians, no doubt, who never really recover financially from a prolonged bout of unemployment or poor health or disability.

Just as counter-productive are the welfare regulations in many provinces which require applicants for welfare to impoverish themselves before they qualify for a penny of help. As of January 2001, Manitoba and Nova Scotia normally didn't allow single people to have even one dollar in liquid assets when they first went on welfare. Limits elsewhere on liquid assets were almost as bad: $50 in Prince Edward Island, $500 in Newfoundland and BC, and $520 in Ontario.[8]

Welfare rates themselves are very low in all parts of Canada, and most provincial governments spend more time vilifying welfare recipients than helping them find jobs. The combination of low welfare rates and low liquid assets exemptions makes it more difficult for people to have suitable work clothes, to pay for transportation while making the rounds of potential employers, and to make a good impression at job interviews. And it means that even a small, unexpected financial setback—like having to buy non-prescription medicines or new eyeglasses—adds greatly to the task of getting back on your feet financially.

Any number of other social programs serve as bulwarks against further impoverishment for people who are already poor and cushion everyone else in society against the kind of catastrophic expenses that could greatly swell the ranks of the poor. Conversely, gaps in social programs mean higher out-of-pocket expenses, which in turn reduce disposable income and make it harder for people to acquire assets or pay off debts.

Some of the most important social programs in Canada lie in the areas of health care, education, housing and benefits for families with children.

Canadians are lucky when it comes to health care compared to our neighbours to the south. Public health insurance covers more or less the entire population when it comes to visits to the doctor and hospital stays, and some provinces also provide reasonable coverage for nursing homes and prescription drugs. That's not to say all these programs are running smoothly and effectively in all parts of Canada, but they have protected people from huge out-of-pocket expenses. Many younger Americans who can't get Blue Cross or private health insurance as a benefit from their employers wind up paying thousands of dollars a year for coverage that is not nearly as broad as medicare coverage everywhere in Canada. Many older Americans pay thousands of dollars a year for nursing home insurance on the off chance that they may need nursing home care at some time in the future and don't want to see their estates depleted by the very high cost of care.

Canadians also have a marked advantage over Americans when it comes to post-secondary education, but rising tuition fees are a concern even on this side of the border. One reflection of the shortcomings of post-secondary education in Canada is the $15 billion in outstanding student loans reported in the Survey of Financial Security. Nearly $8 billion in student loans was held within the poorest 20 per cent of family units.[9] It was their largest single debt in aggregate and explains in part why the group ended up with debts larger than their assets.

A third important area of social policy for people lower down the wealth scale is housing. Research by the Centre for Urban and Community Studies at the University of Toronto using the Survey of Financial Security showed that renters in Toronto, Montreal and Vancouver got poorer between 1984 and 1999 while homeowners got richer. The study said rental housing developers are simply unable to build new units at prices that most renters can afford. With renters finding it increasingly hard to buy homes of their own, the centre suggests significant intervention by the public sector to help increase the supply of affordable rental housing.[10]

Support for families is another area of concern. Lone-parent families headed by women were the poorest of all families in terms of their wealth in 1999, just as lone-parent families headed by women are among the poorest

Lone-parent families headed by women were the poorest of all families in terms of their wealth in 1999, just as lone-parent families headed by women are among the poorest families year after year in terms of their current incomes.

families year after year in terms of their current incomes. However, the major federal initiative of the late 1990s on behalf of children—the Canada Child Tax Benefit—has provided almost no new financial support for poor lone-parent mothers. That's because most of the poor lone-parent families headed by women are on welfare, and the federal government allow provinces to "claw back" most of the increases in benefits from families on welfare.[11]

Meanwhile, the federal government broke its 1993 election promises on child care and refused to even consider a new national child care program which would greatly ease the financial and emotional strain on many families with young children. Quebec is the only provincial government that has taken major strides forward in providing comprehensive and affordable child care in recent years.

Many of the arguments on wealth, poverty and social policy may sound very familiar to readers who try to keep abreast of current events. That's because both the arguments for fairer taxation and better social programs have been put forward year after year by the Canadian Centre for Policy Alternatives and virtually every other major social policy and anti-poverty group in Canada.[12] They were advanced in the late 1980s and 1990s when governments were slashing social spending. They were used again more recently when governments started running surpluses instead of deficits and succumbed to the lure of tax cuts rather than reinvesting in the social programs that they had previously cut.

Governments didn't listen to social policy groups when it came to dealing with their deficits or reallocating money from their surpluses, and they could choose not to listen when it comes to similar arguments about the redistribution of wealth. The only real difference with the arguments about wealth is the number of Canadians who could be rallied to the cause of social justice. Collectively, 50 per cent of the family units in Canada had less than six per cent of all the country's personal wealth at last count. That 50 per cent may not be a majority when translated into eligible voters, but it should be more than enough votes to strike fear into the heart of any government that continues to pander to the wealthy and to forsake the poor.

On a more positive note, there may be some truth to the notion that standing up to the rich is good politics in the short term and good for a person's place in history in the longer term. In his most recent study of wealth and politics in the United States, commentator Kevin Phillips says that Americans have the highest regard for those presidents who stood up to the monied interests—George Washington, Thomas Jefferson, Andrew Jackson, Abraham Lincoln, Theodore Roosevelt and Franklin D. Roosevelt. Presidents more closely allied with bankers or big business are viewed less kindly—including most of the occupants of the White House since FDR.[13]

Canadian politicians have tended to focus on issues other than wealth in years gone by. It is tantalizing nonetheless to imagine that some future prime minister might leave his or her mark on history by emulating the greatest of the US leaders and fighting for equality and social justice.

Notes

INTRODUCTION

1. Statistics Canada, *The Assets and Debts of Canadians: Focus on Private Pension Savings*, December 2001 (Catalogue #13-596-XIE), p. 38. The report includes a chapter with estimates of the adequacy of future retirement incomes.

   The agency did its calculations on occupational pension plans based on the lump-sum amounts needed to pay future pension benefits which had already been earned by plan members. It did not attempt to estimate pension entitlements that might be earned in future years or account for possible future changes in family structure such as marriage, divorce or death that could affect financial needs in years to come. The estimated value of occupational pension plan benefits earned as of 1999 was $604 billion. By way of comparison, holdings of individual registered retirement savings plans or RRSPs as of 1999 totalled $408 billion.

CHAPTER I: THE HUGE GAP BETWEEN RICH AND POOR

1. The annual lists of billionaires can be found on the *Forbes* web site at www.forbes.com. The list for 1999 estimates the Thomson fortune at $11.9 billion US or $17.3 billion Canadian at an exchange rate of 1.45.
2. National Council of Welfare, *Welfare Incomes 1999* (Ottawa: Autumn 2000), p. 17.
3. Statistics Canada, "Distribution of Net Worth by Deciles, All Family Units, Canada, Regions and Alberta," Special Data Tabulations for the Canadian Centre for Policy Alternatives, Request 14275-Part 1.
4. Statistics Canada, "Family Units and Net Worth by Net Worth Groups, Canada, Regions and Provinces, 1999," (Catalogue #13F0041XDB). This is one of three data tables purchased by the Social Planning and Research Council of BC (SPARC) for joint research with the BC office of the Canadian Centre for Policy Alternatives.
5. René Morissette, Xuelin Zhang and Marie Drolet, "The Evolution of Wealth Inequality in Canada, 1984-1999," (Statistics Canada Catalogue #11F0019, No. 187, Feb. 22, 2002), p. 22. The calculations were done as residuals by comparing published data for all family units with published data for family units *minus* the richest one per cent.
6. Nine Canadian billionaires appeared on the *Forbes* list for 1999. Several more names might have been added if the threshold had been $1 billion in Canadian funds rather than US funds. The names on the list for 1999 and their estimated wealth in US dollars were:

Kenneth Thomson, Toronto (media, financial and legal)	$11.9 billion
Charles R. Bronfman, Montreal (liquor, entertainment)	$3.7 billion
James, Arthur and John Irving, Saint John, New Brunswick (oil, forestry, publishing, shipbuilding, retailing)	$3.7 billion
Bombardier family, no home town listed (transportation)	$2.0 billion
Galen Weston, Toronto (groceries)	$1.9 billion
Harrison McCain, no home town listed (frozen food)	$1.5 billion
Israel Asper, Winnipeg (media)	$1.3 billion
Jim Pattison, Vancouver (19 industries)	$1.3 billion
Ted Rogers, Toronto (cable television)	$1.2 billion

7. Data for the first two surveys came from a June 1987 Statistics Canada monograph by Gail Oja, "Changes in the Distribution of Wealth in Canada, 1970-1984," (Catalogue #13-588, No. 1). Data for the second two surveys came directly from Statistics Canada as Table I-3, "Net Worth Distribution by Net Worth Deciles," (no catalogue number provided). The 1999 data was adjusted to conform to the 1984 survey. The same sources were used to construct Table I-4.

8. Conchita d'Ambrosio and Edward N. Wolff, "Is Wealth Becoming More Polarized in the United States?" Working Paper 330 (May 2001), pp. 12 and 17. The paper is available on the web site of the Levy Economics Institute at www.levy.org.

US researchers tend to focus on the richest one per cent of family units, either by themselves or as part of the richest 10 per cent of family units. The US has access to other sources of data, such as estate tax records, that help shed further light on the concentration of wealth. Statistics Canada is not yet ready to follow the US lead when it comes to the very rich. Normally, the richest group identified in the Canadian data is either the richest 10 per cent or 20 per cent of family units.

9. The conversion to Canadian dollars was made using an exchange rate of 1.4622 for 1998.

10. Edward N. Wolff, *Top Heavy* (New York: The New Press, 1996), p. 21.

CHAPTER II: WEALTH IN THE REGIONS

1. Statistics Canada, "Distribution of Net Worth by Deciles, All Family Units, Canada, Regions and Alberta," Special Data Tabulations, Request 14275-Part 1. The deciles for each region were specially constructed by Statistics Canada at the request of the Canadian Centre for Policy Alternatives. This is the first time data of this nature has ever been published for all regions of Canada. The same source was used for Table II-2.

2. Statistics Canada, "Family Units and Net Worth by Net Worth Groups, Canada, Regions and Provinces, 1999," (Catalogue #13F0041XDB).

3. Same

4. The regional figures for 1970 and 1977 came from Gail Oja, "Changes in the Distribution of Wealth in Canada, 1970-1984." Regional data for 1984 and 1999 came from Statistics Canada as Table 4-2a, "Aggregate, Average and Median Net Worth by Province and Family Type," (no catalogue number provided). The 1999 figures were adjusted by Statistics Canada to bring them better into line with the earlier surveys.

5. "Aggregate, Average and Median Net Worth by Province and Family Type."

6. In 1999/00, BC received equalization payments for the first time in several decades.

CHAPTER III: UPSTAIRS, DOWNSTAIRS AND IN BETWEEN

1. The dollar-to-dollar comparison between financial assets and income sidesteps some obvious problems in converting certain assets into cash. Some of the assets may be locked in for fixed periods of time. For example, stocks, bonds, mutual funds and other forms of investments may be readily convertible, but cashing them in on a moment's notice could involve large losses if the market happened to be down at the time. Cashing in RRSPs or other registered investments would normally increase a person's income tax liability and thereby decrease the net value received.

On the other hand, people have great flexibility when it comes to deciding how to invest any money not needed for current expenses. Those who believe they may have to tap into their financial assets from time to time to meet income needs can arrange to have some of their assets kept in liquid form.

2. Statistics Canada, "Asset and Debt Composition by Net Worth Quintile by Region," Special Data Tabulations for CCPA, Request 14275-Part 2. The quintile groups were formed within each region—similar to the decile groups in the second chapter of this report. This is the first time data of this nature has ever been published for all regions of Canada.

3. Housing appears in the table both as an asset and a debt. As an asset, it is the estimated market value of the family unit's principal residence, and as a debt it is any mortgages outstanding. Vehicles also appear as both assets and debts depending on whether they were owned outright. Leased vehicles were not included in the survey. Household furnishings were not calculated item by item because of the difficulty people would have had putting a price tag on every single item in their homes. Instead, people were asked to pick the dollar range from a list of 16 ranges that best described the value of all their household goods.

4. Wendy Pyper, "Falling Behind," Statistics Canada's *Perspectives on Labour and Income*, July 2002 (Catalogue #75-001-XIE), p. 18.

5. Details of the poll are on the web site at www.ipsos-reid.com. The news release with the headline about "wealthy paupers" was released on April 29, 2002.

6. Linda McQuaig, *All You Can Eat: Greed, Lust and the New Capitalism* (Toronto: Penguin Books Canada Ltd., 2001), p. 96.

CHAPTER IV: A CLOSER LOOK AT HOUSING

1. Statistics Canada, "Net Worth of Economic Families, Unattached Persons and All Family Units by Selected Family Characteristics, Canada, Regions and Provinces, 1999," (Catalogue #13F0042XDB) and "Composition of Assets and Debts Held by Economic Families, Unattached Individuals and All Family Units by Age, Canada," (Catalogue #13F0044XDB).
2. "Composition of Assets and Debts Held by Economic Families, Unattached Individuals and All Family Units by Age, Canada" (Catalogue #13F0044XDB). CCPA combined the age groups under 25 and 25 through 34 to avoid sample size problems.
3. "Asset and Debt Composition by Net Worth Quintile by Region," Request 14275-Part 2.
4. Same.
5. The overall percentage distribution of wealth by region was compared with wealth by region after subtracting the aggregate values for principal residences and mortgages on principal residences. The same methodology was used to create Table IV-5.

CHAPTER V: "MARKERS" FOR WEALTH AND POVERTY

1. Statistics Canada, "Net Worth of Economic Families, Unattached Persons and All Family Units by Selected Family Characteristics, Canada, Regions and Provinces, 1999," (Catalogue #13F0042XDB) and "Composition of Assets and Debts Held by Economic Families, Unattached Individuals and All Family Units by Age, Canada," (Catalogue #13F0044XDB). The first entry was also a source for the other tables in this chapter except as noted.
2. "Composition of Assets and Debts Held by Economic Families, Unattached Individuals and All Family Units by Age, Canada." The numbers of families and unattached persons in this series differ slightly from some of the other tables.
3. Statistics Canada, "Family Units by Net Worth Group and Age," found on the bureau's web site at www.statcan.ca under Canadian statistics/Families, households and housing/Assets and debts. There were miscellaneous gaps in the table that were filled by calculating residual values.
4. Statistics Canada, "Composition of Assets and Debts Held by Economic Families, Unattached Individuals and All Family Units by Education Level, Canada," (Catalogue #13F0043XDB).
5. "Net Worth of Economic Families, Unattached Persons and All Family Units by Selected Family Characteristics, Canada, Regions and Provinces, 1999."

CHAPTER VI: WEALTH IN CANADA OVER THE YEARS

1. Statistics Canada, Table I-6, "Asset and Debt Distribution by Province of Residence," (no catalogue number provided). As with other comparisons over time, some of the figures for 1999 were adjusted by the agency to make the data more compatible with the data in earlier surveys.
2. René Morissette, Xuelin Zhang and Marie Drolet, "The Evolution of Wealth Inequality in Canada, 1984-1999," p. 37.
3. The data for 1970 came from the original survey results published in April 1973 by Statistics Canada under the title *Incomes, Assets and Indebtedness of Families in Canada* (Catalogue #13-547). The data for 1999 came from "Asset and Debt Composition by Net Worth Quintile by Region," Request 14275-Part 2.
4. The 1970 figures are as originally published. Adjusted figures were used for 1999 from Statistics Canada, Table 4-2a, "Aggregate, Average and Median Net Worth by Province and Family Type," (no catalogue number provided).
5. Morissette, Zhang and Drolet, pp. 8-9.
6. Same, p. 29
7. Same.
8. Same, pp. 20-21.

CONCLUSION: WEALTH, POVERTY AND PUBLIC POLICY

1. The 45 per cent is indeed a rough estimate. Statistics Canada says that poorest 50 per cent of family units was made up of about 3.3 million families and 2.8 million unattached persons, while the richest 50 per cent contained 4.9 million families and 1.2 million unattached persons. The estimates of voting strength presume that poor families and rich families had the same number of eligible voters on average.

2. "Dozens of Rich Americans Join in Fight to Retain the Estate Tax," New York *Times*, Feb. 14, 2001.

3. See, for example, the graph on p. 17 of Budget 2000, *Five-Year Tax Reduction Plan*, or the table on p. 28. Part of the distortion occurred because the finance department chose to express tax savings as a percentage of taxes saved rather than a percentage of taxable income.

4. Marc Lee, "The Great BC Tax Cut Giveaway," Canadian Centre for Policy Alternatives, *BC Commentary* (Summer 2001), p. 2.

5. See the *Alberta Tax Advantage, The Future: Meeting Priorities, Sharing Benefits*, p. 115 of the budget papers, April 24, 2001. The provincial government later installed an income tax calculator on its web site at www.finance.gov.ab.ca that allows people to calculate provincial income tax savings at much higher income levels.

6. "Asset and Debt Composition by Net Worth Quintile by Region," Request 14275-Part 2. See also Table III-1 for the share of different assets and debts held by each quintile.

7. One of the most useful sources is the *Unemployment Insurance Bulletin* published quarterly by the Canadian Labour Congress. It is available on the group's web site at www.clc-ctc.ca under publications.

8. National Council of Welfare, *Welfare Incomes 2000 and 2001* (Ottawa: Spring 2002), pp. 87-92.

9. "Asset and Debt Composition by Net Worth Quintile by Region," Request 14275-Part 2

10. J. David Hulchanki, "A Tale of Two Canadas: Homeowners Getting Richer, Renters Getting Poorer," University of Toronto Centre for Urban and Community Studies, Research Bulletin #3 (August 2001).

11. For an overview of the Canada Child Tax Benefit and its impact on low-income Canadians, see the National Council of Welfare report *Child Benefits: Kids Are Still Hungry* (Ottawa: Autumn 1998).

12. See, for example, the annual Alternative Federal Budgets prepared by CCPA and CHO!CES.

13. Kevin Phillips, *Wealth and Democracy: A Political History of the American Rich* (New York: Broadway Books, 2002), pp. 294-295.

Appendices

The following appendices are available on-line at www.policyalternatives.ca or can be ordered from the CCPA National Office at no additional charge.

Appendix A: Wealth Groups by Region, 1999

Appendix B: Assets and Debts by Region and Quintile, 1999

Appendix C: Markers for Wealth by Region, 1999

Appendix D: Assets and Debts by Province, 1984 and 1999

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