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Life and debt in B.C.: Sandwich generation finds that extravagant habits don't add up

BY SUSAN LAZARUK, THE PROVINCE   JANUARY 16, 2014 7:33 AM

With bills piling up, makeup artist in training Erica Beckstead says she is hopeful for the future because she's already been working in the film industry and the money is good. 'I just hustle all the time, just like everybody else does.'

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A typical mid-life debtor, over 30 but under 55, gets snowed under by bills in much the same way those younger and older than they do, by maxing-out credit cards and not managing their finances.

But those slowed by debt in the meat of their earning years have the added worries of caring for dependents — usually school-age children or young adults who fail to launch or boomerang back, and sometimes elderly parents, too.

Throw in a marriage or relationship breakdown, and household costs are doubled for what used to be one family — which caused financial woes for 30 per cent of people in this age group, according to a survey of cash-strapped mid-lifers by Sands and Associates bankruptcy trustees for The Province.

About one-third carried debt of $25,000 to $49,000.

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But more than 40 per cent of this group is saddled with non-secured debt (excluding mortgages and car loans) of more than $50,000.

That's well over the late-2013 national average of about $28,000 in debt and much higher than the B.C. average of almost $39,000 per person last year and the Vancouver figure of $40,000-plus.

That's the group, according to the survey, most likely to chase debt with more debt or money costs.

One in four max-out a credit card; use another card; can't make a minimum payment; use a line of credit; run out of groceries between paycheques; get a payday loan; or get a cash advance against a credit card.

They're also less likely than younger debtors to borrow from family or friends, the survey found.

And they do try to work longer hours or get a second job to make ends meet before they get financial help.

More than half worry about how they'll afford to retire.

'EXTRAVAGANT' HABITS DON'T HELP

Erica Beckstead is in debt, in school and in trouble.

After working as a care aide in health care and in mental health facilities taking care of Alzheimer’s patients, she switched careers in 2010 by earning a two-year social work diploma through Sprott Shaw College.

She still hadn’t paid off her student loan when she was forced to make another change because of a health condition that made it impossible to do physically demanding work.

So at 40, she's in the middle of another course, this time to train as a makeup artist at Blanche Macdonald fashion school, for another $20,000 in student fees (although this time the cost is partly covered by a disability grant).

The loans, coupled with a penchant for "tanning, nails and trips" and a self-professed poor ability to manage her funds, have sunk Beckstead deep into debt, as much as $50,000 to $60,000.

"I tend to be extravagant," she said. "I definitely have to stop watching reality shows on TV. It's maybe a little juvenile."

She said she travels whenever she can to warm places because the cold and damp of B.C. exacerbate her medical condition.

"Being here is very, very hard on me," she said.

She's single and her 21-year-old son lives at home and isn't working because he suffers from the same medical condition as his mom, but worse. But she's not a typical "sandwich" generation member because she doesn't take care of elderly parents; her parents sometimes help her out.

She's hopeful for the future because she's been working already in the film industry and the money is good.

"I say, 'OK, this week I have to make $500,' and I just look for jobs until I find one," she said.

"I just hustle all the time, just like everybody else does."

She has four credit cards and "when I'm doing good, I pay them."

Beckstead doesn't own a home or have steady employment, so she doesn't qualify for loans or a line of credit.

So she chases debt.

She often pawns her laptop and iPad when money's tight, buying them back when she gets paid, at a cost of $30 every two weeks.

And she gets calls from collection agencies.

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“Canadian Tire is after me just because I missed two or three payments.”

She said she would consider bankruptcy, but the bulk of her debt is a student loan, which she said exempts her from filing (student loans are generally excluded from bankruptcy for seven years after graduation).

“I’d still owe $40,000. If I didn’t have a student loan, I’d definitely go bankrupt, just for some relief.”

It’s not that she doesn’t worry about the future — she tries not to think about it.

She half-jokes that she hopes she’ll be married by then.

“I just live for today,” she said. “I really feel I’m going in the right direction to be successful.”

Why people aged 31-54 went into debt (top answers shown)

38 per cent: Overextended credit, poor money management

23 per cent: Marriage or relationship breakdown

22 per cent: Job loss or wage cuts

How much they owed

40 per cent: $50,000-plus

33 per cent: $25,000-$49,000 (some people chose multiple responses)

Attempts to pay down debt

47 per cent: Worked longer hours, second job

27 per cent: Did nothing

25 per cent: Incurred more debt through loans, lines of credit or payday loan services.

25 per cent: Borrowed from family, friends

21 per cent: Worked with credit counsellor

NOTE: Data for this story was derived from a survey of 1,100 clients in the debt-counselling database of bankruptcy trustee Sands and Associates.

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A quick debt test well worth your time

BY SUSAN LAZARUK, THE PROVINCE JANUARY 15, 2014

If you think you have a problem with debt, you can find out immediately.
"It's the five-second test," said bankruptcy trustee Blair Mantin of Sands and Associates.

"If you add up the amount of unsecured debt that you have and it's five times or more higher than your income, you're at significant risk," he said.

For instance, if your net monthly income is $2,000, from which you pay your mortgage or rent and all other usual expenses, and your combined debt (outside your mortgage or car loan) is $10,000, you should seek professional help, he said.

But where to go?

The options are dizzying.

Financial experts agree the best thing is to investigate your options.

"We recognize there are a lot of options out there and it can be really confusing," said Tatiana Chabeaux-Smith of Consumer Protection B.C., a private company that acts as the self-regulatory arm of consumer industries, including debt collection.

"And when you find yourself in debt, it's challenging and difficult to talk about," she said.

Consumer Protection gets about 10,000 calls a year and 20 per cent are about debt-related issues, which isn't surprising, considering Canadians overall owe $1.63 for every $1 they earn and British Columbians on average owe $39,000, compared to the national average of $27,000.

Chabeaux-Smith said it's important to compare services, and she noted that "certain segments of the industry are regulated and others aren't."

A bankruptcy trustee, who is federally licensed and regulated, will lay out options, including filing a "consumer proposal," through which creditors will agree to accept 30 per cent of the debt if it's paid off by a certain date.

The debtor pays an agreed amount monthly to the trustee, who pays the creditors and takes 20 per cent of the collected amount as a fee.

In return, the collection agencies stop calling.

Another option is to find a “debt pooler,” licensed and regulated through Consumer Protection B.C.

A debt pooler will also negotiate with creditors, sometimes reducing the amount owed, on behalf of the debtor, who pays the debt pooler an agreed-upon monthly amount.

One of the largest is the Credit Counselling Society of B.C., a non-profit, registered debt pooler that’s funded in part by Canada’s biggest banks.

It offers to cut the interest fees owed on the debt to creditors, but not to reduce the principal amount paid, said president Scott Hannah.

He said debtors who pay the full amount of their debts learn a more valuable lesson on how to manage money than if it’s partly written off.

“You’re not going to get the money-building skills (with a trustee) that our counsellors offer,” he said.

“The trustees say pay off only a portion of what you owe. That’s irresponsible.”

Hannah said only a handful of debtors ever return to the society for a second time.

This year already, the society has received a record number of calls, with 400 scheduled appointments in the first days of the year.

“It’s been busy right out of the gates this year,” he said.

“One disturbing trend is the number of people 55 and older who seek our help,” said Hannah.

“Fifteen years ago, 55-plus made up five per cent our clients, today it’s 20 per cent.”

He said he sees people cash-strapped after their jobs were downsized and adult children return home as dependants.

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“They’re back to square one again with very limited skill sets,” Hannah said.

“They may be offered half the income they’re used to.”

He, like Mantin at Sands and Associates, said the worst debtors can do is incur more debt to chase debt or to borrow against the equity of their home.

But in some cases, bankruptcy is the only option, depending on the amount of debt and a debtor’s income and projected income.

“It’s tough to live on a 20-year plan to pay off debts,” said Mantin.

He said the cases he sees are usually debtors who, because of “honest but unfortunate” circumstances, as the law says, get into debt and can’t get out on their own.

Mantin said most people who file for a consumer proposal or bankruptcy — 85 per cent — don’t return.

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