

# THE VANCOUVER SUN

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## Barbara Yaffe: Older not necessarily wiser when it comes to personal debt

Insolvency report shows a fifth of those over 55 owe \$100,000 or more in consumer debt

BY BARBARA YAFFE, VANCOUVER SUN COLUMNIST JANUARY 27, 2014



It is impossible to determine how much debt any particular Vancouverite can tolerate before drowning in it.

Photograph by: Joe Raedle , GETTY IMAGES

With personal privacy on the wane, it perhaps is the final taboo: Fessing up about the money we owe.

That makes a new survey full of details about indebtedness in the Lower Mainland all the more scintillating.

We already know British Columbians are carrying average consumer (non-mortgage) debt of \$38,682, and that this tally is the highest of any province.

But now, research by Sands & Associates, B.C.'s largest bankruptcy trustee, provides some data on the debtors among us who reached the point of no return. These are the folks who became insolvent in 2013, either filing for bankruptcy or submitting consumer proposals, agreements for partial debt repayment, in a bid to settle their affairs.

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The number of B.C. insolvencies dropped slightly last year, by 1.3 per cent.

According to Industry Canada statistics, British Columbians have a better record on this front than most other Canadians.

The percentage of the population that became insolvent in 2012, the latest year for which the national stats are available, was 4.4 per cent in Canada and only 3.2 per cent in B.C.

In the Lower Mainland, only 2.8 per cent of the population ran into such extreme financial difficulty in 2012.

This is a bit surprising, given that Lower Mainland homeowners pay relatively high prices for their digs, leaving many of them financially squeezed on other fronts.

But the Sands & Associates study found in relatively few cases is the cause of insolvency in Vancouver and the Fraser Valley related to their clients being over-extended on a home mortgage.

Marital breakups or job disruptions are more often cited as a contributing factor to their fiscal demise.

By far, the most significant issue in all cases of insolvency, reports the Sands study, is credit over-extension and plain old "financial mismanagement." Proof of this ineptitude on money matters: Significant numbers of people took action to address their situation, incredibly, by taking out pay-day loans and/or applying for even more credit.

More than a quarter of those in the 31- to 54-year-old age group exercised these options.

Younger people tended to rely more on asking family and friends for help. Older individuals, perhaps more familiar with the ways of the world, tended to think twice about such an option.

As to how much cash a Vancouver-area person has to owe before he or she will decide to take a trip to the local bankruptcy trustee, breaking points vary for three different age groups scrutinized.

Debtors aged 18-30 tended to seek help at a point they owed between \$10,000 and \$24,000.

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For those aged 31 and up, the fiscal tipping point ranged from \$25,000 to \$49,000.

While the old saying has it that the older we get, the wiser, that does not seem to apply when it comes to debt.

The older the Vancouver-area debtor examined by the Sands report, the larger was the debt load. Nearly 16 per cent of people in the middle-age group and 20.4 per cent of debtors over 55 owed consumer debt totalling \$100,000 or more.

It is impossible to determine how much debt any particular Vancouverite can tolerate before drowning in it.

But consider that those counted in the Sands report tended to pursue the insolvency option at a point at which they owed between \$25,000 and \$50,000.

It is thus not unreasonable to say the size of the average non-mortgage debt in B.C., at \$38,682, is pretty darn worrisome.

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