



Sands & Associates
Credit Counsellors & Trustees

2014

BC CONSUMER DEBT STUDY
REPORT ON FINDINGS

————— MARCH 2015 —————



INTRODUCTION

Sands & Associates' 2014 BC Consumer Debt Study is our third annual study profiling trends and key information regarding the consumer debt levels of British Columbians, specifically focused on markets throughout Vancouver and the Fraser Valley.

The 2014 BC Consumer Debt Study is the only BC-specific study to gather responses from nearly 900 individuals from the area and take an in-depth look at consumers' debts, the factors causing their financial difficulties and the level of knowledge consumers have regarding their debt restructuring options.

A full summary of Sands & Associates' services and locations can be found at www.sands-trustee.com

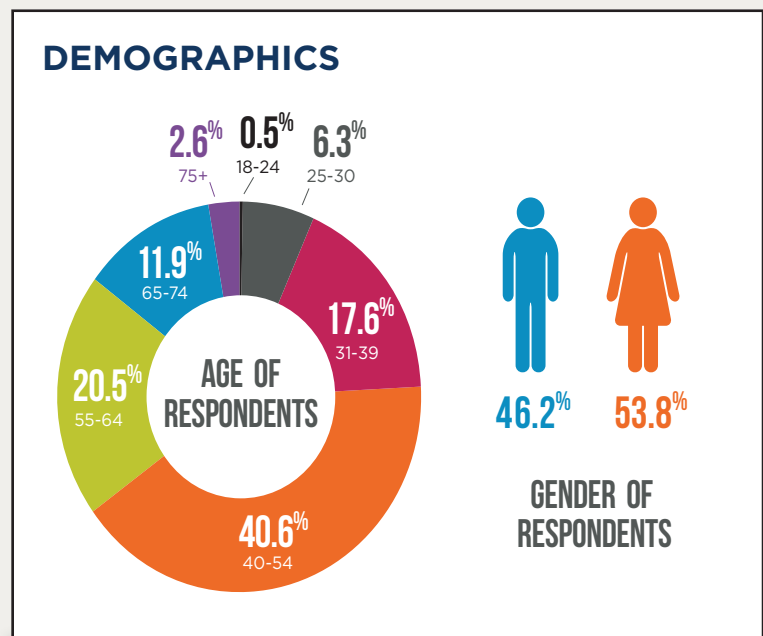
DEMOGRAPHICS

2014 BC Consumer Debt Study respondents were drawn from individuals who had previously contacted Sands & Associates and included those who chose to formally restructure their financial affairs using a Consumer Proposal or Personal Bankruptcy, in addition to those who did not make a formal restructuring filing.

The responses provide insight into the varying debt, financial and awareness challenges that BC's Lower Mainland residents face, as well as the impact of their debts on their quality of life.

The 2014 BC Consumer Debt Study saw the largest proportion (58%) of survey respondents fall into the age range from 31 to 54. Following this, seniors both pre-retirement (55-64 years) and those 65 years and older accounted for 35% of respondents. Respondents aged 18 to 30 made up the smallest demographic (7%).

The population of respondents skewed slightly female, with women making up 54% of respondents and men 46%.

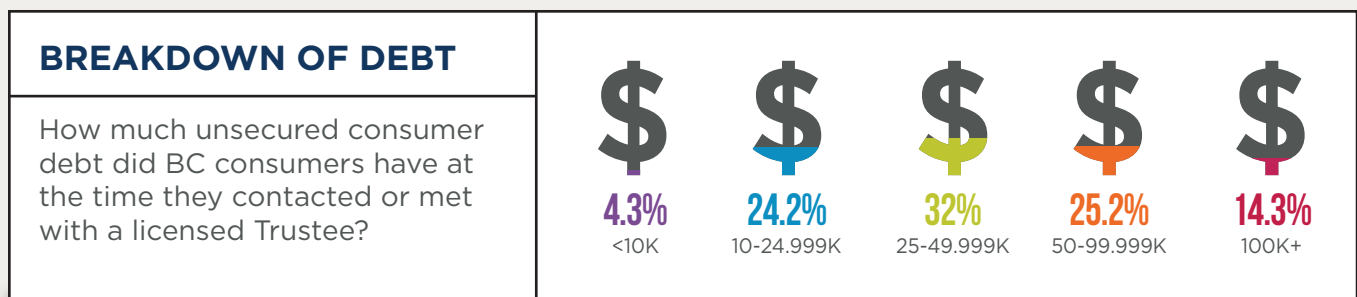


BC DEBT ANALYSIS

AMOUNT AND CAUSES OF CONSUMER DEBT

The highest proportion of British Columbian residents indicated they were carrying between \$25,000 and \$49,999 worth of debt (excluding mortgages and vehicle loans) at the time they sought professional assistance with their debts.

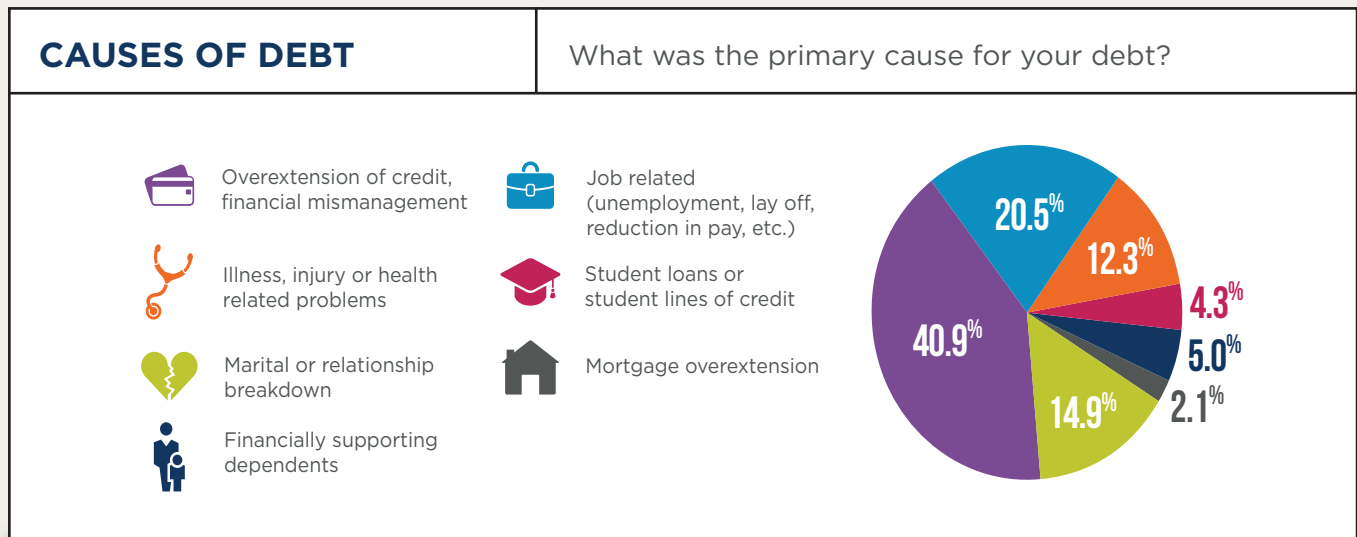
The amount of debt varied significantly between the age-ranges. For example, while more than half (51.7%) of respondents aged 18 to 30 indicated having only owed \$10,000 to \$24,999, 20.5% of the retirement generation (aged 65 and over) carried \$100,000 or more debt at the time they sought professional assistance. Slightly more than one-third (32.4%) of respondents in the 31 to 54 age range held between \$25,000 and \$49,999 of debt at the time they contemplated consumer debt solutions.



CAUSES OF DEBT

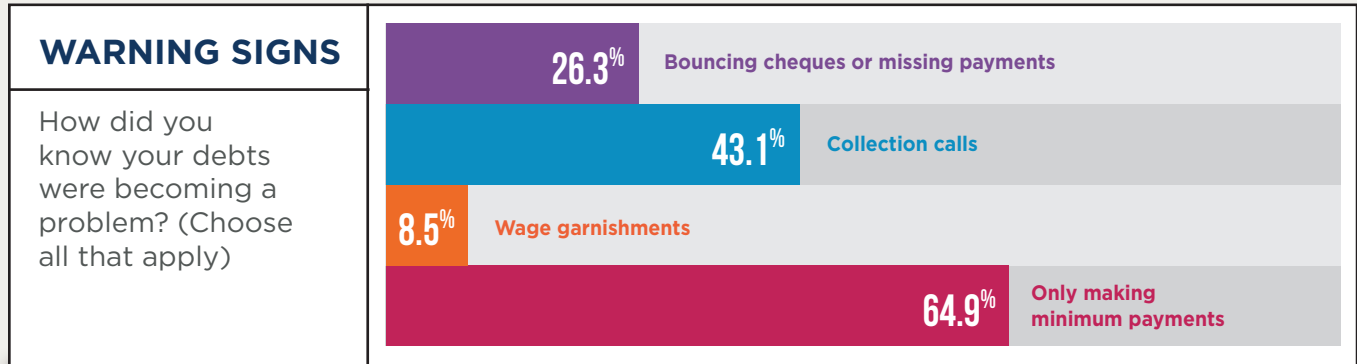
Overextension of credit and financial mismanagement was cited by more than 40% of survey respondents as being the primary cause for their debts.

In addition to this cause, a variety of other factors were noted, including job related issues (21%), marital or relationship breakdown (15%) and illness or health issues (12%).

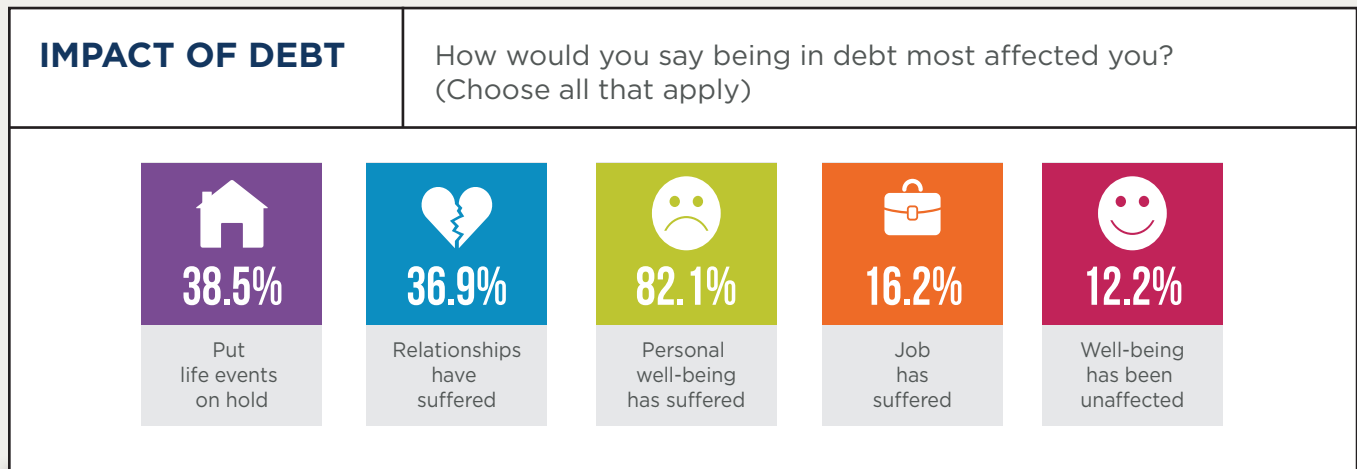


WARNING SIGNS AND IMPACT OF DEBT

Over half of respondents indicated that they did not acknowledge that their debts were becoming a problem until they faced the stress and impact of collection calls or wage garnishments. However, the largest warning sign indicated by nearly 65% of respondents was making only minimum payments on debts. This shows the continued need for consumers to reexamine debt levels to avoid situations of overextended finances before problems arise.



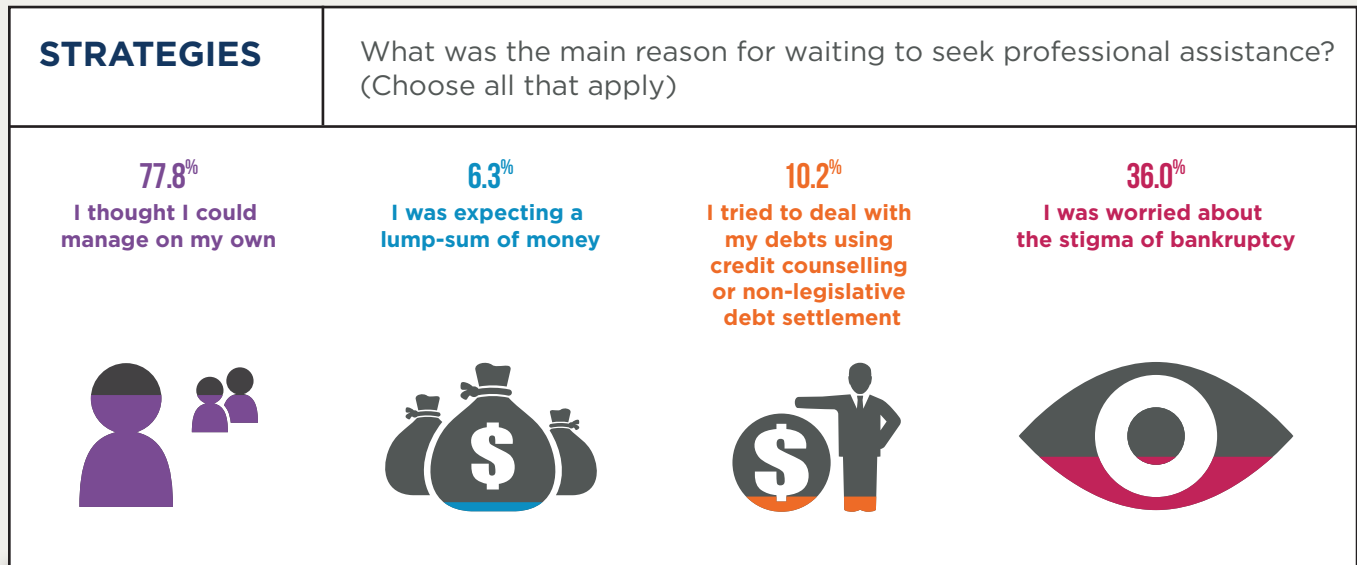
Responses show that the majority of individuals in debt feel the negative impact on their lives in several significant ways. Only 12.2% of respondents indicated that their well-being was unaffected by being in debt, with the bulk of respondents (82.1%) indicating that their personal well-being suffered as a result. Additionally, 38.5% of individuals stated that they had to put life events (purchasing a home, starting a family, etc) on hold because of their debts.



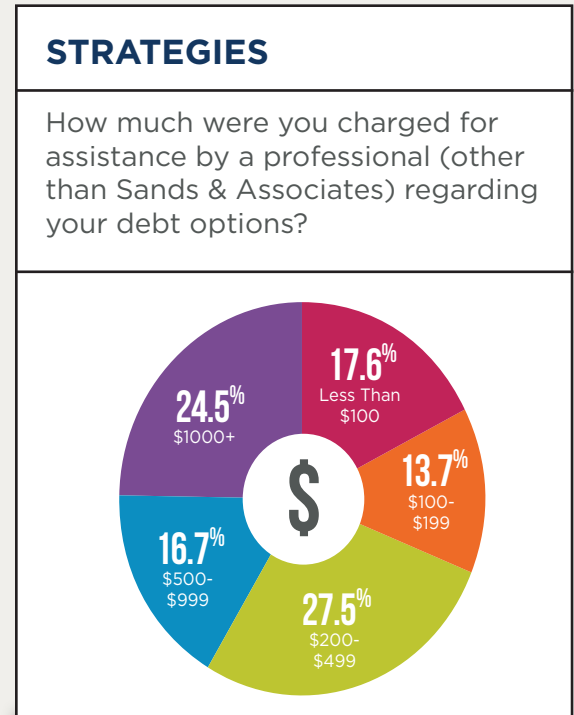
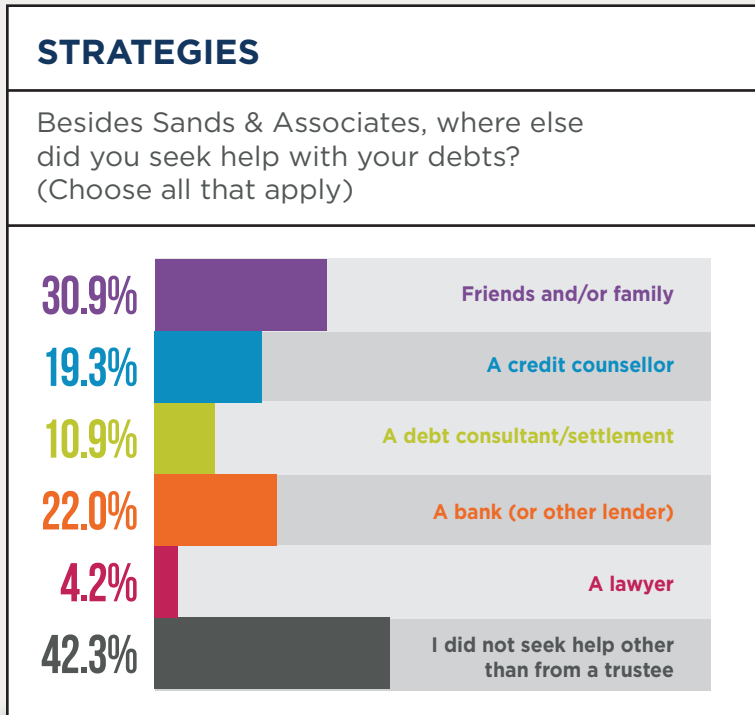
STRATEGIES TO DEAL WITH DEBT

More than half of survey respondents (56.9%) indicated that they had waited between one and four years, or five or more years, before seeking professional assistance with their debt situation. Besides seeking the assistance from a licensed trustee for their debts, respondents overwhelmingly indicated that they had sought the assistance of friends and/or family.

The majority of respondents (77.8%) revealed that the reason for postponing contacting a trustee was because they thought they could manage the situation on their own, a further 36.0% stated that they worried about the stigma of bankruptcy.





Canadians currently have a range of both non-legislated and legislated options for coping with unmanageable debts. While licensed professionals such as Trustees in Bankruptcy do not require a referral or a fee for consultations, many debt agents require a varying up-front fee. Although only 12.2% of respondents indicated that they had been charged a fee when meeting with another professional regarding their debt options, nearly one-quarter of respondents who paid for other professional services were charged \$1,000 or more.



FINANCIAL LITERACY AND KNOWLEDGE

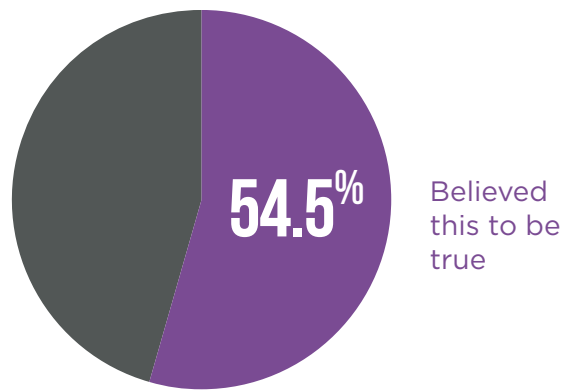
As debt levels continue to rise, concerns among industry professionals surrounding knowledge of debt and debt solutions have also increased. Respondents were asked a series of questions to help Sands & Associates better understand the level of information the public may possess regarding debt myths and legalities.

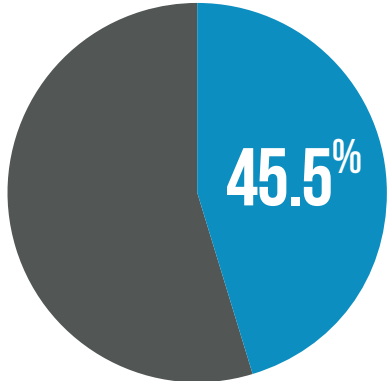
Although 57.6% of respondents felt that they had a good or excellent grasp of financial skills and concepts, only 3% of all survey respondents correctly answered all questions concerning Credit Counselling, Consumer Proposals and Bankruptcies. Of that 3%, 47.6% had previously filed a personal Bankruptcy and 52.4% had filed a Consumer Proposal.

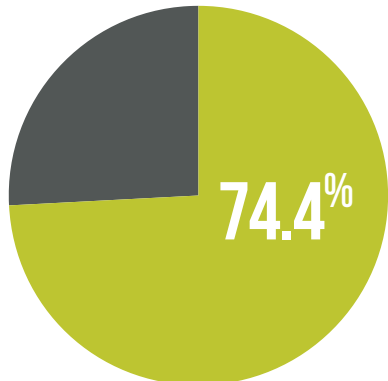
FINANCIAL LITERACY AND KNOWLEDGE	
How would you rate your financial literacy skills?	
Do you feel schools are doing a good job teaching children and youth financial life-skills?	

With over 35% of respondents indicating that the stigma of bankruptcy was the reason for postponing seeking professional assistance with their debts, but few being aware of the facts surrounding legislative debt solutions, it is strikingly clear that more public education is needed.

British Columbia residents continue to remain vulnerable due to a lack of both knowledge, and regulation surrounding non-legislative debt settlement options.

MYTH	REALITY
<p>A person will lose everything when they file for Personal Bankruptcy</p> 	<ul style="list-style-type: none"> • Most people keep all of their assets. • BC law sets out a minimum level of assets each person is entitled to retain if they file for bankruptcy. • Exempt assets in BC are a broad range of items including: household goods, clothing and personal effects, a motor vehicle, essential tools of the trade, and equity in a principal residence. • Financial assets like RRSPs and Pensions are exempt and are not required to be surrendered.

MYTH	REALITY
<p>Bankruptcy is a highly public process and a person's employer is often notified.</p>  <p>45.5% Believed this to be true</p>	<ul style="list-style-type: none"> • When a bankruptcy is filed, each creditor must be notified of the bankruptcy so that they stop pursuing the individual for payment. • There is no newspaper notification except in rare cases. • A person's employer would normally only be notified if there was a garnishee (i.e. wage seizure) in place, which the Trustee would be able to halt immediately upon filing.

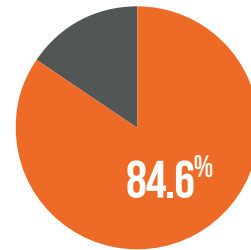
MYTH	REALITY
<p>It is impossible to get credit for 7 years after filing Personal Bankruptcy or a Consumer Proposal.</p>  <p>74.4% Believed this to be true</p>	<ul style="list-style-type: none"> • For someone who has never been bankrupt before, a bankruptcy will purge from their credit report 6 years after completion of the bankruptcy. • A Consumer Proposal purges 2 years after completion. • It is common for individuals to re-establish credit much sooner than these timeframes - a timeline of 2-3 years after bankruptcy is often achievable to be considered for mortgages, car loans and new unsecured debts.



QUIZ

Which of the following professionals are licensed to file a Consumer Proposal?

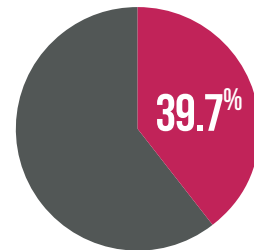
- Lawyers
- Debt Consultants
- Non-profit Credit Counsellors
- Trustees in Bankruptcy**
- Chartered Accountants



Answered Correctly

Only a Trustee is licensed by the Federal Government to administer a Consumer Proposal. Trustees are independent officers of the Court and all Trustees offer a free initial consultation to determine if a Consumer Proposal is the best option.

Does a not-for-profit Credit Counsellor earn money from creditors?

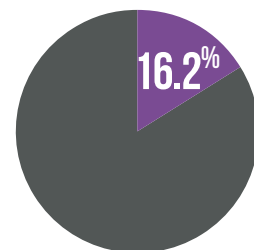


Answered Correctly

According to publicly available information, large not-for-profit Credit Counsellors earn the lion's share of their funding from the credit granting community. The Credit Counselling Society of BC in recent disclosures has indicated that 73.2% of their annual funding was derived from 'Banks, Financial Companies, and Other creditors.' By contrast, a Trustee receives **zero** payment from creditors and is an independent, unbiased professional.

How long will a Consumer Proposal be noted on your credit report?

- 2 years from completion**
- 3 years from completion
- 7 years from completion
- 10 years from completion

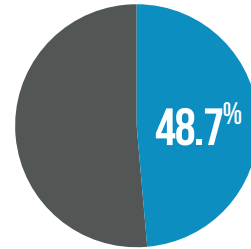


Answered Correctly



QUIZ

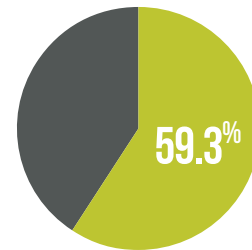
Debts for income taxes may not be forgiven in a Bankruptcy or Consumer Proposal



Answered Correctly

A Personal Bankruptcy or Consumer Proposal is the number one method of dealing with an unmanageable tax debt. A Consumer Proposal is often the only method of 'making a deal' with CRA to repay only the portion of the debt the individual can afford to repay over a three to five year period.

Spouses automatically become legally responsible for each other's debts



Answered Correctly

There is no automatic liability for debts created by virtue of marriage or cohabitation. Unless a spouse has signed explicitly to be responsible for his or her partner's debts, there is no ability for a creditor to try to collect from an individual who does not owe this money.



CONCLUSION

One of the most concerning findings from the 2014 BC Consumer Debt study was the high number of polled respondents who were unable to correctly answer questions relating to legislated debt options and processes. Combined with the high levels of debt individuals were carrying, this points to the overwhelming need for increased education around financial management, including how to identify warning signs that could lead to significant financial and personal distress.

The hope is that further education and consumer empowerment will result in an eventual decline in consumer debt, and an improvement in the overall financial health and knowledge of the BC consumer.



LOCATIONS

VANCOUVER

#1370 – 1100 Melville St.
Vancouver, BC V6E 4A6
TEL: 604-684-3030
FAX: 604-684-7277

BURNABY

Metrotower II
#2600 – 4720 Kingsway
Burnaby, BC V5H 4N2
TEL: 604-451-5799
FAX: 604-451-9636

NEW WESTMINSTER

#200 – 500 Sixth Ave.
New Westminster, BC V3L 1V3
TEL: 778-735-0585
FAX: 604-529-1047

TRI-CITIES

#209B – 2099 Lougheed Hwy.
Shaughnessy Square
Port Coquitlam, BC V3B 1A8
TEL: 604-945-5799
FAX: 604-583-0797

CHILLIWACK

#211 – 45480 Luckakuck Way
Chilliwack, BC V2R 2X5
TEL: 604-824-5794
FAX: 604-824-5790

MAPLE RIDGE

#200 – 11830 223rd St.
Maple Ridge, BC V2X 5Y1
TEL: 604-463-9599
FAX: 604-539-0201

RICHMOND

#926 – 6081 No. 3 Rd.
Richmond, BC V6Y 2B2
TEL: 604-303-8732
FAX: 604-583-0797

SURREY

#203 – 10366 136A St.
Surrey, BC V3T 5R3
TEL: 604-583-5499
FAX: 604-583-0797

LANGLEY

#205 – 20651 56th Ave.
Langley, BC V3A 3Y9
TEL: 604-539-0200
FAX: 604-539-0201

ABBOTSFORD

#300 – 31935 South Fraser Way
Abbotsford, BC V2T 1V5
TEL: 604-864-5799
FAX: 604-864-5797

WHITE ROCK

#202 – 15388 24th Ave.
South Surrey, BC V4A 2J2
TEL: 604-684-3030
FAX: 604-684-7277

VICTORIA

The Atrium Building
#301 – 1321 Blanshard St.
Victoria, BC V8W 0B6
TEL: 1-800-661-3030
FAX: 604-583-0797

**KNOWING IS NOT OWING.
LEARN ABOUT CONSUMER PROPOSALS.**

