

# Average Canadian Debt: Debt Shouldn't be the New Normal

Fueled by a long-time environment of low interest rates, rising cost of living and a growing preference to buy now and pay later, average Canadian debt sits at dangerous levels.

- According to Equifax Canada, in 2016 the average household non-mortgage debt in Canada was \$22,113, which marks a 3.1 per cent rise from the previous year. Non-mortgage debt includes credit cards, lines of credit and installment loans.
- To understand how high these debt levels actually are, you need to put them in context of household income. The most recent data from Stats Canada puts the average debt-to-income ratio (including mortgage and all debt) at 166.9 per cent. That means that for every dollar you make, you owe \$1.67.

“Unfortunately, sky-high household debt levels continue to sit well out of the range of what is realistically manageable. According to these statistics, the average consumer is seeing taking on debt as a means to an end,” says Jeff Schwartz, executive director, Consolidated Credit Counseling Services of Canada.

“The other concerning thing is that interest rates have just gone up and likely will again in the not-too-distant future, which means that household debt just got more expensive. This will put a greater strain on household finances and put more people in financial jeopardy,” says Schwartz.

Don't let high household debt be your normal. Take action to reduce your debt and reduce your vulnerability.

## What's your debt-to-income ratio?

Did you know that when you are applying for new credit, your debt-to-income ratio generally has to be 40 per cent (or under), as a qualifying criteria?

[Tabulate](#) all of your existing debt monthly payments and divide it by your monthly household income. How high is it? If you find that you are living paycheque to paycheque and not getting anywhere paying down your debt, your high debt-to-income ratio is probably why.

## Stop taking on debt. Today

To bring your household debt down to more manageable levels, you obviously need to take aggressive steps to pay it down. One of the most important steps that you can take is to stop accumulating more debt. Adding to an already expensive pile of debt ensures that you'll never be debt-free.

Change your attitude towards debt

If you've been subscribing to the “buy-now-pay-later” mentality, it's time to change your attitude towards spending. You need to set a household budget and stick to it in order to spend within your means.

Focus on saving up before you spend for big ticket items. Don't take out a hefty car loan or mortgage yourself to the max. Own more than you owe when it comes to these purchases.

## Do you have room for savings?

One of the best ways to reduce the likelihood of having to run your debt up is to make sure that you've got emergency savings on hand. If you don't, there is a good chance that you'll need to turn to debt in an emergency, keeping the debt cycle churning.

## **Find ways to cut back**

Making some small lifestyle changes and living simply can help bring your household expenses down a great deal. Eat in instead of dining out. Cancel the gym membership and work out at home. Shop at consignment stores for clothing and household items. Leave your car at home whenever you can and walk, bike or take public transit.

Creating a less expensive household will allow you to have extra money to pay down your debt and to bring your own debt-to-income ratio to less dangerous levels.

Don't wait until it is too late to attack your debt.

**Discover your individual score to help assess your current financial fitness level by taking a quick [Financial Fitness Test](#)**

For more information on this and other financial literacy and credit issues, visit the [Money and Finances - Canada.ca](#) and [iiCanada Financial Literacy](#) resources page OR the [Jamati Budget Lounge](#), a web-based financial education centre that has been set up exclusively for our Jamat through Consolidated Credit Counselling Services of Canada, a national non-profit organization. The Jamati Budget Lounge offers unbiased debt-counselling service and offers alternatives to help people get their debts under control. In addition to offering solutions to alleviate and eliminate debt, the site also focuses on financial education and understanding. Strategies include teaching basic, but vital concepts such as how to: budget; understand credit; and manage money. The toll-free number **1-844-329-3834** has also been set up for our Jamat to speak to a trained credit counsellor from Consolidated Credit in English, French or Farsi on a confidential basis.

Although all communications will be confidential, any connections via the [Jamati Budget Lounge](#) or via the toll-free number to Consolidated Credit will be tracked for statistical purposes.