



Mounting Financial Concerns in Canada

By **James T. Scanlon, M.S., HIA**
Senior Director, Markets Research, LIMRA

The overall level of financial concern among Canadian households increased 9 percent over the past 6 years.¹ Two thirds (67 percent) of Canadians have high levels of financial concern (i.e., “concerned,” “very concerned,” or “extremely concerned”), up from 62 percent in 2013. This may surprise many, because it does not align with Canada’s economic trends during the same period. Canada’s economy grew in each quarter from 2011 through 2019 (excluding the first quarter of 2016).²

The data on Canadian financial concerns relate to risks associated with morbidity, mortality, employment, housing, savings, and debt. The data reveal the issues that preoccupy consumers, and if those issues change over time. By identifying the most important financial concerns, and analyzing the factors influencing concern levels, LIMRA supplies financial marketers with communication themes that are most relevant to today’s Canadian consumers.

Trends in Canada Versus the United States

By comparison, the overall level of financial concern among U.S. consumers fell 9 percent during the same period (Figure 1).³ The U.S. finding is more consistent with concurrent economic trends, as its economy grew from the end of 2011 through 2019 (excluding the first quarter of 2014).⁴ While concerns in the United States and Canada are trending in opposite directions, the size of these changes is not to be overstated. A change of plus or minus 9 percent in 6 years is a gradual shift, not an abrupt change.

The proportion of concerned households in Canada is 25 points (37 percent) higher than in the United States. The difference in concern levels appears related to trends in housing markets, job markets, and debt levels. However, it is important to recognize the data are not directly comparable due to differences in the respective economies (e.g., public versus private administration of healthcare), and differences in the two surveys.



Top Financial Concerns in Canada

Five financial risks generate high levels of concern for more than 80 percent of Canadian households (Figure 2). These issues focus on health-related risks (i.e., medical, long-term care, disability, and critical illness) and the ability to have a comfortable retirement (i.e., saving and allocating retirement income).

This is important information for financial marketers because it identifies financial topics that resonate with more than 4 out of 5 households. In order to attract Canadian consumers to other types of financial products (e.g., life insurance), marketers need to appreciate that consumers are preoccupied with the items at the top of the hierarchy. Thus, life insurance professionals should address those top-of-mind risks directly, and share examples of how life coverage protects against those risks, and more.

Life Insurance

The second tier of financial concerns in Canada includes three items that concern over 60 percent of households. Of greatest concern to consumers is income replacement for dependents in case of premature death. This finding indicates the need for life insurance is growing in importance for most Canadians.

This inference finds support in other data from the study. Over two thirds (68 percent) of all Canadian households already own life coverage. Half (49 percent) of all households own group life, and 44 percent own individual life. Yet, life insurance is the financial product Canadians are most likely to buy; one third (32 percent) say they are likely to purchase coverage in the next 12 months. When applied to the population, that suggests purchase interest in roughly 6 million households.

Retirement and Debt

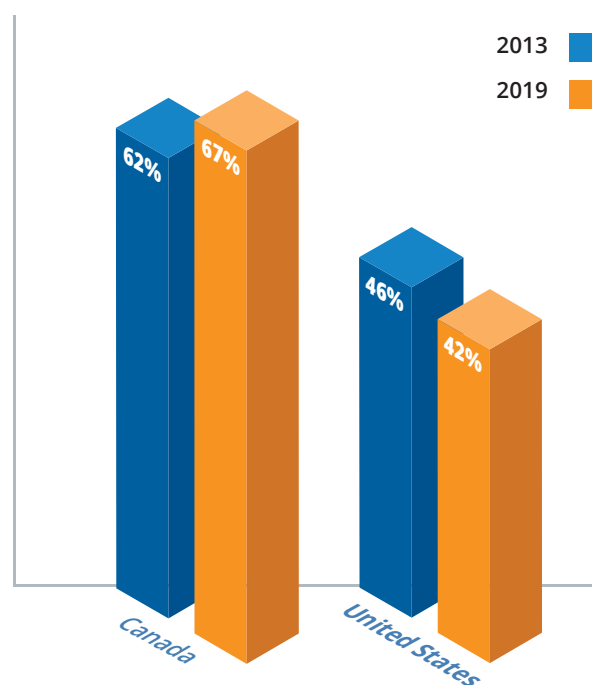
Concern over going into retirement with debt, and paying off current debt, are high priorities for most households. This presents a significant challenge for financial marketers, as it suggests these consumers have limited disposable income. Yet, this finding may signal an opportunity for financial planning professionals who offer debt relief tools that can help these consumers.

The items at the bottom of the rankings include concern about losing a job, saving for a home, and funding a college education. These are clearly important issues for consumers, particularly families. Their location at the bottom of this list is important for financial marketers because it suggests many Canadian households are able to address those issues, and devote resources to higher ranked items, such as life insurance.

Marketing communications that address issues in the forefront of the consumer's mind are more likely to penetrate the mental filters that people use to parse relevant information from noise. In order for any marketing message to be effective, it must first get the consumer's attention, and hold it long enough to deliver a relevant message.

Figure 1

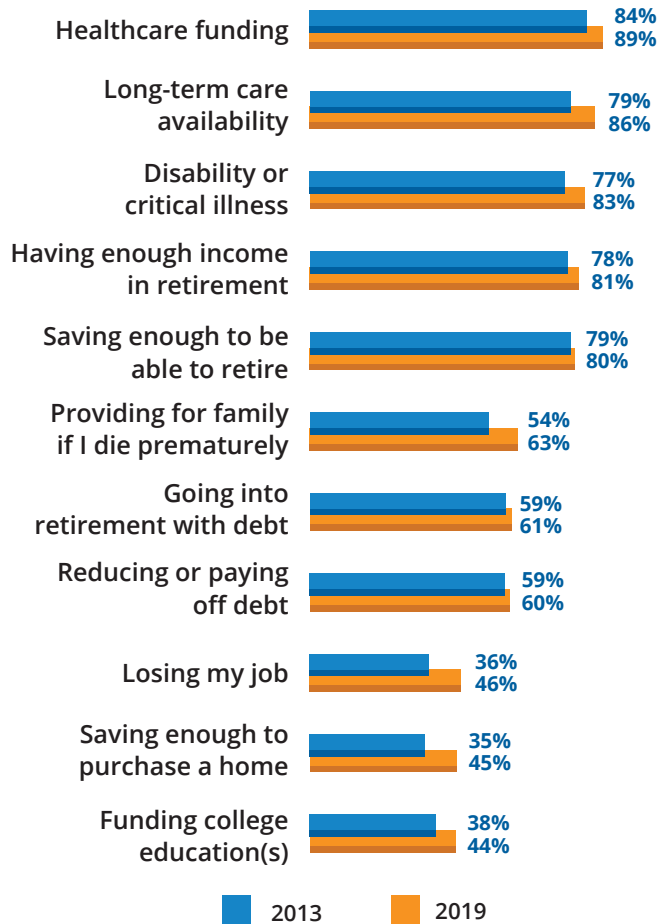
Financial Concern Trends in Canada and the United States



Sources: Canadian Life Insurance Ownership Study, LIMRA, 2013 and 2019; Insurance Barometer Study, LIMRA and Life Happens, 2013 and 2019.

Figure 2

Itemized Trends of Financial Concern



Source: Canadian Life Insurance Ownership Study, LIMRA, 2013 and 2019.

Top Financial Concern in Canada Versus the United States

In the United States, four items generate financial concern from over half of all consumers. They are saving for retirement (63 percent), long-term care expenses (57 percent), disability-related expenses (52 percent), and medical expenses (51 percent).⁵ Thus, the top tier of U.S. financial concerns are quite similar to Canada’s, even though the proportion of consumers expressing high levels of concern is significantly different.

While the rise in concern among Canadians is associated with at least four items (i.e., saving for a home, losing employment, income replacement, and saving for college), in the United States only one item saw a rise in concern. Though the trends are different, they have something in common. The item with higher concern in the United

States relates to life insurance (i.e., concern over burdening loved ones with final/burial expenses).

The data suggest that concerns associated with life coverage are now more pertinent for many consumers. This is great news for life insurance professionals, as it signifies a growing demand for life products in general. In particular, it suggests increasing demand for life products that are flexible, and can address issues such as health risks (i.e., combination life products) or saving goals (i.e., permanent life products).

Factors Influencing Canada’s Rising Concern Levels

Housing Market

Concern among Canadians increased for all 11 items in the survey. The item with the largest rise in concern is saving enough money to buy a home. In 2013, 35 percent of Canadians were concerned about this item, versus 45 percent in 2019. The increase of 10 points over the 6-year period represents a rise in concern of 28 percent.

Concern over saving for a house has risen along with prices in the Canadian housing market. Since 1999, home prices in Canada rose 24 percent, versus 13 percent in the United States.⁶ In addition, Canadians have high levels of mortgage debt.⁷ Nonetheless, these concerns are likely to plateau over the next few years, as housing costs in Canada stabilize. Factors contributing to the stabilization of the Canadian housing market include stricter mortgage qualification rules and rising interest rates.⁸ These regulatory changes will reduce the number of eligible buyers and increase monthly mortgage payments, thereby diminishing overall demand.

Employment Outlook

Anxiety over losing employment is a significant factor driving financial concern higher among Canadians. Fear of job loss rose from 36 percent in 2013 to 46 percent in 2019; the 10-point jump equals an increase of 26 percent. This is another instance where a significant rise in concern does not align with broader economic trends.

Unemployment in Canada is currently 5.7 percent, down from 6.4 percent in 2009, and the economy is adding over 50,000 jobs per quarter.⁹ Given this, it may seem illogical for Canadians to have growing concern about employment, yet the data indicate this concern is real.



Income Replacement

Another item making a significant contribution to the rise in financial concern is providing for loved ones in the event of a premature death (i.e., life insurance). Concern on this item was 54 percent in 2013, but is now 63 percent, an increase of 16 percent.

This suggests that income replacement, a traditional value proposition of life insurance, is a relevant message for 2 in 3 households. Marketers can connect with consumers by speaking to their rising anxiety on this issue. A key element in these communications is that life insurance can eliminate this concern for consumers.

College Savings

Concern over college funding rose from 38 percent in 2013 to 44 percent in 2019, which is a bump of 16 percent. This trend is understandable, as it mirrors trends in Canadian tuition costs, which have risen 17 percent in the same period.¹⁰

This finding provides a strong marketing theme for financial professionals working with younger families. Funding college is another item with macroeconomic effects, making it difficult to maintain peace of mind on this issue. Yet, with appropriate levels of life insurance in place, peace of mind is obtainable.

Key Points

- Financial concern is rising among Canadian consumers, despite favorable economic trends.
- Top financial concerns relate to risks associated with personal health and retirement.
- Four items account for most of the rise in financial concern: saving to buy a house, losing employment, income replacement, and saving for college.
- Items with high levels of concern, and items where concern is growing fast, identify the most relevant financial themes for consumers. These point to the key messages that financial marketers should use for consumer-oriented advertisements and communications.
- The data also identify potential obstacles for marketers, including the unexpected, such as rising concern over loss of employment in an economy where unemployment is falling.

- The analysis identifies tactics that marketers can use to improve the consumer's understanding of the life insurance value proposition by making explanations more relevant to the consumer's most important concerns.
- Given the current state of financial concern in Canada, life insurance professionals should consider emphasizing the benefits of combination life products, due to high levels of concern over health-related financial risks. Another area of emphasis might be permanent products, due to high levels of concern over long-term saving goals. 🌐

¹ *Canadian Life Insurance Ownership — Household Trends*, LIMRA, 2013.

² *Canada Real GDP Growth, 1962 – 2019, Quarterly*, CEIC, 2019.

³ *2019 Insurance Barometer Study*, LIMRA and Life Happens, 2019.

⁴ *Vintage History of GDP and GDI*, U.S. Bureau of Economic Analysis, October 2019.

⁵ *2019 Insurance Barometer Study*, LIMRA and Life Happens, 2019.

⁶ "What to expect from the Canadian housing market in 2019," *Global News*, 2018.

⁷ *Canada Real Estate Market Outlook*, James Cowan, St. Joseph Communications, September 2019.

⁸ *Canadian Housing Market Forecast*, RBC Economic Research, August 2018.

⁹ "Canada Unemployment Rate," *Trading Economics*, July 2019.

¹⁰ *Degrees of Uncertainty: Navigating the Changing Terrain in University Finance*, Canadian Centre for Policy Alternatives, 2013.



James T. Scanlon, M.S., HIA leads LIMRA's Markets Research program. This program includes time series studies, which track consumer financial behavior across generations; and topical studies, which examine topics influencing present-day markets. The studies identify business opportunities

in key consumer segments, such as affluent households, single mothers, and small-business owners. Scanlon holds an M.S. in resource economics from the University of Massachusetts, where he also earned a B.A. in economics. He can be reached at jscanlon@limra.com.