HOYES • MICHALOS

& ASSOCIATES INC. – TRUSTEES IN BANKRUPTCY

Joe Debtor: The Face of Bankruptcy

He may look a lot like you…

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Introduction

Hoyes, Michalos & Associates Inc. has provided consumer proposal and personal bankruptcy services to individuals in Ontario since 1999. We are one of the largest firms in Canada practicing in the area of personal insolvency. We work exclusively with people, not corporations, so we have a particular interest in helping individuals solve their personal financial problems.

This is not an academic exercise for us. Our trustees spend each day meeting with people in financial distress. These are real people who have lost their jobs, gone through a marriage breakup, or suffered an illness. Often after these personal tragedies they are faced with the prospect of dealing with insurmountable debt.

While many of our debtors admit they may have mismanaged their money, the vast majority of people we meet with are not bad people, and we believe it is important to put a "face" on the average insolvent person – we call him Joe Debtor. Most people believe that bankrupts are unemployed and "down and out". The fact is the average insolvent person is working and earns approximately the same amount as the average Canadian. The principle difference between our debtors and the average Canadian is their level of debt.

Who Is Joe Debtor?

When you hear a news story about the rise in the number of consumer bankruptcies you cannot help but wonder "could this be me?" Well, it could be. The typical person that we see is just like the average Canadian. They are hard working individuals trying to provide for their families that (for various reasons) end up in financial ruin.

As required by law, we gather a significant amount of information about each debtor who files with us. We know their income, family size, age, gender, assets, and debts. Hoyes, Michalos & Associates examined 8,000 insolvency filings from debtors we assisted over the two year period from 2009 to 2010. Our analysis reveals that the average bankrupt looks very much like the average Canadian.

We discovered that Joe Debtor is a 41-year-old male. He is or was married and is living in a 2-person household. He has a job with a take-home pay of about $2,240 a month, (slightly below the Canadian average of $2,419)[1].

Joe Debtor has total unsecured debt of more than $59,800, including $24,390 owing on credit cards, $13,761 on bank loans and lines of credit, and $5,412 in taxes owing.

Our study shows that 39% of insolvent debtors stated that job loss or reduced incomes contributed to their financial problems, 14% stated that a relationship break-up was a primary cause, and 55% admitted that they were over-extended and mismanaged their finances. Despite good health care in Canada, 12% listed health reasons (injury, disability, medical conditions) as a cause of their insolvency.

Most Canadians in financial difficulty are good, hard working people, but due to divorce, job loss, health crisis and over-use of credit, are forced into bankruptcy. They do not follow the typical stereotype of the average bankrupt; in fact, they look like the average Canadian.

The following profile is of the average person that files bankruptcy (or a proposal) to their creditors):

Joe Debtor	
Personal Information:	
Gender	Male
Average age	41
Marital status	Married
Average family size	2 (including debtor)
Average monthly income	$2,240 net of deductions
Average monthly income for all Canadians	$2,419[1]
Total unsecured debt	$59,814
Likelihood they own a home	26% (1 in 4 debtors)
Average mortgage value	$210,574
Detailed Information on the amount of average unsecured debt:	
Bank loans	$13,761
Credit cards	$24,390
Taxes	$5,412
Finance company loans	$4,997
Student loans	$1,945
Other	$9,309

Causes of Insolvency

Each year, well over 100,000 Canadians file a consumer proposal or personal bankruptcy. In our experience, their financial problems develop for a number of reasons.

Causes of Financial Difficulty[2]	Rate
Overextension of credit, financial mismanagement, unexpected expenses	55%
Job related (unemployment, layoff, reduction in pay)	39%
Marital or relationship breakdown	14%
Illness, injury, and health related problems	12%

Financial Mismanagement

Obviously, the generic term "financial mismanagement" is a large contributing factor. In fact, when asked for the cause of their financial difficulties, 55% of our debtors listed "over extension of credit and financial mismanagement" as the leading cause of their financial problems.

Financial mismanagement can include overspending and excessive use of credit but it often is as simple as not planning for unexpected expenses such as a car or house repair. When you combine the lack of savings with a major unexpected expense, consumers often turn to credit as a means of making ends meet.

In part due to the guilt associated with filing bankruptcy, most of the people we see hold themselves wholly responsible for their misfortune and they may not recognize the underlying problems that pushed them into insolvency.

In our experience, a debtor's financial mismanagement was either caused by, or dramatically increased by, a life altering event. The most common of these include marital separation or divorce, job loss, and personal illness.

Separation and Divorce

The general myth is that filing for bankruptcy may cause more family stress and may even lead to divorce. In fact we have found the opposite to be true. More than one-quarter (26%) of our clients were separated or divorced at the time of their filing and 14% of our clients cited marital or relationship breakdown as the cause of their financial difficulties.

It is easy to see how the end of a relationship might cause financial problems.

While a couple is together they may have two incomes, but only one set of living expenses (rent, utilities, groceries, etc). They make plans based on the assumption that the relationship will last forever; they incur debt for cars, mortgages on houses, and other consumer items.

Once separated, each partner will have their own rent, utilities and other expenses. They will also be limited to their own income. While they are adjusting to their new reality, recently separated people often rely on credit to pay their bills.

This leads to more debt than either party can service, and a proposal or a bankruptcy is often the final result.

Job Loss or Reduced Income

The recent economic downturn has translated into increased job insecurity and declining incomes for many Canadians and this puts them at greater risk of filing bankruptcy. Note that 39% of our clients indicated that job related issues contributed to their financial difficulties - up from 33% in 2008.

Job-related factors can include unemployment and temporary or permanent layoff but often includes reduction in income due to a decrease in overtime or a cut-back in total hours worked. If you do not have, or have used up, your savings and your income is reduced, credit is often used to make up the shortfall.

Medical Problems

Despite universal health care in Canada, 12% of our clients cited illness, injury, and health related problems as a cause of their financial difficulties.

Generally this is due to time off work recovering from their health problems. During their convalescence they may use credit to survive and pay their day to day bills. Once they return to work, they are left with more debt than they can handle. Others may not be able to return to full time work and find that their disability income is not sufficient to pay their debts as they come due.

In summary, for most people, financial problems are the result of some major life-altering event. Certainly these people must assume responsibility for their insolvency, but in most instances, their financial problems are really a result of not planning for a "rainy day" and not because they set out to deliberately incur more debt.

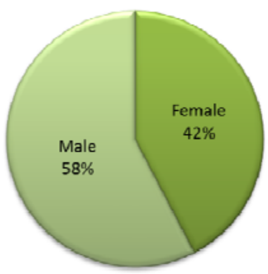
Beyond the Averages – The "Face" of Bankruptcy

Hoyes, Michalos & Associates Inc. has provided personal bankruptcy and consumer proposal services to individuals in Ontario since 1999. We are one of the largest firms in Canada practicing exclusively in the area of personal insolvency.

To prepare this study, we examined 8,000 insolvency filings from debtors we assisted over the 24-month period ending December 31, 2010 in order to put a "face" on the average insolvent person. We then analyzed all of that information and developed a profile of the typical bankrupt individual (we call this person Joe Debtor). Our analysis also revealed many factors beyond the average bankrupt, providing insight and knowledge into who files bankruptcy (or a proposal) to their creditors in Canada and why.

Personal Information

Our typical insolvent debtor, "Joe Debtor", is a 41 year old male. More males filed for insolvency than females (58% of insolvent debtors are male and 42% are female). The average age of all insolvent debtors was 41.



Age	Distribution
18 – 29	16%
30 – 39	31%
40 – 49	29%
50 – 59	16%
60 – 69	6%
Over 70	2%

While 60% of debtors are between the ages of 30 and 59, we have dealt with debtors as young as 18 years old and as old as 89. There is little difference in age between male and female bankrupts. The average male debtor is 42 years old while the average female debtor is 41.

Family and Marital Status

Marital Status	Insolvent Debtor	2006 Census Canada[3]
Married or Common-law	45%	52%
Divorced	10%	7%
Separated	16%	3%
Widowed	2%	6%
Single	27%	32%

Insolvencies involve families - 60% of insolvent debtors are either married or living common law (with or without children) or are single parents with at least one dependant.

Joe Debtor is more likely to be married at the time of his insolvency. Note that 45% of our debtors are married or living common-law at the time they file.

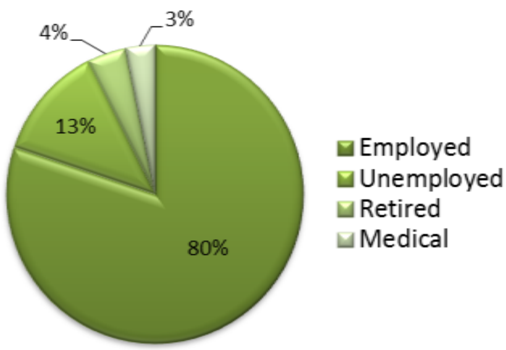
Household Size	Distribution
1	41%
2	22%
3	15%
4	14%
5	6%
6 or more	2%

A high percentage of insolvent debtors are either divorced or separated at the time of filing. In our study 26% of insolvent debtors were divorced or separated. This is consistent with our finding that 14% of our clients cited marital or relationship breakdown as the cause of their financial difficulties.

The average household size for insolvent debtors was 2.28 persons. This may be a husband and wife, or commonly, would be a single parent and a dependant child. In total, 45% of insolvent debtors have at least one dependant.

Approximately 14% of insolvent debtors are lone parents, similar to the Canadian average. Of lone parent insolvent debtors, 79% are female and 21% are male. Additionally, 64% of lone parents were separated or divorced at the time of their filing and 28% were single.

Household Income



The common stereotype is that the average bankrupt is a person who is unemployed. Our study shows that in fact 80% of insolvent debtors were employed at the time of filing. Only 13% were unemployed compared to the Ontario average of 9% unemployment over the past two years.

A further 4% of insolvents were retired and 3% were on disability, medical or maternity leave.

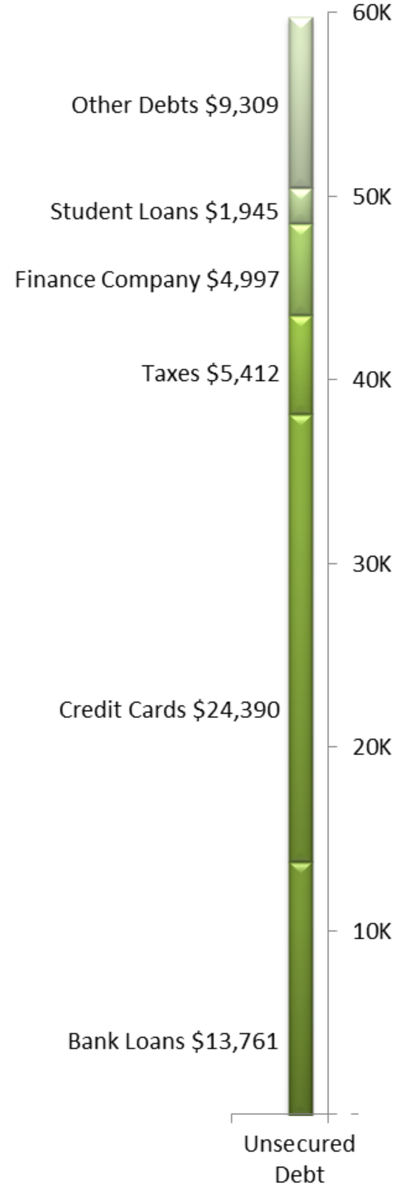
The average take-home pay for Joe Debtor was $2,240 per month, slightly below the Canadian average of $2,419[1]. Average income for others in the household was $710 per month.

Income	Debtor	Others
$NIL	4%	62%
$1 - $1,000	9%	9%
$1,001 - $2,000	32%	14%
$2,001 - $3,000	34%	10%
$3,001 - $4,000	14%	3%
$4,000 +	7%	2%

Of our clients, 39% indicated that job related issues contributed to their financial difficulties. This included not only unemployment and temporary or permanent layoff, but reduction in income from either a reduction in overtime or a cut back in total hours worked.

Debt

Joe has $59,800 in unsecured debt. The average adult Canadian (18+) has consumer credit (debt excluding mortgages) of $16,399[4]. This is one area where Joe Debtor differs from the average Canadian – he is carrying a debt burden beyond what he can handle. In addition, he has more revolving credit, and in particular credit cards, which carry a heavy interest rate cost.



Joe Debtor owes on average, $24,400 on credit cards, $13,800 in bank loans, $5,400 in taxes, and about $16,200 on other debts such as finance company loans, payday loans, student loans, and debts to family and friends. Joe carries an average of four credit cards in his wallet including bank cards, non-bank cards and retail credit cards.

The average unsecured debt carried by an insolvent debtor has increased 17% since our previous study conducted in 2008. The largest increase has been in the area of credit card debt which grew 33%. The recent downturn in the economy, combined with job loss or income reduction, has forced more families to rely on credit to pay their every day bills.

Mortgages

There's a 1 in 4 chance that Joe owns his own home and has a mortgage. The average mortgage amount (for debtors with mortgages) was $210,574.

Credit Cards

94% of insolvent debtors owe money on credit cards, and their credit card debt was $25,815.

The average debtor carries four credit cards in his wallet including three all-purpose cards (Visa, Mastercard or American Express) and one retail card.

- 95% of insolvent debtors carry a credit card
- 84% carry a major credit card from a Canadian bank (Visa or Mastercard) and the average balance per card is $7,917.
- 73% carry a major credit card from a non-Canadian bank (American Express, Capital One, MBNA etc.) and the average balance per card is $5,732.
- 49% carry a retail credit card and the average balance owing per card is $3,090.

No. of Credit Cards	Distribution
1	14%
2	18%
3	17%
4	16%
5 or more	36%

Canada Revenue Agency Debt

Of insolvent debtors, 34% owe taxes, either property tax or debts owing to Canada Revenue Agency. The average debt they owe is $16,104 with the majority being amounts owing to Canada Revenue Agency.

Finance Company and Pay Day Loan Debt

48% of insolvent debtors owe money to finance companies including car loans, furniture loans and payday loans. The average debt they owe is $10,436.

Of insolvent debtors, 5% owe money to payday loan companies, and the average debt they owe is $1,482. The average payday loan is $712 and an insolvent debtor with payday loans has an average of 2.1 loans. For debtors using payday loans, their average payday loan debt is equivalent to 2.5 weeks' take-home income.

Student Loans

Of insolvent debtors, 14% had a student loan with an average student loan balance of $14,370.

Debt Servicing Costs

In 2008, the minimum monthly payment needed by Joe Debtor to service his unsecured debt (excluding mortgages or rent) was equal to his monthly take home income. In our recent study, minimum debt payments now require 1.06 times the average insolvent debtor's income. Continued reliance on consumer credit combined with income reduction as a result of the economic downturn has increased the financial pressure on the average Canadian and this is true for many of our debtors.

Prior to filing, Joe will have sold whatever he owns, borrowed from whoever would lend him money and then started making and then immediately withdrawing his monthly payments in order to "spread" his paycheque as far as possible. This strategy will eventually result in either legal action and/or bankruptcy.

Estimated minimum monthly payments required to service their unsecured debt:

Bank loans – mixed rate of 10%, plus 3% of loan balance repaid monthly	$528
Credit cards – 19%, plus 2% of balance repaid monthly	$874
Taxes – 1% interest per month, 12 months to pay	$505
Finance company loans – mixed rate of 31%, plus 2% of loan balance repaid monthly	$229
Student loans– mixed rate of 10%, plus 2% of loan balance repaid monthly	$55
Other debts – no set terms (assume 2% of debt repaid monthly, no interest)	$186
Total unsecured debt	$2,377
Average take-home pay Joe Debtor	$2,240
Debt servicing costs as a % of income	106%

"Jane Student" – The Average Insolvent Debtor with Student Loan Debt

14% of our clients have student loan debt at the time of their insolvency and their average student loan debt is $14,370. Based on the Hoyes Michalos & Associates Inc. proprietary database of the individuals and families we have assisted during the period from January 1, 2009 to December 31, 2010, the "typical" debtor with student loan debt is female, 35 years old, single and has average unsecured debt of $50,334 of which $14,370 is student loans.

Statistics Canada found that the average student debt for the 2005 graduating class was $18,800 and 57% of those students borrowed money to finance their post-secondary education. Combine this with the recent recession and lower income earning potential, and student debt has a significant impact on an individual's financial condition after graduating.

Jane Student Debtor	
Personal Information:	
Gender	Female
Average age	35
Marital status	Single
Average family size	2 (including debtor)
Average monthly income	$2,124 net of deductions
Average monthly income for all Canadians	$2,419[1]
Total unsecured debt	$50,334
Likelihood they own a home	14% (1 in 6 debtors)
Average mortgage value	$208,766
Detailed Information on the amount of average unsecured debt:	
Bank Loans	$9,715
Credit Cards	$15,087
Taxes	$2,186
Finance Company Loans	$3,743
Student Loans	$14,370
Other	$5,233

Personal Profile Details: Jane Student Debtor

58% of insolvent debtors with student loans are female, 42% are male.

The average age of insolvent debtors with student loans was 35, slightly younger than the typical insolvent debtor at 41. Three quarters (75%) of insolvent debtors with student loans were below the age of 39.

Jane Student Debtor is likely to be single. Of insolvent debtors with student loans, 41% were single and 38% were married or living common-law at the time of their filing. The lower likelihood of Jane Student Debtor to be married, divorced or separated is due in large part to the younger age distribution of this group of insolvent debtors.

The average household size for insolvent debtors with student loans was 2.34 persons. This may be a husband and wife, or commonly, a single parent and a dependant child.

Of insolvent debtors with student loans, 84% are employed. The average take-home pay for Jane Student was $2,124, slightly below that of Joe Debtor, definitely below that of the average Canadian.

Age	Distribution
18 – 29	27%
30 – 39	48%
40 – 49	18%
50 – 59	6%
60 – 69	1%
Over 70	0%

Marital Status	Jane Student Debtor
Married or Common-law	38%
Divorced	7%
Separated	13%
Widowed	1%
Single	41%

Household Size	Distribution
1	41%
2	18%
3	20%
4	13%
5	6%
6 or more	2%

Income	Debtor	Others
$NIL	10%	9%
$1 - $1,000	35%	12%
$1,001 - $2,000	34%	8%
$2,001 - $3,000	12%	3%
$3,001 - $4,000	5%	2%
$4,000 +	4%	66%

A Comparison of Female and Male Bankrupts

Of insolvent debtors, 42% are female. While both female and male debtors are similar in age, female debtors are more likely to be divorced or separated. In addition, a higher percentage of female debtors listed marital or relationship breakdown as a cause of their financial difficulties (16% versus 12% for male bankrupts). Female bankrupts are more likely to have a dependant and a staggering 27% of female bankrupts are lone parents compared to only 5% of male insolvent debtors.

Female debtors owe, on average, $49,250 in unsecured debt compared to $67,580 for male debtors. As a percentage of their overall debt, female bankrupts carry a slightly higher portion of credit card debt than male debtors. For debtors with student loans, female debtors also have a much higher amount of student loan debt ($15,201 for female debtors with student loans compared to $13,242 for male debtors with student loans).

While female debtors' take-home pay, at $1,837 per month, is less than their male counterpart, when compared to debt levels, a female insolvent is using a lower percentage of their monthly take home pay to service their debt. However one should remember that even female bankrupts on average are using 88% of their take home pay to service unsecured debt – and this is before mortgage or rent payments, food and utility bills and other day-to-day living expenses.

Male bankrupts are more likely to own their home (31%) than female insolvent debtors (25%) however the average mortgage balance owing was similar for the two.

Comparison of Female and Male Debtor		
Personal Information:	**Female**	**Male**
Average age	41	42
Marital status		
Married or Common-law	34%	52%
Divorced or Separated	32%	22%
Widowed	3%	1%
Single	30%	25%
Average family size	2.2	2.3
2 or more in household	61%	57%
Likelihood of having dependant	50%	42%
% lone parent	27%	5%
Average monthly income	$2,092	$2,348
Total unsecured debt	$49,250	$67,580
Monthly payments to service debt	$1,837	$2,774
Debt servicing costs as a % of income	0.88%	1.18%
Likelihood they own a home	25%	31%
Average mortgage value	$209,814	$211,008
Detailed Information on the amount of average unsecured debt:		
Bank Loans	$11,826	$15,184
Credit Cards	$21,377	$26,606
Taxes	$2,209	$7,767
Finance Company Loans	$4,317	$5,497
Student Loans	$2,797	$1,318
Other	$6,725	$11,209

More Seniors "Grampa Debtor" Filing Bankruptcy

At Hoyes, Michalos & Associates, we have noticed an increase in the number of insolvent debtors over the age of 55. In 2010, 16.0% of debtors who filed a bankruptcy or proposal with us were 'Grandpa Debtor', up from 12.5% in 2008.

An increasing number of Canadians are entering retirement with debt. Another alarming trend is the increasing propensity of retired Canadians to assume more debt during retirement. While some of this debt is housing-related, more older Canadians are carrying a significant amount of credit card debt. Our study showed that Grandpa Debtor owed on average, $73,878 in unsecured debt, 24% higher than Joe Debtor. Even more significantly, Grandpa Debtor's credit card debt averaged $37,128, 52% more than Joe Debtor.

So what is the profile of the insolvent 'Grandpa Debtor'? What are some factors that place them at an increased risk of insolvency?

- Almost half of senior debtors are living on their own (47%). Grandpa Debtor is more likely to be widowed (9%) or divorced or separated (30%) at the time of their insolvency. Divorced or widowed seniors find it increasingly difficult to maintain their debt payments on a single income.
- Of senior debtors, 37% still have a dependant at home. This may be a dependant parent, an adult child returning home or still in school, a younger child or grandchild. The increased financial costs of supporting dependant children or parents can easily lead to the use of credit to make ends meet in what is seen as a temporary situation.
- The average take home pay for Grandpa Debtor was $2,133, well below the Canadian average of $2,419[1]. Our study showed that 34% of senior debtors were retired or on disability income and a further 10% were unemployed at the time of filing.
- Of senior debtors, 20% cited illness, injury, and health related problems as a cause of their financial difficulties. For many, that means an earlier than planned retirement or reduced income. For others, financial expenses incurred in caring for themselves or family members increased their debt load.
- Only 33% of senior debtors had RRSP savings and the average total RRSP value for those with RRSPs was $29,856. Approaching retirement without a safety net of savings, combined with higher debt levels, significantly increases the risk of bankruptcy.

While for many seniors, carrying debt into retirement may be manageable, particularly given recent low interest rates, it is the unexpected event that can significantly increase their risk of financial disaster. Combine a high level of debt with a reduction in income due to illness or retirement, or an unexpected expense, and the need to file for bankruptcy quickly becomes a reality. Our recommendation is to plan ahead for retirement. That means not only planning for savings but ensuring that you have a proper debt repayment plan during your working years.

Comparison of Senior Debtor to Average Joe Debtor		
Personal Information:	**Senior Debtor (55+)**	**Joe Debtor**
Male	61%	58%
Female	39%	42%
Average age	62	41
Marital status		
Married or Common-law	50%	45%
Divorced or Separated	30%	26%
Widowed	9%	2%
Single	12%	27%
Average family size	1.7	2.3
Single person household	47%	41%
Likelihood of having dependant	13%	45%
Average monthly income	$2,133	$2,240
Total unsecured debt	$73,878	$59,814
Monthly payments to service debt	$2,092	$2,377
Debt servicing costs as a % of income	148%	106%
Likelihood they own a home	26%	26%
Average mortgage value	$202,720	$210,574
Detailed Information on the amount of average unsecured debt:		
Bank Loans	$14,801	$13,761
Credit Cards	$37,128	$24,390
Taxes	$8,562	$5,412
Finance Company Loans	$4,544	$4,997
Student Loans	$507	$1.945
Other	$8,336	$9,309

What's Changed – 2007 to 2010

There has been a significant amount of change since our previous study of Joe Debtor. The Canadian economy is just now recovering from a severe recession. In addition, new bankruptcy rules become effective in Canada on September 18, 2009.

Hoyes, Michalos & Associates previously conducted a study of Joe Debtor using data collected from debtors we assisted over a 17-month period ending December 31, 2007. As part of our current study we also looked at how the "Face" of the average insolvent debtor may have changed over the previous three years.

- Insolvency is affecting more middle income debtors with families. The average household size of insolvent debtors increased slightly from 2.2 to 2.3. Even more telling, the number of households with two or more residents increased to 59% in 2010 from 56% in 2007. More homeowners are becoming insolvent - while 1 in 5 debtors owned a home in 2007, this number increased to 1 in 4 by 2010.
- Significant changes in housing prices since 2007 have impacted on many families' ability to meet their debt payments. The average mortgage size for an insolvent debtor who owned their own home increased 72% from $122,108 in 2007 to $210,574 in 2010. Again, 1 in 4 insolvent debtors were homeowners in 2010, up from 1 in 5 in 2007.
- While average debtor income grew 8% over the three year period, total unsecured debt rose by 17%. Credit card debt increased the most, up 33% over three years.
- Changes in bankruptcy legislation effective on July 8, 2008 reduced the period under which student loans would be discharged from ten years to seven years. The average student loan (for insolvent debtors with student loans) increased 77% from $8,104 per student debtor in 2007 to $14,370 in 2010. The growth in student loan debt is a reflection of several factors including higher tuition costs and increased student loan debt as well as recent changes to the bankruptcy legislation.
- Additional changes to the bankruptcy rules effective on September 18, 2009 make filing bankruptcy a longer and more expensive process for many Canadians. As a result, more Canadians are now deciding to avoid personal bankruptcy by filing a consumer proposal. Consumer proposals increased to 42% of total filings in our 2009-2010 study compared to 35% in 2007. In fact, in 2010 alone, 48% of our clients filed a consumer proposal as opposed to a bankruptcy.

In summary, the current economic climate, combined with easy access to credit has increased the risk of insolvency for the average Canadian. Unfortunately the disposable income of Canadians has not kept pace with the growth in the level of household debt. Simply put, Canadians' spending continues to increase faster than their incomes. It now takes more of each Canadian's take-home pay to service the debt that they have accumulated. If anything interrupts the average person's income, even for as little as a month or two, they find themselves unable to meet their obligations.

Ask yourself this question:

If I lost my job, how many pay cheques would I need to miss before I experienced serious financial trouble?

Based on our experience, many Canadians are only one or two pay cheques away from serious financial problems.

Comparison of 2007 study with 2010 study		
Personal Information:	**2009-2010**	**2006-2007**
Male	58%	56%
Female	42%	44%
Average age	41	42
Marital status		
Married or Common-law	45%	40%
Divorced or Separated	26%	29%
Widowed	2%	2%
Single	27%	29%
Average family size	2.3	2.2
2 or more in household	59%	56%
Average monthly income	$2,240	$2,071
Total unsecured debt	$59,814	$51,106
Monthly payments to service debt	$2,377	$2,070
Debt servicing costs as a % of income	106%	100%
Likelihood they own a home	26% (1 in 4 debtors)	21% (1 in 5 debtors)
Average mortgage value	$210,574	$122,108
Percentage Proposals	42%	35%
Detailed Information on the amount of average unsecured debt:		
Bank Loans	$13,761	$13,365
Credit Cards	$24,390	$18,335
Taxes	$5,412	$5,276
Finance Company Loans	$4,997	$4,401
Student Loans	$1.945	$1,532
Other	$9,309	$8,197

Joe Debtor Versus The Average Canadian

Our study of Joe Debtor revealed that the typical insolvent debtor we see is just like the average Canadian. They are hard working individuals trying to provide for their families who (for various reasons) accumulate more debt than they can manage. Then, a sudden shock, such as a job loss, illness, divorce or higher interest rates, leaves them unable to make their payments and triggers the need to file a proposal or bankruptcy to deal with their financial situation.

Who is at risk? More than believe so. Canadian households continue to accumulate debt, despite or maybe because of, the recent downturn in the economy. Many Canadians are in a state of denial about the magnitude of their overall debt load and the risk they face. In a recent study completed for the Canadian Association of Accredited Mortgage Professionals respondents strongly agreed (an average rating of 7.87 out of 10) with the statement "Canadians have too much debt". Yet when asked if they felt they were personally well-positioned to weather a potential downturn in home prices, the average response was only 6.52 out of 10. In other words — my neighbour has too much debt, but I am fine. But for many, this state of denial is just not true. It only takes one small negative event to start a downward spiral into financial disaster when your debt load is already at its maximum.

Ask yourself these questions to determine if you are one of the average Canadians about to become Joe Debtor —

- Do you avoid opening the mail if it is a bill?
- Do you only make minimum payments on your debts or have you missed a payment because of a short term cash crisis?
- Will you need to borrow money in the event of an emergency like a car repair?
- Are you close to your credit card limits? Are you using one card to pay another?
- Are you unable to qualify for further lending at low interest rates?

If you answered yes to any of these questions you may be at risk of becoming Joe Debtor.

Comparison of Joe Debtor to Average Canadian		
Personal Information:	**Joe Debtor**	**Average Canadian**
Male[5]	58%	59%
Female[5]	42%	51%
Average age[6]	41	41
Marital status[3]		
Married or Common-law	45%	52%
Divorced or Separated	26%	10%
Widowed	2%	6%
Single	27%	32%
Average family size[3]	2.3	2.6
Average monthly income[1]	$2,240	$2,419
Total unsecured debt[4]	$59,814	$16,399

References

1. Statistics Canada: Personal Disposable Income (v498186) per capita (Population V1). Information can be found from the Canadian Economic Observer, January 2011, Table 5.7: Selected per person income and produce series http://www.statcan.gc.ca/pub/11-010-x/2011001/t015-eng.htm. Calculation used is average of Q1 2009 to Q3 2010, converted to monthly amount.
2. Tabulated from the reasons given by the debtors on the Statement of Affairs, when asked to give reasons for their financial difficulties. The numbers do not add to 100% since some debtors give more than one cause for their insolvency.
3. 2006 Census of Canada: Family and Marital Status for Ontario. Summary data can be found through the Ontario Ministry of Finance 2006 Census Highlights Fact Sheet 5 http://www.fin.gov.on.ca/en/economy/demographics/census/cenhi06-5.html
4. Statistics Canada: Consumer Credit, Seasonally Adjusted (v36417) calculated on a per adult 18+ basis based on quarterly Population (Table 051-0005) adjusted for population ratio of Annual Population for all Canadians to Annual Population Canadians 18+ (CANSIM: Table 051-0001).
5. Statistics Canada: Percentage of population over the age of 20, July 2010
6. Statistics Canada: Median age 2010