

## MIDDLE INCOME HOUSEHOLD WEALTH

Concerns over the financial situation of middle income households typically focus on income. Here we look at the wealth of middle income households and how it has changed over time.

The table presents data from 1999 and 2016 showing, for Canada, the average value of assets and liabilities owned by households with middle incomes, that is, households with after-tax incomes falling in the third quintile of household incomes. The dollar figures are expressed in 2016 dollars and so have been adjusted for inflation. Also shown is the percentage of middle income households holding each type of asset and debt. The last column reports the average annual rate of growth in each asset and debt category between 1999 and 2016.

Over this period, the real value of middle income household net worth grew at an average annual rate of 4.0%. This growth has been mainly driven by the real value of the equity households hold in their principal residence which has grown by an average annual rate of 5.0%. Although mortgage debt has also grown over this period, home equity, the percentage of the value of a home in excess of the remaining mortgage debt, grew slightly from 72% to 75%.

Middle income households have seen their net worth increased by an average annual inflation-adjusted rate return of 4.0% over the past nearly 20 years.

In both 1999 and 2016 the largest assets held by middle income households were in the form of the value of the household's principal residence and private pension assets. Together these accounted for over two-thirds of middle income household assets. While mortgages accounted for two-thirds of household debt only about one-third of middle income households held a mortgage in 2016. Two-thirds of

	1999		2016		Average annual increase
	\$	%	\$	%	
Total Assets	345,673	100	673,811	100	4.0%
Private Pension Assets	101,875	78.5	196,083	79.8	3.9%
Principal Residence	119,617	63.2	265,858	66.3	4.8%
Vehicles	14,158	85.4	18,603	85.8	1.6%
Total Debt	49,726	70.1	100,336	74.0	4.2%
Mortgage on Principal Residence	32,952	32.6	66,548	35.7	4.2%
Credit Card Installment Debt	1,798	41.9	2,852	40.7	2.8%
Student Loans	1,761	11.6	2,624	12.8	2.4%
Vehicle Loans	3,617	23.7	6,750	32.3	3.7%
Net Worth	295,947	100	573,475	100	4.0%
Equity in Principal Residence	86,665		199,309		5.0%
Home equity as % of home value	72%		75%		

Source: CANSIM Table 11-10-0057-01 and authors' calculations. Number of households with incomes in the 3<sup>rd</sup> quintile of after-tax incomes is calculated by interpolating between the 1996 and 2001 censuses and using the data from the 2016 census. Dollar figures are measured in 2016 dollars. Not all types of household asset and debt are shown.

households were therefore either renting or had paid off their mortgage. Among middle income households holding a mortgage in 2016, it averaged just over \$186,000. In 2016, 40% of middle income households carried debt on their credit cards, virtually unchanged since 1999. Vehicle loans are a growing source of debt.

These data suggest that when it comes to household wealth, the average middle income household is in a good and steadily improving economic position. However, it is important to emphasize these are national averages and the data might look different in some parts of the country. The percentage of [mortgages in arrears](#), for example, differs significantly by province. This suggests that policies meant to address concerns over the finances of middle income households might be best directed toward very specific areas of the country, likely certain urban centers where housing costs are very high. Such targeted policies are challenging ones for a federal government to implement on its own.