Financial Stress Index
A year-over-year comparison of Canadians’ financial stress

July 2020
Introduction

Money and mental health are inexorably linked. The topic of money keeps Canadians up at night, is often a cause of disharmony in relationships, and has been shown to reduce productivity at work. This white paper compares data from 2014, 2018 and 2020 and reveals that personal finance consistently remains a number one cause of stress for Canadians.

This latest FP Canada Financial Stress Index is a stark reminder that there is a pressing need to address the measures people can take to reduce their financial worry and feel in control.

The impact financial worry is having on Canadians is of concern. However, this research is encouraging, and clearly demonstrates that those who work with a financial planner have less financial worry. For example, while 40 percent of Canadians without a financial planner rank money as their main stressor, that number drops to 25 percent for those who work with a financial planner such as a CFP® professional or QAFP™ professional.

We encourage you to share this research among your peers and clients, and use it in conversations. The Financial Stress Index identifies the attitudes and behaviours people have in regards to their personal finances, revealing the pain points, as well as the areas consumers feel most confident. This provides an opportunity for industry professionals to show they understand their clients, demonstrate ways they can help, and highlight the positive impact Certified Financial Planner® professionals and Qualified Associate Financial Planner™ professionals are having on Canadians today, and in the future.
We cannot ignore the challenging economic climate we’re currently enduring under COVID-19. When the pandemic grew from a public health issue into an economic crisis, Canadians’ concerns about money were heightened and their ability to manage household finances were tested.

The 2020 Financial Stress Survey asked Canadians about the impact COVID-19 has had on their level of financial stress. For many, new challenges such as job loss, reduced hours, working from home and market volatility have hindered their ability to cope.

Those without a financial planner are twice as likely to say they’ve been significantly impacted than those with a planner (11% vs 5%), and younger Canadians (under 35) are more likely to say the pandemic has impacted their level of financial stress (49%) compared to those 35 and older (42%).

In addition, women note a higher impact on their level of financial stress than men. Historically, recessions see downturns in male-dominated industries (manufacturing, construction and natural resources); however, COVID-19 shutdowns caused female-orientated roles in the service sector to shut first, such as education, childcare, retail and restaurants. As a result, women have been disproportionately affected financially by the pandemic.

From a regional perspective, Québécois are the least likely to say their level of financial stress been impacted (36%), whereas Albertans are by far the most affected (52%). Additionally, 17 percent of Albertans say their level of financial stress been significantly impacted. These findings are unsurprising, given Alberta’s particularly challenging macro-economic climate due to plummeting oil prices and a severe reduction in tourism.

Women are more likely than men to say their level of financial stress has been impacted by COVID-19.

Impact of COVID-19 on Canadians’ Level of Financial Stress

Impact of COVID-19 on Canadians’ Level of Financial Stress by Province
Money remains the number one cause of stress

Consistent with the 2014 and 2018 Financial Stress Survey, money is the number one cause of stress for four-in-10 Canadians in 2020. This is essentially a tie with previous years when considering the statistical margins of error. In 2020, Canadians are considerably more likely to worry about money than they are their relationships, work and health.

Of note, those without a financial planner are significantly more likely to rank money as their main worry (39% vs 25%). The 2020 data also reveals that as Canadians age, they feel less stressed about their finances.

Interestingly, there is little difference in the way those on an annual income of $40K to $79K and those earning more than $80K, consider money, indicating there is not a strict correlation between salary and financial wellness. One-in-three of both cohorts said money causes them the most stress in their life. Half of those earning less than $40K rank money as their biggest stressor.
Health issues, family disputes and mental health: The impacts of financial stress

When asked specifically about the repercussions of financial stress, half said it has impacted their life negatively in at least one way.

As the younger cohort grapples with managing money and personal finances, they are overall more likely to feel an impact on their life from financial stress. Six-in-10 of those younger than 35 have felt an impact, with distraction and reduced productivity at work the biggest tell-tale sign. In comparison, 46 percent of those aged 35 or older cite an impact, with health issues leading the way.

On the positive side of the ledger, those working with a financial planner are significantly more likely to say financial stress does not impact their life versus those without a planner.

"Money is interconnected with many aspects of our lives such as personal health, relationships and work. That can lead to a vicious cycle or a virtuous cycle in terms of the actions people might take. For example, when people address relationship issues or mental health challenges, they often become more confident and more positively engaged with their financial lives. Similarly, working with a financial planner and intervening on the money side of the equation can improve well-being in other areas. But such changes usually require some effort and attention, so it’s essential for people to understand the importance of setting time aside to address their financial lives."

– Dr. Moira Somers, Ph.D., C.Psych, a clinical neuropsychologist specializing in mental and financial well-being
Half of Canadians losing sleep over financial worries

In all three survey waves, Canadians were asked the extent that financial stress impacts their sleep. While money is still keeping many people up at night, the impact on people’s sleep quality is lessening. In 2020, 16 percent answered ‘strongly agree’ to losing sleep over financial worries, compared to 28 percent in 2014.

Furthermore, in 2020, younger Canadians, women and those who do not work with a financial planner are more likely to have lost sleep over their finances compared to their counterparts.

More specifically, the 2020 Financial Stress Survey revealed that half (53%) of single Canadians have lost sleep over financial worries compared to 48 percent of married Canadians and 46 percent of divorcees. Additionally, those with children in their household are much more likely to have lost sleep compared to childless houses.
In 2020, eight-in-10 Canadians said at least one aspect of their finances causes them stress. This rises to nine-in-10 for those younger than 35 and falls to 75 percent for older Canadians. While 18 percent of Canadians said their finances don’t cause them any stress, three-in-10 who work with a financial planner are stress-free.

Financial concerns eventually distill down to kitchen-table issues that confront people on a daily basis. The three-leading causes of stress include: bill payments (35%), saving enough for retirement (34%) and debt (33%). These are quickly followed by job/income stability (28%), rent and mortgage payments (22%) and a lack of control (19%). Almost entirely across the board, younger respondents cite more stress than those over 35.

The Financial Stress Index reveals apprehensions about money that span consumers of all age, income and region. Without the confidence to handle the situation, people often feel at a loss. QAFP professionals have an opportunity to help Canadians manage the everyday sources of financial stress in their lives.

### Stress Causing Aspects

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<tr>
<th>Aspect</th>
<th>Older Canadians</th>
<th>Younger Canadians</th>
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<tbody>
<tr>
<td>Bill Payments/Expenses</td>
<td>30%</td>
<td>48%</td>
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<tr>
<td>Saving enough for retirement</td>
<td>35%</td>
<td>30%</td>
</tr>
<tr>
<td>Debt</td>
<td>31%</td>
<td>41%</td>
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<tr>
<td>Job Income/Stability</td>
<td>22%</td>
<td>46%</td>
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<tr>
<td>Housing Rent/Mortgage</td>
<td>17%</td>
<td>36%</td>
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<tr>
<td>Lack of Control</td>
<td>15%</td>
<td>27%</td>
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<tr>
<td>Investing</td>
<td>18%</td>
<td>12%</td>
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29% with a planner say their finances don’t cause them any stress compared to 17% without a planner.
Believe versus achieve: a tale of debt and savings

The 2020 Financial Stress Survey asked Canadians about the actions they believe would reduce their financial stress and what steps they’ve actually taken to reduce that stress. Overall, people have lived up to their beliefs, demonstrating many are taking proactive steps to organizing and managing their finances.

![Beliefs vs. Actions chart]

**Beliefs vs. Actions**

- **Paying Down Debt**: 38% believe, 34% have taken action.
- **Save More**: 36% believe, 32% have taken action.
- **Having an Emergency Savings Fund**: 32% believe, 21% have taken action.
- **Creating a Budget**: 27% believe, 25% have taken action.
- **Building a Financial Plan**: 20% believe, 14% have taken action.
- **Understanding/Tracking Expenses**: 19% believe, 19% have taken action.
- **Getting Financial Advice**: 35% believe, 13% have taken action.
- **Nothing**: 17% believe, 12% have taken action.

**Those with a financial planner are better prepared for a financial emergency**

**One-in-three have** an emergency savings fund compared to **19% without a planner**

“Broadly, there are two different categories of coping: problem-focused coping and emotion-focused coping. People do best when they engage in a combination of the two strategies. When people learn how to decompress in healthy ways and manage the difficult emotions that come with financial stress, they’re in a physiologically and psychologically calmer space to have better problem-solving abilities. Focusing exclusively on either the problem itself or the settling of emotions can prevent people from making good decisions and then taking appropriate action.”

– Dr. Moira Somers, Ph.D., C.Psych
In hindsight: Financial regrets

Examining what Canadians would change about their finances if they could go back in time is extremely telling and highlights where greater education is needed and where financial professionals can focus their guidance.

The leading regret for Canadians is “wishing they’d saved more and started saving earlier.” This feeling is stronger for women than men (44% to 39%). Those without a financial planner are more likely to have financial regrets than those with a professional (83% vs 75%).

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<th>Financial Regrets</th>
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<tr>
<td>42% Save more money/save earlier</td>
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<tr>
<td>34% Invest more/earlier/wiser</td>
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<tr>
<td>29% Spend less</td>
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<tr>
<td>21% Acquired a better education</td>
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<tr>
<td>20% Obtained a better paying job</td>
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<tr>
<td>10% Bought a house, condo or property</td>
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<tr>
<td>8% Better salary negotiation</td>
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<tr>
<td>7% Got advice from a professional</td>
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<tr>
<td>15% No regrets</td>
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Unsurprisingly perhaps, regrets increase as we age, with those 35+ having double the rate of regrets versus those under 35 (18% to 9%). Those 55+ have double the rate of regret compared to those under 55 (22% to 11%).
The role of financial planners

The Financial Stress Index is a stark reminder of the important link between financial planning and the financial well-being of Canadians.

Money worries negatively impact half the population. While greater concern around personal finances is reported among those under 35, it is evident that financial stress does not discriminate across region, income, gender or life-stage. There is a clear need for financial planners – not just to help alleviate money stress, but to educate Canadians, help them get on track towards their long-term goals, and instill confidence and calmness around money.

Financial health has a huge impact on other areas of life. It can consume personal relationships, productivity at work, physical and mental health, and our overall quality of life. An element of stress is inevitable – it ebbs and flows – but the key is to understand there are effective ways to manage and reduce that stress.

This research suggests that those who work with a Certified Financial Planner professional or Qualified Associate Financial Planner professional experience less financial stress. Use it among clients, colleagues and your networks to continue raising awareness of the importance of working with a professional financial planner.

Methodology

About the 2020 Financial Stress Survey

An online survey of 1,510 Canadians was completed between May 21-23, 2020, using Leger’s online panel. The margin of error for this study was +/-2.5%, 19 times out of 20. Where applicable, results were compared to 2018 and 2014 questions. Note: 2014 results are among all Canadians excluding Québec.