

Manulife Bank Consumer Debt Survey



December 6, 2011

#debt

#mortgage

About this survey

This Manulife Bank of Canada poll surveyed 1,000 Canadian homeowners between ages 30 to 59 with household income of more than \$50,000. It was conducted online by Research House between October 25 and November 7, 2011.

With this survey, we asked a number of debt-related questions for three distinct age categories - 30-39, 40-49 and 50-59 – to help understand attitudes and behaviors with regards to debt among these demographic groups.

About Manulife Bank's debt research

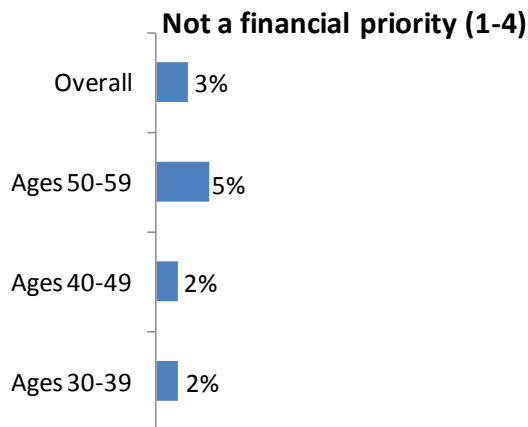
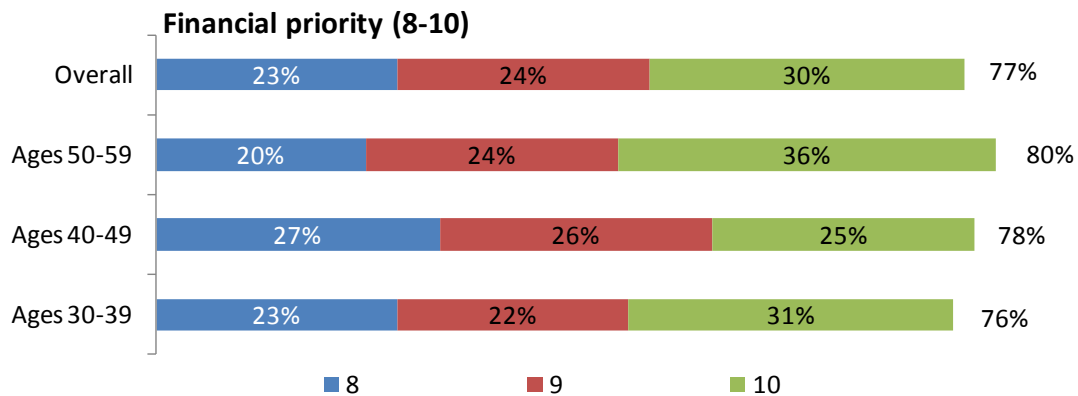
Manulife Bank believes that, by managing debt more effectively, many people could save money, become debt-free sooner and achieve more of their financial goals.

Effective debt management is a key contributor to financial health and, by conducting surveys and research into debt management, we'd like to:

1. Inform and encourage a public discussion of consumer debt, in a way that helps people understand the role that debt plays in their financial health.
2. Educate Canadian consumers on effective debt management by providing information and insights.
3. Encourage Canadians to discuss debt management with their families and financial advisors and look for ways to manage their debt more effectively.

Survey

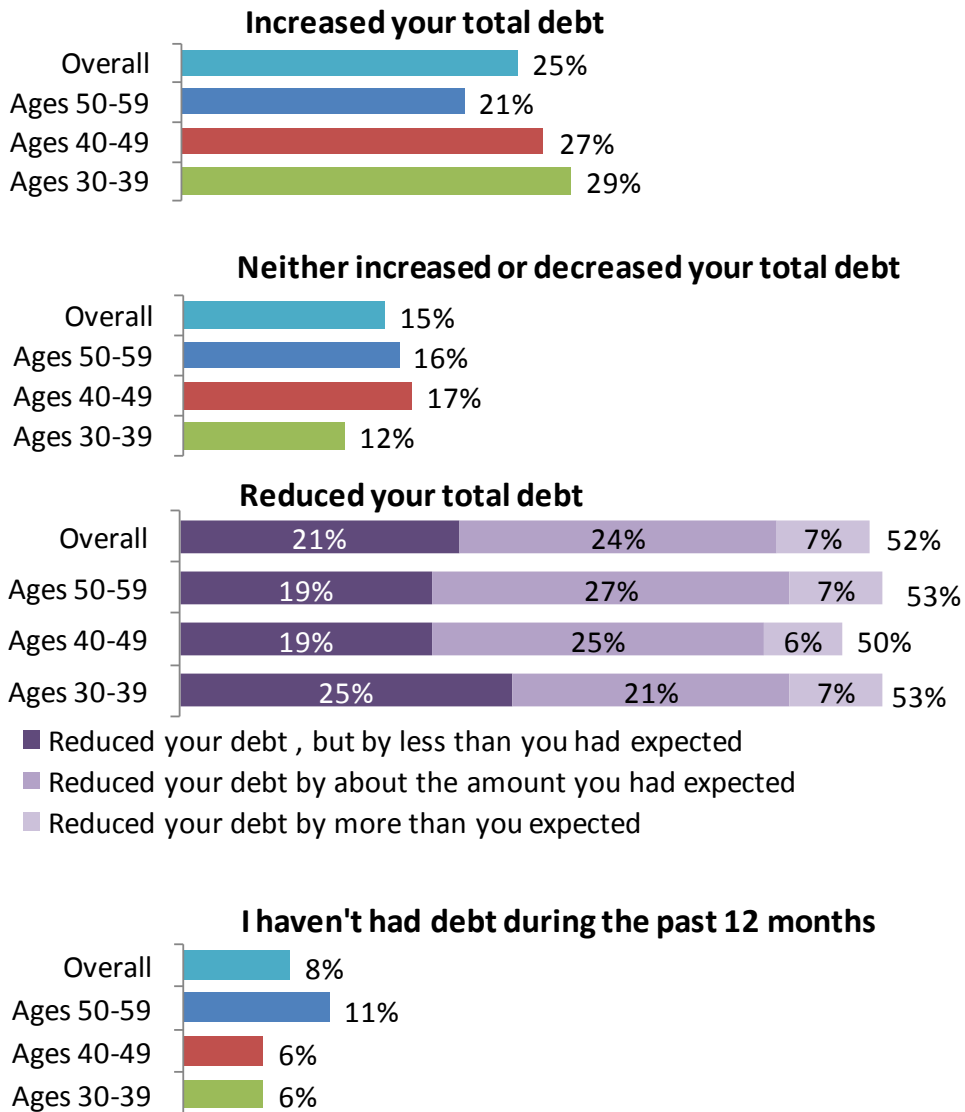
- On a scale of 1-10, where does becoming or being debt-free rank as a financial priority, where 1 means it's not a priority and 10 means it's your top financial priority?



Highlights

- The percentage of respondents indicating that being or becoming debt-free is a top financial priority (77%) represents a two point increase from the previous quarterly survey.

2. When you think about how your debt has changed over the past 12 months, would you say you've:

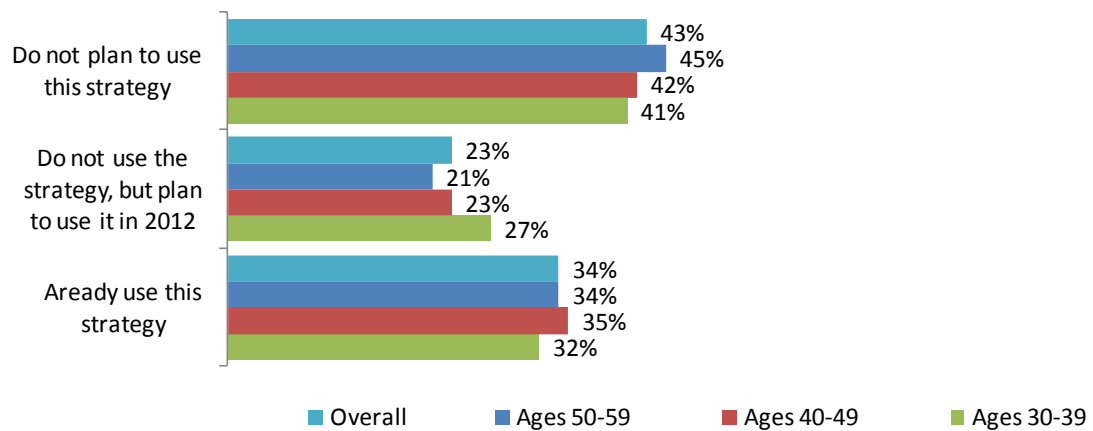


Highlights

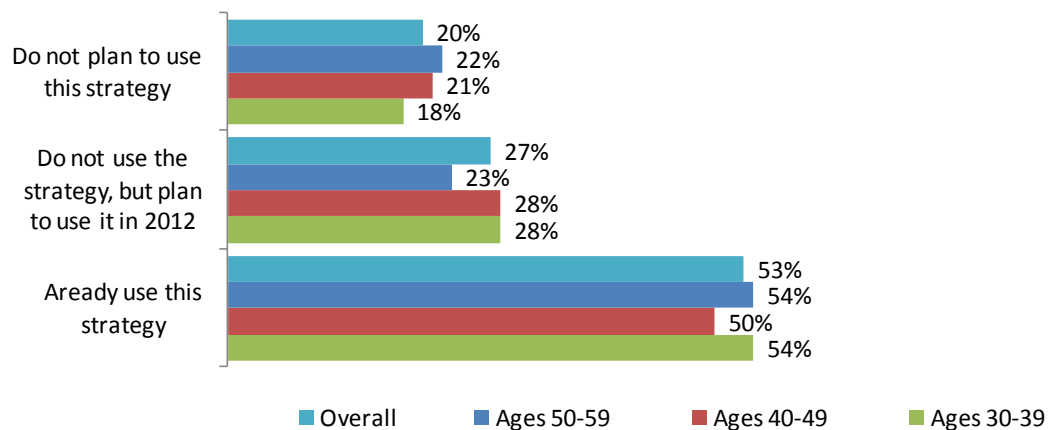
- 52% of respondents saw some debt reduction over the past 12 months, compared to 48% in the previous quarterly survey.
- One in four respondents increased their debt over the past 12 months.
- Just over three in 10 reduced their debt by as much as or more than they expected.

3. We'd like to understand what strategies homeowners use or plan to use to help them become debt-free. For each of the following debt-management strategies, please indicate whether you already use this strategy, do not use the strategy, but plan to use it in 2012 or do not plan to use this strategy:

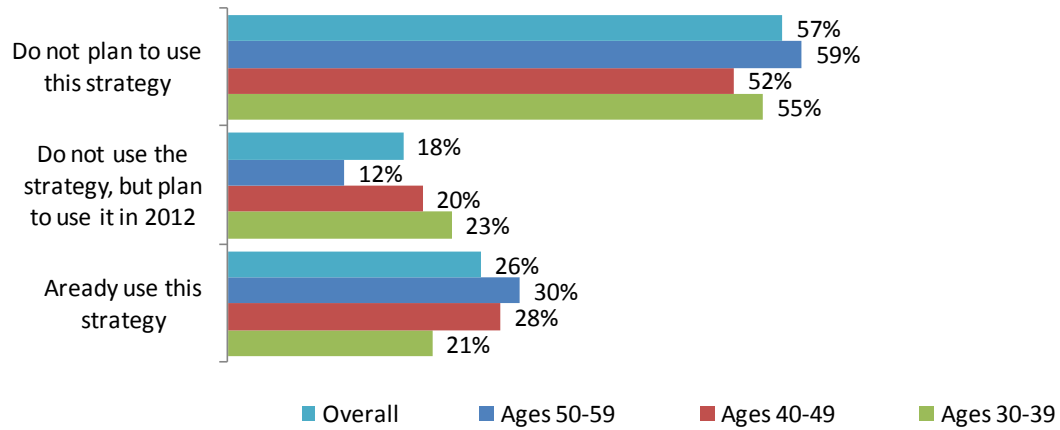
Consolidate my debts at a single low rate



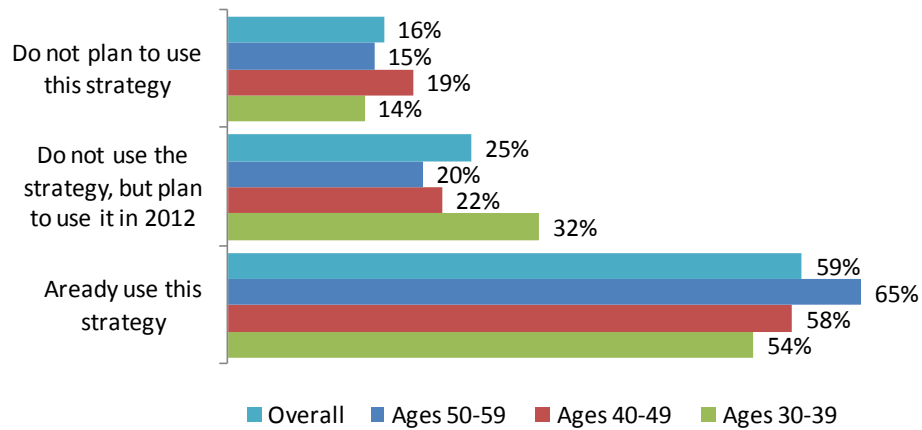
Make extra payments on my debts, beyond what my lender requires



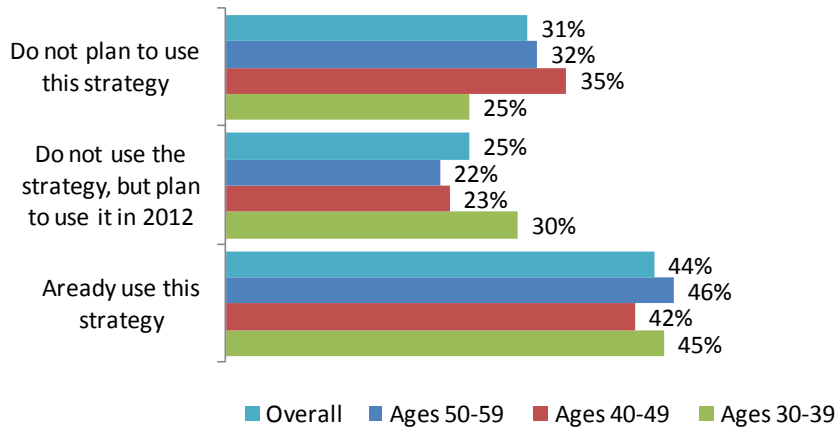
Work with a financial advisor to help manage my debt more effectively



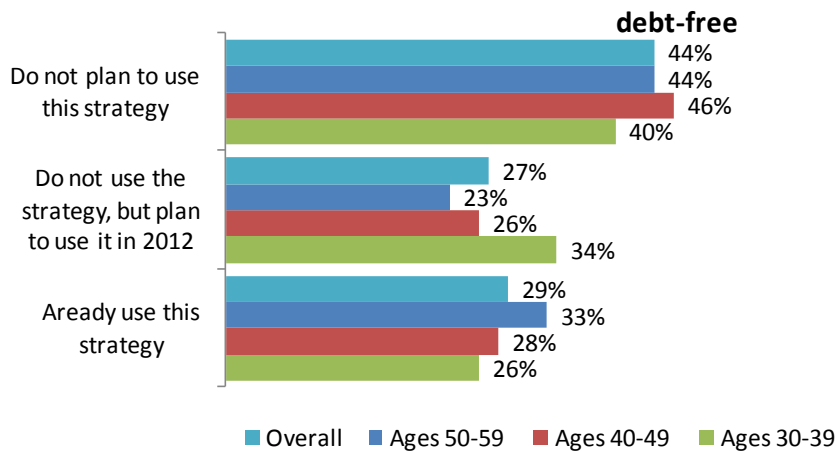
Always repay credit card balances in full before interest is charged



Create a written budget to track and manage my spending



Create a debt repayment plan with a specific date for when I want to be debt-free



Highlights

- More than four in 10 respondents do not plan to consolidate their debt at a low rate, despite this being one of the easiest ways to save interest costs.
- About six in 10 respondents pay their credit card balances in full each month before interest is charged.
- Just over four in 10 have a written budget to help manage their spending and fewer than three in 10 have outlined a plan for becoming debt-free.

4. [If respondent has debt] We'd like to better understand the obstacles that homeowners face in becoming debt-free. Please indicate to what degree each of the following factors makes it more difficult for you to become debt-free.

(Scale of 1-5, where 1 = Is not an obstacle to becoming debt-free and 5 = A significant obstacle to becoming debt-free). The graphs show the percentage of respondents scoring the item as a 4 or 5 out of 5, indicating the factor makes it difficult for them to become debt-free.

The amount of extra money I have available to put toward debt repayment



The amount of debt that I have



The interest rate(s) on my debt



Concern that, if I use my extra money to repay debt, I won't be able to access that money again if a need arises



The importance of debt repayment relative to my other financial priorities



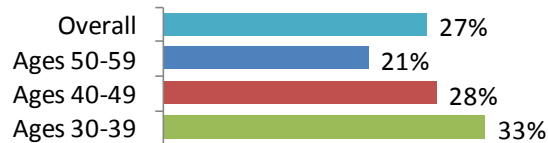
Effort involved in making extra debt payments



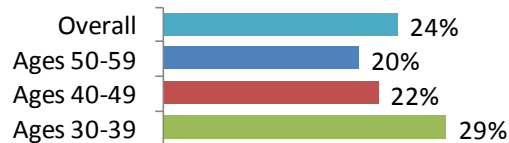
The ability of me or my family to control spending



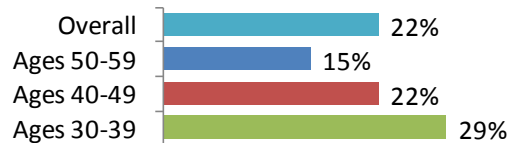
The number of different debts that I have



Prepayment penalties on my mortgage and/or other loans



My knowledge of debt-management strategies and products

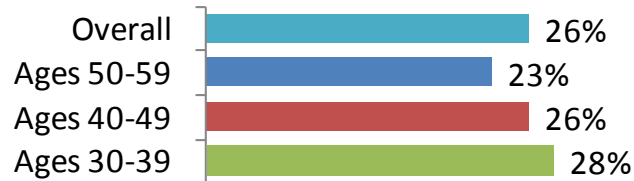


Highlights

- The most commonly cited obstacle to becoming debt-free is the lack of extra money to allocate toward debt repayment.
- Almost four in 10 respondents cite “interest rate” as an obstacle to becoming debt-free, despite the fact that we’re in a very low interest-rate environment.
- More than a third of respondents may be avoiding making extra payments on their debt out of a concern that they won’t be able to access that money again if a need arises.

5. Did you make any extra payments toward your mortgage in the past year, beyond what was required by your lender?

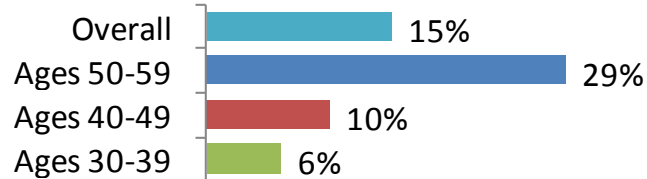
Yes



No



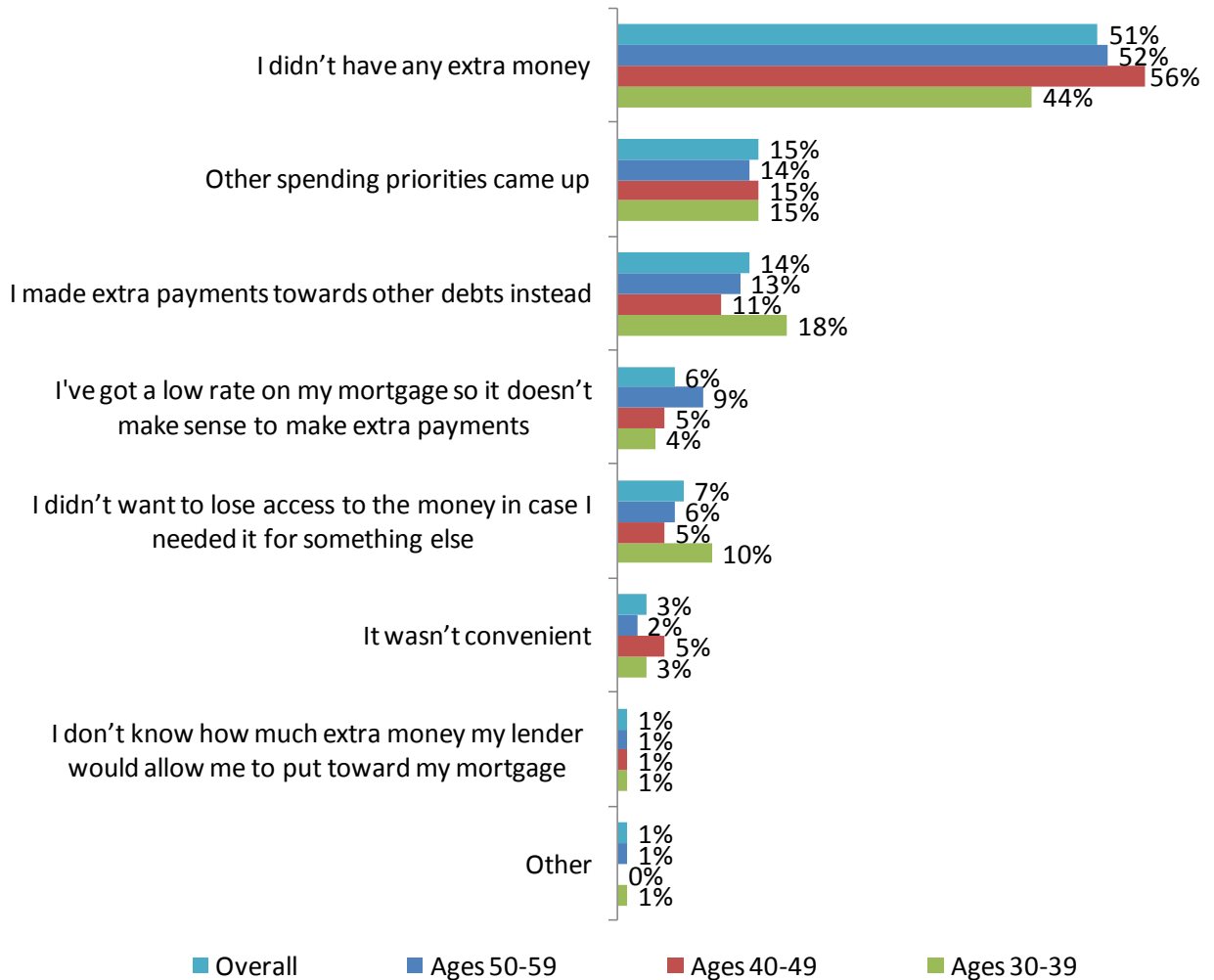
Don't have a mortgage



Highlights

- About one in four respondents (or 30% of those with a mortgage) made at least one extra payment on their mortgage within the past year.

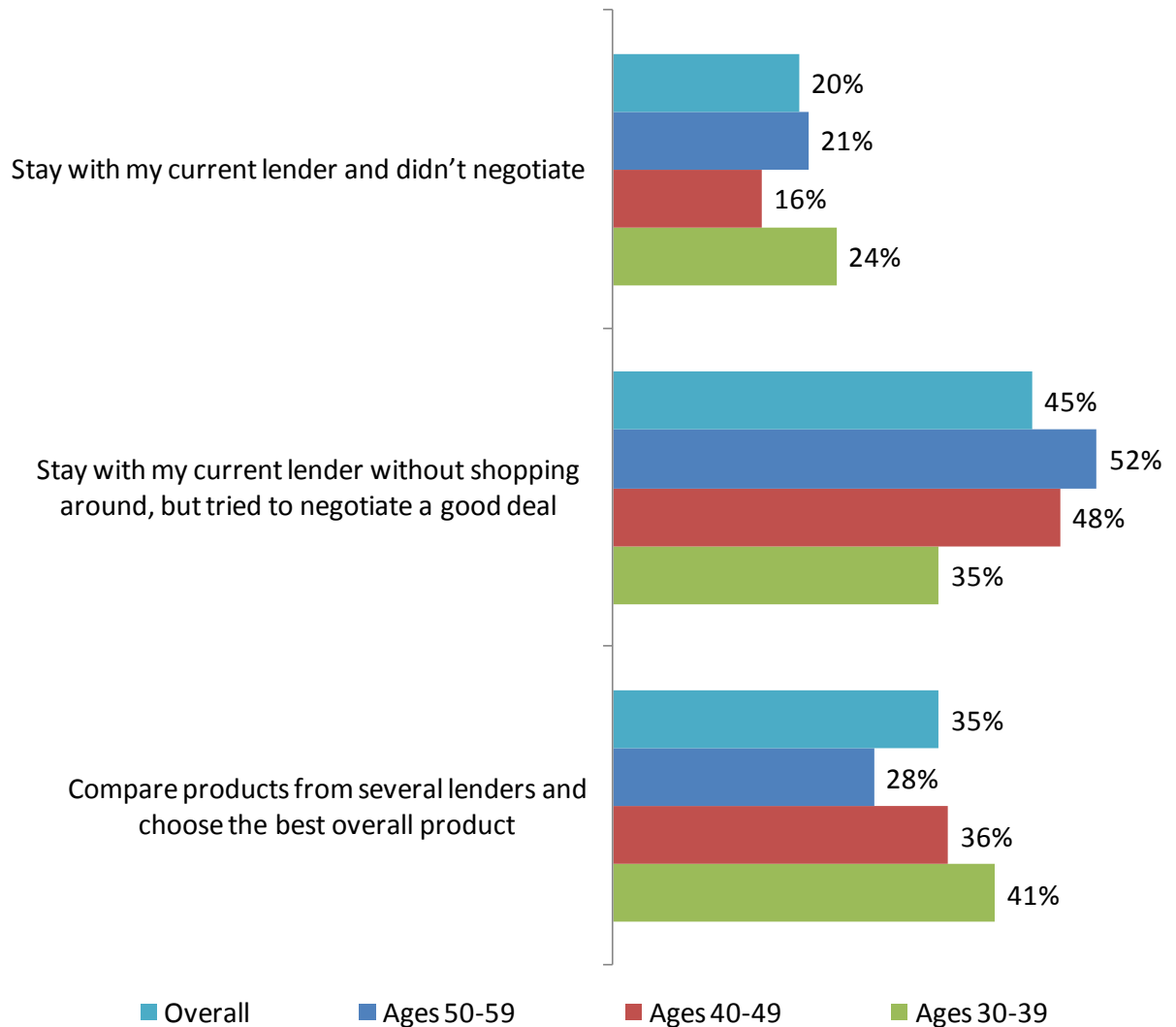
6. If you answered “no” to the question 5, why not?



Highlights

- By far the most common reason cited for not making an extra mortgage payment was a lack of extra money.

7. Last time your mortgage came up for renewal, did you:



Highlights

- Almost two in three respondents failed to compare products from various lenders the last time their mortgage came up for renewal.
- The youngest group was most likely to shop around (41%) but also most likely to accept their current lender's offer without negotiating (24%).



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