

**RATEHUB.CA**

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**DIGITAL MONEY  
TRENDS REPORT**

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# INTRODUCTION

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Canadian consumers are turning more and more to online sources to find personal finance information. From mortgages to credit cards to banking and investing, consumers are looking to educate themselves and compare the best deals, and use sites like RateHub.ca as a resource. With more than 300,000 monthly Canadian users, RateHub.ca is one of the country's leading destinations for personal finance information seekers. The 2015 RateHub.ca Digital Money Trends Report combines real user data with survey results to provide a current picture of how Canadians are managing their finances, how their perceptions compare to actual behaviour, and how they use financial technology.

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## THE ROLE OF FINTECH

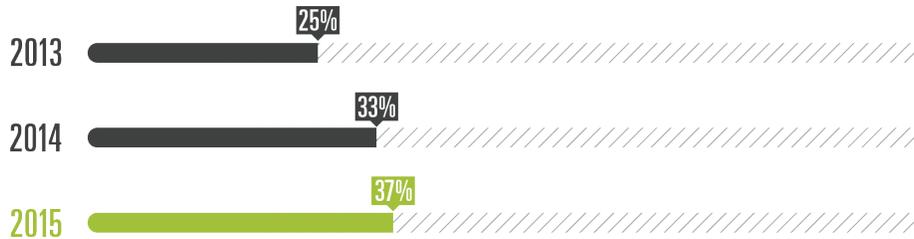
Financial Technology, or FinTech, is rapidly growing across Canada. Following the advent of online banking, comparison sites like RateHub.ca were founded to help Canadians find the best deals on financial products. Now, mobile technology is changing the way we make purchases, and the banking sector is learning to adapt. The newest development in FinTech is services that are sidestepping

the banks entirely. Services like marketplace lenders (e.g., GroupLend and Borrowell) and robo-advisors (e.g., Wealthsimple and Wealthbar) are giving Canadians access to more choice than ever. In this report, we seek to understand the role of FinTech across different sectors, and plan to monitor this trend over time in future reports.

# HIGHLIGHTS



RateHub.ca users are increasingly using mobile devices to compare financial products.



Consumers have saved thousands by comparing mortgage rates.

**4.99%** - **2.76%** = **2.23%**  
POSTED RATE    RATEHUB RATE    DIFFERENCE

AVERAGE 5-YEAR FIXED RATES SINCE 2012

**5-YEAR  
INTEREST  
SAVINGS**

**\$53,089**

\$500,000 MORTGAGE  
AMORTIZED OVER 25 YEARS



Canadians rely on their credit cards for day-to-day purchases.



Have 5 or more credit cards



Charge 75% or more of monthly purchases



Have credit card debt



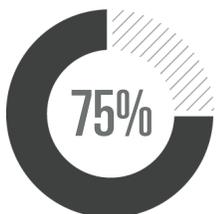
Don't know their annual interest rate and fees



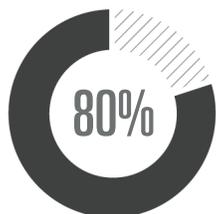
Retirement is the number one savings goal but Canadians aren't saving enough.



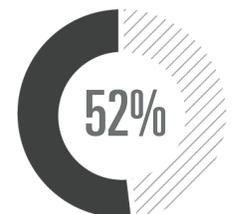
Save some money every month



Are saving for retirement



Understand RRSPs



Are not confident in retirement savings

# SOURCES

The data in this report is based on three main sources:

## **RATEHUB.CA MORTGAGE USER DATA**

Comprising real RateHub user activity, this information represents actual consumer behaviour based on real product offerings. This report incorporates over 38,000 mortgage rate requests for more than 1,700 different mortgage offers ranging from February 2012 to October 2015.

## **RATEHUB.CA MORTGAGE USER SURVEY**

RateHub.ca surveys users following a mortgage rate request to learn more about their profile and interests. This report includes data from over 1,500 completed surveys collected between May 2013 and November 2015.

## **RATEHUB.CA BANKING SURVEY**

RateHub.ca conducted an online survey of over 1,000 Canadians from January 2015 to July 2015 to ask them about their credit card and banking habits.

This report also includes information from Google, including RateHub.ca traffic data. It also includes Google search volume data, which is the primary source in all “search” sections unless otherwise noted.

The report also includes industry information from the Bank of Canada, Canada Mortgage and Housing Corporation (CMHC) and Mortgage Professionals Canada (formerly CAAMP) as a frame of reference for our findings.

# MORTGAGES

According to the CMHC's 2015 Mortgage Consumer Survey, 78% of Canadians now go online to find mortgage information, and our data shows mobile use is also becoming more prevalent. There's a trend occurring in favour of variable rate mortgages, even though fixed rates reached new lows in 2015.

## SEARCH

Canadians are beginning their mortgage search online, and given the popularity of searches for mortgage calculators, mortgage research begins early in the home buying process. The largest volume of online

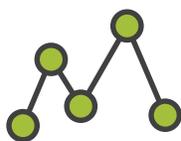
comparison shopping happens in provinces with the most active housing markets, and in reaction to major news, such as Bank of Canada interest rate announcements.

 CANADIANS SEARCH FOR MORTGAGE-RELATED KEYWORDS MORE THAN **700,000** TIMES A MONTH

### SEARCHES



**487,000**  
CALCULATORS



**142,600**  
RATES



**23,000**  
AFFORDABILITY



**227,500**  
BANKS

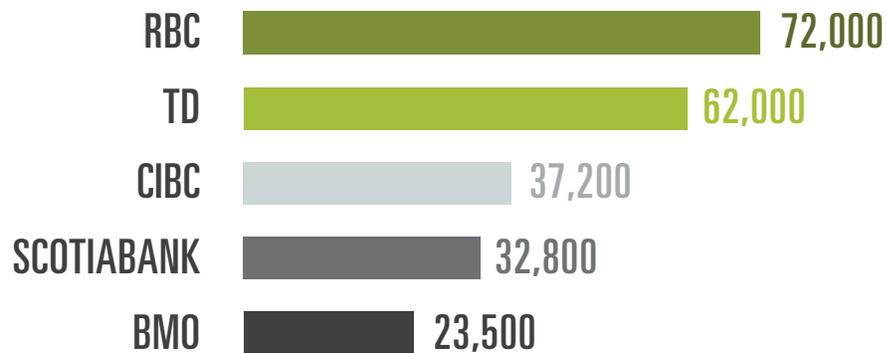


**28,600**  
BROKERS

Canadians are aware of how policy affects their personal finances. Searches for mortgage rates surged in tandem with the Bank of Canada's interest rate announcements in January and July, when the target for the overnight rate was lowered.

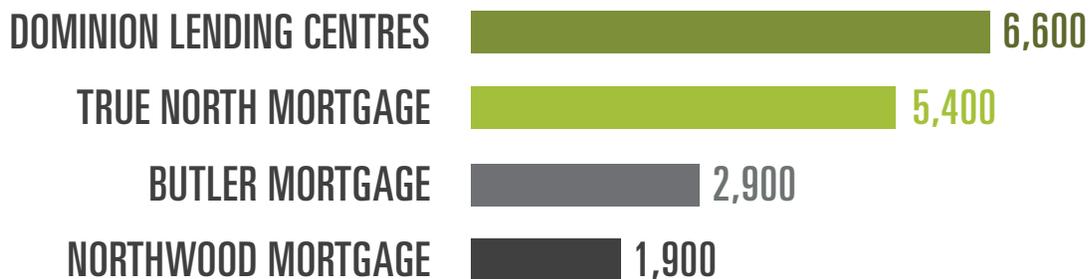
When looking for mortgage lenders, brand recognition plays an important role. On the bank side, there is significant search volume for branded terms.

### MORTGAGE-RELATED SEARCHES (AVERAGE NUMBER OF MONTHLY SEARCHES)



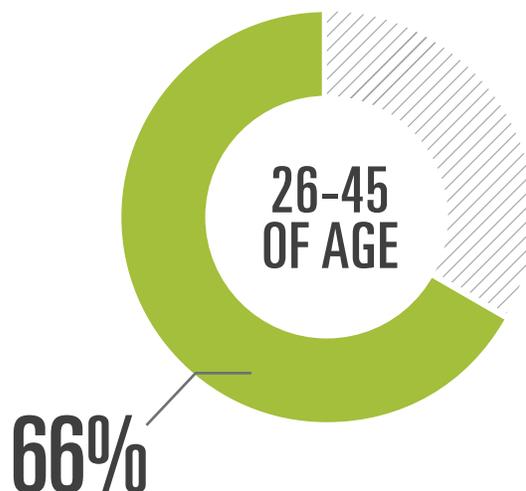
Among mortgage brokers, brands that use traditional advertising channels are searched frequently.

### BROKER SEARCHES (AVERAGE NUMBER OF MONTHLY SEARCHES)



## RATEHUB.CA USER PROFILE

RateHub.ca users are typically young, married, and high earners. This supports research that suggests a majority of homebuyers today come from dual income households.



65% MALE / 35% FEMALE



45% HAVE A HOUSEHOLD INCOME OF

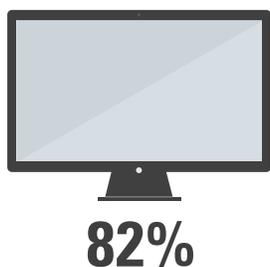
**\$100,000** OR MORE

71% ARE MARRIED

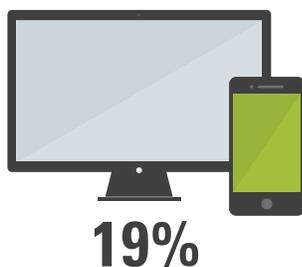


OR HAVE A COMMON-LAW PARTNER

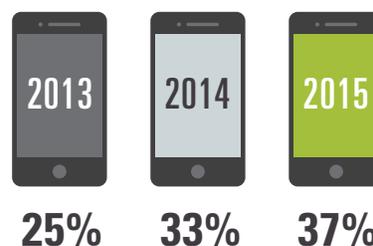
RateHub.ca users use a variety of technologies.



Use a computer (including desktops and laptops) when comparing mortgage rates online.



Use more than one device.



Mobile use is increasing. In 2013, 25% used a phone or tablet when accessing RateHub.ca. That number increased to 33% in 2014, and 37% in 2015.

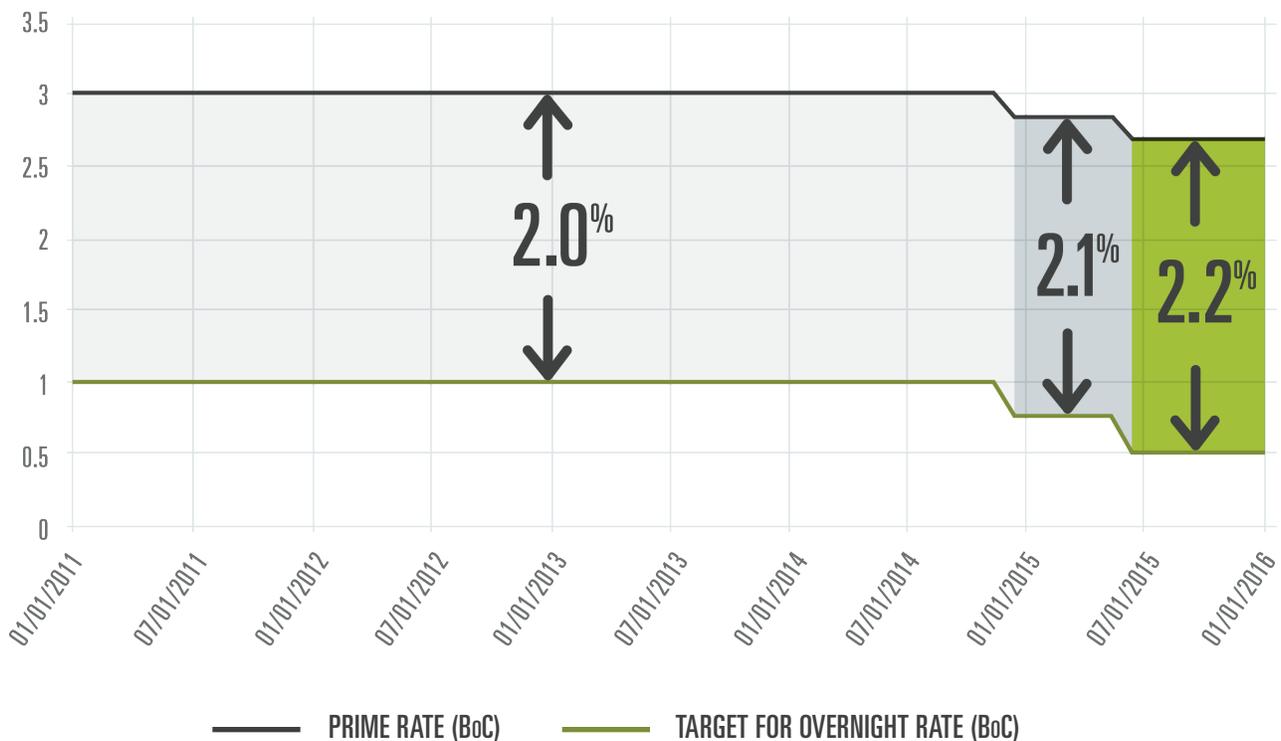
# MORTGAGE OBSERVATIONS

Changing interest rates, different product offerings, and evolving technology have all influenced consumer behaviour over time. In the last three years, there has been a trend of increasing popularity of variable rate mortgages among RateHub.ca users. And the users who chose fixed rates saved thousands in interest over posted bank rates.

It was a noteworthy year for mortgages in 2015. The prime rate hit its lowest point since 2010 in July, and discounted fixed rates reached a new low in September. The banks didn't act predictably this year, and the relationship between the overnight rate and prime rate has once again been squeezed in the banks' favour.

The prime rate has dropped twice in 2015 from 3.00% to 2.70%. This represents a 30 basis point decrease, despite the target for the overnight rate having decreased 50 basis points. Since 2000, the spread between the overnight rate and prime rate has grown from 175 basis points to 220 basis points.

## PRIME BPS ABOVE OVERNIGHT



Discounts to the prime rate have slowly increased since 2012, suggesting increased rate competition. Discounts peaked at 91 basis points in August 2015.

Discounted fixed rates are readily available. Since 2012, the best five-year fixed mortgage rates advertised on RateHub.ca have been an average of 223 basis points below posted bank rates.

The discounts available on fixed mortgage rates are substantial. Based on a mortgage of \$500,000 amortized over 25 years, the difference between posted and discount rates is equal to \$53,089 in interest over a five-year term.

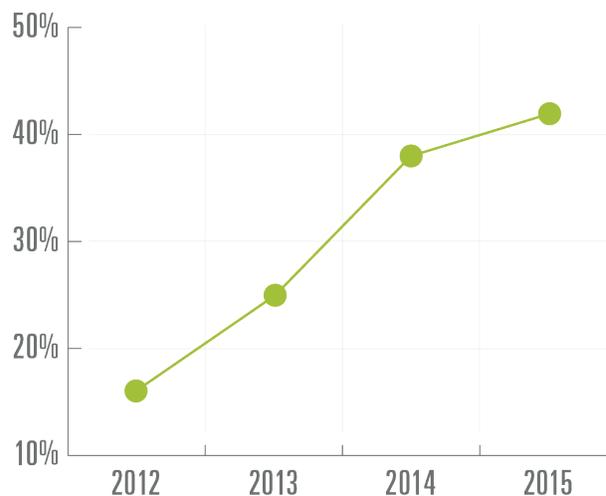


**The popularity of variable rate mortgages among RateHub.ca users has increased in recent years, and has now almost achieved parity with the popularity of fixed rate mortgages.**

The popularity of variable rate mortgages is loosely correlated with their variance from fixed rates. While fixed and variable rates have fallen at roughly the same pace, a temporary lift in fixed rates in late 2013 initiated a trend toward variable rate mortgages.

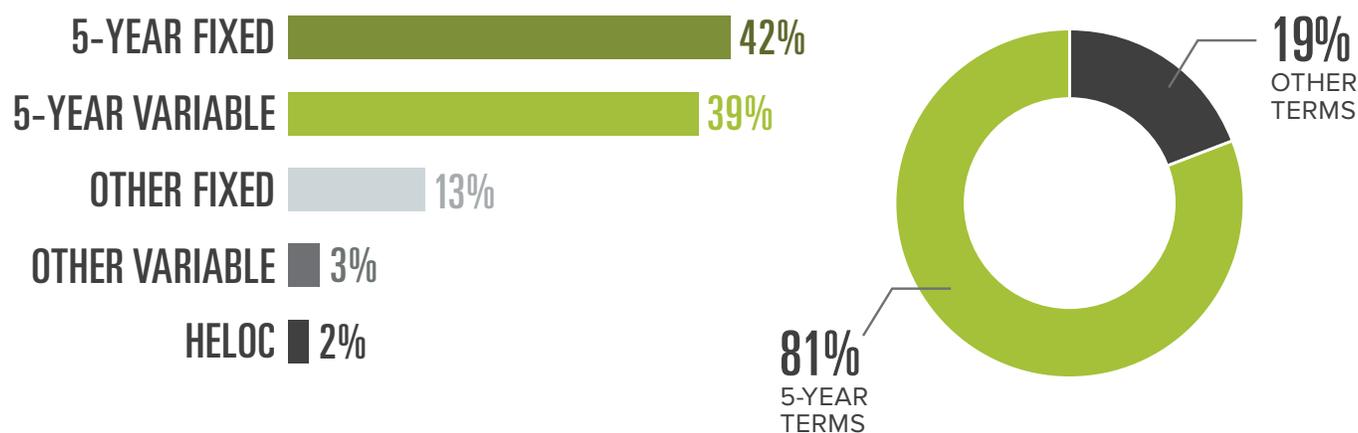
Over time, an increasing proportion of user requests has been for variable rate mortgages. In 2015, 42% of all user requests were for variable rates.

REQUESTS FOR VARIABLE RATES



Five-year mortgage terms represent the vast majority of user requests on RateHub.ca. Other terms range in popularity, with more deviation from the five-year standard found on the fixed-rate side.

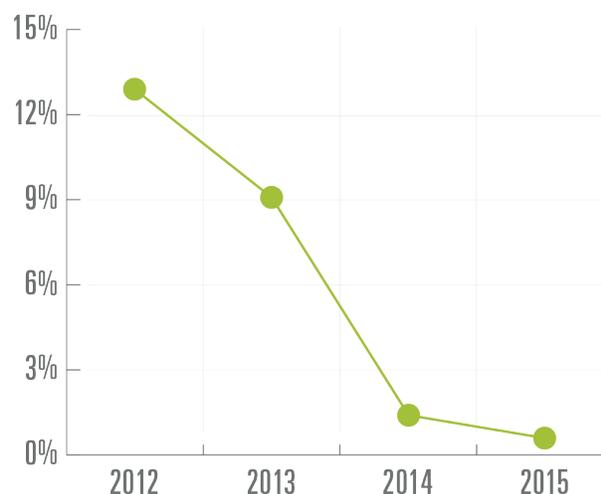
The majority of user requests are for five-year terms. In 2015, 42% of all user requests were for five-year fixed mortgages, and 39% were for five-year variable mortgages.



Three-year variable terms have increased in popularity, and peaked in February 2015. Other variable-rate terms are almost never requested. The next-most popular terms for fixed rates are two, three, and four years, which accounted for 11.5% (combined) of all user requests in 2015.

10-year fixed terms have declined in popularity over time, from 13% of requests in 2012 to less than 1% in 2015.

POPULARITY OF 10-YEAR FIXED TERMS



## CONCLUSION

The mortgage landscape is expected to continue to change over the next 12 months. The improving economic situation in the United States and subsequent interest rate increases by the Federal Reserve are expected to push fixed mortgage rates higher. Simultaneously, the Bank of Canada is not expected to raise rates at home in the near term. We will be monitoring the discounts to prime rate being offered, and the popularity of variable rate mortgages as they become a more economical option.

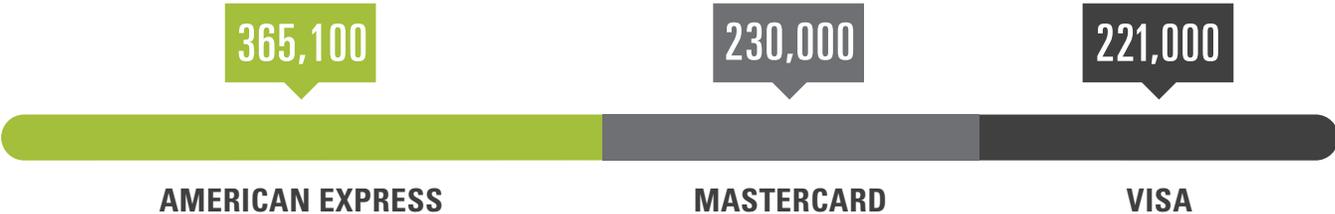
We anticipate a gradual change in user demographics as our existing customer base ages and a new generation of young people begin their home search. We expect mobile devices to overtake computers as the primary tool for researching mortgages in the near future.

# CREDIT CARDS

One of the most competitive products in personal finance, credit cards, come with a myriad of different features. Consumers juggle interest rates, annual fees, travel rewards, cash back, providers, banks, spending categories, and more, making it challenging to compare credit cards. Consumers are looking at online resources for credit card information, but our research shows many are still looking at their primary financial institution first.

## SEARCH

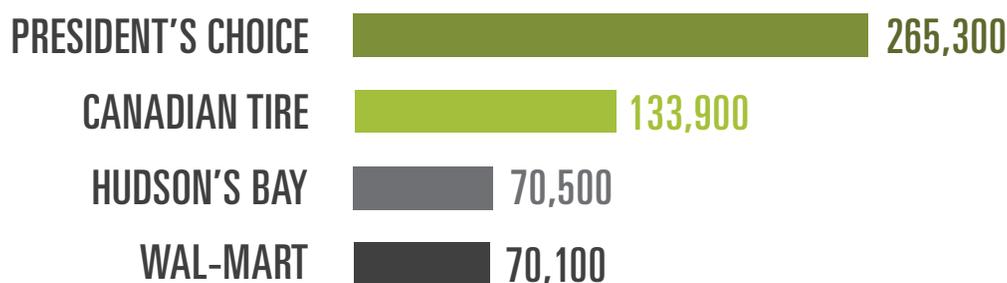
With so many options available, there has never been a greater benefit to shopping around to get the best credit card. And while credit card offers are readily available in banks, in stores, and in the mail, Canadians are doing their homework online.



Canadians search heavily for bank credit cards. There are 158,200 monthly searches for credit card terms containing BMO, 102,500 with TD, 100,700 with RBC, 71,300 with CIBC, and 50,700 with Scotiabank.

Store brands and well-advertised reward cards receive significant search volume.

### STORE CREDIT CARD-RELATED SEARCHES (AVERAGE NUMBER OF MONTHLY SEARCHES)

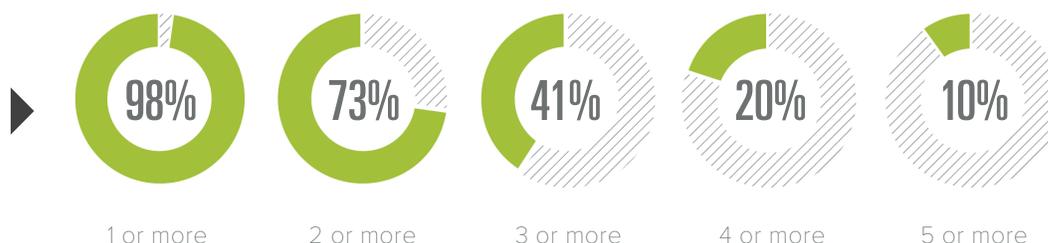


## CREDIT CARD OBSERVATIONS

Credit cards can be used to build credit and earn valuable travel rewards, but costs can quickly add up when they're used to carry a balance. Survey respondents were generally positive when it came to their credit cards, citing a good understanding of rates, fees, and reward programs. Still, a large number carry a balance. And an overwhelming majority hold a card with their primary financial institution, even though there might be better offers to be found elsewhere.

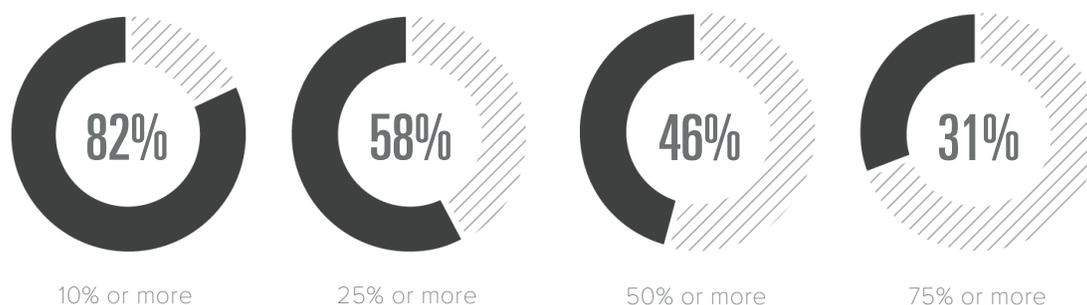
**Not surprisingly, many survey respondents have multiple credit cards and use them frequently.**

Respondents have an average of 2.4 credit cards; 98% have at least one credit card; 10% have five or more.



Canadians use their credit cards more often than debit. Men, young people, and high earners are most likely to favour their credit card over debit.

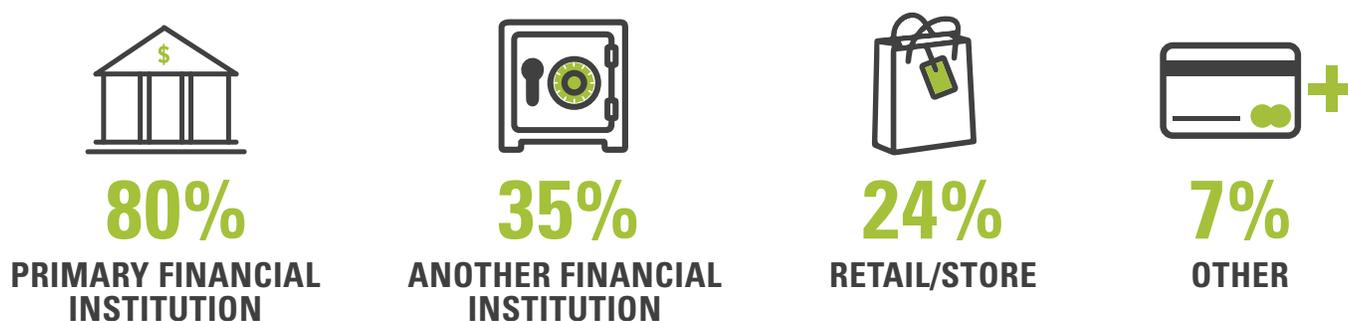
Almost three in five (58%) say they charge 25% or more of monthly purchases to their credit card. Almost one-third (31%) charge 75% or more of monthly purchases.



**Respondents acquire their credit cards from a number of different places. Despite the popularity of online comparison shopping, however, the bank branch is still the most common place Canadians apply for credit cards.**

Four in five have a credit card with their primary financial institution, but Canadians go elsewhere to get cards as well. A large number have credit cards from other financial institutions than their primary bank, almost one quarter carry a store credit card.

### POPULARITY OF CREDIT CARD PROVIDERS



Canadians are most likely to apply for a credit card in a bank branch, followed closely by online. Predictably, older respondents were more likely to visit a branch, and younger ones were more likely to apply online.

Despite the fact a quarter of survey respondents have a store credit card, store credit ranks lowest on their list of important card credit card features. Consumers favour other money-saving features, like low interest rates and low annual fees.

When asked to rank the most important features when selecting a card, respondents ranked “low annual fees” as most important. 62% ranked low annual fees as their first or second most important feature, followed by a low interest rate (48%), and travel rewards (43%).



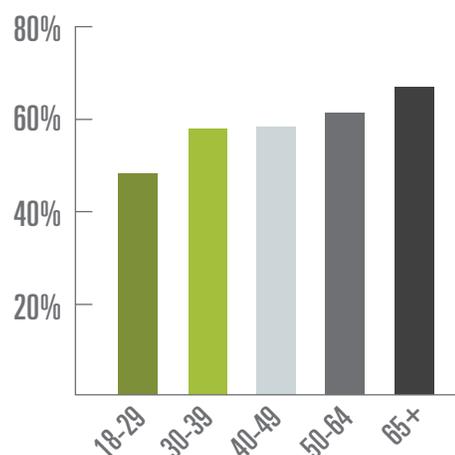
Cash back is more important to younger respondents than other kinds of rewards.

Store credit is of least interest; 69% of respondents ranked it last or second to last in importance.

Survey respondents are confident in their knowledge of their credit cards. Even though four in five hold a credit card from their primary financial institution, and one in five don't know their annual fees and interest rate, a large number are confident they have the best card to maximize rewards. Respondents are also very confident in their understanding of their respective reward programs.

57% believe they have the best credit card to maximize rewards.

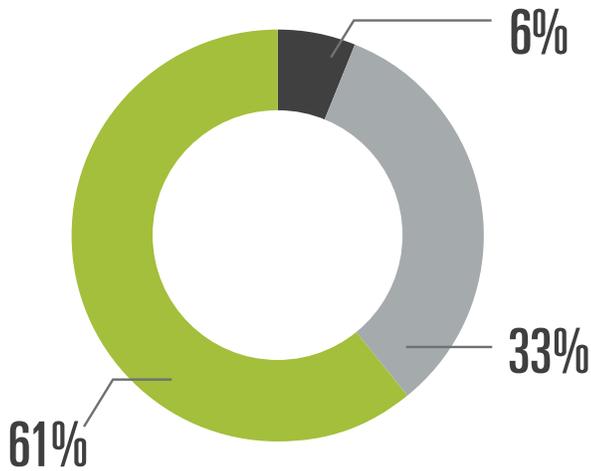
Consumer confidence increases with age. Two-thirds of respondents aged 65+ believe they have the best credit card to maximize rewards, compared with only 48% of those aged 18 to 29.



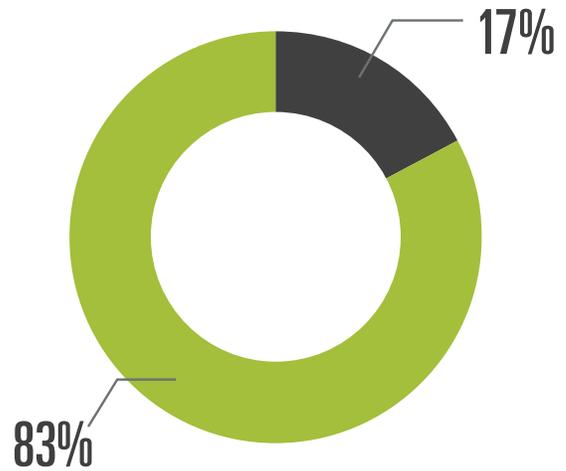
94% say they have a “good” or “fair” understanding of the rewards programs offered by their credit cards.

17% say they don’t know the annual interest rate and fees they’re being charged.

UNDERSTANDING OF REWARDS PROGRAM



UNDERSTANDING OF RATES & FEES



GOOD FAIR DON'T UNDERSTAND

YES NO

Although credit card debt is prevalent among survey respondents, most are optimistic about their debt situation. 63% believe they will pay off their credit card debt in less than a year.

One-third of respondents say they have credit card debt. Credit card debt is highest among those in middle age, women and those with low household incomes. 31% say their credit card debt represents more than 10% of their credit limit. 9% are using 75% of their limit or more.

% OF RESPONDENTS WHO ARE USING MORE THAN



Only 37% say it will take them a year or longer to pay off their credit card debt. Just 21% say it will take two years or longer.

### % OF RESPONDENTS WITH DEBT AND THE TIME NEEDED TO PAY IT OFF



## CONCLUSION

As millennials build credit and use credit cards more often, we expect to see more consumers applying for credit cards online, and fewer consumers holding cards from only their primary financial institution. With changes in the economy, we'll be watching to see whether Canadians remain rosy in their outlook about credit card debt, or if cardholders start carrying more debt and taking longer to pay it off. One of the roles of FinTech companies will be to reach consumers and help them understand how to use credit cards more effectively, and how to save money by looking beyond their regular financial institution.

# SAVING & INVESTING

As house prices continue climbing across Canada and especially in the greater Vancouver and Toronto areas, banks are increasingly looking to consumer deposits to fund their lending activities. After a decade of declining interest rates on deposits, competition is finally beginning to increase for high-interest savings accounts and guaranteed investment certificates. With the rise of digital banks and robo-advisers, Canadians have a new opportunity to earn more interest on their savings, and manage their investment portfolios in cost-efficient ways that weren't available even just two years ago.

## SEARCH

Canadians are evidently more interested in spending than saving, as search volumes for savings-related keywords are low compared to those for mortgages and credit cards. Searchers are, however, looking online for information on tax shelters, showing specific interest in TFSAs, RRSPs, and RESPs.

Tax shelters are very popular.

### SEARCHES



**120,000**

**TAX-FREE SAVINGS  
ACCOUNTS**



**100,000**

**REGISTERED RETIREMENT  
SAVINGS PLANS**



**49,700**

**REGISTERED EDUCATION  
SAVINGS PLANS**

CANADIANS SEARCH FOR GUARANTEED INVESTMENT CERTIFICATES (GICS) MORE THAN **45,100** TIMES A MONTH



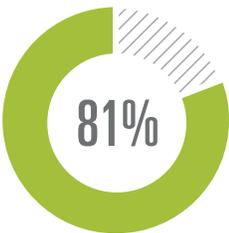
CANADIANS SEARCH FOR HIGH INTEREST SAVINGS ACCOUNTS MORE THAN **25,420** TIMES A MONTH

## SAVING & INVESTING OBSERVATIONS

Canadians' saving and investing habits appear fairly disciplined, as an overwhelming majority say they save money regularly and shop around for better offers on banking products. New options for investing have yet to become popular as respondents still prefer to manage their own investments. Retirement is the highest priority for savers, as evidenced by the popularity of the RRSP.

Just as many respondents report having a number of credit cards for different purposes, they also report having a number of bank accounts. Consumers are somewhat skeptical of their banks, and many say they shop around to get better rates and promotions.

### % OF RESPONDENTS WHO HAVE



2 or more bank accounts



3 or more bank accounts



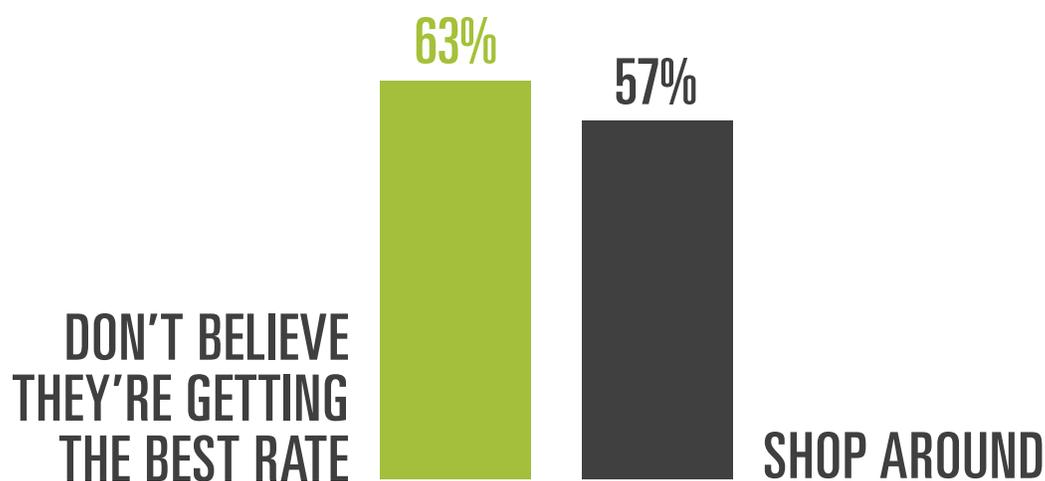
4 or more bank accounts



5 or more bank accounts

More than one quarter (27%) have opened a bank account to take advantage of a special offer or free gift.

63% say they don't believe they're being offered the best rates for their investments from their primary financial institution. 57% say they shop around for better rates and promotions.



Survey respondents are diligent about saving money. Even though a third say they carry a balance on their credit card, almost all survey respondents say they save or invest money every month. This suggests Canadians are carrying credit card debt unnecessarily, and are losing money to high interest rates even though they believe they're saving money.

92% say they save at least some money every month.

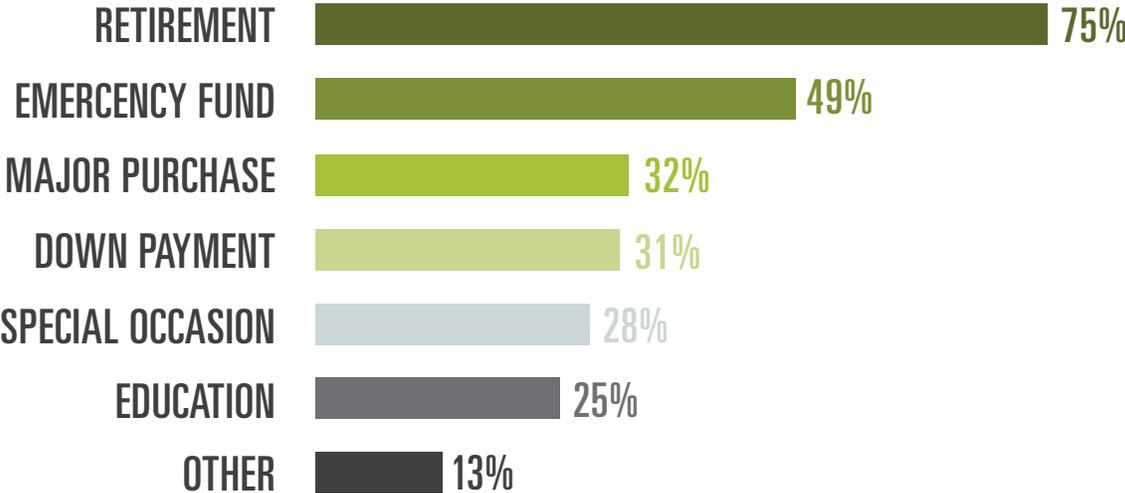
59% say they save more than 10% of their pre-tax income. 18% save 25% of their pre-tax income or more.

Respondents are saving for an average of 2.5 different goals.



The most common savings goal is retirement, followed by an emergency fund, a major purchase, and a down payment.

% OF RESPONDENTS SAVING BY GOAL

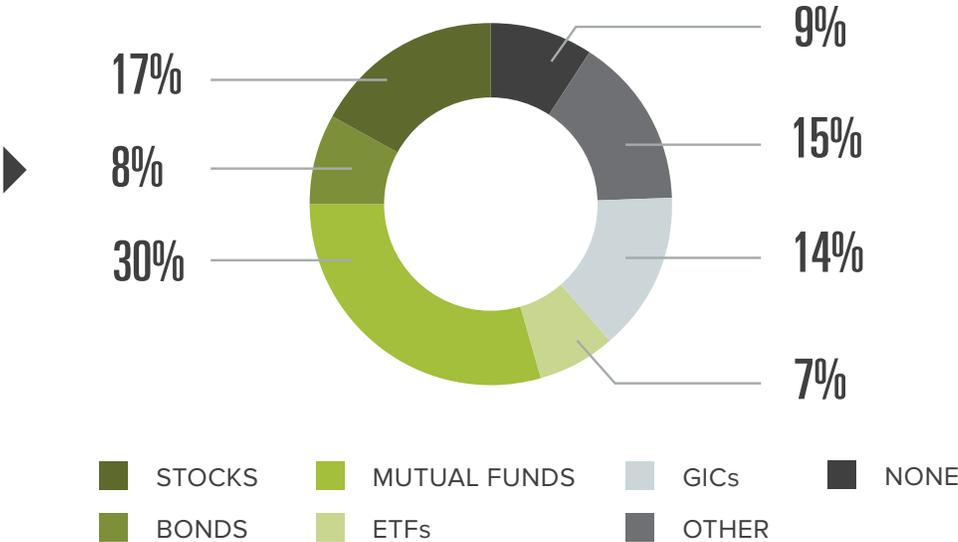


Respondents invest in a number of different vehicles, including mutual funds, stocks, and GICs. Despite a high number who claim to shop around, many who invest in negotiable products like GICs say they don't try to get better rates. Portfolio self-management is popular, and we have yet to see a breakthrough in the popularity of online investment providers.

54% say they invest in mutual funds, 32% invest in stocks, and 25% invest in GICs.

Less popular investments include bonds (15%), and ETFs (13%). 17% don't have any investments.

RELATIVE POPULARITY OF INVESTMENTS



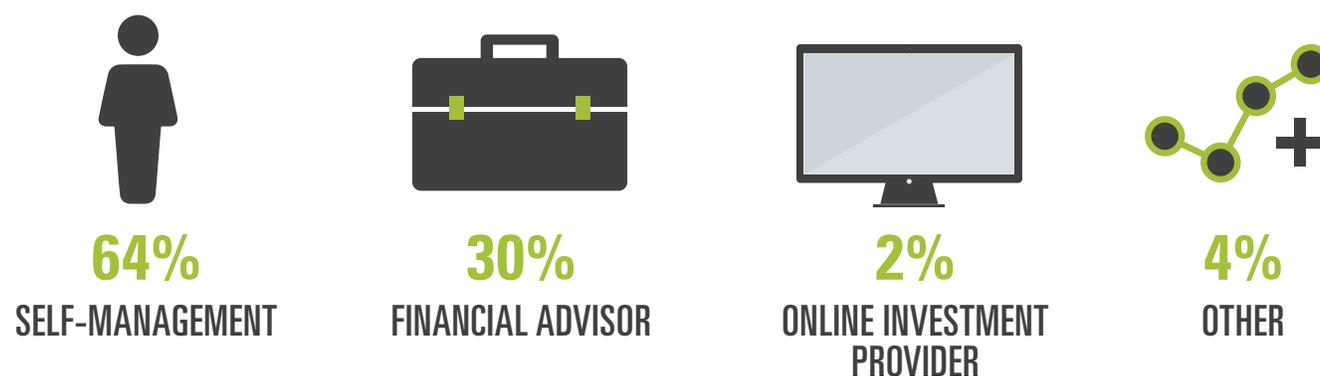
Women tend to favour investments like bonds, mutual funds and GICs, while men are more likely to invest in stocks and ETFs.

More than one quarter (26%) of respondents with a household income under \$49,000 don't have any investments.

One-third of those who invest in GICs say they try to negotiate better GIC rates.

43% of respondents say they don't understand all the fees and interest rates they pay on their investments.

### % OF WHO MANAGE THEIR PORTFOLIO THROUGH



**Tax shelters are very popular. Tax-Free Savings Accounts (TFSA) and Registered Retirement Savings Plans (RRSPs) are the best known. Despite retirement being an important savings goal, few report having an understanding of the tax shelters intended for use after retirement.**

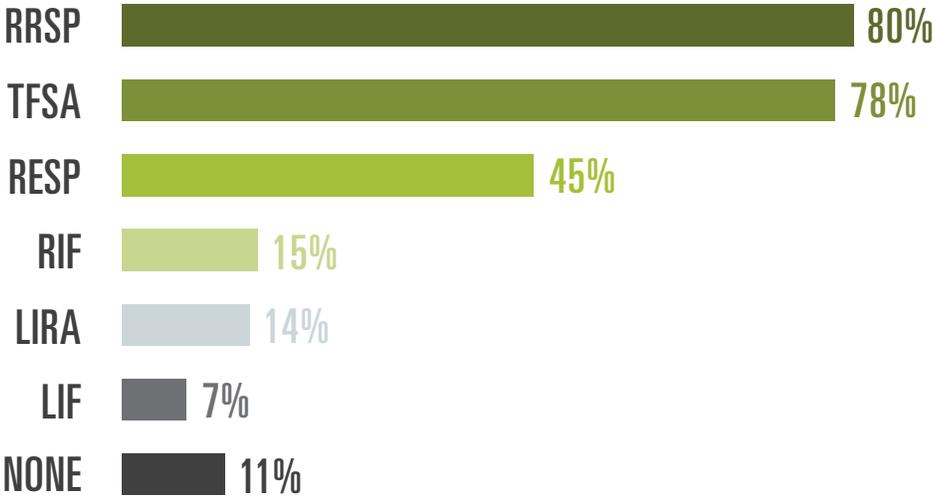
Respondents are confident in their knowledge of TFSA and RRSPs. 78% and 80%, respectively, say they understand the features and benefits of those tax shelters.

A smaller proportion (45%) say they understand the features and benefits of RESP.

Respondents don't have a good understanding of later-life tax shelters. Just 15% understand Registered Retirement Income Funds (RRIFs), 14% understand Locked-in Retirement Accounts (LIRAs), and only 7% understand Life Income Funds (LIFs).

More than one in 10 (11%) say they don't understand the features and benefits of any tax shelters.

**% OF RESPONDENTS WHO SAY THEY UNDERSTAND THE FEATURES AND BENEFITS OF**



Canadians are split over whether they'll have enough money to retire. Even though 92% are saving regularly, and three-quarters are saving specifically for retirement, less than half are confident they'll have enough money saved when they retire.

48% are confident they will have enough funds for their retirement.

**CONFIDENCE IN RETIREMENT**

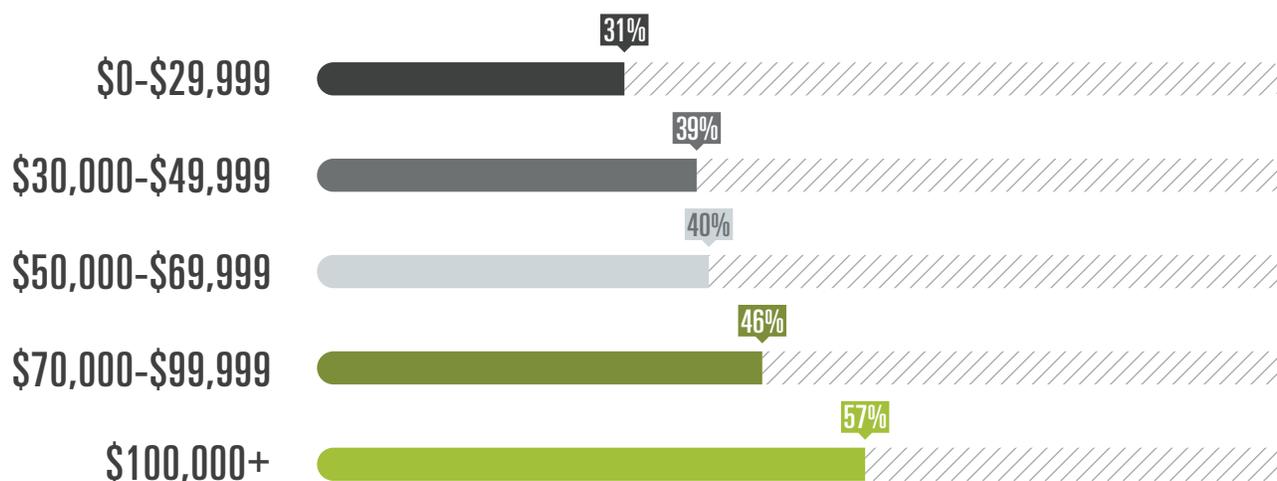


Men are 28% more likely than women to be confident in their retirement savings.

Confidence is highest among those aged 18 to 29, and those 65+

Household income is a factor in retirement confidence. Just 41% of respondents with a household income under \$49,000 say they're confident they'll have enough money to retire, compared with 57% of those with a household income of \$100,000 or more.

### CONFIDENCE IN RETIREMENT BY HOUSEHOLD INCOME



## CONCLUSION

As banks intensify competition for deposits, we expect to see an increase in the prevalence of shopping around, as well as an increase in the number of Canadians factoring special offers and promotions when choosing a bank account. As disruptors like robo-advisors continue growing in Canada, we'll be interested to see how much popularity is gained by online investment platforms, and whether those people are attracted from offline advisers, or from self-management.