

# 2016

**DIGITAL MONEY TRENDS REPORT**

PRESENTED BY  ratehub

# INTRODUCTION

Canadians continue to look beyond traditional sources when learning about and applying for personal finance products. Sites like RateHub.ca, which attracts 500,000+ monthly visitors, allow Canadians to compare and apply for mortgage rates, credit cards, and bank accounts. Other financial technology (“fintech”) companies are offering personal loans or wealth management services online, amongst other products and services.

The 2016 RateHub.ca Digital Money Trends Report provides insights into how Canadians use financial technology, how they manage their finances, and how their behaviour affects the financial services landscape in Canada.

The data in this report are based on two main sources:

#### **RateHub.ca Mortgage User Data**

This report incorporates more than 100,000 mortgage rate requests between January 2012 and November 2016. This data represents actual consumer behaviour based on real product offerings.

#### **RateHub.ca Digital Money Trends Survey**

RateHub.ca conducted an online survey of more than 1,000 Canadians from September 2016 to November 2016 to ask them about their personal finance habits.

The report also includes information from Google, including RateHub.ca traffic data, plus Google search volumes data, which is the primary source in all “search” sections.

# HIGHLIGHTS

## TECHNOLOGY

### LEVEL OF TRUST BY TECHNOLOGY

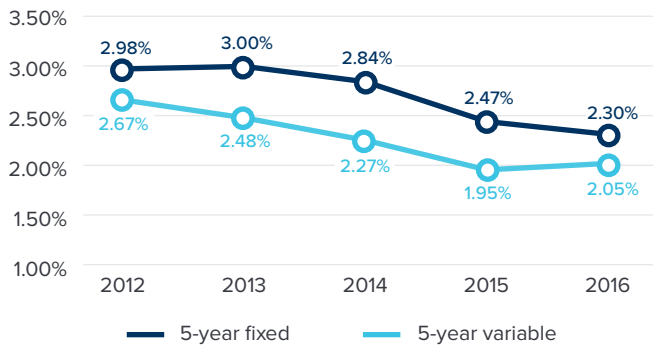


87%	Online banking	16%	Peer-to-peer lenders
44%	Comparison websites	11%	Robo-advisors
39%	Mobile payments	8%	Marketplace lenders
35%	Contactless payments		

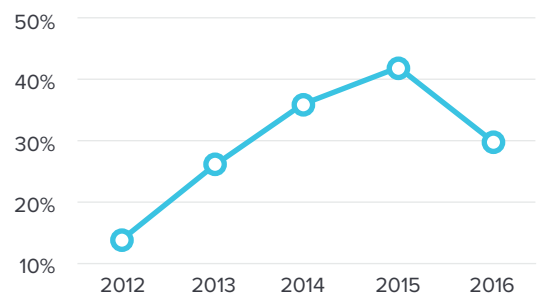
## MORTGAGES

Rate uncertainty and the declining spread between fixed and variable mortgage rates has led RateHub.ca users away from variable-rate mortgages.

### AVERAGE MORTGAGE RATES

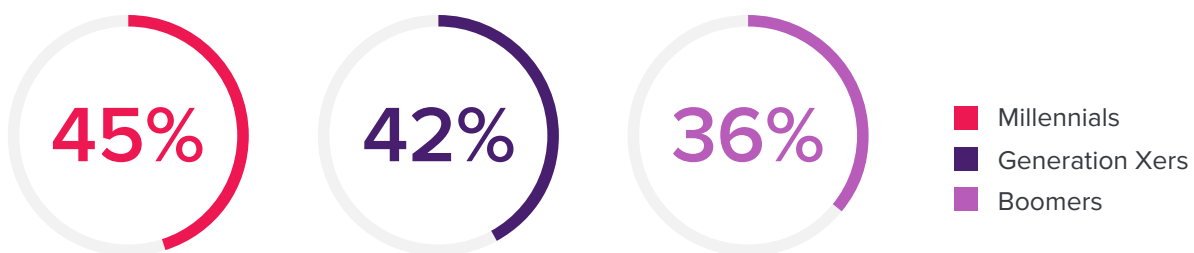


### REQUESTS FOR VARIABLE RATES



## CREDIT SCORES

### PERCENTAGE OF RESPONDENTS WHO KNOW THEIR CREDIT SCORE



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## A GENERATIONAL PERSPECTIVE

While analyzing the data, we noticed distinct trends when it comes to how Canadians of different ages use personal finance tools and products. For the purposes of this report, we've segmented survey respondents into the following age ranges:

**MILLENNIALS** 18 to 34

**GENERATION Xers** 35 to 54

**BOOMERS** 55+

# TECHNOLOGY

Contactless payments, robo-advisors, online banking, and comparison sites are just a few technological advancements that are impacting the financial sector. Not surprisingly, some generations are embracing these new technologies more than others. As Canadians who grew up with the internet move into the age in which they'll seek more financial products, trust in financial technology is growing.

Online banking has achieved the highest level of trust, which can be attributed to the fact that it's been offered by major financial institutions for decades.

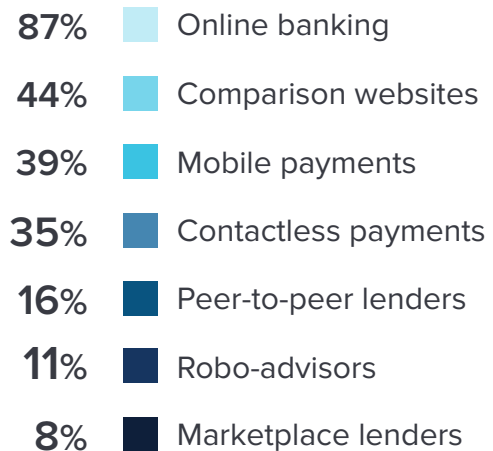
Canadians as a whole are more hesitant about newer technologies such as robo-advisors or marketplace lenders, however.

In addition to recording the highest level of trust, online banking is one of the most popular tools.

# 77%

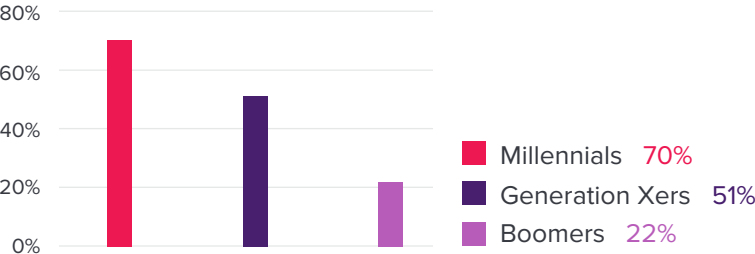
of respondents use online banking to conduct banking transactions

## LEVEL OF TRUST BY TECHNOLOGY



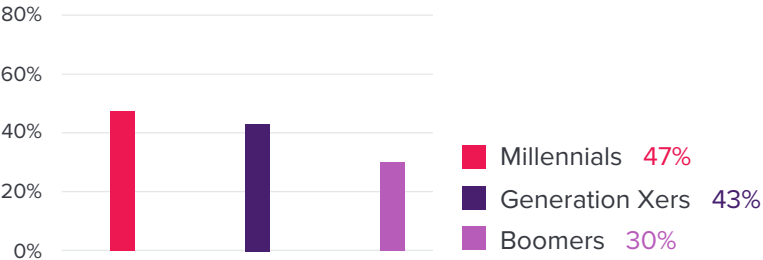
While the percentage of respondents accessing online banking using a desktop computer is similar across all ages, the divide between generations becomes apparent when looking at mobile devices. Millennials are more than three times more likely than boomers to access online banking using a mobile device.

### RESPONDENTS WHO USE ONLINE BANKING ON THEIR MOBILE DEVICE



When it comes to applying for new products, younger respondents prefer to apply online. Boomers are the only generation more likely to visit a bank branch to apply for a credit card, while both generation Xers and millennials are more likely to apply online.

### RESPONDENTS WHO APPLIED FOR THEIR MOST RECENT CREDIT CARD ONLINE

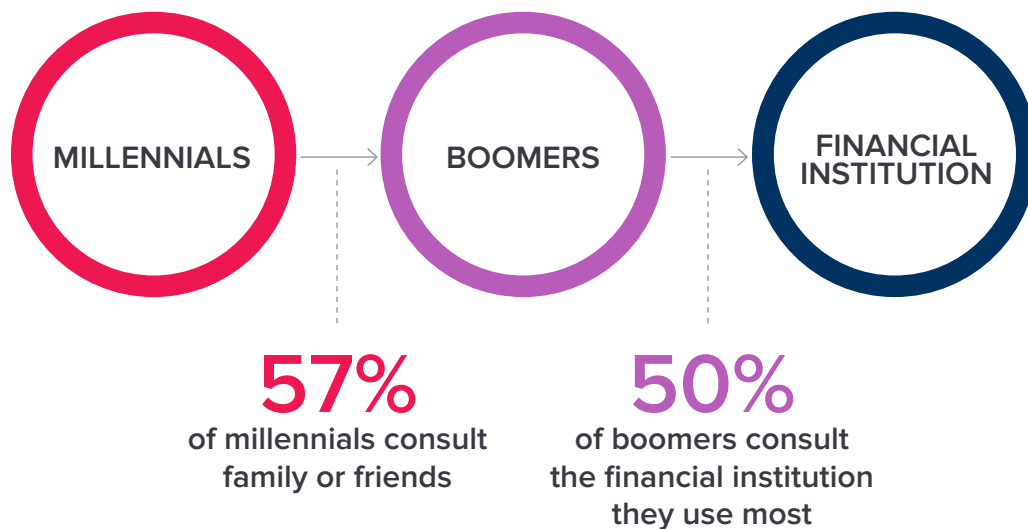


# 73%

of both generation Xers and millennials use comparison websites to compare financial products

While all generations are more likely to consult a comparison website than any other source for information on financial products, our survey shows some variance in the second most-used source.

Fifty-seven percent of millennials seek information from friends and family, while 50% of boomers go to the financial institution they used most to gather information. This suggests that information from financial institutions is trickling down to younger people, filtered through older family members.



**Our Take** — A commonality in respondents at each stage of life is the importance of researching financial products. Whether they use the internet, seek advice from family, or use the resources at their bank branch, Canadians are seeking out multiple sources of information before applying for a new product. While people will always look to family members for advice, there may be a change in conventional wisdom as trust in technology grows. We expect consumers will continue looking to comparison websites and online reviews to gather information. We also expect fewer consumers will look to their primary financial institution as a sole source of advice.

**71%**  
of respondents look at online reviews before choosing a financial product

# LOYALTY TO FINANCIAL INSTITUTIONS

The bond between Canadians and their primary financial institution is strong. A majority of respondents hold a mortgage and credit cards with their primary institution.

Fifty-four percent of respondents arranged their mortgage through the financial institution they use most, even though 59% don't think their primary financial institution offers the best rates. This behaviour is echoed across other products.

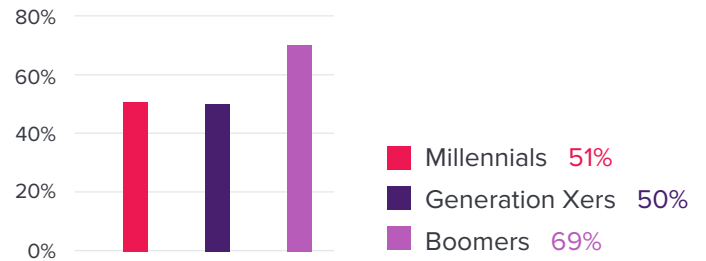
Sixty-nine percent of boomers arranged their mortgage through the financial institution they use most, compared with half of millennials and generation Xers.

Millennials are more likely to use a mortgage broker. Thirty-seven percent used a mortgage broker, compared to 30% of generation Xers and 16% of boomers.

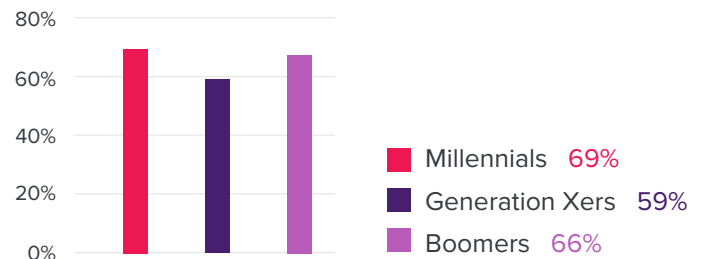
Financial institutions own a large share of their customers' wallets. Approximately two-thirds of all respondents have a credit card from their primary bank.

When buying new insurance products, Canadians of all generations are most likely to use an insurance company they already have a relationship with.

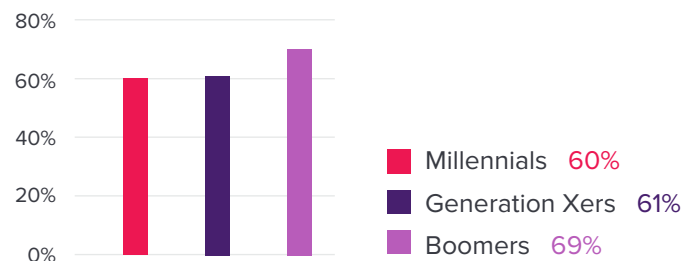
## RESPONDENTS WHO ARRANGED THEIR MORTGAGE THROUGH THEIR PRIMARY FINANCIAL INSTITUTION



## RESPONDENTS WHO HAVE A CREDIT CARD FROM THEIR PRIMARY FINANCIAL INSTITUTION



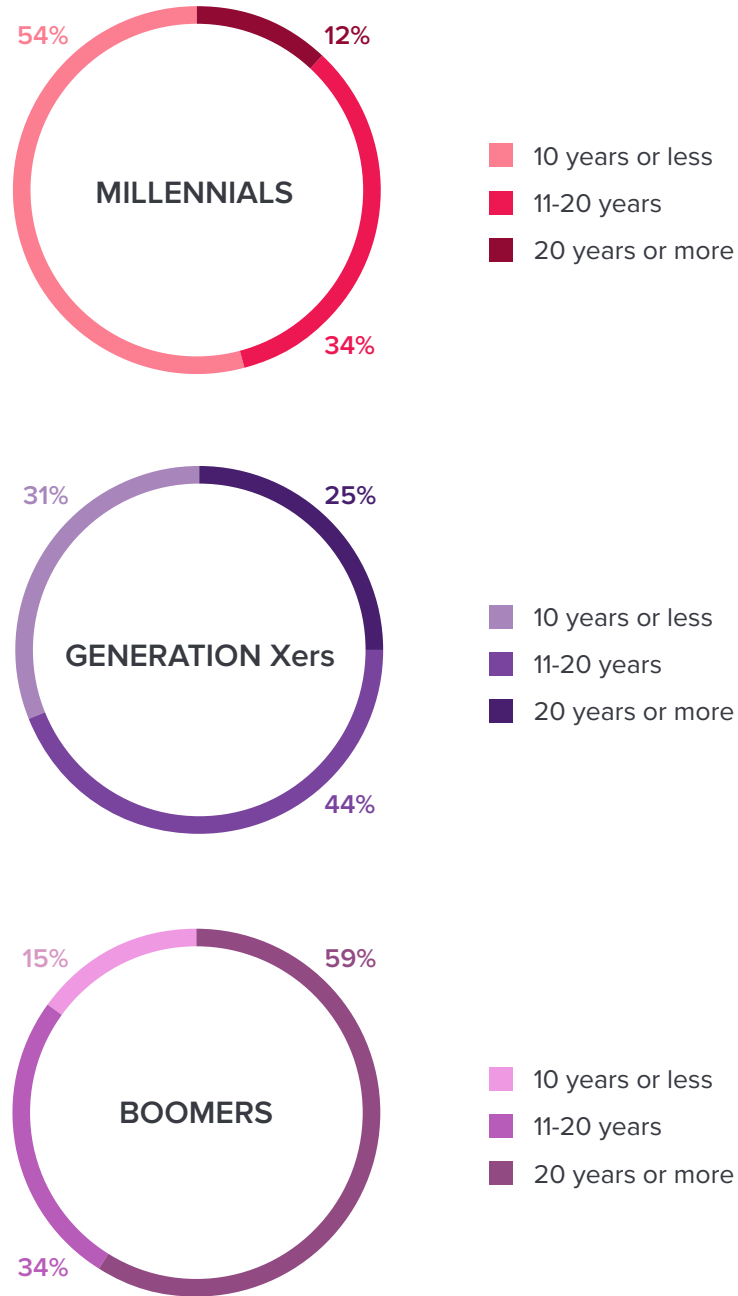
## RESPONDENTS WHO PURCHASED THEIR MOST RECENT INSURANCE PRODUCT FROM THEIR LAST INSURANCE PROVIDER





Canadians also tend to put down roots when it comes to bank accounts. A large portion of respondents have held the same bank account for about half of their life.

### AGE OF OLDEST BANK ACCOUNT BY GENERATION



# MORTGAGES

The last few months of 2016 ushered in new mortgage rules and higher mortgage rates, changing the way users search for mortgages.

## SEARCH

Canadians continue to go online to search for mortgage information. Mortgage-related keywords were searched by Canadians more than 750,000 times a month in 2016, an increase of 50,000 from last year.

The importance of conducting comparison shopping has resonated with Canadians as searches for mortgage brokers doubled since 2015.

Mortgage-related keywords are searched more than

# 750,000

times a month

## MONTHLY GOOGLE SEARCH VOLUMES

# 525,000

Calculators

# 247,000

Banks

# 144,000

Rates

# 59,000

Brokers

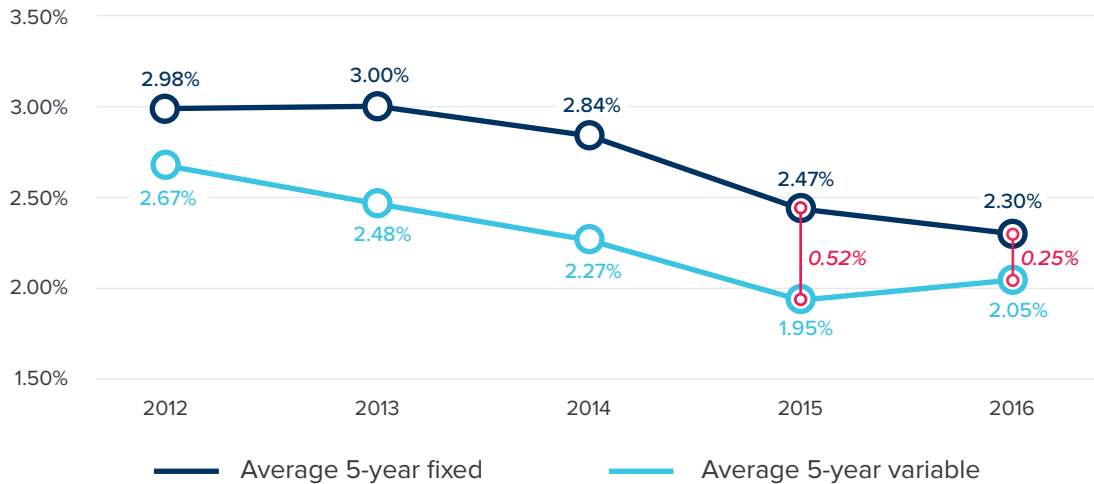
# 23,000

Affordability

## FIXED VS. VARIABLE RATES

The spread between the average five-year fixed and variable mortgage rates narrowed in 2016 to 0.25%. The average five-year fixed rate posted on RateHub in 2016 was 2.30%. The spread between fixed and variable rates has been cut in half since last year.

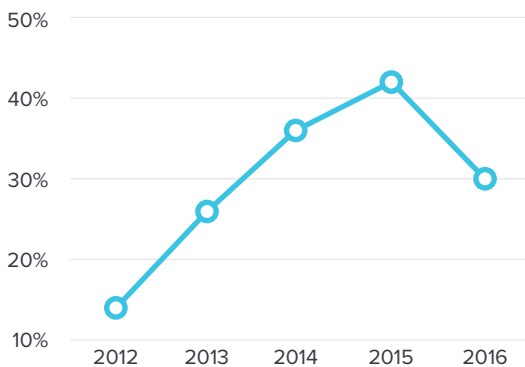
### AVERAGE MORTGAGE RATES



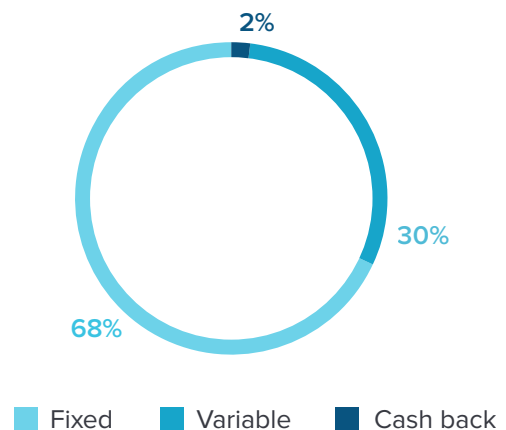
The popularity of variable-rate mortgages, which had risen for three consecutive years, decreased among RateHub.ca users in 2016 by 12 percentage points to just 30% of mortgage rate requests.

Rate uncertainty and the declining spread between variable and fixed rates led RateHub.ca users to overwhelmingly choose fixed-rate mortgages in 2016, making up 68% of all requests.

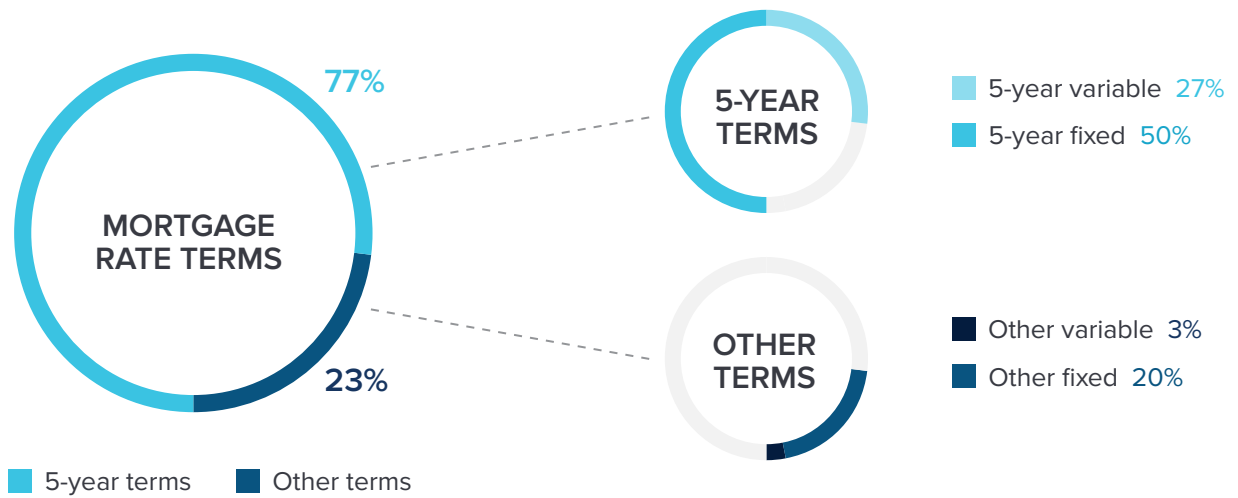
### REQUESTS FOR VARIABLE RATES



### MORTGAGE RATE REQUESTS



Five-year mortgage terms continued to represent the majority of user requests on RateHub.ca, with five-year fixed and five-year variable rates making up more than three-quarters of all user requests.

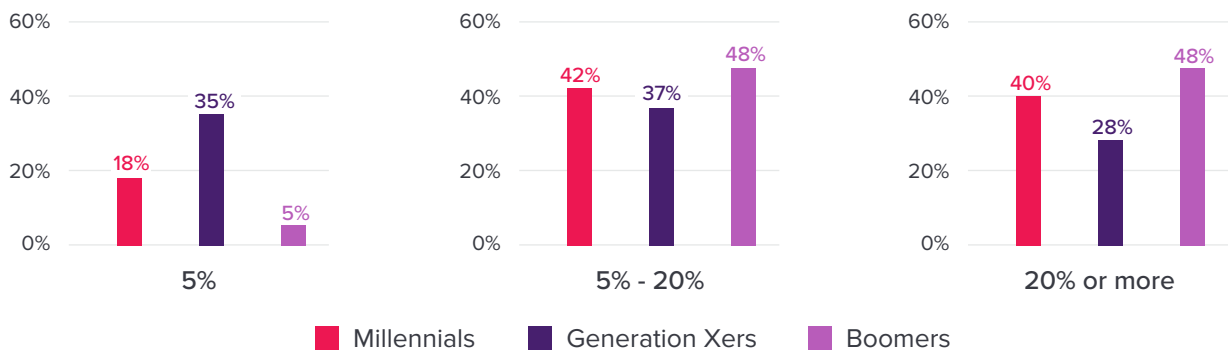


**Our Take** — Prior to October 2016, the five-year fixed rate mortgage had a key advantage in that it was easier to qualify for. New rules now require Canadians with a down payment of less than 20% to qualify for all mortgage types and terms using the Bank of Canada’s qualifying rate. The loss of this incentive could lead to a more even distribution in the popularity of rate types and terms in the near future, especially among first-time homebuyers.

A changing mortgage tide leads to questions from first-time homebuyers as to how much of a down payment they should make on their home. Boomers and millennials are more likely to have a down payment of at least 20% on their first home.

Thirty-five percent of generation Xers had only a 5% down payment on their first home, whereas boomers and millennials are more likely to have a larger down payment.

### AMOUNT OF FIRST HOME DOWN PAYMENT BY GENERATION



**Our Take** — As mortgage policy in Canada continues to evolve, the benefits of having a 20% down payment on a home continue to grow. In addition to saving on mortgage default insurance, having a 20% down payment is now the only way for first-time homebuyers to qualify for a mortgage at the contract rate. The increased importance of reaching this savings milestone may lead to an even higher percentage of first-time homebuyers sourcing some (or all) of their down payment from family.

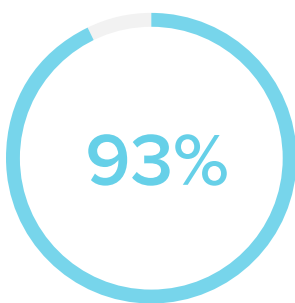
44%

of millennial first-time homebuyers receive financial help from family on their down payment

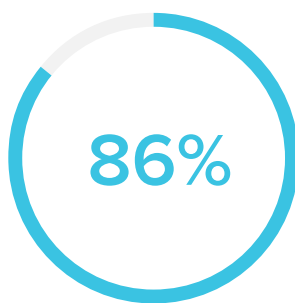
Millennials are 47% more likely than generation Xers to receive help from family with a down payment on their first home.

Fifty percent of millennials who don't have a mortgage are saving for a down payment.

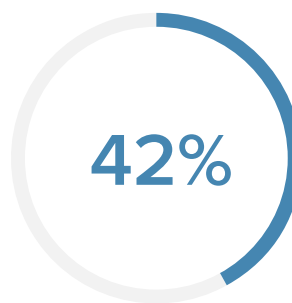
### INCOME SAVED BY RESPONDENTS WHO DON'T HAVE A MORTGAGE AND ARE SAVING FOR A DOWN PAYMENT



Save 5% or more



Save 10% or more



Save 25% or more



Save 50% or more

# CREDIT CARDS

Under intense competitive pressure, credit card providers are continually offering new promotions and features to acquire customers. From sign-up bonuses and travel rewards to cash-back features, credit card comparison goes beyond the annual fees and interest rates.

## SEARCH

With numerous credit card providers and reward feature options, comparing credit cards to maximize personal benefit is of increasing importance. Canadian consumers continue to investigate credit card options in search of one that meets their needs.

Canadians search for credit card-related keywords more than

**935,000**

times per month

## MONTHLY GOOGLE SEARCH VOLUMES

**257,000**

MasterCard

**231,000**

Visa

**181,000**

American Express

**38,000**

Aeroplan

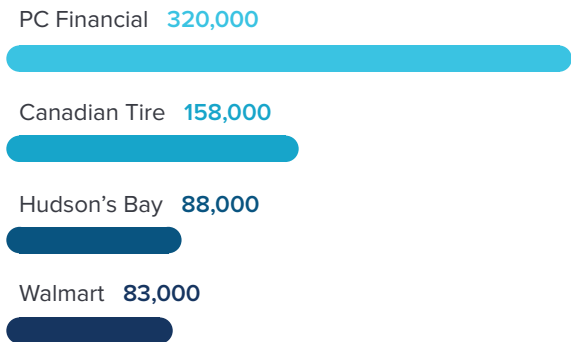
**22,000**

Air Miles

Canadians go online to search both bank and store credit cards. The top four store credit cards have a higher total search volume than the Big Five banks.

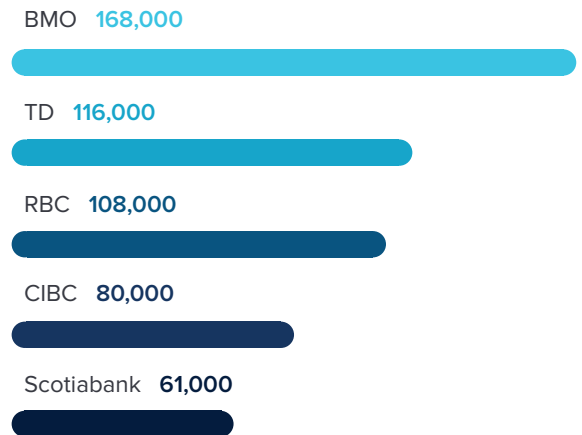
**649,000**

**STORE CREDIT CARD-RELATED SEARCHES**



**533,000**

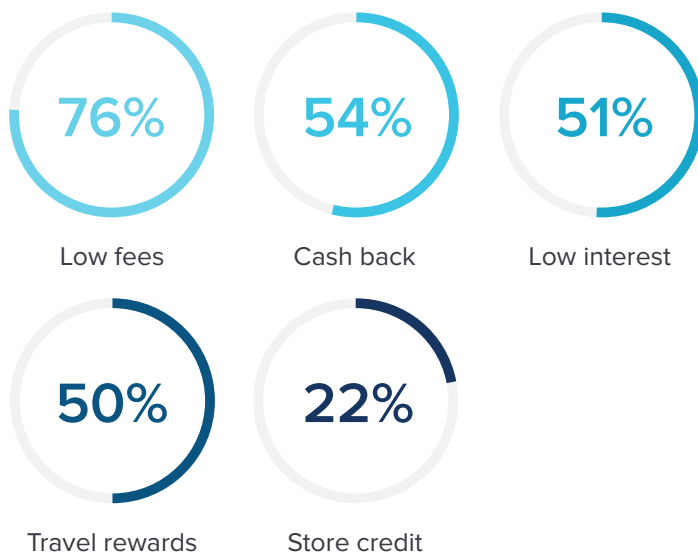
**BANK CREDIT CARD-RELATED SEARCHES**



**CREDIT CARD FEATURES**

Low annual fees is the most important credit card feature, with more than three-quarters of respondents ranking its importance a “four” or higher out of five.

**RESPONDENTS WHO RANK THE IMPORTANCE OF EACH FEATURE 4 OR HIGHER OUT OF 5**



**54%**

of respondents have signed up for a credit card to receive a sign-up bonus

Canadians seem to be making more and more of their purchases with their credit cards, with 44% of respondents using a credit card to pay for 75% or more of their purchases.

The average number of credit cards held by respondents remained consistent with 2015 at 2.4 credit cards per person.



As Canadians pay for a larger portion of their purchases using credit cards, it's no surprise that the number of respondents with credit card debt increased. Forty-two percent report having credit card debt, up from one-third of respondents last year. However, even though a larger percentage of respondents have credit card debt compared to last year, they're more optimistic about being able to pay off their debt.

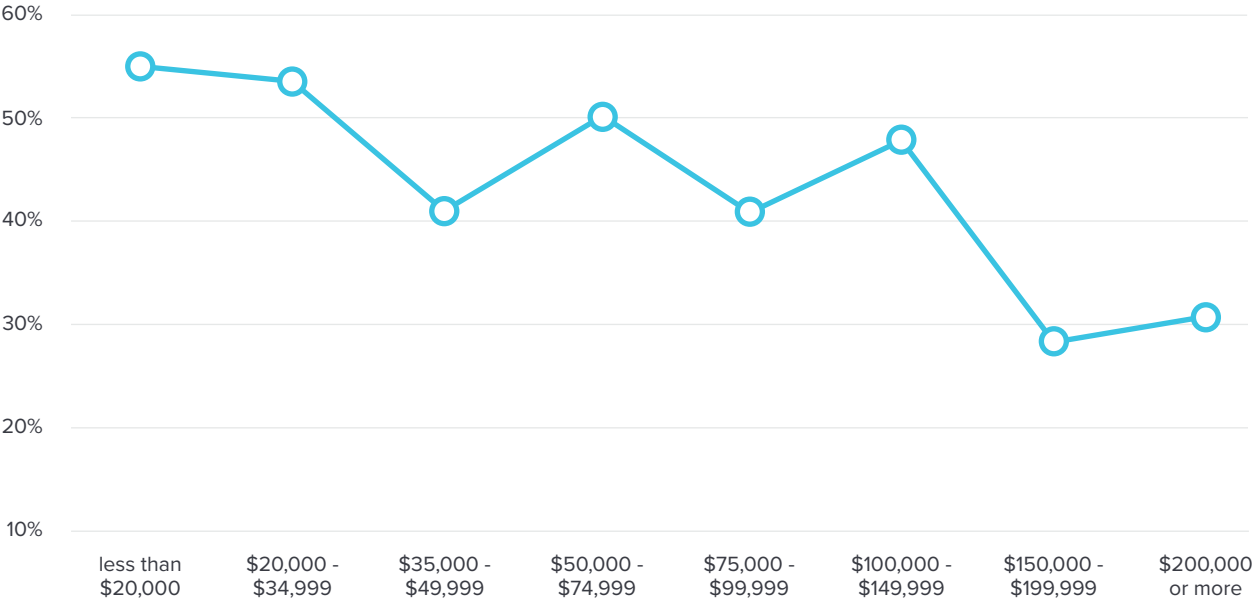
**50%**

**of respondents expect to pay  
off their credit card debt in less  
than three months**



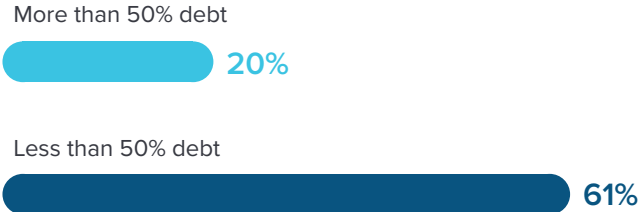
Over half of respondents who earn less than \$35,000 per year report having credit card debt. Those earning between \$35,000 and \$149,999 are slightly less likely to carry a balance, and those earning \$150,000 or more are least likely to have credit card debt.

### RESPONDENTS WITH CREDIT CARD DEBT BY HOUSEHOLD INCOME



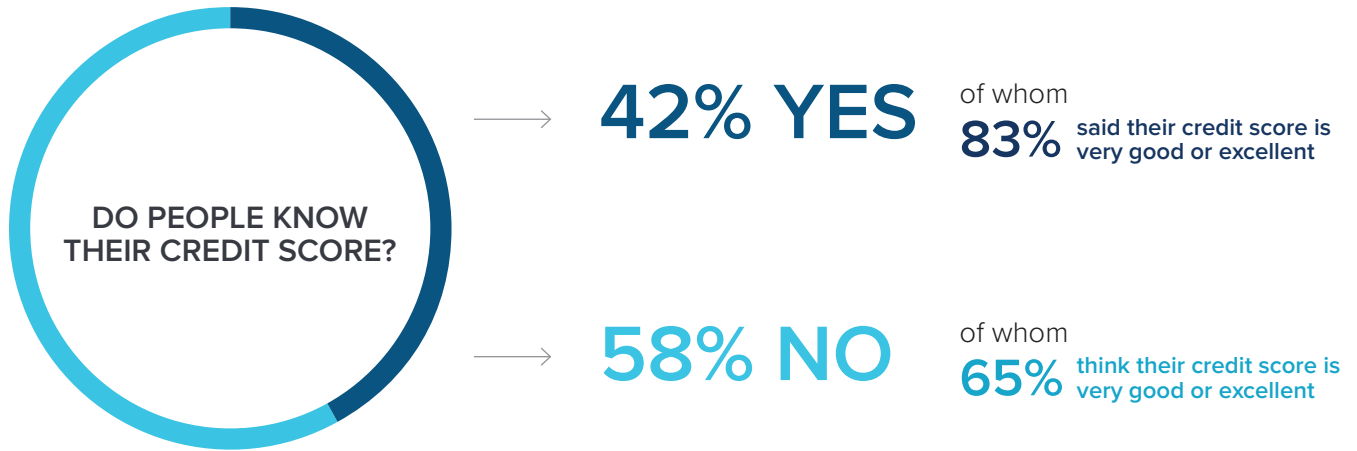
Respondents who carry less than 50% of their credit limit as debt are three times more likely to expect to pay off their debt in three months than those who have credit card debt in excess of half of their limit.

### LIKELINESS TO PAY OFF CREDIT CARD DEBT IN LESS THAN 3 MONTHS BY DEBT LEVEL



# CREDIT SCORES

Almost 60% of respondents do not know their credit score, but the majority feel confident their credit score would be “very good” or “excellent.” This is reflected in Equifax data that states 71% of Canadians do have a very good or excellent score.



Millennials are the most likely to know their credit score while boomers are the least likely. Only 36% of boomers say they know their score.

## PERCENTAGE OF RESPONDENTS WHO KNOW THEIR CREDIT SCORE



**Our Take** — As more fintech companies like RateHub.ca offer tools to Canadians to check their credit score for free, we expect the overall number of Canadians who know their credit score to increase. However, as older demographics are less likely to use new technologies when it comes to managing their finances, we believe millennials will be the cohort that benefits most from these tools.

# SAVING & INVESTING

A vast majority of Canadians saved at least some portion of their income in 2016. Whether it's saving for retirement, a down payment, or a trip, Canadians continue to set savings goals for themselves but aren't confident in their ability to achieve them.

Respondents have on average 1.6 savings goals, with millennials averaging 1.9 savings goals and boomers averaging 0.9 savings goals. Retirement and emergency fund are the two most common savings goals across all generations.

## RESPONDENTS' SAVINGS GOALS

GOAL	MILLENNIALS	GEN Xers	BOOMERS
Retirement	42%	59%	47%
Emergency Fund	39%	39%	26%
Down payment	37%	12%	3%
Education	17%	21%	2%
Major purchase	25%	18%	8%
Special occasion	18%	10%	4%
No specific goal	11%	9%	19%

Travel/vacation is the most noted "other" saving goal.

## MONTHLY GOOGLE SEARCH VOLUMES

137,000

RRSP

132,000

TFSA

59,000

RESP

53,000

GIC

30,000

HISA

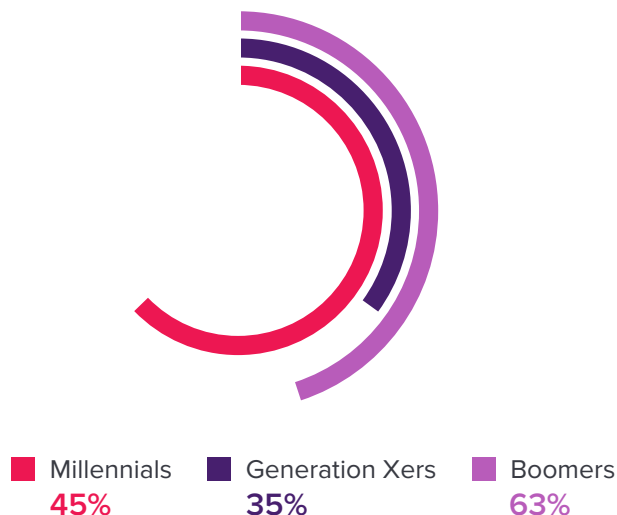
## RETIREMENT

Retirement is a savings goal for a majority of Canadians. However, they are not confident they will meet their goals. Of the respondents who say they are not confident they'll have enough funds for retirement, only 45% list retirement as a savings goal. Of the respondents who list retirement as a savings goal, 26% are saving at least one-quarter of their income.

Retirement confidence fluctuates greatly by generation. Boomers are the most confident they'll have enough saved for retirement while generation Xers are the least confident. Millennials seem to be more optimistic than generation Xers in having enough funds for retirement. However, the majority of both of these cohorts are still fearful that they won't have enough savings for their retirement.

In addition to generational differences, retirement confidence also varies by location. Respondents in Alberta are the most confident they'll be prepared for retirement, while respondents in the Atlantic provinces are the least confident.

### RETIREMENT CONFIDENCE LEVEL BY GENERATION



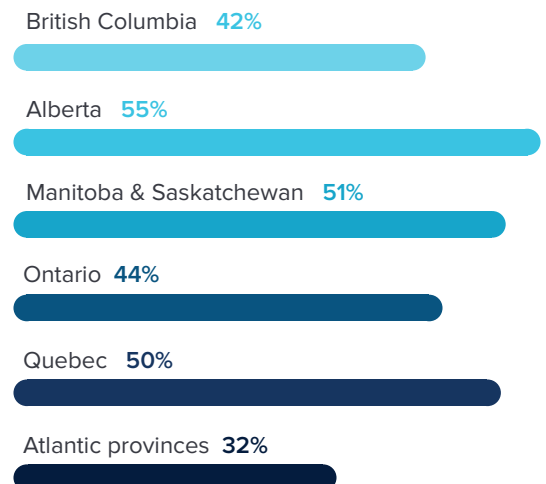
# 87%

of respondents save some portion of their income

69% save 10% or more of their income

23% save 25% or more of their income

### RETIREMENT CONFIDENCE LEVEL BY PROVINCE



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