40% of Canadians in Debt Could Take a Lifetime to Climb Out

Description

An elementary ratio of a healthy financial life is that you are earning more than you are spending. Add to this equation a safety net, or a nest egg for any temporary financial crises, and you have a beautiful picture of financial stability.

Unlike what most people believe, this stability can be seen in a young couple living in their first apartment and can be found missing in an older family living in a giant house with three cars.

When your expenses outpace your earnings, this results in debt; if you don't take care of your debt in time, it starts to pile up. If the condition becomes too hard to manage, the debt steadily increases until the carryable pile becomes an unmovable mountain. This crushing debt is what 40% of Canadians in debt are carrying.

So much debt that they expect to carry it to their graves.

An eye-opening survey

A survey conducted by Manulife Bank of Canada revealed some alarming numbers regarding debt. About 45% of people in the country are spending more than they are earning. That's a continued increase in debt. About 55% of people carry significant debt *besides* regular mortgage debt. Three out of five Canadians are walking around with unpaid credit cards.

The average consumer debt has increased by 26% in the past five years. This is an unhealthy increase in a very short amount of time. The survey concluded that, even now, two out of every five Canadians carry an insurmountable amount of debt.

Debt management is a serious issue, especially for millennials, half of whom find themselves financially worse off than their parents were at their age. But with some financial discipline, cutting off every unnecessary expense, and increasing income, this debt can be managed.

Once you are free of debt, you should seriously consider investment as your tool for wealth building and preparing a second income stream to stay ahead of your expenses.

A smart investment

Telus (TSX:T)(NYSE:TU) presents an investment opportunity that can help you with many of your financial goals. The company is steadily growing, and at its current market value of $50 a share, it has grown 18% in the last three years. If it follows the same pattern, the company will grow by about 6% each year. It might not seem like incredibly fast growth, but it's tempered with stability.

A more immediate benefit of investing in Telus is its dividends. The company has increased its payouts for 14 consecutive years. The current dividend yield is a handsome 4.67%.

After taking care of your debt, the money you were spending on interest and repay it can be put into savings. If you can save up $30,000 to invest, you could earn $116 a month with dividend payouts. It might not seem like much, but it will at least take a utility bill out of your hair.

Foolish takeaway

It is better to live debt-free than to live too comfortably. That's a lesson most people learn the hard way. You should start managing your debt as soon as possible because if left unrestrained, it will get out of hand before long.

Cut expenses, spend wisely, and increase your income as much as you can. The right investment strategies and good stocks can be your allies in a debt-free and healthy financial life.

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