40% of Canadians Are Worried About Debt: Here’s What to Do

Description

According to a Statistics Canada survey, almost every three out of four Canadians have some kind of debt, and it’s not surprising. Good debts like mortgages and bad debts like unpaid credit cards are a regular part of most people’s life. When you have a stable financial life, staying ahead of your debt is just like paying your utility bills; i.e., it’s routine, but that’s only until you meet financial chaos — the kind that the pandemic created last year.

According to the latest MNP Consumer Debt Index report, four out of 10 Canadians are worried about their debt levels. And an even more grim revelation was that 40% of Canadians believe they won’t be able to cover necessary living expenses (food, housing, transportation, and health) without accumulating further debt. This is expected to create a snowball effect, which will push a hefty portion of the population even deeper into debt.

If you are one of the 40% of Canadians who are worried about their debt, there are a few things you can do.

Cut down your expenses and create alternative income sources

It’s easier said than done, but when you are in danger of accumulating even more debt to survive, it’s time for some brutal cost cutting. The first step is to cut off any expenses that are not directly related to necessities, and it can even include cable and streaming subscriptions. The next step is to look at necessary costs and find ways to cut costs. For example, you can switch 100% to home-cooked food, use public transportation, and renegotiate your rent/mortgage.

If you can’t find a second job, find freelance or gig work. You might be able to find something you are trained for or competent at. But even if that’s difficult, you can always find gigs that anyone can do. They might not pay very well, but they can help you stay ahead of your debt.

Manage current debt and don’t take on any more

Look into your options. Maybe you can consolidate your credit card debt and spread it out over a more extended period. There might be a way to pay off your rapidly accumulating debt first so that you can pay it off faster than it's growing. There might be many other debt-management options a financial expert might help you figure out.

One more unusual stat in the consumer debt index report was that about 60% of respondents felt it was an excellent time to take on more debt (with interest rates so low). This is one thing you don't want to do in a shaky economy.

Weave a safety net

Save and invest, so you don't have to take on any more debt than you have to. Once you get your finances in order, consider investing in a steady growth stock like **TMX Group** (TSX:X). It's the financial service company that owns and operates market exchanges (like TSX).

Even though the stock recovered from the 2020 market crash swiftly, its post-pandemic growth has been relatively stagnant. Still, the company's long-term growth prospects seem promising enough. Its five-year CAGR is 30%, and if it can keep growing at the same pace, it can convert a one-time $10,000 investment into $37,000 in five years.

Foolish takeaway

Staying ahead of your debt can become quite tricky if you've lost your primary income source. But taking on more debt to survive should only be considered once you've already exhausted every other option. Downgrading from a new vehicle to an older car and selling some luxury items to improve your cash position are options worth considering before taking on more debt.

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Date
2025/07/21
Date Created
2021/01/26
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