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Household balance sheets and mortgage payment shocks

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Introduction

Unexpected expenses and loss of income are critical sources of household uncertainty. When such shocks occur, many factors influence household resilience. Some of these factors include:

- accumulated savings and housing equity
- the ability to reduce spending and restructure debt

We examine how recent dynamics in accumulated savings could contribute to future household resilience. In our analysis, we consider both financial and liquid assets. We explore four key questions:

- How much savings have different groups of households accumulated?
- How does market volatility affect whether households can access sufficient accumulated savings to service their debt?
- How well can accumulated savings help buffer higher mortgage payments at renewal?
- In case of income loss, how long can accumulated savings cover mortgage payments?

We analyze savings trends across demographic groups by combining data from both the Ipsos Canadian Financial Monitor (CFM) and the Survey of Financial Security (SFS).[1] We provide details about our data methodology in **Box 1**. Overall, we find the group with the largest increase amid the rise in total household savings since 2019 is homeowners without a mortgage.

We then consider how these savings can alleviate the current risks that Canadian households face when it comes to servicing their debts. CFM data show that nearly two-thirds of household wealth is held in marketable securities—including stocks, bonds, exchange-traded funds (ETFs) and mutual funds—that are at risk of repricing. We therefore examine how market volatility affects the ability of households to use savings to service their debt. We find that households with low savings would not be greatly affected by even a sharp repricing in equity and bond markets. This is because marketable securities are mostly concentrated among wealthier households.

[1] The CFM is a monthly survey weighted to represent the Canadian population at the individual level, with approximately 1,500 sampled monthly respondents. Participants report a variety of financial and demographic variables. We thank Victoria Boletho, James MacGee, Yasuo Terajima and Ashna Zayman for developing a methodology to impute CFM variables from categorical to numeric values. The triennial SFS is less frequent than the monthly CFM, but the data are more comprehensive.

We also evaluate how savings may help mortgagors adjust to higher payments when they renew their mortgages. To study this, we combine the savings data with administrative mortgage records. We find that among households renewing their mortgages in 2025–26 and facing an increase in monthly payments:[2]

- about 94% could cover the increase for at least 12 months with their financial assets[3]
- about 83% could cover the increase for at least 12 months using only their liquid assets

And finally, in a context where Canadians are increasingly concerned about losing their job, we consider households' ability to service their full mortgage payments using only financial assets, not their incomes (Bank of Canada 2025). We find that about 77% of households with a mortgage could cover their full payments for at least 12 months using all their financial assets and roughly 64% could do so using only liquid assets. These results are comparable to historical coverage rates since 1999.

Homeowners' wealth rose fastest

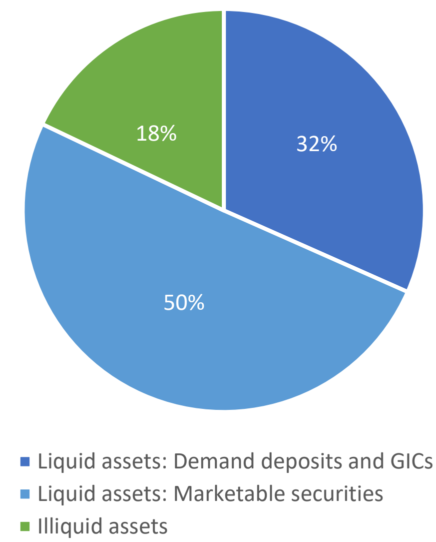
Savings can provide households with a buffer against unexpected shocks, and this supports financial resilience. We assess the strength of household balance sheets by comparing assets with income or debt payments—effectively measuring how long savings can replace income or meet debt obligations.

We first consider the level of liquid wealth held by households. This is because the ability to adjust *quickly* to shocks is an important factor in household resilience. In our analysis, a household's *liquid financial assets* include its chequing accounts, savings accounts, guaranteed investment certificates, exchange-traded funds (ETFs), stocks, bonds and mutual funds held outside of inaccessible accounts or accounts with complex, heavy withdrawal penalties. This accounts for most financial assets held by households (**Chart 1**).

[2] Most of those renewing in 2025–26 will face higher payments (Godbout, Su and Xu 2025).

[3] This is somewhat higher than the 85% cited in endnote 4 of the Bank of Canada's *Financial Stability Report—2025* (FSR). SFS microdata for 2023 became available after the FSR was published. We therefore revised our methodology after observing that wealth in the CFM appeared to be slightly under-reported.

Chart 1: Most household financial assets are liquid



Note: *Marketable securities* includes stocks, bonds, exhange-traded funds (ETFs) and mutual funds. *Iliquid assets* refers to all deposits, guaranteed investment certificates (GICs), ETFs, stocks, bonds and mutual funds that are held in inaccessible accounts or accounts with complex, heavy withdrawal penalties (locked-in retirement accounts, restricted life income funds, employer non-registered retirement savings plans, registered employment savings plans and registered disability savings plans).

Sources: Ipsos and Bank of Canada calculations Last observation: 2024H2

We also analyze total financial assets because illiquid assets are still usable (and used) in periods of financial stress, despite the cost and difficulty of doing so (see Choukhmane et al. 2024, for example).

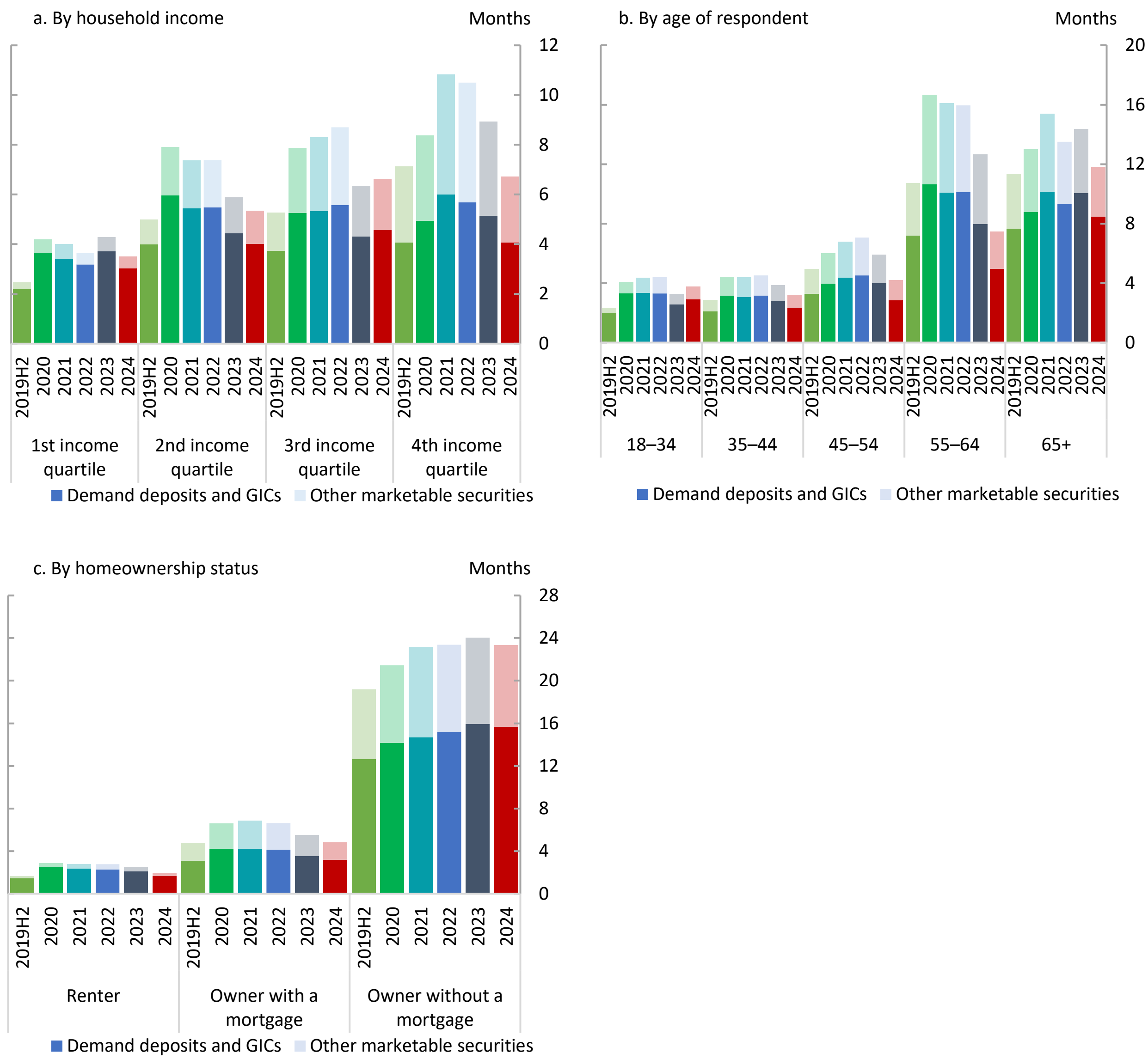
Between 2019 and 2024, household savings increased but not evenly. **Chart 2** shows that the increase in liquid financial assets as a ratio of monthly income is larger among households that fully own their homes.

Examining households' liquid financial assets more closely, we separate demand deposits and guaranteed investment certificates (**Chart 2**, solid colours) from wealth held in stocks, bonds, ETFs and mutual funds (**Chart 2**, transparent colours). Low-income households keep their wealth mostly in deposits, while higher-income households distribute their wealth more evenly between deposits and market securities. As a result, between 2020 and 2023, high-income households benefited from greater gains in asset valuations. But in 2024, high-income households had a larger proportional decline in wealth (**Chart 2**, panel a), which was also seen for all but the youngest households (18–34 years old) (**Chart 2**, panel b).

Mortgagors and renters saw modest increases in their liquid assets between 2019 and 2024. Mortgagors' savings increased from 4.7 months to 4.8 months of income and that of renters from 1.7 months to 2.0 months of income (**Chart 2**, panel c). After interest rates rose in 2022, mortgagors and renters both experienced reduced savings, while mortgage-free homeowners maintained their liquid financial wealth.

Chart 2: Accumulation of liquid financial assets differs by age, income and homeownership status

Median estimated number of months of income that can be covered by liquid financial assets



Note: *Household income* is households' after-tax income and is estimated using data from Ipsos' Canadian Financial Monitor, adjusted by the correspondence between pre- and post-tax household income in Statistics Canada's Survey of Financial Security. *GICs* are guaranteed investment certificates. *Other marketable securities* include stocks, bonds, exchange-traded funds and mutual funds. Bars represent the average portfolio allocation in each subgroup and year.

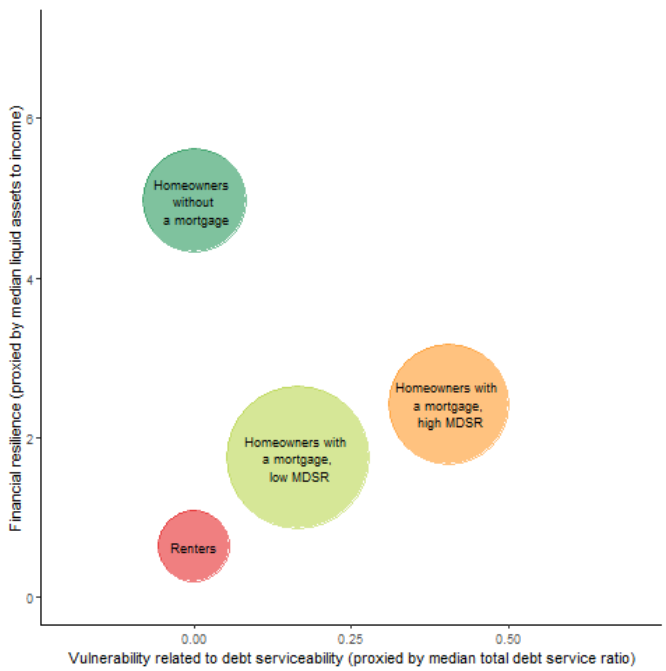
Sources: Ipsos, Statistics Canada and Bank of Canada calculations

Last observation: December 2024

Next, we assess savings buffers (in the form of financial assets) against households' ability to meet their debt payments. Mortgages account for more than 70% of household debt, much of which is held by borrowers with a high share of their income dedicated toward their debt payments. Having a high total debt-service ratio is a key source of vulnerability (**Chart 3**).

Although mortgagors with a low mortgage debt-service ratio are less resilient based on savings buffers, they are also less vulnerable due to limited debt-servicing pressure, which means they pose a smaller risk to Canadian financial stability. Meanwhile, mortgagors with a high mortgage debt-service ratio are more resilient but also more vulnerable and perceive themselves to be at a greater risk of delinquency. Although renters perceive themselves to be at the highest delinquency risk and have the lowest resilience, they represent a very small share of Canadian household debt.

Chart 3: Households with a high mortgage debt-service ratio hold a large share of total Canadian debt

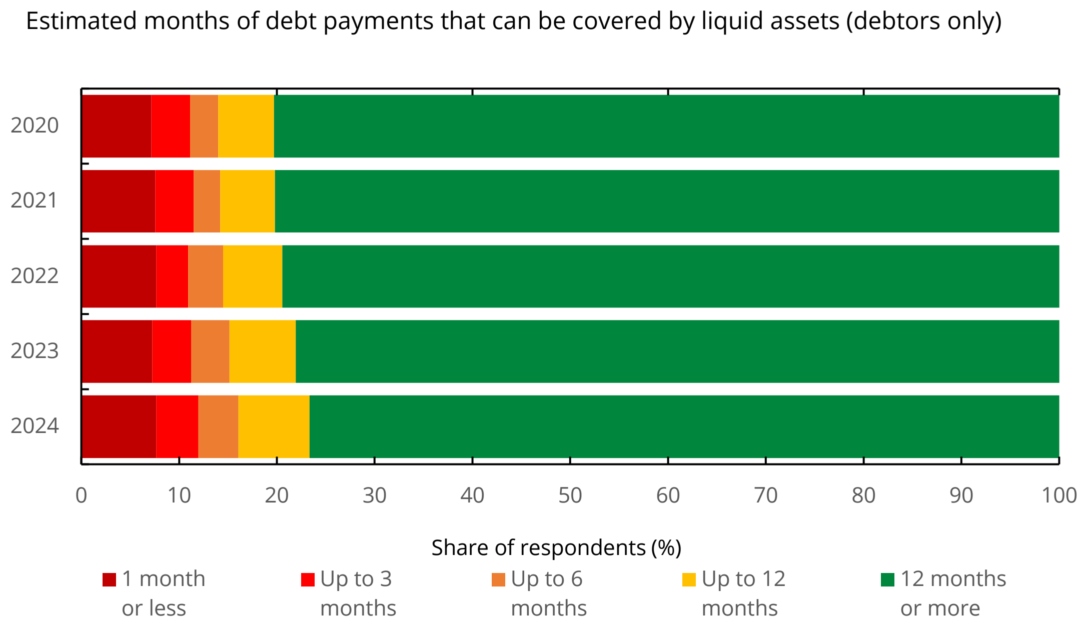


Note: The size of each bubble represents the share of outstanding debt for each group in 2024. The colour of each bubble indicates the median of each group's *self-perceived* probability of delinquency in 2024, as reported in the Bank of Canada's *Canadian Survey of Consumer Expectations—Fourth Quarter of 2024* (CSCE), from green (low, 1%), yellow (5%), orange (17%) to red (high, 22%). *DSR* is debt-service ratio for all debt payments; *MDSR* is debt-service ratio for mortgages only. For metrics from Ipsos' Canadian Financial Monitor (CFM) and the CSCE, mortgagors are classified as having a high MDSR if their mortgage payments are more than 25% of their pre-tax income.
Sources: Ipsos, Bank of Canada and Bank of Canada calculations
Last observations: CFM, December 2024; CSCE, 2024Q4

Debt serviceability is largely immune to a repricing of liquid assets

We estimate that around 8% of indebted households have less than one month's worth of payments held in liquid financial wealth, but around 77% have at least one year's worth (**Chart 4**). The percentage of households that could cover one year's worth of total debt payments using their liquid financial assets has declined since 2020. It nevertheless remains strong, at the top of the range found in historical SFS surveys.

Chart 4: Most households could cover debt payments with liquid assets for at least one year



Note: Data on debt payments from the Canadian Financial Monitor are available starting March 2020. Debt payments include those for mortgages, personal loans and lines of credit.

Sources: Ipsos, Statistics Canada and Bank of Canada calculations

Last observation: December 2024

However, large market fluctuations—like those observed in early 2025—can directly affect the financial wealth of Canadians. Yet, when we consider adverse financial market scenarios, we find very small impacts on asset coverage of debt payments. This reflects the fact that market-exposed assets are concentrated among high-income households that also hold large deposits. For example, a dramatic drop of 50% in value of stocks, bonds, ETFs and mutual funds only raises the proportion of households with assets that equal less than one year's worth of debt payments from 24% to 26%.

Most mortgagors can buffer payment rises with assets

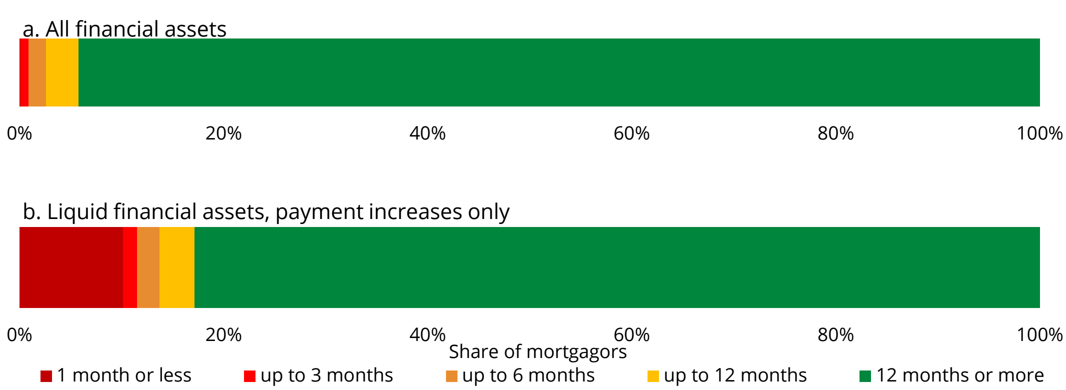
Godbout, Su and Xu (2025) estimate that roughly one-third of mortgagors will face a payment increase at renewal by the end of 2026.

To determine whether mortgagors' have enough liquid asset buffers to cover these changes, we analyze expected future payment increases relative to mortgagors' assets by combining the savings data with mortgage data from the Office of the Superintendent of Financial Institutions' real estate secured loans (RESL2) database.[4]

Overall, we find that most households have the capacity, if necessary, to meet the increase in their mortgage payments using their financial assets. **Chart 5**, panel a, shows that about 94% of mortgagors have enough assets—if we include all financial assets—to pay for the increase in their mortgage payments for at least 12 months. If we include only liquid financial assets, roughly 83% of mortgagors could cover their payments for at least 12 months (**Chart 5**, panel b). That said, we also find that about 1 in 10 households have a buffer of liquid assets that would only last one month or less—an important signal of the pressure some mortgagors may face after renewal.

Chart 5: Most mortgagors have enough assets to buffer payment increases

Estimated number of months that assets could cover mortgage payment increases



Sources: Ipsos, Statistics Canada and Bank of Canada calculations
Last observation: December 2024

Having asset buffers of one month or less does not indicate households will necessarily become delinquent: low asset buffers for a significant portion of households is a common

[4] The Bank of Canada uses loan-level data from a real estate secured loans (RESL2?) dataset OSFI. This dataset captures all outstanding mortgages and home equity lines of credit made by federally regulated financial institutions such as banks and trust companies. It excludes loans made by credit unions and caisses populaires, which are provincially regulated, and by mortgage investment companies, mortgage finance companies and other private lenders that are not regulated by OSFI. Federally regulated lenders capture about 80% of mortgages by dollar value (Aboud et al. 2025).

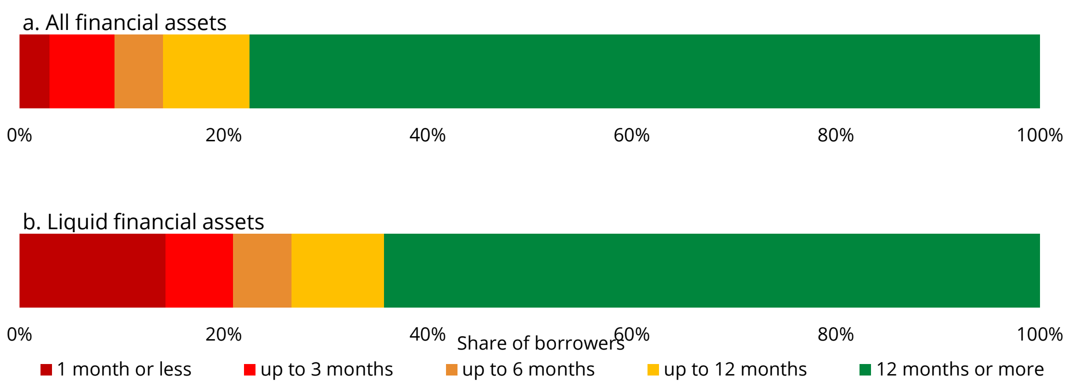
historical feature of advanced economies (Kaplan, Violante and Weidner 2014). Based on data from to the SFS, between 1999 and 2023, 5% to 12% of Canadian mortgagors held less than $1,000 in liquid financial assets, but only 3% to 4% *of that group*—less than 0.5% of all mortgagors—reported skipping or delaying mortgage payments within the year.

Financial assets could only partly buffer income losses

We use the same simulation method to study how long mortgagors could rely on their liquid savings to cover their debt obligations if they were to lose part of their income. This could occur with, for example, a prolonged trade war that results in increased unemployment. We find that a much larger share of households would struggle if they were required to finance their full mortgage payment using financial assets instead of earned income.[5] We find that about 77% of households could buffer their full payments for a year or longer using all their financial assets (**Chart 6**, panel a), but only about 64% could do so using their liquid assets alone (**Chart 6**, panel b). Because the average duration of unemployment is 17 weeks, we estimate that just under 80% of mortgagors would be able to use their liquid assets to completely fund their mortgage payments for a typical period of unemployment, if necessary (Statistics Canada 2025).[6]

Chart 6: Many mortgagors would struggle to buffer their full mortgage payments, especially if relying on liquid assets alone

Estimated number of months that assets could cover full mortgage payments



Sources: Ipsos, Statistics Canada and Bank of Canada calculations
Last observation: December 2024

[5] For this exercise, we no longer focus only on mortgages renewing into higher payments in 2025–26 because unemployment can happen to any household.

Conclusion

In terms of the ratio of financial wealth to income, household asset buffers remain above pre-pandemic levels across most categories, especially for homeowners.

Some mortgagors—especially those renewing their mortgage in 2025 and 2026—may face difficulties covering their debt payments with financial assets. But most seem capable of using assets to withstand the expected payment increases for at least 12 months.

In a scenario like a trade war, households experiencing job losses may be forced to rely more on financial assets to meet their debt payments. However, around one-fifth of mortgagors lack sufficient assets to fully buffer their mortgage payments for an average period of unemployment.

Households have several means of adjusting to a payment shock or income loss, and relying on their accumulated savings is just one. While delinquent households usually have low savings, very few households with low savings are delinquent. It is therefore clear that other aforementioned channels play a strong role in households' ability to afford their expenses. These channels are an important avenue of future research.

Box 1: Methodology

Data

Analysis of responses to Statistics Canada's Survey of Financial Security (SFS) shows that Canadian households generally have more wealth than that reported in Ipsos' Canadian Financial Monitor (CFM), especially for low wealth households. We exploit the CFM's rich and timely data while leveraging the SFS's more representative and rigorous survey methodology. To do this, we align household wealth distributions in the CFM and the SFS. For simulated mortgagors, we scale wealth at the household level according to relative wealth level for each percentile group (1 to 100) in each survey. For non-overlapping years between 2019 and 2023, we apply a weighted average of the 2019 and 2023 scaling factors. For the CFM's 2024 and 2025 data, we apply the 2023 scaling factors to capture the changes in wealth observed since 2023. We use the same approach for the data in Chart 2 in our note, rescaling with respect to the group-level wealth-to-income ratio displayed.

Mortgage renewal and payment buffer simulations

To estimate household financial asset buffers, we compute distributions of financial assets (both liquid and total) for households with a single mortgage from the adjusted CFM data.[7]

Our exercise follows four steps:

1. We consider six income brackets in CFM:
    - less than $65,000
    - $65,000 to $125,000
    - $125,000 to $150,000
    - $150,000 to$200,000
    - $200,000 to $250,000
    - more than $250,000
2. Using data collected by the Office of the Superintendent of Financial Institutions in the real estate secured loans (RESL2) dataset, we assign mortgagors an asset distribution from the CFM based on their reported income bracket at the time of origination.
3. Building on previous work by Bank of Canada staff, we simulate the expected renewal path for all mortgagors in the RESL2 database using market expectations for mortgage rates at the time of release of the Bank's *Financial Stability Report—2025*.[8]
4. At the individual level, we compare estimated assets to expected payments and to expected payment increases derived from the simulation.

In step 4, we account for unobservable variables and variation within a given income bracket by computing the length of buffers for each household at each decile of their estimated wealth distribution and infer from this the share of mortgagors in each group and in aggregate who could buffer their payment increases and full payments for various time horizons, as shown in the charts (e.g., 1 month or less).

[7] We exclude investors (i.e., households with more than one mortgage) in this exercise because we cannot observe rental income, which prevents us from computing comparable buffers.

[8] For details of the mortgage renewal simulation methodology, see Godbout, Su and Xu (2025).

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