NEWS RELEASE

Most wealth inequality in Canada explained by differences in people's age

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For immediate release

VANCOUVER—Wealth inequality in Canada is largely the result of differences in people's age, where wealth accumulation is a slow and steady process over a long period of time, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

Wealth, measured by a household's net worth, includes the value of all assets—house, business, stocks, bonds, savings, etc.—minus all debts, such as the mortgage, a line of credit and credit card debt. It is, of course, different than income.

"Most wealth inequality is explained by totally normal changes in our economic situation as we age—the 25 year-old with no wealth today will most likely be a 65-year-old with a net worth close to $1 million a few decades from now, and there's nothing worrying about that," said Christopher Sarlo, Fraser Institute senior fellow, economics professor at Nipissing University and author of ***Understanding Wealth Inequality in Canada***.

The study finds that in Canada, between 80 and 87 per cent of wealth inequality between people can be explained by the stage of their life—in other words, their age.

For example, most young Canadians have little or no wealth since they are in the early stages of their careers and likely have some debt offsetting any assets they may have. By contrast, older Canadians have very substantial wealth that has been accumulated over a lifetime, including a house and retirement savings with little debt.

Canadians usually acquire the most wealth when they hit their peak earning years—between 55 and 69—just before retirement. When they retire, they start to draw down savings and, in effect, become less wealthy again.

"When we look at a snapshot in time of our society, we see big differences in wealth—almost all of which is explained by age," Sarlo said.

What's more, wealth inequality in Canada has actually declined over the past four decades. Specifically, between 1970 and 2012 (the latest year of available data), the gap in net worth among Canadians shrunk 17 per cent. In other words, by traditional measures of inequality, the gap between the most well-off, in terms of wealth, and the least well-off has actually been declining.

"The fact that wealth inequality in Canada has declined over the past few decades does not correspond to the narrative about growing inequality many people cling to," Sarlo said.

AVERAGE HOUSEHOLD WEALTH BY AGE GROUP, 2012

Under 25	$55,814
25-29	$175,653
30-34	$203,416
35-39	$318,531
40-44	$465,773
45-49	$660,759
50-54	$735,400
55-59	$839,266

60-64	$888,778
65-69	$968,914
70-74	$760,156
75-79	$680,587
80 and older	$579,616

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