

FOR IMMEDIATE RELEASE

**CANADIANS BETTER PREPARED THAN MOST  
FOR FINANCIAL EMERGENCIES: GLOBAL STUDY**

**PERSONAL RISK ASSESSMENT AND RISK LITERACY SURVEY FINDS  
CONSUMERS VULNERABLE TO FINANCIAL EMERGENCIES**

**TORONTO, November 12, 2009** - Half of all consumers in several of the world's developed countries would struggle to meet an unexpected expense, although Canadians would fare better than most, according to a TNS study conducted in 15 countries.

"Many consumers, particularly in the U.K., U.S., Germany and Mexico, currently lack the resources to meet an unexpected financial need, such as sudden car or home repairs or minor health-related expenditures. Canadians are more confident than most other nationals about their ability to come up with the necessary funds," said Rhonda Grunier, vice-president of TNS Canadian Facts and director of the firm's financial research practice.

The TNS Personal Risk Assessment and Risk Literacy Study is derived from nationally representative consumer surveys developed in association with professors from Harvard Business School and Dartmouth College. The study analyzes consumers' risk literacy, household financial fragility, and their financial experience and behaviour during the economic crisis of 2008-2009.

According to Peter Tufano of Harvard Business School, "These figures include more than just the unemployed or lowest income households. In many countries, there is widespread financial fragility with a significant number of seemingly middle-class consumers extremely vulnerable to sudden financial emergencies."

### **No Financial Safety Net**

To measure consumers' capacity for bearing risk, the survey probed if, within the next month, they would be able to come up with enough money for an unexpected expense. Around half of consumers in the United Kingdom (49%), Germany (47%) and the United States (46%) reported that they would not be able to get their hands on \$2,000\* in 30 days. Mexico fared worst of all countries analyzed with 58 per cent stating they would unlikely be able to find the funds.

By contrast, Luxembourg residents were extremely confident in their ability to weather a short-term financial emergency, with nine in 10 reporting they could come up with funds. In Canada, Italy and The Netherlands, around seven in 10 consumers expressed this view.

The high-level of confidence in Canada, Luxembourg and The Netherlands is likely attributable to their citizens' saving habits, as these countries have the highest incidence of consumer savings accounts across all countries polled (76% of Canadians have savings), while Canadians have the highest incidence of investments (54%).

### **Where to turn for help? Savings, family/friends or credit?**

In most countries polled, savings were the primary source of emergency funds for consumers, with nine in 10 people in The Netherlands (89%) and Luxembourg (86%) expecting to use this source, and by around half of people in Canada (52%), Germany, the United States, the United Kingdom, and Portugal.

Informal social networks are the predominant sources for funds in some countries. Mexican and Argentinean respondents were least likely of the countries polled to be able to access savings and most likely to look to family for help. Over half the respondents from Mexico (53%) and Argentina (43%) would seek help from family.

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\*Currencies varied by country but were approximately equivalent to USD \$2,000. The question asked was, "How confident are you that you could come up with [X AMOUNT] if an unexpected need arose within the next month?"

Around 30 per cent of respondents in Germany, the United Kingdom, France and the United States thought they would ask their family for assistance. In general, women are significantly more likely than men to say they would go to family for help. Overall, only 22 per cent of Canadians said they would borrow from family (27% of women versus 17% of men).

In all countries, the younger the consumers, the more frequently they mention borrowing from family as source to fund an unexpected expense. While this is not surprising, it does hint at a potential area of concern. Since older consumers have seen their savings and retirement nest eggs take a beating as a result of the global economic downturn, they may incur additional burdens if younger family members rely on their support.

Taking on additional debt from lending institutions is not as popular as tapping into savings accounts or borrowing from family, but it is another source for people to meet unexpected expenses. Canadians stand out in the study as they are the most likely of all to say they would use credit to finance emergency needs.

Credit cards would most likely be used in Canada (28%) and Luxembourg (27%), with willingness to use plastic somewhat lower in the United States and United Kingdom (20%). Fewer than one in 10 respondents in the other countries surveyed would reach for their cards in an emergency.

Canadians not only rank highest in their willingness to pay for emergencies with credit cards, but they also top the list of consumers in the countries surveyed who say they would use a home equity line of credit or take out a second mortgage on their home to pay for unexpected expenses (13% in Canada and Germany, compared to fewer than 7% in all other countries).

“This finding is troubling,” said Grunier. “Canadians have been encouraged for years to save money through RRSPs, but they may be reluctant to tap into them for emergencies because of the tax implications. Credit is still relatively simple to obtain in Canada, making it an easy alternative for many. However, taking on additional debt, particularly in a time of continued economic instability, could be a big mistake for some people.”

Two in 10 consumers in the United States and Mexico (21%) would look for a second job or work overtime as a source of extra income, a higher proportion than in France (17%), the United Kingdom (16%), Portugal (15%), Germany (14%) and Canada (13%). Americans and Mexicans are more likely than other nationals to consider selling their belongings (18% and 17%) but this is not a preferred option.

The TNS Personal Risk Assessment and Risk Literacy Study was conducted between June and September 2009. The survey sample sizes vary by country and are as follows: Argentina (1,000), Canada (1,132), France (1,097), Germany (1,107), Hong Kong (1,000), Italy (935), Luxembourg (504), Mexico (904), The Netherlands (1,001) Portugal (1,011), Saudi Arabia (453), Singapore (1,000), United Arab Emirates (400), United Kingdom (1,001) and the United States (2,148) The total sample size was 14,693. Household financial fragility results are available for 11 of the 15 countries.

Samples are nationally representative of the general population in all countries but Mexico (main cities), United Arab Emirates (main cities, working population having a banking relationship) and Saudi Arabia (main cities, working males having a banking relationship). The data collection method was online except for Argentina, Saudi Arabia and United Arab Emirates (face to face) and Mexico (telephone).

### **About TNS**

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