

Immigrant Saving Behavior in Canada: An analysis of what influences saving behavior and how this impacts immigrants lives

Cavita Meetun, M.A. Candidate . Supervisor: Dr. Michael Haan

Department of Sociology, Collaborative Program in Migration & Ethnic Relations, Western University

Immigrants face earnings and employment shocks upon arrival in Canada, how do these shocks influence their capacity to save?

Introduction

Wealthier and more **educated** immigrants are more likely to use basic banking services and have higher measures of financial depth (Okonkwo & Paulson 2008, Islam, Parasnis & Fausten 2010, Keown 2011)

Recent immigrants save **less** than Canadian-born citizens but **over time** the distinction between the behavior of immigrants and that of native-born citizens diminishes (Carroll, Rhee & Rhee 1994)

Saving may take the form of investments in **housing** because of cultural factors that guide immigrants towards different types of investments (Chatterjee & Zahirovic-Herbert 2011)

Investing in housing in the host country or in the country of origin can be a means to **secure membership** within the community (Osili 2004)

Immigrants are more likely to use **informal** financial services like check cashing outlets, money orders and cash to conduct financial services (Paulson & Rhine 2008, Anderson & Zhang 2012)

Method

2012 Survey of Financial Security, sample size 23,807

Unit of analysis: Economic Family, size 11,731

Immigrants: Individuals who have ever identified as a Landed Immigrant in Canada

Native-born Canadians: Individuals who were born in Canada

Saving Behavior: measured by asking do you have money in a TFSA? Do you have money in an RRSP?

	Frequency	Percent
Native-born Canadians	9,017	76.87%
Immigrants	2,713	23.13%
Total	11,731	100%

This table describes the distribution of immigrants and native-born Canadians in the sample. The sample is majority Native-born Canadians (76%) with one quarter immigrants (23%).

Individuals who have money in an RRSP

	Frequency	Percent
Don't have money in a Registered Retirement Savings Plan (RRSP)	4,455	37.98%
Have money in a Registered Retirement Savings Plan (RRSP)	7,275	62.02%
Total	11,731	100%

Descriptive Tabulations

The results for Tax-free Savings Account (TFSA) suggest that there are not large differences between the percentage of Native-born Canadians and immigrants that have money in Tax-free savings accounts (TFSAs). Immigrants are as likely (36%) as native-born Canadians (33%) to have money in Tax-free savings accounts (TFSAs).

The results for Registered Retirement Savings Plans (RRSPs) suggest that there is a slight difference between the percentage of Native-born Canadians and immigrants that have money in Registered Retirement Savings Plans (RRSPs). Native-born Canadians are slightly more likely (63%) than immigrants (56%) to have money in RRSP's.

Policy Relevance & Access to Saving

Saving money can help you become more financially secure and provide a safety net in case of an emergency. You could be saving for an emergency expense, education and retirement.

Tax-Free Savings Accounts: Canadian account that provides tax benefits, investment income, capital gains and dividends are not taxed even when withdrawn

Registered Retirement Savings Plan: a type of Canadian savings account, money put in the RRSP is tax deferred, income is taxed when it is withdrawn

Research Questions:

Immigrants face earnings and employment shocks upon arrival in Canada, how do these shocks influence their capacity to save?

Are immigrants less likely than native-born Canadians to have money in TFSA's or RRSP's?

Is saving behavior a result of other factors like income, age, education level?

Have high house prices in CMA areas forced immigrants to invest money elsewhere?

Theoretical Framework

Assimilation: a process of adjustment or accommodation that occurs between members of two different groups where persons acquire the memories, sentiments and attitudes of the other people by sharing their experience and history in a common cultural life (Sayegh & Lasry 1993)

Acculturation: cultural change where a selective adaptation of value systems occurs through integration and differentiation in a bidirectional process (Sayegh & Lasry 1993)

Studies suggest that the financial assimilation of immigrants does eventually take place and that this occurs for a range of financial services including owning accounts and stock (Paulson, Singer, Newberger & Smith 2006, Paulson & Rhine 2008, Chatterjee 2009, Okonkwo & Paulson 2008)



Thousands of Canadians are living paycheck to paycheck...51% of surveyed Canadians said they would not be able to meet their financial obligations if their paychecks were delayed a week (CBC)



Individuals who have money in a TFSA		
	Frequency	Percent
Don't have money in a Tax-free Savings Account (TFSA)	7,720	65.81%
Have money in a Tax-free Savings Account (TFSA)	4,010	34.19%
Total	11,731	100%

These two tables describe the distribution in the sample of individuals who have money in Tax-free Savings Accounts (TFSAs) and Registered Retirement Savings Plans (RRSPs). The majority of the sample (65%) does not have any money in TFSA's while in contrast the majority of the sample (62%) does have money in RRSP's.

Are Immigrants less likely to have money in TFSA's?

	Native-born Canadians	Immigrant	Total
Don't have money in a TFSA	66.36%	63.99%	65.81
Have money in a TFSA	33.64%	36.01%	34.19%
Total	100%	100%	100%

Are immigrants less likely to have money in RRSP's?

	Native-born Canadians	Immigrant	Total
Don't have money in an RRSP	36.19%	43.92%	37.98%
Have money in a RRSP	63.81%	56.08%	62.02%
Total	100%	100%	100%

Sources

Carroll, C. D., Rhee, B. K. & Rhee, C. (1994). Are there cultural effects on saving? Some cross-sectional evidence. *The Quarterly Journal of Economics* 109 (3), 685-699.

Chatterjee, S. (2009). Financial market participation of immigrants and native-born Americans: The role of income uncertainty. *International Business & Economics Research Journal* 8(5), 1-8.

Chatterjee, S., & Zahirovic-Herbert, V. (2011). Homeownership and housing equity: an examination of native-immigrant differences in housing wealth. *International Atlantic Economic Society* 17, 211-223.

Islam, A., Parasnis, J. & Fausten, D. (2010). Immigrant and native saving behavior in Australia. *Monash University Business & Economics* (1441-5429), 1-39.

Keown, L. A. (2011). The financial knowledge of Canadians. *Statistics Canada Canadian Social Trends* (11-008), 30-39.

Okonkwo, O. & Paulson, A. (2008). What can we learn about financial access from U.S. Immigrants? The role of country of origin institutions and immigrant beliefs. *The World Bank Economic Review* 22(3), 431-455.

Ollili, U. O. (2004). Migrants and housing investments: Theory and evidence from Nigeria. *Economic Development and Cultural Change*, 52(4), 821-849.

Paulson, A. & Rhine, L. W. (2008). The financial assimilation of an immigrant group: evidence on the use of checking and savings accounts and currency exchanges. *Springer Science and Business Media* 29, 264-278.

Paulson, A., Singer, A., Newberger, R. & Smith, J. (2006). *Financial access for immigrants: Lessons from diverse perspectives*. Chicago: Federal Reserve Bank of Chicago and The Brookings Institution.

Sayegh, L., & Lasry, J. (1993). Immigrants' adaptation in Canada: Assimilation, acculturation and orthogonal cultural identification. *Canadian Psychology*, 34(1), 98.

Zhan, M., Anderson, S. G., & Zhang, S. (2012). Utilization of formal and informal financial services among immigrants in the United States. *International Consortium for Social Development* 34(3), 1-17.

<http://www.cbc.ca/news/business/more-canadians-say-they-re-living-paycheque-to-paycheque-1.2761708>



Western
Centre for Research on Migration and Ethnic Relations

Contact: Cavita Meetun
cmeetun2@uwo.ca

Acknowledgements: Funding from Pathways to Prosperity



Western
Social Science