Manulife Bank

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Canadian homeowners struggling to pay bills as housing costs rise: Manulife Bank survey

- **Average mortgage debt increased to $181,000 since last fall**
- **One in three homeowners "caught short" at least once in the past year**
- **60 per cent lack confidence they'll have enough savings for retirement**

Waterloo – Rising housing costs are making it difficult for homeowners to balance paying down their mortgage, saving for retirement and managing day-to-day expenses, a new Manulife Bank Canada survey shows.

More than one in three homeowners (37 per cent) were caught short at least once in the past year and did not have enough to cover expenses. Just four in 10 are confident they will have enough savings for retirement. For some, the rising cost of housing means they will approach retirement with significant home equity but insufficient savings to fund their retirements.

"Our research has consistently found that becoming debt-free is among the top financial priorities for Canadian homeowners. They must also find a balance between debt repayment and saving for retirement so they don't end up house-rich and asset poor," said Rick Lunny, President and Chief Executive Officer, Manulife Bank of Canada. "The best option is to work with an advisor to get a plan in place well before retirement to balance debt repayment, retirement savings and day-to-day spending."

Rising mortgage debt in Canadian households

The average Canadian homeowner with a mortgage has an outstanding balance of $181,000, up from $175,000 reported last fall. Average mortgage debt remains highest in Vancouver, with an average of $259,000, compared to $217,000 for Calgary and Edmonton and $194,000 for Toronto.

Decrease in cross border shopping

Homeowners also appear to be quite sensitive to changes in the value of the Canadian dollar. More than half (57 per cent) of survey respondents said the recent decline in the Canadian dollar would have some impact on their spending. Within this group, a quarter reported they've reduced online cross-border shopping, 23 per cent have reduced in-person cross-border shopping and nearly one in five (17 per cent) have changed or cancelled a trip to the United States as a result of the lower dollar.

Expectation versus reality in retirement

For most homeowners, their home is a key component of their vision for retirement. Almost all respondents (94 per cent) said they wish to continue to be homeowners during the first several years of retirement. Among those in their 50s, almost three quarters (74 per cent) would prefer to remain in their *current* home.

More than a quarter of homeowners predict their home equity will comprise 80 per cent or more of their household wealth at the time they retire. A further 17 per cent believe it will make up between 60 and 80 per cent of their household wealth. Notably, almost one quarter (24 per cent) of homeowners in their fifties expect their home equity will make up 80 per cent or more of their wealth when they retire.

Difficult decisions lie ahead

Homeowners who find themselves with significant home equity but limited retirement savings when they retire may have to make a difficult decision; namely, they may have to

1) Retire later than originally planned
2) Accept a lower standard of living in retirement
3) Move to a less expensive home and use extra equity to fund retirement
4) Borrow against their home equity

"If you reach retirement with significant home equity but limited savings you may need to adjust your thinking if you wish to stay in your current home," said Lunny. "Your home is your castle, as they say, but it's also a significant *financial* asset that you should take into account when planning your retirement income. With a conservative, disciplined plan, borrowing against your home equity can be an effective, low-risk way to supplement your retirement income while still enjoying all of the benefits of staying in your current home."

For more information visit, ManulifeBank.ca/debtresearch

About the Manulife Bank of Canada Debt Survey
The Manulife Bank of Canada poll surveyed 2,373 Canadian homeowners in all provinces between ages 20 to 59 with household income of $50,000 or more. The survey was conducted online by Environics Research between February 3 and 20, 2016. National results were weighted by province, income and age.

About Manulife Bank
Established in 1993, Manulife Bank was the first federally regulated bank opened by an insurance company in Canada. It is a Schedule I federally chartered bank and a wholly-owned subsidiary of Manulife. As Canada's first advisor-based bank, it has successfully grown to more than $21 billion in assets and serves clients across Canada.

About Manulife
Manulife Financial Corporation is a leading international financial services group providing forward-thinking solutions to help people with their big financial decisions. We operate as John Hancock in the United States, and Manulife elsewhere. We provide financial advice, insurance and wealth and asset management solutions for individuals, groups and institutions. At the end of 2015, we had approximately 34,000 employees, 63,000 agents, and thousands of distribution partners, serving 20 million customers. At the end of March 2016, we had $904 billion (US$697 billion) in assets under management and administration, and in the previous 12 months we made more than $24.9 billion in benefits, interest and other payments to our customers. Our principal operations are in Asia, Canada and the United States where we have served customers for more than 100 years. With our global headquarters in Toronto, Canada, we trade as 'MFC' on the Toronto, New York, and the Philippine stock exchanges and under '945' in Hong Kong. Follow Manulife on Twitter @ManulifeNews or visit www.manulife.com or

www.johnhancock.com.

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Media Contact:

Sean B. Pasternak
Manulife
416-852-2745
sean_pasternak@manulife.com