

Key Takeaways for McDowall Associates Clients:

1. The top 10% of Canadian families made an average income of \$134,900; Those in the top 1% had an average family income of \$381,300
2. Investment income is an important source of income for high-income Canadians; 56.7% of all investment income reported was received by “high-income” Canadians
3. Management occupations represent 38.8% of the top 1% of income earners



Statistics Canada Releases Report on Canadian Personal Income Earnings in 2010

Much attention is being given to the income distribution data released in the 2011 National Household Survey (NHS) by Statistics Canada (StatsCan) on September 11, 2013. Our focus in this article is primarily on the high income earner information contained in the Survey.

High Income Group Highlights¹

According to StatsCan, 10% of Canadians had total incomes of more than \$80,400 in 2010 based on the after-tax income of their economic families. To be in the top 5%, Canadians needed to have a total income threshold slightly above \$102,300, and to be in the top 1% just over \$191,100.

The top 10% of Canadian families (the top decile) made an average income of \$134,900, with the top 5% making one third more at \$179,800 and the top 1% almost triple that amount at \$381,300.

Investment income is an important source of income for those in the top decile. 56.7% of all investment income reported was received by this group, while 11.3% went to those in the next highest decile.

Among the 10 broad occupation groups within the NHS, 87.7% of the top 1% income earners worked in one of five occupations:

- Management (38.8%);
- Health (14.3%);
- Business, finance and administration (13.7%);

(continued on next page)

¹Statistics Canada – Catalogue no. 99-014-X2011003

Key Takeaways for McDowall Associates Clients:

4. 10% of Canadians with the highest after-tax incomes received 28.1% of the nation's total income, and paid 42.1% of the nation's total income tax
5. Close to 70% of Canadians aged 15 and over earned some income from employment (including self-employment)
6. Investment income, private retirement income and other private income (e.g. child support or severance pay) accounted for 12.9% of total income reported by Canadians in 2010

High Income Group Highlights (Cont'd)

- Education, law and social, community and government services (11.0%); and
- Natural sciences, applied sciences and related occupations (9.9%)

Table 1 provides the average total incomes reported for the 1% group by occupation.

Income Tax Highlights

The NHS provides some high level data on the income taxes paid by Canadians, albeit a very limited amount compared to other StatsCan data bases.

63.7% of those aged 15 and over reported paying income taxes in 2010. Their average tax rate was 16.4% of their total income, leaving 83.6% as after-tax income.

While people in the top 30% of income earners received 55.7% of the nation's total income, they paid 71.5% of the nation's total income tax (i.e. 28% more tax than their relative pre-tax income share).

Correspondingly, the 10% of Canadians with the highest after-tax incomes received 28.1% of the nation's total income, and paid 42.1% of the nation's total income tax (i.e. 50% more tax than their relative pre-tax income share). This group paid 24.5% of their income in taxes and received 2% of their income from government transfers.

Total Survey Sample Highlights²

We note with interest the following observations made by StatsCan on the results for the total sample:

- 95.1% of Canadians age 15 years and over received some form of income, including government transfers, in 2010 for a total of \$1.1 trillion
- The national median income was \$27,800, similar to the average total income of \$28,000 for the bottom 90% of the sample
- Close to 70% of Canadians aged 15 and over earned some income from employment (including self-employment), representing 74.7% of the total income of private households in Canada
- Canadians in the bottom 50% of after-tax income earners received more money from government transfers than they paid in income taxes
- Investment income, private retirement income and other private income (e.g. child support or severance pay) accounted for 12.9% of total income reported by Canadians in 2010

²Statistics Canada – Catalogue no. 99-014-X2011001

About McDowall Associates

Fully Independent Experts

McDowall Associates is a fully independent consulting firm offering a complete range of advisory services for Boards and management.

Strategic & Evidence-based Approach

Providing market intelligence based on research is foundational to the consideration of alternative strategies.

Subject Matter Experts

Experience matters! Our associates have in-depth knowledge of executive compensation and related areas of practice including Expert Witness Consulting.

Do Executives Pay Enough Tax?

Much has been written in the business press and in academia about the perceived inequality of the compensation of Canadian executives relative to that of more typical Canadian workers based on the Survey and other sources. They often come to the conclusion that high income earners should pay even more income tax, but give little or no acknowledgement to the amount of income taxes they already pay.

McDowall Associates is researching the importance to the Canadian economy of the income tax payable by Canadian executives. A forthcoming release will present the findings of this ongoing research.

In the interim, please contact the following McDowall executive compensation consultants for more information.

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Table 1

Top 1% Total Income Earner Occupations	Average 2010 Total Income (\$)
Management	421,200
• <i>Senior management</i>	466,300
• <i>Specialized middle management</i>	388,700
Health	333,600
• <i>Professionals (except nursing)</i>	334,300
Business, finance and administration	398,500
• <i>Professionals in business and finance</i>	407,400
Education, law and social, community and government services	365,800
• <i>Professionals in law and social, community and government services</i>	384,400
Natural and applied sciences and related occupations	335,600
• <i>Professionals in natural and applied sciences</i>	347,600
Other groups	335,000
Total group	381,300

Source: Statistics Canada – Catalogue no. 99-014-X2011003

³Includes all income, such as self-employment income, investment income, and government benefits in addition to employment income.