

The nation's debt is real but panic is optional

Recently, I met with a prospective client who leaned forward, lowered his voice and said, "I have one question — and I want your honest answer. The United States is bankrupt."

I wanted to stop him there, but instead I listened. What followed was a string of dire claims, half-remembered statistics and urgent conclusions. He really didn't have a question. He had fear — well-intentioned, but untethered.

Later, I mulled over that conversation. Concern about government debt isn't new, but his anxiety felt contagious. Fear often spreads faster than facts, and perspective usually becomes its first casualty.

So, in search of perspective, let's talk plainly about what the numbers actually say about government debt.

Reasonable people can agree on these basic facts:

- Federal debt is very large and continues to grow.
- Over time, it has grown faster than the economy.
- If that trajectory were to continue forever, it would eventually become unsustainable.

The inherent disagreement isn't about those facts. It's about timing, process and meaning. Words like bankrupt and default imply some sort of sudden collapse. But history suggests something very different. An example will illustrate this point.

In reality, government income and spending are so massive that we can't easily wrap our heads around the numbers.

So let's translate government finances into day-to-day terms.

Imagine a household that annually earns \$50,000 while spending \$67,500 — about 35% more than it makes. Every year, the shortfall goes on a credit card that already carries a \$385,000 balance. The interest, while exceptionally low for a credit card, still costs about \$11,000 a year. That means more than 20% of this family's income goes just to servicing debt — money that's effectively lit on fire.

No one would call that situation healthy. It's not. But neither would someone assume this family will go straight from their current balance sheet to defaulting tomorrow. Experience tells us they'll first make uncomfortable adjustments to avoid bankruptcy. Maybe they'll slow their spending or try to earn more. These tradeoffs become unavoidable, leading to arguments, frustration and eventually, some progress. That's how course correction starts.

The household analogy is imperfect but useful. The United States is not immune to basic math, but it's not a credit card customer either. Default, if it came, would not arrive as a clean event. There is no bankruptcy court for the nations of the world. Instead, restrictive financial policies would show up as higher interest costs, slower growth, inflation pressures, unlikable taxes and years of gradual adjustment. That won't be fun for anyone, but it's very different than a collapse.

There's another reality often missing from the conversation. Right now, the U.S. government is receiving trillions of dollars in loans from around the world at interest rates reflecting a shared belief that it'll meet its obligations. That assumption isn't "risk-free," but it does mean the collective judgment of global capital markets does not see imminent bankruptcy. To believe otherwise is to think you know something nearly everyone with capital at risk does not. That doesn't make you wrong — but history suggests it should make you humble.

After decades advising investors, I've learned this lesson the hard way. Every time I was absolutely convinced I was right and the rest of the world was wrong, I was — without exception — mistaken.

One of the most damaging habits in investing is straight-line thinking. When something has been heading downhill, we may assume it will continue uninterrupted until disaster. But economic history (and history in general) doesn't work that way. Adjustments, usually late, usually imperfect, are made along the way. As one economist famously quipped, if something cannot go on forever, it will stop. And when it stops, it rarely looks like a dramatic, overnight collapse.

This distinction matters because you cannot put your life on hold while waiting for certainty. You can't delay retirement, income needs or family goals while hoping for a perfect forecast. Uncertainty is not a bug of investing — it's the price of admission.

Over the past decade, despite relentless warnings about dysfunction and decline, businesses continued to earn money.

Dividends kept growing, and capital compounded. Investors who braved the risks and stayed disciplined were rewarded in part because they were paid to bear them.

This is where behavior matters more than headlines.

A sound investment plan is not designed to predict government outcomes — but to fund a life. It focuses on ownership of productive assets, income that grows over time, and the discipline to stay invested through discomfort.

There is no doubt that these factors matter. The current debt held by our government, combined with its spending rate, is simply unsustainable long term. I hope we see a necessary course correction to improve the country's balance sheet.

But panicking over hyperbolic headlines has never improved an investor's outcome.

The choice is simple. You can build your financial life around long-term goals, acknowledging real risks while refusing to let fear take the wheel. If that seems difficult, consider seeking the assistance of a financial adviser. Alternatively, you can build your financial life around apocalyptic speculation that may never arrive, and almost certainly not as imagined. Both approaches compound. One is essential; the other is a distraction.

Choose wisely.

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