

Default is not the Default

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There is a lot of debate regarding raising the US budget debt ceiling these days. Here is my analysis in a nutshell:

1. Yes, a "default" by the United States of America would be disastrous.
2. However, "default" is a legal term used to describe when a mandated debt payment is not made to a debtor (which, in this case, is a US bondholder). It is not the proper word to use when talking about whether or not the internal operating expenses of the US government are being paid.
3. Not raising the debt ceiling does not mean the US will default on its debt payments. There is no relationship between the two, regardless of what some will tell you.
4. Annual federal tax receipts are \$2.5 Trillion, whereas net debt payments are about one-tenth of that amount. There is plenty of revenue to make debt payments. The only way there will be a default is if the Treasury Secretary makes a bad decision on whom to pay.
5. **Reining in the out-of-control spending of the federal government should be our top priority.** Since 1990 the debt limit has been raised a total of \$10 trillion, nearly half of that since 2007.
6. Raising the debt ceiling, which makes room for raising expenditures, does not support #5.

My advice: Do not let anyone confuse you or try to scare you on this issue. Ignore anyone that does not recognize, at a minimum, the above points.