CLADIS
INVESTMENT ADVISORY, LLC

180 S 32nd Street West, Suite 1
Billings, MT 59102
406-259-4939

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Plan for America's Growing National Debt Crisis

How America's fiscal path can impact your retirement and what you can do.

The United States is on an unsustainable fiscal trajectory. As of mid-2025, the national debt has surged past $36 trillion, representing over 120% of the country's gross domestic product (GDP). The interest payments alone are set to surpass military spending and even Social Security in the coming years, threatening to crowd out essential public services. This mounting burden casts a long shadow over the U.S. economy – and, by extension, the markets that millions of Americans rely on for retirement savings.

Economists warn that continued borrowing without structural reforms could erode confidence in U.S. Treasury bonds, historically considered one of the safest investments in the world.

If demand for these bonds weakens, interest rates may rise even more sharply to entice buyers – putting downward pressure on stock valuations, housing affordability, and economic growth. The bond market, once a safe haven, may no longer guarantee stability.

In short, our national debt isn't just a political talking point – it's a real risk to your financial future.

WHY THE MARKETS ARE VULNERABLE

Debt at these levels distorts normal market functioning.

HERE'S HOW:

- **Rising Interest Rates:** As government borrowing increases, it competes with private borrowers, driving up interest rates. This can choke off corporate investment and lead to falling stock prices.
- **Inflation Risk:** Massive debt often prompts central banks to monetize the deficit – essentially printing money – which risks inflation. Inflation erodes the real returns of both stocks and bonds.
- **Reduced Policy Flexibility:** With so much debt already on the books, future governments will have less room to stimulate the economy in a crisis – putting more pressure on investors to self-insure through personal savings.
- **Global Confidence:** If global investors begin to doubt America's ability to manage its finances, we could face a sovereign debt crisis that could make 2008 look like a speed bump.

WHAT IT MEANS FOR YOU

You may not be able to control federal fiscal policy, but you can take steps to insulate your financial life from the risks it creates.

Chief among them: evaluating your personal debt and long-term financial plan. If the government's overleveraging causes market instability, your personal leverage (i.e., debt) can make you even more vulnerable. Here's how to take control:

STEP 1: ASSESS YOUR DEBT-TO-INCOME RATIO

Your Debt-to-Income (DTI) ratio is a key indicator of financial health. Ideally, it should be below 36%, with no more than 28% going toward housing costs. Start by listing all monthly debt obligations – mortgage, car loans, credit cards, student loans – and divide by your gross monthly income. If your DTI is creeping higher, particularly due to consumer debt, it's a sign that your finances may be fragile in a rising-rate environment.

STEP 2: PRIORITIZE HIGH-INTEREST DEBT

Federal interest rates may rise, and that will spill over into everything from credit card APRs to variable-rate mortgages. Pay down high-interest debt first, especially revolving credit card balances. These are typically the most expensive and least tax-advantaged forms of borrowing.

STEP 3: BUILD A FINANCIAL BUFFER

With markets increasingly unpredictable, a robust emergency fund (3–6 months of living expenses) is essential. This gives you breathing room during downturns, job loss, or inflation spikes, and helps you avoid racking up new debt.

STEP 4: ADJUST YOUR INVESTMENT MIX

Market volatility tied to national debt issues could affect different asset classes in varying ways. While diversification is always important, in today's climate it's essential to:

- **Review bond exposure:** Long-duration bonds may be especially vulnerable to interest rate hikes. Consider shorter-term or inflation protected securities.
- **Look internationally:** Not all countries share America's fiscal challenges. Global diversification can reduce systemic risk.
- **Include real assets:** Real estate, commodities, and infrastructure may serve as hedges against inflation and currency debasement.

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Behind every stock is a company. Find out what it's doing."

\- PETER LYNCH

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STEP 5: KEEP RETIREMENT GOALS IN FOCUS

If market returns soften or become more volatile due to fiscal stress, the gap between what you need and what you're on track to accumulate might widen. Use this moment to:

- **Revisit your retirement plan:** Are your savings rates adequate? Is your expected retirement age realistic? Are you too reliant on market returns?
- **Stress test your portfolio:** Run simulations assuming flat or negative returns, inflation shocks, and higher taxes – what would that mean for your income in retirement?

IT'S PERSONAL

America's ballooning debt may seem abstract, but its consequences are real – and deeply personal. Rising interest rates, market instability, and reduced government maneuverability could all threaten your retirement security.

Now is the time to examine your own balance sheet with the same scrutiny that policymakers owe the federal budget. Reducing your personal debt, increasing your financial resilience, and ensuring your investments are built for the long haul are proactive steps you can take – before the macro storm hits. After all, you can't change the country's fiscal path. But you can change your own.

OUR OFFICE WILL BE CLOSED THURSDAY, JUNE 19TH IN OBSERVANCE OF THE JUNETEENTH FEDERAL HOLIDAY AND FRIDAY, JULY 4TH FOR INDEPENDENCE DAY.