



# debt

## The U.S. is Now \$18 Trillion in Debt

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Last week, the national debt surpassed \$18 trillion. That's \$124,000 for each American household or \$56,378 per individual. It took the country 205 years to accumulate its first trillion dollars of debt in 1981, but has only taken us 403 days to accumulate our most recent trillion. It's hard to even think about numbers that big; if you were to count to a million it would take one week; if you wanted to count to a trillion it would take 31 thousand years.

Like with our personal debt, there may actually be some advantages to taking on debt. The flatscreen TV and Christmas presents we purchase with debt likely increase our standard of living and wellbeing. But this short term gain is often paid for with long term pain. And

the currency of this pain is interest. Interest is the price of debt. So, when we buy a TV on a payment plan, we are actually buying two things: the TV and the debt that goes with it. While a few extra dollars spent on interest each month may be worth it to see our favorite football players in HD, too much of our income spent interest can seriously reduce our quality of life because we must forgo other purchases to pay for it.

This is the point that the country has reached with its interest on the national debt.

Last year, the U.S. spent \$430 billion on interest payments alone. This means that every year, tax payers are spending \$3,500 just on

interest payments. This is money that isn't going to pay for roads, bridges, education, medical research or defense.

It gets scarier. National debt interest rates are historically low at the moment – around 2.5 percent. When they rise, interest payments will rise exponentially thanks to the wonders of compounding rates. Say interest rates rise to 5 percent – still low by historical standards. That means we will owe nearly \$1 trillion a year in interest alone. That's about two-thirds of what the federal government brings in each year in total income tax revenue!

Fewer services and higher taxes – Uncle Sam's spendthrift ways could end up hurting us all.