

Most Canadians are aware of mounting national debt resulting from Covid-19 (and consecutive years of financial profligacy even in good times), but few know the number is an eye-popping \$1T and climbing. A Trillion is of course a million millions or 12 zeros after the first digit. Combined with provincial borrowing, Canada is in up to its eyeballs with debts totalling 100% of our Gross Domestic Product (GDP). So what's to be done about it? Well, improbably the Globe & Mail posits the question *what if we never repay the national debt?*, in it's headline <[here](#)>. It goes on to make the argument that with interests costs so low, we can afford as a country to carry the burden with ease, as though it were that simple.



Now I've been around long enough to remember President Reagan admonishing Americans with his position on debt, saying that *just as we cannot live beyond our means indefinitely at the level of the household, so we can't as a nation of households*. Amen to the Gipper on that one. Debt is a real thing and we need to understand that borrowing represents a transfer of wealth from the future to the present (just as savings is a transfer of wealth from the present to the future). Consuming tomorrow's meal (so to speak) today, means that there will be a shortfall at some point in the future.

The take-away from all this is that sooner or later interest rates will begin to move up and governments will have to start making very hard decisions concerning a reduction in government programs and/or raising taxes. Now that's simple to understand and we need to be ready for this. Here's 3 steps that can be taken soon than later;

- \*increase your savings rate each year (RRSPs, TFSAs, RESPs etc)
- \*pay down personal debt faster
- \*start living 10%-15% below your means now

None of these are going to win me any popularity contests, because they all add up to less disposable income for you now. But this is good advice and will help to soften the blow when all this debt becomes impossible for our country to ignore.

Be safe, be well!

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