

Debt advice for the rest of us

TELEGRAM & GAZETTE STAFF

As Congress and the White House debate raising the debt ceiling, the Telegram & Gazette asked local financial experts what average people should worry about, if anything, and what steps they should consider taking.

- "I do not believe that any of this should change one's long-term view. The bond market, for example, appears to be looking past the problem to the other side of the solution. Current prices of high-quality debt (yes, U.S. treasuries are in fact still the highest quality debt instruments) are markedly higher in price and lower in yield this afternoon because of the traditional 'flight to quality trade.' Additionally, the resolution to the debt debacle will result in fewer USTs in the marketplace due to higher revenue and lower spending, so the simple laws of supply and demand will keep rates low for quite a while."

"If this were a real default, as defined, current rates would be out of sight. They are just the opposite."

Thomas J. Bartholomew

President,

Bartholomew & Co. Inc., a Worcester private investment planning company

- "I don't think there is anything the average person can do about the debt crisis. It's a Washington-created crisis and they will sort it out in time. But it brings to the forefront the bigger issues, which are tax reform and government spending, and that's something all of us should be worrying about. Higher taxes are coming for high- income and upper-middle-income people, and I think there will be cuts in entitlement programs for low and middle income people. For investors right now: Don't panic."

Anne B. O'Brien

Certified financial planner; founder,

O'Brien Associates, North Brookfield

- **"Clearly, I think investors are getting a little nervous, because the stock markets dropped. (However) Look at the bond market for U.S. treasuries, and they've held very steady. Everyone owns treasuries, so no one thinks the U.S. is going to default. But it's getting to the point where they need to kind of wrap it up. I do think it's going to go to the last minute, but I don't think people should get scared.**

"I hope people don't take any action just based on this, and certainly don't panic. Unfortunately, they're taking several issues that really should be solved separately and they're kind of bundling them all together. It really is a mess. When you inject politics and math and legislators in Washington, D.C., it's the only place where 2+2 can equal 5."

Gary H. Sherr

Senior vice president,

Carl P. Sherr & Co. LLC, a Worcester investment advisory and brokerage service company

- "About 40 percent of the government's monthly checks are paid for by borrowing. If the government can't borrow, the president and Treasury will decide which bills to pay with the 60 percent of its cash that comes from tax revenues. Nobody knows which bills will get paid and which ones won't.

"But the odds are good that these bills would get paid: interest on the debt (\$29 billion),

Social Security (\$49.2 billion), and Medicare/Medicaid (\$50 billion), and unemployment insurance (\$12.8 billion) and others would not.

"The average person should worry if he or she is on the receiving end of these checks that won't arrive."

Peter S. Cohan

Peter S. Cohan & Associates of Marlboro,
Management consulting and venture capital firm