On Course Financial Planning

Facing the Future with Optimism and Courage

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Vectors

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The Election

We are just a few weeks away from the midterm election. I would caution you against making changes to your portfolio before, or in response to, the events of November 3rd. Although all the uncertainty of the election is factored into current stock prices, the stock market often reacts sharply to big news stories. It wouldn't surprise me if we experience more volatility immediately prior to or after election day.

The question that will be debated everywhere in the financial media post-election is "What does the outcome mean for stocks?" The more important questions are "Will the election's outcome lead to a decline in corporate earnings because people will stop buying iPhones, shoes, Big Macs, automobiles and toothpaste?" "Will AI development cease and entrepreneurs stop innovating?" Regardless of the election's outcome, the answer to these questions is a resounding "no." The global economy will continue to expand in the years ahead, worldwide wealth will continue to rise, and millions of people will be added to the ranks of the global middle class. These new consumers will be active, eager participants in the global marketplace.

In the years ahead, there will be geopolitical and economic crises of various sorts, endless predictions of imminent doom, politicians that you can't stand, bubbles that create investor euphoria, panics and crashes that create investor despair – just like always. Many corporations will adapt and become more profitable while others will fail and be replaced by new entrants that will soon become household names. Your investment time horizon is the rest of your life, not the next two years. Stocks are the financial assets that offer you the opportunity to reap the benefits of human ingenuity and entrepreneurial genius. Index funds allow you to access these immeasurable benefits at almost no cost.

We invest in an uncertain future. Focusing on what you can control, maintaining discipline and patience and staying optimistic are important components to successful investing. Most investors would benefit from tuning out the daily noise of the financial media and its relentless focus on the sensational, the negative and the short-term. If you spend just 30 minutes each weekday scouring the financial media, that's 2½ hours per week and 130 hours each year. If you're awake 16 hours per day, that's just over eight days - eight days freed up per year for more fruitful and productive activities. You can still tune in for 30 minutes on weekends just to see if you missed anything important. If, God forbid, you're wasting an hour each day consuming financial news, you'll free up enough time for a two-week vacation. Call it creating time affluence. It might be difficult to do this cold turkey but soon you'll discover that you don't miss your daily dose of financial drivel and, as an added benefit, your optimism will receive a nice boost.

If you have a financial plan that is based on your goals, time horizon and risk tolerance, have a suitable asset allocation consisting of broadly diversified stock and bond funds and can maintain a long-term perspective, this year's election is unlikely to have any long-term impact on your financial future.

In The News

It was reported last month that the debt of the US government reached $40 trillion. That's 40 million millions, or 40 thousand billions - incomprehensible numbers even for a left-brained, number crunching calculator head like yours truly. But in all the handwringing over reaching this unhappy milestone, several things are rarely, if ever, mentioned. The first is that unlike a mortgage or a car loan, the federal debt has no maturity date and never has to be paid off. When a government bond matures, the Treasury sells a new bond and uses the proceeds to pay the original bondholder. It's the annual debt service, currently about 19% of total federal tax revenue, that really matters. Federal debt payments are equivalent to a $1,600 monthly mortgage payment for someone with a $100,000 income. Treasury interest payments don't disappear, they are income for households, pension funds, banks, mutual funds, state and local governments, insurance companies and foreign investors who own Treasury debt. One man's ceiling is another man's floor.

So, who owns the $40 trillion of Treasury debt? Roughly 76% of the debt is owned by Americans, the Federal Reserve, and intragovernmental agencies. For example, the Treasury borrows from government trust funds (like Social Security) and then issues an IOU which earns interest for the trust fund. This is included in government debt, even though these securities are not owned by the public. Foreign governments and central banks hold Treasuries as foreign exchange

reserves but the narrative that foreign nations — especially China — control a dangerous share of U.S. debt is not supported by the data. Most of U.S. debt is held domestically, by interest earning individuals and institutions.

The Breakdown

Holder	Share of $40 trillion	Notes
Domestic investors (banks, pension & mutual funds, insurers, state/local govt, individuals, etc.)	**Approx. 55%**	Interest is paid to US citizens, institutions, and governments
Federal Reserve	**Approx. 14%**	
Intragovernmental Agencies	**Approx. 7%**	Such as Social Security Trust Fund
Foreign holders	**Approx. 24%**	$9.3 trillion, all countries combined

Sources: U.S. Treasury (Debt to the Penny), Federal Reserve, Committee for a Responsible Federal Budget, Congressional Research Service. Figures current as of mid-to-late 2026.

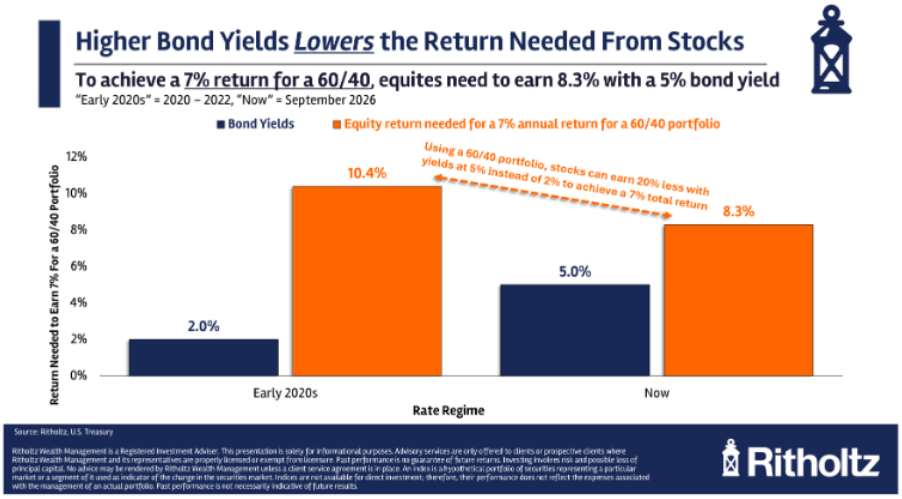
The share held by Americans and the Federal Reserve equals approximately 69% of publicly held debt. This figure rises to about 76% when intragovernmental debt is included. The top foreign holders of US debt are -

- Japan — the largest foreign holder of U.S. debt – about $1.2 trillion, or 3.7% of total publicly held debt.
- United Kingdom — second-largest foreign holder – about 930 billion, or 2.9% of total publicly held debt.
- China — commonly assumed to be the top holder - holds only about 2.4% of publicly held debt, having cut its Treasury holdings in half from their peak of $1.3 trillion in 2013 to just $684 billion by the end of 2025.

In his September Memo to Oaktree investors, Howard Marks noted –

"We're spending more than we're taking in; we're increasing our debt relative to our GDP; and our interest bill is growing rapidly. This is a problem long in the making, long recognized, and long warned about, which now seems to be starting to bite. It won't get fixed of its own accord, and so far, no one has stepped up to fix it."

Not much else you can say. But as long as we vote for people who promise to give us free stuff, spending restraint will be nowhere to be found. There is a breaking point, but no one knows where it is.



The recent rise in bond yields and interest rates has caused much handwringing and negativism among financial pundits. But there's an upside to higher interest rates for ordinary folk who hold the traditional 60% stock/40% bond portfolio. Higher yields from the safe fixed income portion of your portfolio means you can achieve your target rate of return with lower stock returns. In order to achieve a 7% return just a few years ago when interest rates were 2%, it required a 10.4% return for stocks. But the required return for stocks drops to a more reasonable 8.3% when the bond side of the portfolio is yielding 5%.

The quality of life has improved in immeasurable ways for most Americans during my lifetime, yet pessimism has always been more common than optimism. The media continues to manufacture forecasts of doom, but a close look at the data says that things are surprisingly good here in the US of A. Last month the Census Bureau reported that the median (half have more and half have less) inflation adjusted household income rose 2.6% in 2025 to a record $87,460. Median post-tax household income (income net of federal and state income taxes and FICA payroll taxes) increased 3.1% last year to 76,060. The overall increase in incomes drove the poverty rate to a historic low of 10.2%. Economist Mark Perry noted –

"*New evidence shows America's middle class is shrinking, but it's because more US households are moving into higher income groups... The share of high-income households earning $100,000 or more in 2025 dollars has almost tripled since 1967 from 16.5% to 44.7%. The share of low-income households earning $35,000 or less has decreased from 29.8% in 1967 to 19.2% last year. The share of middle-income households has decreased since 1967 from 53.7% to 36.1%."*

There is a staggering amount of wealth in America today. If you don't believe me, try to find a parking spot at your local Costco next Saturday afternoon. How else can you explain the billions of dollars squandered on sports betting and crypto currencies? There are many Americans with low or negative net worth, but that's nothing new. Wealth has always been

directly proportional to age and it's no surprise that the majority of low-wealth Americans are young. But if you have a regular job, save and invest your money like an adult and wait a few decades, you're unlikely to stay poor for very long. In 1973, as a second lieutenant in the USAF, my net worth consisted of the $2,000 or so that I had in my checking account (equal to about $15,000 in today's dollars). Like most of my peers, growing my net worth was an idea far in the future. Wealth tends to peak around age 70, and Americans over 80 generally have higher net worth than they had 30 years earlier. Whatever your complaints about American capitalism, you've got to admit that a high percentage of Baby Boomers have achieved a level of affluence that would be hard for their grandparents to fathom.

This month's installment of Whowouldathunkit concerns the debate in Congress over the future of AM radios in new automobiles. Many carmakers have said that EV motors and battery systems generate electromagnetic interference that can cause static and hum on AM signals. BMW, Tesla, Audi, Porsche, and Volvo have removed AM radios from their electric vehicles and Ford is planning to drop AM radios in the electric F-150 Lightning. A study by the Center for Automotive Research estimated it would cost automakers $3.8 billion to solve the interference problem in EVs if Congress passes the AM Radio for Every Vehicle Act, which would require the Department of Transportation to mandate AM radio as standard equipment in all new passenger vehicles. Watch out, next thing you know, Congress will mandate that all department stores carry black and white TVs and VCRs.

The Finfluencers

Social media is awash with financial advice provided by people known as finfluencers. These people promote investment strategies to a large, growing online audience seeking financial insight and advice. Some are honest, well informed, and provide good generic advice. But there can be dangers for their followers. Legalaes examined 1,764 financial videos from 1,266 finfluencers on YouTube, Instagram, Facebook, and TikTok, which generated more than 692 million views and nearly 35 million likes during two weeks in July. Legalaes found that only 2.2% of content creators held financial credentials (such as CFP, CPA, CFA) relevant to the advice they were giving. Additionally, 29% of the videos (511 of the 1,764) contained misleading information, which included promoting paid products, guaranteeing specific investment returns, or providing inaccurate advice. YouTube had the highest percentage of misleading videos – 42% - and was the platform most likely to host content from paid promoters.

A financial professional who gives personal advice for compensation is held to education and registration requirements from state securities agencies or the SEC. CFPs are held to a fiduciary duty with their clients – they are required to act in the best interests of their clients, put the clients' interests ahead of their own, and disclose any potential conflicts of interest in their recommendations. Most finfluencers have no such obligation and earn money from views, sponsorships, affiliate links, course sales, and all too often are owners of the assets that they promote (like gold or crypto). The Legalaes report noted that just 12% of videos carried any kind of disclaimer or disclosures of conflicts of interest in the promotion of paid products and services. Most finfluencers get around the requirement to have federal or state registration by claiming to be providing educational information, not investment advice. But educational content grounded in established investment principles and sound financial advice can still be misleading and used to generate sales and leads. Sometimes, what is left unsaid by finfluencers is as important as what is proclaimed.

Finfluencers do not know your age, income, tax bracket, debts, risk tolerance, or goals. Generic advice given to thousands of viewers is unlikely to be applicable to you. You should be cautious when viewing content posted by finfluencers, research their qualifications and avoid acting before fully understanding the recommendations. Screenshots of fictional gains can be easily created and impossible to verify. Options strategies, leverage, meme stocks, and crypto tokens are often presented as "investing" when they are closer to gambling. The downside risks of losing most or all of your money are frequently glossed over. One of the hardest things that you must do when listening to finfluencers is decide if the person in the video is honest, a charlatan or just a plain vanilla knucklehead.

My favorite quote of the past month –

"One of the criticisms you sometimes hear of communism, for example, is that it sounds good in theory, but it never works in practice. That's actually not true. Communism does not sound good in theory. The world it envisions for all of us is small, flat, gray, leveled of all exception, drained of all that is good and noble in the human soul. The world it envisions is a world without courage, a world without creativity or ambition, a world without heroes or glory or great causes to strive towards. A world without miracles, without myths, without men who rise above the rest to do incredible and extraordinary things. And the world communism envisions is a world without God." - Marco Rubio

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