

## Our Family Keeps Growing!

And we couldn't be happier!

Karley Childs, the friendly face and voice you first encounter at Financial Plan is going on maternity leave.

Karley and her husband, Evan, will be welcoming their first child (a baby girl!) into their lives in late May/early June. Please wish her well next time you see her. We are so thrilled for them as they embark on the great adventure of parenthood.



There must be something in the water...

Two of our advisors will also be welcoming new additions later this year!

Justin and his wife, Corinna, are due with their first child in August while Gabriel and Jaimee are expecting their second child (also a baby girl) in September!

Stay tuned for adorable baby photos from all three of these families coming soon!

Next up: The FP Inc daycare!

## The Cryptocurrency Phenomenon

*By James B. Twining, CFP®*

Ask anyone what the hottest trend in investing is right now and you are bound to get an earful on Bitcoin, Ethereum, Tether, maybe even Dogecoin. There is no denying that cryptocurrency is the topic of the moment, and why wouldn't it be? Anything that appreciates tenfold in one year attracts positive attention! But what IS cryptocurrency, and should you jump on the bandwagon? That's worth a larger conversation.



Let's start by defining it: Cryptocurrency is digital money.

There are thousands of cryptocurrencies, worth over \$2 trillion US dollars as of this writing. Some are created by companies and can be traded online for their goods and services. Cryptocurrencies attract capital through initial coin offerings (or ICOs), and they can be held and traded publicly in cryptocurrency brokerage accounts. The popular appeal among individual speculators and billions in purchases by some very large companies such as Tesla have pushed the price of bitcoin into the stratosphere.

### Is it the currency of the future?

Due to its lack of intrinsic value and rampant speculation, cryptocurrency is highly volatile, making it largely unsuitable as a true currency. The transaction fees for its use are also much higher than they are for US dollars. Instead, some people who are involved in bitcoin choose to think of it as a new asset class rather than a true currency.

### Should I "invest" in cryptocurrency?

First, we need to re-frame our thinking and not consider purchasing cryptocurrency an "investment," but rather "a gamble with indefinite odds". Take Bitcoin, for example. You are not purchasing Bitcoin because it is a fair value for the assets and future expected income from it (cryptos have no assets nor future income streams), nor can anyone even put a general number to the expected return on the asset. Rather, most people are purchasing crypto because they hope it will continue to increase in price and then you can sell it to someone else for a lot more. This type of strategy is known as the "Greater Fool Theory," which was very trendy during the dot-com bubble. Speculation is not investing, and incredible historical gains do not validate an asset as a great investment.

While we are not attempting to predict that cryptocurrencies will collapse or continue to rise, it is important to point out that there is no underlying, fundamental reason for the current price (or any price for that matter). A few people won the lottery and now we are scrambling to justify buying lottery tickets as a good investment.

Other points to remember.

- The mining of Bitcoin uses copious amounts of electricity; already about half of the energy used by all the world's data centers. Eventually, if the trend continues, we will likely see pushback from the environmental community.
- The IRS guidance on how cryptocurrency is taxed is still brand-new and subject to change.
- Without a central registry, cryptocurrency does come with a security risk.
- Cryptocurrency is based on "proof" vs "trust" so if you lose your proof, you lose your Bitcoin.

As with any asset, we at Financial Plan have no opinion regarding the future value of any of the various cryptocurrencies and do not recommend anything that is purely speculative in nature. As a highly volatile speculation with no real earnings (some will argue that it does have "earnings," but the interest is paid in bitcoin and the rate is adjusted frequently and dramatically), it would be irresponsible of us, in our opinion, to advise our clients to participate.