

Ep103: Cryptocurrency – Facts vs. Fiction

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PATTI BRENNAN: Hi, everybody. Welcome to the “Patti Brennan Show.” Whether you have \$20 or \$20 million, this show is for those of you who want to protect, grow, and use your assets to live your very best lives.

After every show, I often encourage all of you to go on our website. If there’s something that you like to learn about, let us know because we’ll do a podcast on whatever it is you might be curious about.

I’ve got to tell you, in the last couple of months, I can’t tell you the number of people who have asked us to do a show on cryptocurrency. Bitcoin, Ethereum, what is it? How does it work? Is it something we should be investing into?

Joining me today is the Professor, Eric Fuhrman. He is our Chief Planning Officer. For those of you who are just listening today, you don’t get to see Professor Fuhrman in his Mr. Roger’s sweater. Eric, thank you so much for joining me today.

ERIC FUHRMAN: Well, I don’t know what to say, Patti. I woke up today excited because it’s podcast day. I just said, “It’s a beautiful day in the neighborhood,” so I threw on this sweater, and away we go.

PATTI: It is a beautiful day in the neighborhood! That is one thing that you’ll find about us. We are brutally honest with each other, and it’s fun. You know what? It is fun! You be you, which is what we love about you, Eric. Thanks to all of you for joining us.

What is cryptocurrency? How would we define it? Here’s the deal. I’m going to give you the actual definition. Then we’re going to break it down in a way that you can actually grasp and understand. Cryptocurrency is a digital bank that doesn’t rely on banks to verify the transactions. That’s all it is. It’s a digital currency.

What’s the big deal about it? Well, when you think about Bitcoin, the big deal is that there’s only 21 million bitcoin coins that are going to be issued. There’s the scarcity effect, and it’s kind of taking advantage of a web.

Eric, you’ve got a great graphic to really explain the difference between centralized, which



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is what we really have today, versus decentralized, which is what crypto is all about. Why don't you to elaborate?

ERIC: Crypto is a fascinating thing. First, as we broached this topic and wanted to learn about it, unfortunately, I don't possess a background in computer science, programming, or anything like that.

Our approach today is to think through it through the lens of, say, the common person or investment professional. Is this a medium of exchange that would supplant government issued fiat like the dollar or the euro, or any of these major currencies?

Is it investment? Is this a new burgeoning asset class that can become part of the portfolio? Is it little bit of both?

Hopefully, that's what we're able to tease out through today's podcast, but you make a great point. There's a lot of technical aspects to these things that are far beyond my understanding, but when you think in broad terms...You're talking about the organization.

If we think about a financial intermediary like a bank, or let's say, Visa, or Mastercard, or even a central bank like Federal Reserve of the United States, there's essentially a single point. Everything interacts to and from that singular point, so everything is, in essence, centralized.

Whereas, a decentralized network is series of nodes. There's no single focal point, and so forth. That was the original infrastructure, if you will, for things like Bitcoin, which was created many, many years ago. That structure is what is really defining characteristics.

PATTI: Before we go too far, let's first put it out there. For those who are listening and/or watching, the most important thing I want you to get from this is this is not an endorsement or an investment recommendation at all. We're just explaining it as a concept as Eric and I, and we at Key Financial, constantly do this brain-storming behind the scenes.

We talk about this all the time - as we are trying to grasp it and understand the application, whether it's practical for our clients. I thought let's just do a podcast of what you and I, and we, normally do behind the scenes.

Again, most importantly, as with all our podcasts, none of these are endorsements or investment recommendations. It's just brainstorming. Let's put it out there and try to explain it in a way that you can understand.

ERIC: Yeah, absolutely. This is something that's new and people want to understand. What does it mean? Is there something there? This is the new, shiny object, for lack of a better term. Anything that goes up a lot, captures the attention and the imagination of millions of



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people, just like the Gold Rush did way back at the turn of the century there.

PATTI: It's funny that you say that because I'm going to date myself, but this sort of feels like the Internet days back in the late '90s when the Internet wasn't adopted the way it has been adopted today. There were no smartphones. None of that stuff existed.

What happened in the late '90s is that there were lots of people thinking about all the possibilities, etc. I don't know that people understood exactly how it worked, but there were companies that were creating applications using the Internet. It feels like that.

I'm not so sure people understand how this thing called cryptocurrency works. I think we are just trying to think about the practical application and maybe some landmines that might be there because it's different than the Internet.

Back then, you had Amazon. Amazon was one of those companies that was trying to take advantage of this new, shiny object. They started to do so by selling books. Well, that didn't go so well. They were not profitable and books were very low margin.

They weren't making any money, but they were testing the concept. Always keep this in the back of your mind. Nobody knew that Amazon was going to be what it has become. I don't know that Amazon knew. Jeff Bezos might tell you that, "I knew it all along."

ERIC: Very well executed plan that was laid out.

PATTI: Exactly. I think that with anything, it's one of these things where you test something, you improve it. Then you test it again, and then you expand on it, and then it's scalable. We just want to put that out there and help people to understand the possibilities with some caution.

ERIC: Let's get back to this notion - is it money? Is it investment? Is it both?

When we think about Bitcoin or any of these virtual or cryptocurrencies as a medium of exchange, I'm reminded of a quote by Mark Twain, which some say maybe or maybe not wasn't attributed to him, but it's basically that, "History doesn't repeat itself, but it often rhymes."

If you think back in the history of humanity and very early on people bartered, they exchanged different things, whether it might be bushels of wheat for cattle and things like that. The purpose of a medium of exchange is to be that oil to grease the wheels of commerce. To have a common unit of accounts that everybody has faith in and agrees upon.

If you look way back, for example, there's a Pacific Island called Yap. Here, they use these



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very large stones made out of limestone. Their money was nothing more than giant pieces of calcium carbonate that they would roll around the island to show a unit of account.

PATTI: Leave it to you to find this country named Yap. That's an amazing finding.

ERIC: Then other places, shells. The Solomon Islands individuals there used dolphin teeth. Europeans and so forth, it was coinage silver, bronze, and gold, and then paper notes and things.

This is the same idea that has been going on for a long time. It's just an innovation of an idea that's been with us for a long time which is just a different medium of exchange, but it's not new, I guess.

PATTI: When you think about what we use today for transactions, etc., we think about the dollar. It's a piece of paper, but what makes this piece of paper different is that it is backed by the United States Government. I think that is the key.

Always remember that when you're thinking about cryptocurrency, what is it really backed by? That's an important differentiation. There is nothing backing crypto.

ERIC: That gets into the investment aspect. I think what's interesting is that there has been such growth in the number of cryptocurrencies. If you go back to 2013, there was 66 cryptocurrencies. Today that number is more than 17,300.

There's about \$1.7 trillion tied up in this asset class. The growth has been phenomenal, but ultimately, there is a very familiar pattern of industry growth and eventually consolidation that occurs in virtually everything in life.

When you look at all these cryptocurrencies that have emerged, the reality is, as time passes, only few of them will end up being the dominant players and will probably survive long term. You can look at industries like say railroads, automobiles, to get a sense of this.

PATTI: Before we get into that, it's fascinating when you think about that. Let's go back to what Eric just said. Just seven years ago, there were 66 different types of crypto. Now, there's 17,000 different types of crypto. Bitcoin and Ethereum are only two of them. In fact, in the last month, we've gone from 9,929 different types of crypto to 17,000.

The issue there is that there's no barriers to entry, so anybody can come up with a crypto currency. In fact, Elon Musk, did it on "Saturday Night Live" when he was talking about Dogecoin. Tesla had already purchased bitcoin, \$1.5 billion worth of bitcoin. It still sits on its balance sheet.

In fact, this time last year as I recall, Tesla announced that they were going to start



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accepting bitcoin for the purchase of their cars. Then, Saturday Night Live came on, he talked about Dogecoin. I swear this guy's so smart, I think he did it all on purpose.

He wanted to test the market to see what would happen and to see if people started to buy this new thing called Dogecoin, that he just basically invented. It's a supply and demand. It's a hype-up thing. I think I could be wrong, and don't quote me on this, because this is my gut feeling and nothing more. I didn't research it.

I just can't help but wonder whether that was testing the market because, soon after, Tesla announced that they would not accept bitcoin for the purchase of their cars and they stopped buying it because they were on a program of buying bitcoin. They stopped at 1.5 billion, and you look at their balance sheet recently, and it's now worth 1.3.

It just makes me wonder. Again, I don't mean to be a Debbie Downer type of thing when it comes to this kind of stuff, but it does make me think. I certainly wouldn't want to put anybody else's money in something that may not be backed by anything. Does that make sense?

ERIC:

Yeah. That's a fundamental question. As any investment professional, you have to look at an investment and say where's my return going to come from? If you're thinking about, let's say, a piece of real estate, there's a tangible asset there. You can touch it and admire it from the street. It provides rents.

There's an income stream. Supply and demand can affect the value of the real estate. If it's a stock, it's a future stream of cash flows that could be paid in dividends or reinvested. If it's a bond, you receive interest income. If it's a field of soybeans, there's a physical value. There's some value there to society.

But something like a digital currency, its value is determined by those that use it. It's supply and demand, but there's nothing tangible there. There's no cash flows there as it would be in a traditional investment.

I can't speak for everybody, but for me, it's a bit of an enigma in terms of where the value comes from, because it just comes from the confidence of those that use it and nothing else.

If there is a convenience factor there, something about it that provides a utility to the user relative to any other form of payment, then I guess that could be value, but that's a little hard to ascertain. You can't touch that. It's hard to see.

PATTI:

Let's talk a little bit about history. Let's talk about the railroads and the auto industry. There is definitely a pattern of innovation and new ideas, and the lifecycle of those new ideas and what tends to happen. Go ahead, professor, let's talk about that.



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ERIC: Yeah, just drawing from observation. History teaches us a lot of valuable lessons. There's this similar cycle of developments, rapid growth, and eventually a period of maturity. When you think about these rapid ascents of all these different types of virtual currencies that are out there, and who's going to win the day.

Look to the railroads, for example, they peaked in 1917, with 1,500 different railroads, a quarter million miles of track. Today, there's just five domestic operators, seven operators in total that basically are responsible for 94 percent of the freight revenue.

If you look at, let's say, the automobile, 1899, 30 American manufacturers produced about 2,500 cars. In the next 10 years, there were 435 entrants into the market. By 1929, 80 percent of production was controlled by just three companies – Ford, GM, and Chrysler.

You see this similar pattern that I think is applicable in this domain, where this is new, the barriers to entry are low. There are many challenges with the design so there is constant new innovation to address some of these issues.

Eventually, there will emerge just a handful that will succeed, and most of these things are likely not to work out in the end. If you're trying to pick it, as which one do I buy? That's a hard thing to say because we're in this rapid growth phase. Ultimately, it's impossible, I would say, at this point, to really determine who's going to be there 10, 20 years down the road.

PATTI: I think that this idea of technologies and how long it takes for households to adopt technologies, for example, it took 67 years for Americans to get to 90 percent adoption of landlines. The cell phone, it took 18 years to get at 90 percent saturation. The smartphone, probably 10 years to get to 90 percent. That is also an important factor in all of this.

It's also interesting that what makes this whole thing work is something that we've already adopted. In other words, what makes Bitcoin and cryptocurrency so attractive is the thing that it's so easy to use on our smartphones. There's a domino effect on all of this, and I can't help but wonder what this thing is going to look like in the future.

Even though the barriers to entry are very, very low, anybody can start a crypto, but there are some big headwinds that we need to be cognizant of as it relates to is this going to really be around, and is this going to be as big as, for example, the Internet has become?

ERIC: I think you're highlighting an interesting point with the adoption of technologies. A technology like, say, virtual currency and that blockchain technology that underlies that, is dependent on the success and adoption of smartphones.

The smartphone gives access to the Internet, access to these alternative payment platforms, and so forth. The widespread adoption of the smartphone has really laid that



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foundation for something like this to take off.

We have to be aware. In a wealthy nation like America, we have very well-developed financial markets, financial intermediaries, and banking services, but most of those in the world don't have access to the global financial system, to banking services, and so forth.

Most people in the world do have access to a smartphone or the Internet. That has provided a mechanism to bridge the gap and give them access to these peer-to-peer networks, the payment systems and financial services that is not presently developed or available in so many different areas of the globe, especially in the emerging markets.

PATTI: It's very interesting because I don't know that I thought about how important it is to have access to reliable currency. That's important, isn't it?

As you said, that is the grease that makes this thing run. To your point about that, not every nation has something like that. They don't have the regulatory oversight of these payment systems to make sure that they're legit, right?

ERIC: Also keep in mind historically, there are many nations that have terribly mismanaged their financial systems and wrecked their economies, high inflation, and things like this.

Argentina is a good example, not to pick on them. That's another attraction for people in some of these other areas that don't have well-developed and well-managed financial systems, that it's a way around that where they can access a store of value.

PATTI: Let's go on that. We're going to go out of order a little bit here. When you think about that – rapid inflation, etc., but if digital currency isn't backed by anything, like the US dollar is backed by the full faith of the US government, the Federal Reserve, you've got that centralized entity that is there to create stability during times of crisis.

We've seen them do that, and I think they're doing a little bit better than they used to. We are human beings and they're learning. With Bitcoin, if there's rapid adoption of this cryptocurrency, there's nothing backing it up. What happens if there's a crisis and things go nuts? Who's going to be there to stabilize crypto?

ERIC: That's a very intriguing question. If you think about the banknotes, so the Federal Reserve, there is no credit risk. There's no liquidity risk by holding Federal Reserve money, the notes, the coins, and things like that. That's not the case with some of these virtual currencies because there's no centralized authority.

The other thing that I think is more interesting is, when you look through the history of our experience, there's been massive economic disruption, booms and busts, depression. Over time, our modern monetary system has been designed to address those prior



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inadequacies to figure out ways to create a shock absorber.

Not to eliminate the business cycle, but to soften the amplitude of the peaks and valleys. There is a system in place, and institutions in place. Something like these virtual currencies, there's nothing there that governs that.

What happens when there's an issue? When there's a liquidity issue or some kind of technical glitch? Who steps in that case? To me, that's a very fascinating question because there is no mechanism like that like we have with, say, in the United States financial system.

PATTI: As we were talking about this in preparation last night, we were talking about the Depression and how banks during the during the '20s would issue banknotes. Because of what was going on in the Depression, many of those banks failed and those notes were worthless. It just created insult to injury, and it really made the crisis that much worse.

As a result, the Federal government basically outlawed banknotes. A bank doesn't issue notes that has that guarantee. They have CDs, which have the FDIC insurance.

Again, we have evolved. Ultimately, in the United States, we do have a system of making sure that as these crises occur, that they are not as deep as they were during the depression.

ERIC: Keep in mind, anyone that was thinking about buying it, there is also the risk that the government could step in through decree and outlaw the ownership of it. There's been numerous instances in our history where certain types of things were outlawed. The convertibility to gold or silver has been constantly updated and changed.

I think in the great depression, they outlawed the ownership of gold. Who knows? If they deem it a risk, they could always step in and pass laws that could severely impair liquidity or devaluation of some of these things.

PATTI: We'll talk about a digital dollar in a second. Let's now go to some of the challenges that exist already as it relates to using cryptocurrency. First and foremost would be the fees associated with the transaction, right?

ERIC: Back to that idea that we have this exponential quality to the number of virtual currencies that are growing. If you're trying to peer into the future as far as you can, you need to address the fundamental challenges if you're going to isolate the ones or the groups that may be there 10 and 20 years into the future.

One of the major challenges is the number of transactions per second. If you're going to have something that's an alternative means of payment that is a challenge to, say,



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the current system or the dollar, you have to be able to process a massive volume of transactions.

Look at Visa, they have the capabilities to perform up to 24,000 transactions a second. They don't do anywhere near that amount, but they claim they have the ability in terms of capacity. If you look at let's say Bitcoin, they process three to seven transactions per second. The order of magnitude is so vast.

There's going to be a lot of technological improvements that are going to have to close the gap there.

PATTI: I love the conversation we were having last night – what if one of my kids go into Starbucks and they try to use bitcoin to buy a cup of coffee. They have to stand there because it takes 7 to 10 minutes to confirm a transaction for bitcoin. They've got to stand there for their coffee whereas Visa, it's instant.

ERIC: Basically, if you're at a point-of-sale system, you tap your card, you scan it and in a matter of seconds, it's approved. Now the settlement doesn't occur that quick, but the approval, the authorization does. If you're talking about these peer-to-peer networks, your transaction has to be established.

It has to be approved and that can take, depending on the traffic on the network in any given day, that could be 6, it could be 10 minutes. If you're buying your latte, the latte might be cold by the time they hand it over when your transaction is approved.

PATTI: By the way, based on the fees associated with it, the fees for the transaction, depending on how many other transactions are occurring at the same time, could be anywhere from \$1.78 to \$62. You're buying a cup of coffee for \$4, and it costs another let's say \$10 just to do the transaction. That's not practical.

ERIC: That's the nature of the design. Again, when you have a centralized network, there's a single intermediary like Visa or Mastercard. They're verifying the payment, they're charging the vendor and so forth. In a decentralized network or virtual currency, these are peer-to-peer. They're voluntary.

In order to entice someone to verify the transaction, the validity, there has to be compensation there. You have these individuals that are structured to solve these very complicated financial equations and they receive payment for that. That takes them time to be able to do that.

Depending on the volume, that can drastically change the fees. That's another issue or criticism that I'm sure will be resolved with time, but that's a big impediment. This notion of processing speed and capacity, wait times, and cost, whoever can best address those



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three things stands a good chance of being a viable candidate going forward.

Who that will be? There's lots of them that have some of those problems solved but not others, or they just haven't attracted liquidity so, who knows?

PATTI: The other issue is the sheer amount of electricity it takes to confirm these transactions. It's become a very big red flag for a lot of people – the environmental impact of cryptocurrencies.

ERIC: It's amazing. Another problem, especially in terms of climate and so forth that people are concerned about, but extremely energy intensive because for the system to work, for this verification and process to work, there has to be competition.

People invest in massive computing power and there's lots of different computer programs competing to verify transactions, but only one computer can win. You've got all of these people competing to verify and get paid, there's only one winner.

All that energy of everyone competing on a transaction-by-transaction basis, most of that goes to waste because there's only eventually one winner that receives compensation for that. It's extremely energy intensive.

PATTI: This is one of those topics, every time we talk about it, I feel like there's so much more I need to learn. I have this image of all these people in these garages all throughout the world trying to do this calculation on this computer, and I'm like who are these people? Can we even trust them?

Like I said, I'm probably thick when it comes to something like this, but I'm just trying to wrap my brain around exactly how it works and the practical application of this either as a currency or an investment.

ERIC: What about the investment aspects? When it comes to a currency, these are some of the challenges when we think about a well-functioning liquid payment system. The other thing, in order for it to be a reliable store of value and payment, it would have to lack the thing that is attracting most people's attention, which is volatility.

That's what gets it on the news, is these breathtaking increases and declines. A dollar in your pocket, week in and week out, for the most part you know what that's going to buy in terms of goods and services. One day the bitcoin will be able to buy a Tesla, the next day it's well-appointed Toyota.

That's not a good medium of exchange, given the fluctuation. That would have to be resolved for it to be a good alternative to bank money. That segues into the investment aspect so it's not that.



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PATTI: Before we do that, the other thing that we have to think about is OK, you use a bitcoin to buy a car. Guess what, folks? That's a transaction, and you're going to have to pay a tax. You buy the latte, you've got to keep track of what your cost basis is for the bitcoin that you used to buy the cup coffee because it's a capital gain.

It's not the same as currency is as we know it. When you use a dollar to buy a cup of coffee, you're not paying a tax on the dollar. It's a lot more complicated, and there's a lot of things that haven't been worked out yet.

ERIC: That's an interesting concept. We, as consumers, we go in, payments are so easy. We have a card or a phone and you just tap or you swipe, away you go about your business, but let's say now you want to use virtual currency to buy that same cup of latte.

Now, when you go to initiate the transaction, forget about the time, and the cost and all that stuff, now you have to consider am I creating a capital gain or a loss? Is it a short-term gain or a loss? Is it a long-term gain or a loss?

Because since 2019, at the very top your tax return, there is a question that must be answered as to whether you received, sold, exchanged, or disposed of any interest in a virtual currency. If you answer yes, you better get acquainted with Form 8949 because virtual currency is property in the eyes of the IRS.

It is not currency, meaning that if you use it to buy goods and services, you have effectuated basically a capital transaction. There's a gain or a loss. You transfer property, that's got to be reported on your return. It's crazy. It's very complicated.

How do you keep records of this and then keep track of your basis? How are you selling certain bitcoin that was received three months ago or a year ago?

If you don't specify, the IRS assumes a first in, first out basis as it relates to virtual currency. A whole new web of complications that doesn't exist with the bank notes in your pocket or using your debit card, using bank money or anything like that.

PATTI: Let's just put that aside and say we're not going to do that, but we like the fact that you could buy in at 36,000, say, for Bitcoin, and it grew, grew, grew. It's one of those things where it's a momentum thing.

People are people, and boy, if it's going up, that means it's going to keep going up, so let's buy it as an investment. When we think about the qualities of a good investment, what are the qualities that we look for? What is the business model? Does it create cash flow?

Is it a tangible asset, something that you can hold in your hands? What are the prospects for your future value? It could even be a biotech company. Granted, they may not have a



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drug today, but they've got research capabilities, and they've got their own ideas.

That's going to be equally as volatile, but if they hit it, you could do really well. What do we think about the investment aspect of Bitcoin or any crypto?

ERIC: This goes back to the discussion at the very beginning, which is when we think about let's say a stock, when you buy a stock, you're getting a share of future profits, dividends. A stock, if it's a company, also has tangible physical assets, cash in the bank, buildings, equipment, people, patents, things of that, intellectual capital.

If it's a bond, that's a secure claim. You receive interest. If it's real estate, rents. There's a building there, but none of those qualities exist for virtual currency. There is nothing tangible. There is no income stream. There is no physical asset of any kind.

It's purely a supply and demand thing. Probably the greatest example of supply and demand would be commodities like coffee beans, wheat, corn, things like that. At least you can touch that. You can eat those things and consume them.

None of those things exist with this. That's as an investment professional, we'll learn to look at the cash flows to value an asset, things of that nature, but it doesn't exist.

PATTI: You know what this feels like, Eric? It sort of feels like the Tulip Craze. When was that? That was probably the 1300s, 1400s, with tulips, the Dutch.

ERIC: The Dutch Tulip was crazy.

PATTI: Exactly. It was fast and furious, and boy, did it die a death that ruined many, many people.

ERIC: It sure did, but that might be the case, but at least you have a tulip that you can admire and you can...

PATTI: For a couple weeks, right?

ERIC: Yeah, before it dies out, but at least you had something there that you can look at and admire.

PATTI: I don't know how much we want to get into this. I thought that the other thing that was fascinating is the fact that the Federal Reserve is looking into maybe a digital dollar.

MIT is doing some studies. We've got this wonderful little white paper that you and I were studying. I thought that was a fascinating idea and thought that the Federal Reserve might look at a digital dollar.



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First of all, why would they look to do that? What would be the implication? Then, do they become a competitor to the banks that are out there, the banking industry, or the Visas and the Mastercards of the world?

The Federal Reserve is not there to be a competitor to capitalism. They're there to support it, to provide that steady hand, to support it, but now they become a competitor. Is that possible? Is that what they're really looking at?

I thought that this paper was interesting and that it brought out a lot of some of those ideas. They're just studying it, they're really taking a look at it for other reasons. I thought that the reasons were also compelling.

ERIC: I guess the program you're referring to is a pilot program with MIT, dubbed Project Hamilton as a tip of the cap to Alexander Hamilton, first Secretary of Treasury, brilliant, brilliant mind, far beyond his time.

It's an interesting idea. It's a project that's worthy of consideration for necessity to remain competitive, because virtually every other central bank in the world, whether it's the European Central Bank, Japan, the People's Bank of China, they're all evaluating programs of their own to have a central bank digital currency.

As the world reserve currency, it's vital, especially for interest economic or otherwise, to be ahead of the curve and to have a form of payment where that would be the preferred mechanism as the dollar is today.

To not study the possibilities, the pros, and the cons, other people and economies around the world are looking at doing it so we have to take part in that.

I think you make an important point, which is the distinction here in America is we believe about private individuals, private businesses making decisions making the investments, and pursuing decisions that they deemed to be appropriate.

The tough balancing act that the Federal Reserve is going to have is that there is certainly a need and a benefit, globally and for our society, to have one. They have to draw that fine line where they are not competing directly with our domestic financial intermediaries.

If they come into the space, then they begin to compete directly with, let's say, banks, credit unions, and threats, and other things like that. It's got to be done in a partnership way that still allows private industry to be involved, but to take it to the next step to invest and funnel the innovation that America has been known for over the decades.

PATTI: All right. Let's pull this all together. We've talked about what cryptocurrency is. Is there's something else that you want to bring up, Professor?



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ERIC: No, I was going to say boohoo. You make it sound like it's the end, and I guess that meant to wrap up.

PATTI: Bummer, right. I think it can be overwhelming for many people as we talk through these things. It's out there, and it's something that is evolving and will continue to evolve.

Think about the pros and the cons of investing in anything, understand what the attributes are, and whether or not something like that belongs in your portfolio at this point.

Is it a practical tool as an alternative to currency? If so, which one is going to be the big winner of the 17,000 cryptos that are now out there? What are the strengths? What are the weaknesses? What are the threats?

ERIC: The other thing is that when we design portfolios for our clients, we design them with the idea of addressing specific issues. The question is if you're thinking about this as an investment, what problem is it solving that isn't already being addressed by a well-balanced and diversified portfolio?

That's a question I don't have an answer for, but to me, that's the most critical thing. If you can't definitively answer or identify the problem it's solving, then you realize that what you're doing is just making a speculative gamble, for lack of a better term. It's important to always think about it in terms of what is it addressing or not.

PATTI: I'm not so sure it's a hedge. I don't know that it's a hedge, against anything.

Eric, as always, thank you so much. This was great. I have so enjoyed these conversations with you. Thanks to all of you for tuning in today. I hope this was helpful.

As always, please go to our website. All of the show notes will be on our website, the graphs and the charts that we're referencing today.

Let us know if there are any other topics that you want us to discuss. We like it because it gives us the opportunity to do the brainstorming and say what can we say about that? What do we understand? What don't we understand? Let's research it.

It's an evolving process, and we can't do it without all of you. Again, please go to our website at keyfinancialinc.com.

Thank you so much for tuning in today, and I hope you have a wonderful day. Thanks so much. Take care.



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