

## Straight From The Horses' Mouth



### Bitcoins—Are You Kidding Me?

I had planned to put out our research on "Will there be an ETF Bubble?", but two things came up:

One: This is so outrageous, I had to write about it. In my mind, the only way you can treat absurdity is by laughing at it. See article, unless you have no sense of humor.

Two: I have a couple quoted comments from experts coming in, that will be weighing in on ETFs.

So, next week: "The ETF Bubble"

Now, about Bitcoins: Here's a quick guide: (*italics and bold, mine*)

#### **What is it:**

Crypto-currency

#### ***What actually is that? A made up name?***

Who invented it? Satoshi Nakamoto (an alias)

#### ***When did it debut?***

2009 - An actual fact.

#### ***What's the hook about it?***

It's the first decentralized peer to peer payment network that is powered by users with no central authority or middlemen. (Continued on page 2)

May 12, 2017

## In This Issue

**Bitcoins—Are You Kidding Me?**

**Dante's Corner**

**Fiduciary Forensics**

**Retirement Culture**

## Coming Attractions

**THE ETF BUBBLE**

**DANTE'S CORNER**

**AND MORE**

## Bitcoins—Are You Kidding Me? CONT.

***Is it a network or a currency, or what?*** No controls, no backing and no regulations about it.

***Who owns/controls it?***

Nobody

***Is that anarchy or chaos or both?***

Where do you get them? There are about 50 Bitcoin exchanges, 2 in the US, 7 "international," the rest in somewhat civilized countries, including one in China. Comfortable yet?

***Where do you use it?***

It's hard to tell. It's up to the individual businesses. No directories I could find. About 20 countries may have businesses that take it. There is a Crypto-Currency Foundation in Russia. Um... not much help, there.

***How is its use protected?***

There's a Full Node. I can't even go there, it's too easy.

***Is it safe?***

The Royal Bank of India has been repeatedly flagging concerns on virtual currencies like Bitcoins, stating that they pose potential financial, legal, customer protection and security-related risks. In recent cyber attacks, "ransomware" hackers held victims hostage by encrypting their data and demanding them to send payments in bitcoins to regain access to their computers. (*Economic Times*, 5-17-17). So the answer is:

No.

***Is it widely used?***

Between 3-6 million people use them.

That's a lot of dupes.

***So, how do I get them, then?***

"Mining"

Get a shovel, in more ways than one.

***Who "runs" it?***

Somebody named Gavin Andersen, formerly Gavin Bell; maybe Satoshi Nakamoto, who knows?

***Is it a good investment?***

Stanford and Princeton say bitcoin has volatility seven times greater than gold, eight times greater than the S&P 500, and 18 times greater than the U.S. dollar. My answer: No.

Some of the hype tossed by Bitcoin sellers include:

Buy bitcoins with your IRA

Seriously? Sure, reverse mortgage your house while you're at it.

It's a new kind of money

***Wait, I thought it was a network?***

Buy bitcoins in 30 seconds. So I can lose money at the speed of light. We can double your bitcoin value in 100 hours

***You just write it down and give it to me, right?***

Earn .025% in daily interest

***Is that FIDC insured?***

Worldwide payments

***To whom?***

A control against fraud (Continued on page 3)

## Bitcoins—Are Your Kidding Me ? Cont.

### **Wanna Bet?**

Low processing fees.  
It costs money to use "money."  
Fast peer to peer transactions.  
Spend it at the speed of light.  
If you're a vendor you can sign up to receive bitcoins.

### **Then what do I do with them?**

The Bitcoin network never sleeps.  
You can pay for them anytime.  
Choose your own fees.

### **WHAT? How about -0-?**

Some effort may be required to protect your privacy  
That's reassuring.  
Trust and Integrity, not like banks  
Enough, already!

So, here's the worst part:

Last month, the SEC trashed an application to list a Bitcoin ETF. Under corporate pressure (from the financial firms, now).  
NOTE: IF YOU KNOW OF A WORSE IDEA, PLEASE LET ME KNOW. I'M RUNNING OUT OF MATERIAL.

The SEC said they will review that decision.

An ETF that tracks a mythical digital currency bitcoin that has no financial fundamentals, no earnings except for the collectors, and a handful of peculiar markets.

Based on what I read from the proponents, "Bitcoin is a virtual currency that can be used to move money around the world quickly and with relative anonymity, without the need for a central authority, such as a bank or government. A fund holding the currency could bring more professional investors to the asset and push its price higher."



All in the name of profits, right. Do you think the description is self-serving?

What about risk? SEE "VOLATILITY, ABOVE. At least with Krugerrands, there was a country involved; and, they're GOLD! I could not find Bitcoinistan on any global map.

It is virtual.

There's nothing behind it.

What about cyberscamming or cyberstealing?

Governments have not rushed to endorse it, although some merchants have.

China is going to endorse it as a currency. Does that give you comfort?

It apparently sells for something like \$1250 or so, now. Did I hear "BUT, IT MAY GO UP THROUGH THE ROOF. I NEED TO OWN SOME"?

Still, some people will buy it as an "investment." In my opinion, Monopoly money is safer.



## FIDUCIARY FORENSICS

### MORE ON "CHOICE"

A group of institutional investors is calling on the House of Representatives to oppose the Financial CHOICE Act, saying that it will undercut shareholder rights. The Council of Institutional Investors sent a letter to every House member Wednesday urging them to oppose the bill. It was signed by 53 pensions, unions, and other institutions that collectively hold more than \$4 trillion in assets.

### DELAY THE FIDUCIARY RULE

Republican lawmakers and representatives of the business community on Wednesday called on the Department of Labor (DOL) to further delay the fiduciary rule. At a subcommittee hearing of the House Committee on Education and the Workforce, the rule was called "the poster child for inefficient regulation that will hurt the very people it's intended to help." They warn that if the DOL fails to delay the rule, "many of the harmful effects that have already begun...will continue." citing a recent survey from ICI that says many shareholders who are no longer working with an adviser."

## RETIREMENTCULTURE

### PAY FOR COLLEGE OR SAVE FOR RETIREMENT?

There's a disconnect between parents and college-hopeful kids. More than 60% of the kids expect their parents will pay for their college, while more parents than that say they will only be able to foot some of the bill.

One of our colleagues and Ethical Advisor partners, Stephanie Mackara, president of Charleston Investment Advisors in Charleston, South Carolina says "Without hesitation, this is the most challenging financial planning issue my middle aged professional clients face, including myself," says Although clients' circumstances are different, Mackera says her advice is always the same: your first dollar of savings should be in your retirement account, preferably a 401(k) that has a match, next is debt repayment and finally is college savings. "College savings is last on the list for many reasons because most people don't consider that a portion of college costs can be paid out of cash flow during college years," she says. "Do you get a bonus each year at work? Earmark those funds for college costs. For a spouse that has been out of the workforce, take on a part-time job to pay the college costs." If the college funds fall short, "your child can take out a loan and you can help him or her pay down the loan," Mackera adds. "Retirement is typically 15 or so years away for most parents with children entering college, and saving for it must remain a priority. There are no loans for retirement."

## DANTE'S CORNER: LAWYERS GET A HOT PLACE

Maybe a special place on Level 11?

William Lester, a West Virginia lawyer accused of billing the state for work never performed didn't show up for his fraud arraignment last summer, but he is following an assistant prosecutor on Twitter.

Over a two-year period, Lester billed the state more than \$600,000 for indigent defense work. The State discovered that he had billed them for more than 24 hours a day on at least 17 days

Lester was among the first people to follow Assistant Kanawha County prosecutor Fred Giggenbach when he joined Twitter earlier this month, according to the Charleston Gazette-Mail. "My Man Fred!" Lester wrote to Giggenbach. "Welcome to Twitter. Send my Best to All!"

Kanawha County prosecutors hope to extradite Lester from Central America to face the charges.. "Maybe we can tweet him a plea deal," Giggenbach joked. **DANTE'S HEAT INDEX 11**