

## In this Issue:

- ◆ Cryptocurrency – What? 1
- ◆ Financial Finish Lines 1
- ◆ What Is Blockchain? 3
- ◆ A Secret IRA 4

# Wealth Builder



SPRING 2018



LEGACY WEALTH MANAGEMENT, LLC



## CRYPTOCURRENCY—WHAT? BY MIKE BERRY, CFP®

I'm sure there is at least one person (maybe more) who reads this that knows a whole lot more about cryptocurrencies than I do. If you are out there, please come talk to me. Cryptocurrencies have burst onto the investing scene like a plague of locusts. There are now many different kinds out there, but you may be most familiar with one particular flavor of cryptocurrencies, Bitcoin. So just what are they?

A cryptocurrency is a digital asset designed to work as a medium of exchange that uses cryptography to secure its transactions, to control the creation of additional units, and to verify the transfer of assets. **What?** My next question is what is "cryptography?" Well, it happens to be the art of writing or solving codes. Again, **What?**

*Continued on page 2*



## FINANCIAL FINISH LINES BY DAN FUNDERBURK, CFP®, CKA®

### How much is enough?

This is one of the most important questions you can answer when it comes to your money. On the surface it seems like a simple question. However, if you actually take time to think through it and find an answer, it can have a profound effect on your life.

Once you determine how much is enough, you have a tangible financial finish line to shoot for. If nothing else, having this concrete goal will increase your chances of achieving it. In addition, once you hit your financial finish line you already know that any income or account balances over that amount are *more than you need*.

*Continued on page 5*

## CRYPTOCURRENCY—WHAT? *Continued from p. 1*

*“Another thing about a cryptocurrency is that there is nothing backing it up.”*

To be classified as a cryptocurrency it must meet the following six conditions.

1. The system doesn't require a central authority (like the Federal Reserve) to achieve consensus on its state. **What?**
2. The system keeps an overview of cryptocurrency units and their ownership. (If there is no central authority, who does this?)
3. The system defines whether new cryptocurrency units can be created, the system defines the circumstances of their origin and how to determine the ownership of these new units.
4. Ownership of cryptocurrency units can be proved cryptographically (through writing or solving codes?).
5. The system allows transactions to be performed in which ownership of cryptographic unit is changed.
6. If two different instructions for changing the ownership of the same cryptographic units are simultaneously entered, the system at most performs one of them. (Who decides which one?)

All of these conditions refer to a “system.” **Who** or **what** is the “system?”

Another thing about a cryptocurrency is that there is nothing backing it up. I realize that the dollar really has nothing but the full faith and credit of the United States government backing it up, but it is a promise by the U.S. government that a dollar is worth a dollar.

Apparently, you can use your cryptocurrency to purchase actual goods and services providing the seller accepts it as payment. Then you can also sell your cryptocurrency to someone else and that seems to be where all the activity is these days. Investors are buying in hopes that they can sell it to someone else for a higher price. But **what** determines the value? With stocks, it's the company's assets and profits that help determine the value. With bonds it's the interest rate and credit quality that again help determine what people are willing to pay for the bond. Here it seems to me that you have no way of determining value on the cryptocurrency, you're just hoping you can find someone that is willing to pay you more for it than you paid yourself.

Since cryptocurrencies are a hot topic right now, and are not considered a security, advisors have to be careful about what they say and cannot give out advice regarding them. Therefore, if you are considering venturing into this realm, please do your homework, educate yourself and then come explain it to me. ♦

## What Is Blockchain? BY LINDA EDEN-WALLACE, CFP®

Every year we run more and more of our lives on the internet. We shop online. We do our banking online. We log into apps and services and send information back and forth. More core functions of our government, our economy and our society are done through the internet. On the internet, anyone can access information anywhere in the world. If you think of the web as the “internet of information” (just Google it!), then blockchain technology is the “internet ledger of value.”

Blockchain is a digitized, decentralized public ledger of all cryptocurrency transactions and was originally developed as an accounting method for Bitcoin. However, apart from a unit of value, blockchain technology can be used to track and store any kind of digital information and has applications across every kind of digital record and transaction. It digitally records data by time and sequence. Each “block” of data is “linked” to the previous one, thus the name “Blockchain,” creating a permanent, unalterable and secure record.

Given its potential, major industries are already considering ledger systems based on blockchain technology. It’s being studied for use in many applications that could affect our everyday lives such as executing business deals, legal agreements and automated exchanges of data. Researchers are also exploring blockchain applications for things like digital identity and medical and insurance records.

If you like your smart phone, how about a “smart contract?” A smart contract is automatically completed when certain conditions are met. The possibilities for their use are huge. For example, your smart thermostat could communicate your energy usage to a smart grid and when a certain number of wattage hours have been reached, another blockchain automatically transfers value from your account to the electric company, automating the meter reader and billing process.

Or a medical device such as a blood glucose monitor could securely record a patient’s glucose levels and communicate with an insulin delivery device to maintain blood glucose at a healthy level. Someday seniors and others may benefit from smart medicine cabinets that track our prescriptions and order refills. Some refrigerators can already be set to alert us when we’re out of milk or some product is near its expiration date. And all this information can be tracked and transmitted using blockchain technology!

The demand for blockchain-based services is on the rise and the technology is maturing and advancing at a rapid pace. The imagination and ingenuity of the human mind has been transforming our lives and our world with amazing technology and inventions, and will continue to do that for years to come. Stay tuned, the future is just around the corner! ♦



*“The demand for blockchain-based services is on the rise and the technology is maturing and advancing at a rapid pace.”*



## A SECRET IRA BY JEFF FUNDERBURK, CFP®

I was reading some headlines the other day and I came across a blog post from a personal finance writer touting what the author called the secret IRA that no one is talking about. Being a financial professional, I of course was interested in what sort of secrets would be revealed by reading this post. Turns out, all the author was talking about was a Health Savings Account (HSA). More specifically, the author was referring to one less-known feature of HSAs.

HSAs are a powerful wealth management tool for several reasons, and most of the benefits are well-known to most people. Those with a cursory knowledge of retirement saving will see the similarity between IRAs and HSAs.

1. Contributions are tax-deductible, just like contributions to traditional IRAs. But a significant difference is that deductions for HSA contributions are not phased out by income limitations as is the case with traditional IRAs. This makes HSAs extremely attractive to individuals or families earning high incomes.
2. Many HSAs have a savings portion and an invested portion. You can keep a minimum amount in the savings portion and then invest the rest to let it grow. Just like traditional IRAs, the invested portion is allowed to grow on a tax-deferred basis. This just means you don't pay taxes on your growth as long as the money stays in the account.
3. Money comes out tax-free as long as it's used to cover "qualified medical expenses." Withdrawals not used for this purpose are taxed and penalized an additional 10%.

The HSA is the only account that allows you a tax deduction on contributions, allows those contributions to grow tax-free, *and* allows the money to be withdrawn tax-free (if used for qualifying expenses). That's a good deal.

Now, those benefits of HSAs are widely known, so what's the big secret this blog post was talking about? Well, there is a feature that expands HSA benefits once you reach age 65. After age 65 the medical expense limitation is removed and your HSA essentially becomes another traditional IRA. The funds can be used for whatever purpose you want! Even to pay Medicare premiums. The money withdrawn and not used on medical bills will be taxable, just like a traditional IRA, but will not be subject to the 10% penalty.

Personally, I believe that setting aside money to cover medical bills should be a normal practice for everyone. If you're eligible to contribute then HSAs are a nice place to put that money due to the tax advantages. This is especially true for high income earners that are phased out of otherwise deductible retirement saving options. In those cases the HSA is quite the power tool indeed.

And now you know the secret of the secret IRA (shhh – don't tell...). ♦

*“After age 65 the medical expense limitation is removed and your HSA essentially becomes another traditional IRA.”*

## FINANCIAL FINISH LINES *Continued from p. 1*

Think about that... what would happen if you were in a place where you *knew* you had more than you need? What a freeing and exciting place to be! The requirement to work no longer exists, so you're free to focus your time on your true passions. You've built some margin into your finish line, so daily and quarterly market swings no longer cause concern. You can wake up every day with the satisfaction of having hit such a significant goal.

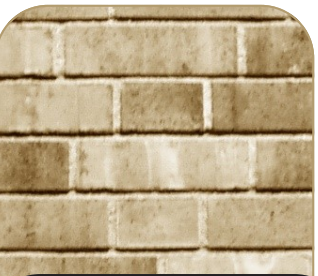
### More than enough

While this is a freeing and joyful state to live in, it also raises another question: What should I do with the excess? This is where the fun really comes in. There are numerous studies out there—both secular and religious—that examine the effects of generosity. Did you know that people who are regularly generous towards others tend to be happier and healthier than those that aren't? Don't believe me? Check out [\*The Paradox of Generosity\*](#)\*. The title of this book is right on. People assume that by giving away their money, their time, or their skills, they will have less for themselves. But, this and other books have shown us that those who actively give more away tend to live *more abundant and joyful lives* – how crazy is that?!?!

Once you've hit your financial finish line it can be easier to let go of the excess. Imagine standing in line at a bakery and overhearing a story about the woman behind the counter (let's call her Katherine). Katherine has been saving money for a car she desperately needs, and she still has a few years before she'll be able to buy one. Now, imagine you found out that Katherine gave her entire car fund to a widow who she felt needed it more. Now that is crazy generous, and I don't know many people who would give that sacrificially. But, imagine you were inspired by Katherine's story and wanted to surprise her with the car she was still in need of. While you may be able to buy her a car before you've hit your finish line, it sure would be a lot easier if you already knew how much excess you had. Think about the joy you'd bring this awesome woman, let alone the joy you'd feel as well! This isn't an imaginary story—it happened. One of the biggest joys of my job is getting to hear stories like this being lived out in real life.

I'm not saying you need to be 100% financially secure before you're generous. In fact, I hope we can all be generous in some degree no matter where we are financially (remember the whole "It's better to give than to receive" thing?). I am saying, however, that once you determine how much is enough you are beginning to open the door to a more intentional life with more opportunities for contentment and joy. Sound nice? I think so too. ♦

\**The Paradox of Generosity* by Christian Smith and Hilary Davidson



***“If you actually  
take time to  
think through it  
and find an  
answer, it can  
have a profound  
effect on  
your life.”***





Mike Berry, Linda Eden-Wallace, Dan Funderburk and Jeff Funderburk are CERTIFIED FINANCIAL PLANNER™ Professionals offering securities through **Cambridge Investment Research, Inc.** Member FINRA/SIPC. The views stated do not necessarily represent the opinion of Cambridge Investment Research, Inc., and should not be construed, directly or indirectly as an offer to buy or sell any securities mentioned herein. Information is believed to be reliable; however, we cannot guarantee accuracy or completeness. The material discussed herewith is meant for general illustration and/or informational purposes only. Past performance is no guarantee of future results. There is no guarantee that a diversified portfolio will outperform a non-diversified portfolio in any given market environment. Please note that individual situations can vary. Therefore, the information should be relied upon when coordinated with individual professional advice. Investing in securities involves risk, including the potential loss of principal invested.

Securities offered through Cambridge Investment Research, Inc., a Broker/Dealer, Member FINRA/SIPC. Investment Advisor Representative, Cambridge Investment Research Advisors, Inc., a Registered Investment Advisor. Legacy Wealth Management, LLC and Cambridge are not affiliated. Cambridge does not offer tax advice.

***Copyright© 2018 Legacy Wealth Management, LLC. All rights reserved.  
Commercial copying, duplication or reproduction is prohibited.***

372 Ridges Boulevard • Grand Junction • Colorado • 81507 • (970) 241-5143

[www.legacywealthgi.com](http://www.legacywealthgi.com)

If you would prefer to receive a paperless copy of this newsletter via e-mail,  
please notify Sondra at [Sondra@legacywealthgi.com](mailto:Sondra@legacywealthgi.com)

