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Wealth Builder

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THE FREEDOM OF OWNERSHIP BY DAN FUNDERBURK, CFP®, CKA®

There are a few foundational questions that everyone should answer to help bring clarity around their money and possessions.

- ◆ Who owns it?
- ◆ How much is enough?
- ◆ Is the next steward ready?

I'd like to examine the first question today. **Who owns it?** The question seems simple but could have a profound impact on your life depending on the answer.

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BITCOIN'S BIGGEST THREAT? BY JEFF FUNDERBURK, CFP®

It's no secret that Bitcoin, and other cryptocurrencies, are becoming increasingly popular. The price of Bitcoin has set record high after record high, although with extremely high volatility along the way. With so many people jumping on the bandwagon, I often find myself wondering how many of them actually understand what Bitcoin is.

Bitcoin is not a currency. Yes, it is used as a method of exchange in very limited capacity today, but nowhere near widespread enough to meet the definition of a currency. Bitcoin, at its core, is a computer program. More specifically, it's an encryption algorithm. An anonymous computer programmer created it using an encryption method called *hashing*. Hashing means taking input of any length and giving an output of a given length. Bitcoin specifically, uses what is known as SHA-256. It is this hashing which creates, in a **very** secure way, the public and private keys that individual Bitcoin holders use to exchange Bitcoin.

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THE FREEDOM OF OWNERSHIP *Continued from pg. 1*

Ownership comes with a lot of benefits. Want to paint a room in your house? If you own it, no problem. If not, you need the owner's approval. Business owners directly benefit from the growth of the business. If you own your car, you can sell it or trade it at your discretion (assuming you don't owe anything on it, of course). There's an inherent freedom that accompanies ownership. This is why we help people enter retirement without a mortgage. You can live incredibly simply (if necessary) if your money isn't spoken for before the month even starts.

However, ownership also comes with responsibility. No one cares about your things as much as you, and everything in this world is in a constant state of decay. My dad has always said that if it's electrical, mechanical, or biological, it's going to break. It's not a matter of "if," but "when." It's up to the owner to keep things in good condition. I spend way more time maintaining our home today than when we rented. If you've been by the office in the last week or two, you've probably seen Mike running around the yard fighting the sprinklers or Linda planting roses. You know why? They own the building, so it's their responsibility to maintain the landscaping (thank goodness!)

The fallacy of wealth is that once you have more money your problems go away. What I've found is that the more you have, the more you have to take care of. This can lead to added stress that people didn't expect as they were building their wealth. Different problems than when you didn't have as much, but problems none-the-less.

As Christians, we view the ownership question a little differently. We believe everything in heaven and earth is God's, not ours. If that's what we genuinely believe, even the things we "own" on this planet aren't truly ours – they're God's. We've simply been entrusted to look after His possessions while we're passing through. We are *stewards* rather than *owners*. This applies to everything. Our money, our possessions, our businesses. Even our relationships. While this perspective could be disconcerting because it means we don't own anything, I view it as freeing since the ultimate outcome isn't my responsibility. It's my job to do the best I can with what God has entrusted to me. If I do my best to make the wisest decision with the information I have, the rest is up to Him. That doesn't mean I'm free from responsibility. I need to make sure I'm educated and doing everything in my power to maintain what I'm entrusted with. But at the end of the day, God is the one who will make sure everything is ok. This understanding has lowered my level of stress as hard situations arise.

Ownership, like everything in life, comes with pros and cons. Sometimes it's better to own something, and sometimes it's not. I know that when it's all said and done, I'm happy I'm not the one who is ultimately responsible for everything. I'm thankful we have a loving God that is bearing that weight. ♦

“The fallacy of wealth is that once you have more money your problems go away. What I’ve found is that the more you have, the more you have to take care of.”

TOO MUCH MONEY CHASING TOO FEW SNICKERS BARS BY MIKE BERRY

The “I” word seems to be in the news a lot these days. “I,” meaning “inflation”. Those of you younger than 40 haven’t really experienced a period of high inflation. Since 1980, inflation has averaged 2.95% annually.¹ That’s not much. Basically, translating that in a more meaningful way. If, in 1980, your *Snickers* bar cost 25 cents, today it would cost roughly 80 cents.

The consumer price index for April came in at an annualized rate of 4.2%, much higher than the average pace of inflation since 1980. While it was only a monthly reading and these numbers can change significantly month to month, many economists are worried that inflation might soon be significantly higher going forward. Why, all of a sudden, coming out of a pandemic that shut down our economy is inflation a concern?

In it’s truest form, inflation is caused when you have too much money chasing too few goods. In order to obtain those too few goods, consumers are willing to spend higher dollars to get those goods, thus driving up prices. The first part of that equation, “too much money” can be caused by labor shortages and workers being able to command higher wages and/or fiscal stimulus through government spending and government giveaways.

Since the pandemic, we have had three rounds of “stimulus” coming from the government in the form of actual checks going out to individuals (\$1200, \$600 and \$1400), as well as programs for businesses such as forgivable loans to keep employees on the payroll. There were also extended and higher unemployment benefits for those who lost jobs during the pandemic shut down. Also, we have seen many states and cities raise minimum wage requirements for workers. So, in the last 14 months, a lot of money has been added to our economy, and the federal government is discussing adding even more through a huge bill aimed at fixing, replacing and changing our infrastructure.

Now we are coming out of the pandemic and more things are opening up. Factories that were shut down or running at reduced capacity are having to ramp up production and hire workers. That takes time. In addition, these same factories have to purchase raw materials for their products and many of those materials come from countries who are still suffering large infection rates from COVID. At the same time that factories are having troubles finding workers and materials, the U.S. consumer is coming out of hibernation, freshly vaccinated, with lots of newly printed money in hand wanting to spend it. But they are having trouble finding stuff to buy.

Too much money chasing too few goods. Want a new refrigerator? Sorry, you

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Bitcoin and other cryptos are still very speculative and thus it's prudent to think that one only "invest" what one can afford to lose.

Bitcoin's Biggest Threat? *Continued from pg. 1*

It is the security of the blockchain (the decentralized, public ledger that records and permanently stores all Bitcoin transactions) in which Bitcoin users are placing their faith. After all – if someone could break the encryption algorithm they could theoretically reverse engineer users' private keys from their known public keys and would have access to every Bitcoin wallet in the world. Of course, that wouldn't really be worth much in the end since once the public found out that Bitcoin's security had been broken, the value would plummet to \$0.

The problem with that though is that there aren't computers powerful enough to crack the encryption in any realistic timeframe. But we all know that computers get more powerful by the day. But even these advances in conventional computing aren't coming close to being a threat to Bitcoin. Enter the quantum computer.

Quantum computers are exponentially more powerful than conventional computers, and theoretically could hack the Bitcoin network very quickly. Quantum computers are not easy to understand, but suffice it to say for this article that their power is measured in what are called qubits. Many experts estimate that it would take a 4,000 qubit quantum computer to hack Bitcoin's encryption. Google has created the most powerful quantum computer to date – and it claims to have 54 qubits. So it seems the Bitcoin network is safe for some time to come, but for how long? The reality is that the future of quantum computing could render encryption as we know it today obsolete.

No one knows how fast quantum computing will advance, and the powers that be behind keeping the Bitcoin network secure are aware of the potential vulnerability and are planning on how they would upgrade or patch the system to survive in a quantum computing world. So in the end, which technology will advance the fastest: encryption algorithms or quantum computing? When you buy Bitcoin, you are buying an encryption algorithm – so you need to be sure you're comfortable betting on the former. And you should be praying that it's not the latter.

I don't know where Bitcoin and other cryptos will ultimately end up, and I'm indifferent on whether people should own them or not. I make no recommendations on whether to buy, hold, or sell. What I care about is that people understand what they are buying (which in my experience many do not). I hope that people aren't buying due to the rampant FOMO that is driving so many investing decisions these days; (that's "Fear Of Missing Out", for those of you, like me, that are a little lacking in pop-culture acronyms). Bitcoin and other cryptos are still very speculative and thus it's prudent to think that one only "invest" (or "gamble" may be a more appropriate term) what one can afford to lose.♦



Too Much Money Chasing Too Few Snickers Bars *Continued from pg. 3*

have to wait. Want a new car? Things are a little backed up now because we can't get chips to run the car's computer. If the pandemic didn't slow production enough, saw mills were also faced with wildfires destroying the forests and limiting their raw materials. As a result, the price of lumber has skyrocketed and builders are having trouble getting materials to build homes. Airlines reduced flights due to low demand during the pandemic. More people are choosing to travel, but with fewer flights (and therefore, seats) prices are going up.

In my opinion, this inflationary cycle is far from a one-month blip on the screen. It is going to continue because pent up consumer demand will continue to overpower the production of goods and services for quite an extended period. This will eventually lead the Fed to raise interest rates in an attempt to control inflation, which will have its own consequences.

But that is another article. I'm off to buy another box of *Snickers* bars before the price goes up even further. ♦

¹<https://www.officialdata.org/us/inflation/2019?endYear=1980&%25252525252525253Bamount>





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