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The Source for Freedom and Self-Reliant Information¹

Thomas Jefferson defined *rightful liberty* as “unobstructed action according to our will within limits drawn around us by the equal rights of others—I do not add ‘within the limits of the law,’ because law is often but the tyrant’s will, and always so when it violates the right of an individual.”

SPECIAL EDITION – BITCOIN, CRYPTO-CURRENCIES and the BLOCKCHAIN

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Speculation and Financial Freedom

There are three things you must do to attain and maintain financial freedom: (1) Pay yourself first; (2) live below your means; and (3) invest in DRIP's using the principle of compound interest. Depending upon your passion and dedication, financial independence may be obtained in 10-to-15 years. This is not a quick scheme to get and stay rich, but a tried and true path to prosperity!

There is, however, a fourth thing you might do, which I have touched on before. You can develop a unique product or service that fills a need becoming a worldwide success; or, you can speculate by funding a startup company or technology that becomes highly profitable.

Let's say you concentrate on the fourth way to become financially independent. Time will go by much quicker than you might think. You start directing most of your investment capital into speculative ventures in your mid-twenties and by the time you are 35, you still have not become financially independent. Then your 40th birthday comes around and you realize that had you concentrated on the first three—Pay Yourself First, Live Below Your Means and Invest in DRIP's Using Compound Interest Principle—you would have attained financial freedom.

Even if you struck it rich by speculating, whether in a startup venture or with a crypto-currency like Bitcoin, you would still have to do the first three things to maintain your new-found fortune and continue to be financially independent. If you don't, statistically, you would be financially destitute within five years.

However, I do believe that **most people should take on some risk and speculate**. But, you should probably allocate less than 10% of your investment capital to speculative ventures. In addition, do your homework, be smart about it, and, **limit your risk to the amount of money you feel comfortable losing**.

In today's environment, there are many more opportunities available to "unaccredited investors" than in past times, due to changes in the securities laws and the advent of crypto-currencies like Bitcoin, which uses blockchain technology. Finding the right opportunity that might make you a millionaire overnight, probably more like 1-to-3 years or longer, is an extremely difficult task requiring luck, good timing, and favorable circumstances.

Unfortunately, there are also a preponderance of schemers and fraudsters taking advantage of the system and the success of others. Probably 90% and more of the 1,584 crypto-currencies existing today are complete SCAMS. But, if you find the next Bitcoin, it will be well worth it, especially if you allocate no more than \$1,000; or, less than 1% of your investment capital. AND, you only use money for this endeavor that you are willing to lose.

Who should take a chance and speculate in crypto-currencies? If you are living paycheck-to-paycheck, what have you got to lose... you only need \$250-to-\$500... cut back on something you are doing... this opportunity just might change your life! If not, what have you lost? And, you might have figured out a way to live below your means and invest in DRIP's over the next 10-to-15 years.

If you are already financially independent, you may want to take a position in crypto-currencies to stay abreast of the technology that is here to stay, not to mention the excitement. In addition, if all goes well, you would have that much more to give to your grandchildren and your favorite charities.

For example, **I purchased 2,000 coins of one crypto-currency for \$500**; if this coin only increased in value half the recent high for Bitcoin of \$19,000 or \$9,500, my crypto-currency would be worth \$19,000,000; **if it just reached one-tenth of Bitcoin's high, I'd be sitting on \$3,800,000**; if it just rises to \$100, my \$500 would be worth \$200,000; and, if it goes to zero, I've only lost \$500 or one less trip to Disney World with my grandchildren. By the way, **the first coin I bought is supported by IBM and Deloitte** (Big 4 International Accounting Firm). **Keep reading, I'll tell you what it is, how I bought it, and, why I bought it the way I did.**

Bitcoin, Crypto-Currencies and the Blockchain

Bitcoin has been around for about ten years and its price has increased from \$0.08 to over \$19,000 per coin; it is now trading between \$7,000 and \$9,000 per coin. Bitcoin has created many multi-millionaires since its inception. However, some of the last ones to jump on the bandwagon have lost half of their investment.

In 2008, around the time of the financial crisis, a "white paper" was published by an individual known as Satoshi Nakamoto but, today, many people believe this was just a pen-name for a group of individuals. The "white paper" proposed a decentralized currency for individuals, "A

purely peer-to-peer version of electronic cash [that] would allow online payments to be sent directly from one party to another without going through a financial institution.”

Bitcoin functions because of blockchain technology. I’m not going to explain any of this because it takes too long, the information is readily available... just Google it, and, is not relevant to what I am trying to convey here today. Many of you who have followed my DRIP recommendations and have invested in IBM, Microsoft, and yes, Wal-Mart, unbeknownst to you, are participating in this new technology already! You just won’t have the possibility of turning a \$250 stake into \$2.1-Million. Unless, of course, you take a position in several crypto-currencies!

Because of the success of Bitcoin, which exists because of blockchain technology, the last time I looked, there were 1,584 coins/tokens listed on CoinMarketCap.com (<https://coinmarketcap.com/all/views/all/>). Most of these crypto-currencies will not be successful.

Coinbase (<https://www.coinbase.com/>), for example, only currently allows the purchase and sale of Bitcoin, Bitcoin Cash, Ethereum, and Litecoin. I just read that they will be adding a fifth, ERC20 Ethereum Token.

One newsletter writer wrote, “Despite the hype and large paper profits, I was never comfortable recommending any of those early cryptos to readers. I’m still not... The early cryptocurrencies such as bitcoin (BTC), ether (ETH), litecoin (LTC) and ripple (XSP) are not worth serious consideration as stores of value with long-term potential for appreciation and profit.”

Early Investing wrote a Report identifying “Five Digital Currencies That Will Overtake Bitcoin.” You can access this Report at <https://earlyinvesting.com/investing-research/digital-currencies/?code=X310T912&msclkid=50ee389773bb1ecee44e6228c38eb7ec> by entering your email address. The Report explains why they believe these five crypto-currencies will overtake Bitcoin: (1) Ethereum (ETH); (2) Ripple (XRP); (3) Litecoin (LTC); (4) Dash (DASH); and (5) Monero (XMR). In spite of this Report, as of March, they still had a position in Bitcoin, along with Ethereum, Litecoin, and New Economy Movement (XEM). I bought 500 Ripple (XRP) coins (<https://ripple.com/>) and may buy the New Economy Movement (XEM) tokens over the next several weeks.

There is a voluminous amount of information and hype about crypto-currencies and many so-called experts willing to sell you an annual subscription to their crypto-currency newsletters for

a going rate of \$5,000; some offering first-time subscribers a discounted price of \$3,000. Much of their information can be found by searching for yourself. For example, I searched for the Early Investing Report on the five digital currencies that will overtake Bitcoin and found a similar article from another source. Coin Central (<https://coincentral.com/>) is a good source for information about crypto-currencies.

Going forward, you may find this newsletter a great source for crypto-currency information, which you should personally verify yourself before taking a stake in a given coin or token. Keep reading and I'll show you the possibility of how you may be able to turn \$250 into \$2.1-Million.

Turn \$250 into \$2.1-Million

This was the advertisement for an annual subscription to a newsletter for \$5,000. They gave more than a dozen examples of crypto-currencies that turned a \$250 stake into amounts under and over \$2.1-Million. Let's just look at Bitcoin, which started out at \$0.08 and rose to a high of \$19,000. Today it is trading over \$7,000 per coin. If you had bought 1,000 Bitcoins for \$0.25 per coin for a total cost of \$250, you would have over \$7,000,000 today. Hopefully, you would have sold 500 coins back when it reached \$19,000 for a profit of \$9,500,000 and, you would still have over \$3,500,000 left in Bitcoins.

In my opinion, **the real money has already been made in Bitcoin**; it is older technology and there may be other opportunities that will turn a rather small stake of \$250 into several million dollars. However, **there are no guarantees and you should be willing to lose your entire stake.**

The first coin I bought was **Stellar Lumens (XLM)** paying \$0.25 per coin or \$500.00 for 2,000 coins. This coin is supported by IBM and Deloitte (Big 4 International Public Accounting Firm). If you search for information on XLM, you will find many articles, plus they have their own website. Don't take too long to make your decision; or, at least get your accounts setup to buy before April 17, 2018. I have read that over a dozen major retailers are going to make an announcement around April 17th regarding their acceptance of crypto-currencies, which may cause an immediate rise in the cost of these coins and tokens.

How I Bought Stellar Lumens (XLM)

Buying these crypto-currencies are not that easy. However, there are many articles available which explain how to buy specific crypto-currencies. I did not use Coinbase for two reasons. First, I would have to buy either Bitcoin or Ethereum on Coinbase, then go to another exchange,

like BINANCE (<https://www.binance.com/>) and trade my Bitcoin or Ethereum for XLM. The second reason I avoided Coinbase is that they turned information over to the IRS on 14,000 U.S. customers who had made trades of \$20,000 or more from 2013 to 2015.

You cannot go directly to BINANCE unless you already have a crypto-currency because they do not accept U.S. Dollars, Euros, or any other fiat currencies. This may change in the future because this Hong Kong based exchange is moving to Malta.

Therefore, I went to KRAKEN (<https://www.kraken.com/>) because you can use U.S. dollars to buy over a dozen different crypto-currencies, including Stellar Lumens (XLM) and Ripple (XRP). I bought 2,000 XLM coins and 500 XRP coins. However, I strongly suggest you first acquire Stellar Lumens (XLM).

It is not that difficult to open an account with KRAKEN, but, you first must get verified; just follow the instructions. You will need your passport or driver's license, a recent utility bill with your name and address on it, and, you must be able to take a picture of your face, holding your identification on one side and a signed written statement on the other side of your face. My daughter took the picture of me on my Samsung Galaxy S7; the resolution on her iPhone was not acceptable.

Next, you must obtain the wiring instructions from your local branch bank, which would include the ABA number and Swift number, along with the relevant information for an intermediary bank, if applicable, and input that information; then the amount of money you want to wire transfer. This is not an ACH-type transfer, where you would input information from the bottom left corner of your check. You must use wire transfers to and from KRAKEN.

After you have been verified and entered your local bank account wiring instructions and the amount you want to wire to KRAKEN, they will provide you with the wire instructions to wire transfer the money from your local bank to your account at KRAKEN.

I wired \$1,000.00 from my local branch at SunTrust Bank and spent about 2-hours there before all the paperwork was done. First, I had to open a new account under my name as it exactly was opened at KRAKEN, i.e., I had a joint account at SunTrust Bank. You also should do this for safety and security purposes, just keeping a minimum balance in the account to avoid paying fees; SunTrust requires \$500 so I transferred \$1,525 to cover this first transaction, \$1,000 to KRAKEN and a \$25 fee, leaving \$500 in the account.

The next day the \$1,000 showed up in my account at KRAKEN, they charged me \$5 leaving \$995 in U.S. Dollars. I then followed the instructions and bought 2,000 XLM coins and 500 XRP coins, leaving me with about \$175 in cash on deposit at KRAKEN.

Unfortunately, the next coin I want to purchase, Enigma (ENG), is not available at KRAKEN. Therefore, I had to setup an account at BINANCE (<https://www.binance.com/>), which was very easy. Since BINANCE does not accept U.S. Dollars, I will have to wire transfer more money from my SunTrust account to KRAKEN, then purchase enough Ethereum (ETH) to acquire the amount of Enigma (ENG) tokens and transfer the ETH to the wallet I setup in my BINANCE account. Then I will trade the ETH for Enigma (ENG).

Once I have acquired Enigma (ENG), I will transfer it to a hardware wallet, which I intend on acquiring from Amazon, e.g., the Ledger Nano S is available from Amazon for about \$100. The reason I am doing this is to protect these tokens, rather than keep them stored at an Exchange located in Hong Kong.

As for the two crypto-currencies I have at KRAKEN, since the current value is less than \$1,000, I am going to leave them there in the hot wallet. Ultimately, if things go as planned, I would liquidate some coins, by converting to cash and wiring the money back to SunTrust Bank; then I would transfer the remainder of the coins to my hardware wallet.

You should do your own research. Every crypto-currency I mentioned has its own website and there are plenty of articles on them. However, I strongly suggest you get an account setup at KRAKEN and buy Stellar Lumens (XLM) while it is under \$0.50 per coin. You can wire transfer \$300-to-\$500 if that is all you feel comfortable doing right now.

Remember, you should only use money for these crypto-currencies that you feel comfortable losing. If you keep your commitment low, your upside is substantial, while your downside is minimal.

Don't forget, keep buying DRIP's, it takes longer, e.g., 10-to-15 years, but it is a sure thing. Furthermore, if you hit the big-time with Stellar Lumens (XLM), you should take at least half your profits and invest in DRIP's to maintain your financial independence. And, don't forget to set aside enough money to pay your capital gains tax.

Tax Consequences of Speculating in Bitcoin and Other Crypto-Currencies

In IRS Notice 2014-21, the IRS has taken the position that “the sale or exchange of convertible virtual currency [e.g. Bitcoin], or the use of convertible virtual currency to pay for goods or services in a real world economy transaction, has tax consequences that may result in a tax liability.” Basically, the IRS has taken the position that every time a crypto-currency is sold or traded, or used to purchase goods or services, there is a tax consequence.

For most of you reading this newsletter, the purchase of any crypto-currency would most likely be treated as a capital asset, especially if you follow my recommendations. If you, for example, purchased Bitcoin over a year ago and sold half your position in December 2017, converting it to cash or U.S. dollars, you would have a long-term capital gain subject to a maximum capital gains tax of 20%. Likewise, if you exchanged your Bitcoin for other goods or services, you would still have to pay a capital gains tax on the value of those goods or services.

It appears that the IRS has taken the position that exchanging Bitcoin for another crypto-currency is also a taxable event, especially since the new tax law states that the Section 1031 Tax free Exchange provision only applies to real estate. However, even though the IRS may be taking the position that each exchange of a crypto-currency for another is a taxable event, if such a transaction was properly structured, I believe there is a position to avoid the U.S. capital gains tax until a crypto-currency is converted to cash, i.e., U.S. dollars or another fiat currency.

For example, if you wanted to buy Enigma (ENG), you would first have to buy Ethereum ((ETH) with U.S. dollars from an exchange like KRAKEN. I would avoid Coinbase because the IRS has successfully required them to turn over records on U.S. customers. Then you would exchange your ETH for ENG on the Hong Kong exchange BINANCE. Furthermore, as of this writing, you can only exchange crypto-currencies on BINANCE for other crypto-currencies, i.e., they do not accept U.S. dollars, Euros, or any other fiat currency. In my opinion, by using an exchange like BINANCE, and continuing to exchange one crypto-currency for another, you do not have a taxable event until you convert all or a portion of your holdings to cash or use some to purchase goods and services.

FinCEN, the Financial Crimes Enforcement Network, has also issued guidance on this issue (FIN-2013-G001, March 18, 2013). Tax fraud is considered money-laundering with a maximum penalty of \$500,000 or twice the amount of money laundered, whichever is greater, plus up to 20 years in prison for each count. For example, if you converted Bitcoin to cash five times in 2017 and do not report these transactions and pay the requisite taxes, you could be threatened

with a penalty of up to \$2,500,000 and 100 years in prison. This is in addition to unpaid taxes, interest and penalties for not timely paying the required taxes.

Be careful, maintain a low profile, but, do not ignore the U.S. tax laws. Also, if you have a stake in crypto-currencies, do not prepare your own tax return. Hire a CPA or Tax Lawyer, and make sure they understand what you are doing. If you receive an “expert opinion” and follow it, even if it is later overturned by the Courts, you would avoid criminal prosecution.

Final Thoughts

Bitcoin has been the most successful speculative investment over the past decade; after all, it did rise from \$0.08 to a high of \$19,000. I’ve seen several predictions that Bitcoin will rise to \$30,000 from its current price of just over \$7,000. Another prognosticator wrote, “I predict Bitcoin will *still* hit \$50,000 in 2018.” They may be right but, I believe that other crypto-currencies offer a far greater opportunity going forward. In fact, the same person that believes that Bitcoin will hit \$50,000 this year also recommends a dozen other crypto-currencies that he believes will increase in value much higher than Bitcoin right now.

Taking a small speculative position (\$250-to-\$1,000) in crypto-currencies is one of the few opportunities available to practically everyone. If you have more than \$1-million in investment capital, \$10,000, or less than 1% of your investment capital, is worth losing when compared to the potential upside.

I’m an optimist and hope to turn my \$500 stake in 2,000 Stellar Lumens (XLM) coins into \$3,800,000. If I hit \$200,000, I will most likely sell half for \$100,000, pay tax of \$20,000, and invest the \$80,000 in DRIP’s. Hopefully the remaining 1,000 coins rise to \$1,900,000!

Will you join me in this venture? Hopefully, we all pick the right crypto-currencies!

Dum Spiro, spero—While I breathe I hope.

Slainte mhath,

Robert G. Beard Jr., C.P.A., C.G.M.A., J.D., LL.M.