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RETIREMENT & FINANCIAL PLANNING CORNER

Brought to you by: Dave Hojlo,
Accredited Investment Fiduciary ("AIF")



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WHAT IS HAPPENING WITH CRYPTOCURRENCY?

Terra Collapse

In January 2018 Do Kwon and Daniel Shin launched the Terra network with plans to develop Chai, an e-commerce payments application, and to create a price-stable cryptocurrency against major fiat currencies to facilitate transactions. It is supported by the Terra Alliance, 15 large e-commerce companies in Asia.



The Terra network and its leader, Do Kwon, rose to the highest tier of the crypto world thanks to big-shot investors, only to fall apart within a few days in May 2022.

On May 7, the price of the then-\$18-billion algorithmic stablecoin terraUSD (UST), which is supposed to maintain a \$1 peg, started to wobble and fell to 35 cents on May 9. Its companion token, LUNA, which was meant to stabilize UST's price, fell from \$80 to a few cents by May 12.

Huge withdrawals of TerraUSD, along with overall worries about cryptocurrencies and a steady fall in prices, saw Terra lose its peg to the dollar. Terra's developers also bought billions in Bitcoin to secure reserves.

<https://www.coindesk.com/learn/the-fall-of-terra-a-timeline-of-the-meteoric-rise-and-crash-of-ust-and-luna/>

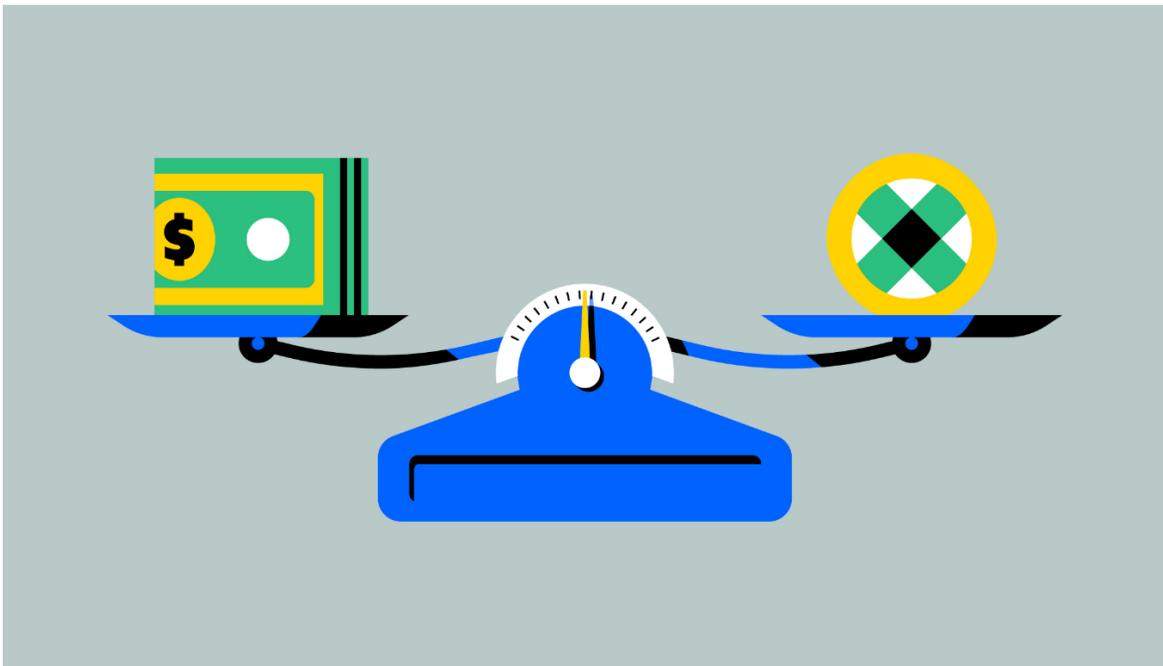
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What are Stablecoins?

Stablecoins are cryptocurrencies the value of which is pegged, or tied, to that of another currency, commodity or financial instrument. Stablecoins aim to provide an alternative to the high volatility of the most popular cryptocurrencies including Bitcoin (BTC), which has made such investments less suitable for wide use in transactions.

Summary

- Stablecoins are cryptocurrencies that attempt to peg their market value to some external reference.
- Stablecoins are more useful than more volatile cryptocurrencies as a medium of exchange.
- Stablecoins may be pegged to a currency like the U.S. dollar or to the price of a commodity such as gold.
- Stablecoins pursue price stability by maintaining reserve assets as collateral or through algorithmic formulas that are supposed to control supply.
- According to coinmarketcap.com there are currently 105 different stablecoins.



<https://www.investopedia.com/terms/s/stablecoin.asp>

<https://coinmarketcap.com/>

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Cryptocurrency & The U.S. Government

U.S. President Joe Biden signed an executive order on Wednesday, March 9th of 2022 calling on the government to examine the risks and benefits of cryptocurrencies. The measures focus on six key areas: consumer protection, financial stability, illicit activity, U.S. competitiveness, financial inclusion and responsible innovation. The Biden administration also wants to explore a digital version of the dollar.

The Biden administration is calling on the Treasury to assess and develop policy recommendations on crypto. It also wants regulators to “ensure sufficient oversight and safeguard against any systemic financial risks posed by digital assets.”

Consumer & Investor Protection: Protecting consumers is an important part of the directive. There have been countless stories of investors falling for crypto scams, or losing huge sums of money through cyberattacks on exchanges or users themselves.

Financial Stability: The Biden administration is calling on the Treasury to assess and develop policy recommendations on crypto. While policymakers have been keen to downplay any systemic risks resulting from crypto, there have been increasing concerns over the role played by stablecoins.

Illicit Activity: The president has called for an “unprecedented focus of coordinated action” from federal agencies in mitigating illicit finance and national security risks posed by cryptocurrencies. He is also urging international collaboration on the issue.

U.S. Competitiveness: Part of the language in the White House announcement focuses on giving the U.S. a competitive edge over other countries when it comes to crypto development. This is especially significant now that China has effectively banned cryptocurrencies.

Financial Inclusion & Responsible Innovation: Finally, the Biden administration also wants to explore a digital version of the dollar. It comes as China has led the charge toward central bank digital currencies, or CBDCs, with more and more people using smartphones to make payments and handle their finances.

<https://www.cnbc.com/2022/03/09/heres-whats-in-bidens-executive-order-on-crypto.html>

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Cryptocurrency's Future

The Future of Cryptocurrency

We can speculate on what value cryptocurrency may have for investors in the coming months and years (and many will), but the reality is it's still a new and speculative investment, without much history on which to base predictions. No matter what a given expert thinks or says, no one really knows. That's why it's important to only invest what you're prepared to lose, and stick to more conventional investments for long-term wealth building.

Bitcoin's Future Outlook

Bitcoin is a good indicator of the crypto market in general, because it's the largest cryptocurrency by market cap and the rest of the market tends to follow its trends. Bitcoin's price had a wild ride in 2021, and in November set another new all-time high price when it went over \$68,000. This latest record high follows previous high points over \$60,000 in April and October, as well as a summer drop to less than \$30,000 in July. As of June 27th, 2022 Bitcoin is priced at \$20,735.48. This volatility is a big part of why experts recommend keeping your crypto investments to less than 5% of your portfolio to begin with.



<https://time.com/nextadvisor/investing/cryptocurrency/future-of-cryptocurrency/>

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